

Impact of Good Governance on Sustainable Economic Development: Pakistan's Case

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Abstract: Sustainable economy of any state directly and positively affects the governance. Pakistan in last 70 years has seen many economic turf and crust. Economist as well as the responsible for the governance do show their concerns on uncertain and frequent fluctuation in Pakistan's economy. Its high time Pakistan should have sustainable economy for the economic and social development. Sustainable economic development is a key factor which uplifts the standard of living of a common man and that also helps the state to exercise good governance effectively. The current research argues that some social and economic reforms are immediately required to have good governance in the country. Through analysis of the data endeavor would be to find the causes of economic instability and challenges for the government to impart good governance. Qualitative analysis would be carried out by collecting data available on official websites of the government institutions, international monetary agencies, interviews of the selected relevant personnel and views of the common people who are sufferers due to weak governance system in Pakistan. The bottom line is that the sustainable economic development is the key to success in the field of good governance in case of Pakistan.

Keywords: Sustainable economic development, good governance, social development, economic reforms.

PREAMBLE

Political stability in a country comes through economic stability, similarly having economic instability and dreaming of political stability would remain a dream. Feeble economic condition alone promotes inefficient administration, corruption and incompetent office bearers. Those who don't get the basic needs fulfilled they may opt for street crimes, corruption, theft, militancy and terrorism. Good governance has a strong positive impact on success of a state. Pakistan is presenting picture of a troubled state on the globe, in this era of globalized trade and economic activities; good governance has become an important element to achieve prosperity through social and economic stability. No state can live in isolation and has to keep pace with the entire world for better economy and good governance. Terrorism proved to be an adverse factor on economic development and sustainability in Pakistan's case (Akhter, 2016) and it has done immense damage to the economy. What to talk of coming foreign investment, some of local investors have shifted their money abroad (Ambreen & Qayyum, 2018). Not only image of the country has been badly affected but economic activities too especially the foreign investment has gone away. As a result of this Pakistan has lost her repute in the world's community and many countries are reluctant to have

trade with Pakistan. Through this research an effort is made to highlight the problems and deficiency of essentials of good governance in Pakistan which are proving as a force to reducing the economic activities, thus suggesting few remedial measures to overcome these problems.

LITERATURE REVIEW

Exports have positive impact on any country's economy. Pakistan can strengthen her economy by increasing export and for this purpose she can follow some successful models like China and Singapore (Ambreen & Qayyum, 2018). While carrying out the analysis of Pakistan's economy Ahmed in his news paper column "Pakistan's Economy May Grow at Slowest Pace in South Asia" (Ahmed, 2010), and Ali in "Lack of Transparency and Freedom of Information in Pakistan: An Analysis of government's functioning and realistic policy options for reform" (Ali, 2011) describe the economic state of past five years. Pakistan needs good governance and sustainable economy that can be achieved by reducing the militancy (Akhter & Iraqi, 2018). In fact economic growth rate provides general direction and magnitude of growth for overall economy (Rehman, Jingdong, & Du, 2015). In order to compete globally Pakistan has to focus on her labor; skilled and hardworking labor can be helpful in creating difference

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in the world (Malik , Ghani , & Musleh udDin, 2017). Another way to improve economy is to increase trade with neighbors. While carrying out analysis of the comparison of Indian and Pakistani trade composition Abid Qamar in his research provides a clue about the potential of trade and identifies the potential items too (Qamar , 2005). Rehman , Jingdong and Du suggest that expenditure on security of important national assets and installations is charging heavily on economy but without secure environment foreign investment can not be attracted (Rehman , Jingdong , & Du, 2015). According to Economic Survey of Pakistan the country had faced a loss of USD 55 billion during the period of ten years from 2001 to 2011 (ten year) because of war on terrorism alone (Finance, 2011-12) out of that according to the Pak-US Business Council report 2009, this loss was USD 35 billion during 2007-08 (Goraya, 2009).

RESEARCH DESIGN

Present research is a qualitative research based on observational analytical and focus group discussion, through random and purposive sampling. The views of think tanks, economists, experts and practitioner in public administration and common citizen were taken into account. The study is designed to collect data from official sources, websites and available literature. Open-ended interview of those who are office bearer and advisors to policy makers are also conducted. The purpose of collecting and analyzing data is to get the close and true picture of deteriorating economic condition and governance in Pakistan with a view to suggest some corrective measures.

DATA COLLECTION AND ANALYSIS

Data is collected using all available print and electronic authenticated resources, view of the target folks and published official reports (available on official website). For the authentication and accuracy data analysis is done through content analysis. The impact of declining economy and bad governance on common citizen of Pakistan is analyzed through this research. A deep study and analysis of literature on the subject reveal that apart from many other factors the ongoing wave of terrorism has hampered the economy and also effected governance in Pakistan negatively.

Pakistan's struggle for economic sustainability

Apart from arising new technologies, gadgets, sophisticated equipment; terrorism is one of the most complex problems the whole world is facing in modern times. It is primarily a security threat having various dimensions making it a multifarious challenge. The factors particularly in Pakistan; which drive the terrorism are based on political, cultural, social and economic. This phenomenon at the same time leads to political, social, cultural and economic consequences with levels differing from one country to another but they exist in almost all forms and cases. Over and above

other aspects, in Pakistan terrorism has a grave adverse impression on economic development and it has become one of the major problems for economy. Pakistan is paying heavy price being on the war against terrorism in terms of loss of precious civilians and military lives, expenditure in military operations against militants and adverse law and order situations. A very conservative estimates of "*Economic Survey of Pakistan*" reveals that economy has suffered a loss of USD 55 billion during 2001-2011 (ten year) due to the war on terrorism (Finance, 2011-12). An overall sense of uncertainty and fear has prevailed in the country especially with the start of anti-terror operation in KPK and FATA physically and the whole country in terms of intelligence gathering. It has negative signs like capital flight and slowed down economic activities making foreign investors nervous, even local investors are shifting their business to some other secure countries like Singapore, Malaysia, and Bangladesh etc. Pakistan's participation in the international campaign has led to an excessive increase in the country's credit risk. According to the Pak-US Business Council report (2009), Pakistan's economy is the prime victim of Afghanistan's instability and Pakistan's economy has suffered directly or indirectly a huge loss of USD 35 billion during 2007-08 only (Goraya, 2009). A large quantity of food items/ commodities is smuggled to Afghanistan from Pakistan due to widespread unrest and political uncertainty in Afghanistan. However trade between Indian and Pakistan can benefit Pakistan by accessing a big market for its exports and can also save significantly by substituting its expensive imports from other countries (Qamar , 2005).

Economic Cost of Terrorism and Compromised Governance

Not wrong to say that terrorism has done immense damage to the economy which is struggling to recover from a deep crisis. Due to terrorist activities and some more factors like political instability, illiteracy; governance in the country has been badly affected. Pakistan has lost her repute in the world's community as many states are now hesitant to issue visas to Pakistani national students, professionals and businessman.

Following are few more compromises which Pakistan has been doing as a result of economic instability:

- **Currency Depreciation.** The depreciation of the currency has increased the cost of imports and further increased the prices of various consumers' goods. The forex rate was 61 (PKR/ USD) in 2001-02, 84.50 (PKR/ USD) in 2008-09, in 2014-15 it had reached to 105 (PKR/ USD) and in 2018 nearly 120 (PKR/ USD), which is also a negative multiplier effect on the country's economy. According to the Global Economic Prospects 2010 released by the World Bank, the growth rate of

Pakistan has been weakest in the region (Ahmed, 2010).

- **Price Hike and Inflation.** Government is unable to give relief to the common men and the meagre condition of the economy can be seen from the fact that the inflation rate has jumped manifolds. The main cause of rising inflation is the spending on security measures, increase in overall cost of production, eventually increases the prices of almost all the commodities.
- **Cut on Development Expenditure.** Government, in the present fragile security environment is bound to spend more on security outfits and law enforcing agencies even by reducing the development expenditures (Akhter & Iraqi, 2018). Educational institution along with other areas have been targeted due to bad governance. Setting aside poverty alleviation projects and developing infrastructure, government is paying more for counter terrorism and fighting militants.
- **Damaged Tourism.** Increased security concerns and lack of good governance have made foreign investors to be less willing to travel to Pakistan to make business deals having a negative effect on the economy. Along with this tourism of the country has been seriously affected as according to estimates only less than 1% of people want to visit Pakistan for vacation purpose which is because of the security threat and government policy (Akhter, 2016). This has reduced any chance of foreign income which can be earned through tourism sector.

Way Forward to Improve Governance through Sustainable Economy

Lack of Good Governance is an irreparable damage to the lives, property, cultural and moral values of Pakistan. To bring the nation back to the path of triumph and to bring good governance in the country is today's requirement. Influence of good governance to form a social state is not a hidden secret; this requires an evolutionary step for channelizing the internal dynamics and reforming the national character.

Following are few recommendations to improve governance through sustainable economy in Pakistan:

- **Capable and Honest Leadership**
Pakistan is looking forward for honest, trust worthy and proficient leadership. Selection and grooming of leadership must be done at grass root level (Akhter, 2016). Theoretical aspects of dynamic leadership from all over the world must be taught to the students starting from schools. Sub-division, district and division level political institutions are the nursery for the future national level leaders,

these nurseries must be utilized for selection and grooming of the future leaders.

- **Judicial Reforms**

Common men are still struggling to seek justice. Law ministry, and all superior courts i.e. Supreme Court of Pakistan and all high courts are suggested to take corrective measures for the subordinate courts for curbing culture of delaying tactic and ensure speedy justice to minor and major sorts of cases. Judges be instructed, motivated and helped to dispose-off cases with speed and justice. Localizing the minor cases settlement through "Panchait Committee" and "Jirga" system helps reducing burden on subordinate and higher courts. Strict action against unnecessary lodging of FIRs and bogus application will also reduce the investigation cost and efforts of police and judiciary. If someone found getting the opponent involved just for his pity gains etc. at the end all court's expenses be shifted to the culprit, the expenses may include the judges fee, court fee, lawyer's fee and investigation cost etc.

- **Effective Governance Mechanisms**

The core obligation of a state is to provide basic services such as health, education, water and sanitation, shelter and secure environment of living to its citizens in well-organized manner. State is also supposed to promote inclusive arcades through which all citizens get equal opportunities to participate in the economic activities (Rodrik, Subramanian, & Trebbiu, 2004). The restructuring should be designed in a way to lower the transaction costs and provide access without resistances by curtailing subjective exercise of discretionary powers, reducing taxation on its citizen, minimizing corruption, and ensuring safety and security of life and property.

- **Accountability**

In Pakistan there happened to be either too much or too little accountability of those involved in public affairs. On one hand there exist surplus of laws and institutions and on the other hand these institutions are not giving required service to the common man (Clipper, 2005). Institutions made to carryout accountability either busy in blackmailing the businessmen and tax invaders or in search of opportunity to please their political leadership. Broadening the tax-net and regular and periodic monitoring of the assets of civil servants, politicians etc. and their wards will have positive affect as far as accountability is concern.

- **Adequate Fund for Education**

Country's prospers is impossible without quality education (Akhter & Iraqi, 2018). Pakistan needs reforms in the basic structure of education with uniformity throughout the country compatible

with the current global scenario having strong check and balance from government side. Government should also devise some means to eradicate illiteracy on war footings as presently Pakistan is very low in the line of education. It is suggested that existing educational infrastructure, especially in the rural areas must be geared up by allocation of adequate funds. It is also suggested that adequate funds for all level of education i.e. primary, elementary and higher studies be allocated with sincere supervision, considering the merit at the top. International donors are willing to invest in terms of finance and expertise they must be attracted to invest in this field. Researchers be given due space in the society to contribute without any fear or political pressure. Creating conducive environment and financial aids for the researchers will help in stopping brain-drain.

- **Contribution for Socio-Economic Expansion**

Healthy economy is an important factor for good governance. Human development report reveals that governance agenda is essentially a political exercise and cannot be imposed as a technocratic application, it takes into account the existing power relationships in which the policy is rooted and nurtured. The balancing of diverse interests of the various stakeholders involves many politically hard picks which cannot be set and implemented by the technocrats (Development, 2010). In order to articulate the long term vision at national level, the consistency of reforms requires broad consultation at national level, consensus building within the community and communication with government and the citizen. Policy makers and general public should be able to see beyond the immediate prospect and be ready to face the future changes. For better economic policy concerns should be developed, criticism should be accepted with open heart, in addition for the implementation phase scope of the policy, its phases, timings, implementation approaches, modification measures for the effected from the reforms should be discussed and debated thoroughly (Ali, 2011). If the desired results are achieved as they were conceptualized, remedial actions should be taken on getting feedback.

- **Abiding By The Rules And Norms By Government Instruments**

Misuse of resources, non-adherence of rules and regulations and relegation of norms and custom are few anomalies which are in practice in Pakistan. Strong check and balance on government machineries are suggested and government servants be asked for adherence of frame work, social norms and official rules and regulations (Jamal, 2009). Standard Operating Procedure (SOP) for the governmental institutions machinery and officials is a must to follow. It is recommended that same be updated and modified with the changing global and technological scenario and made practical for implementation.

- **Human Rights and Human Resource Expansion**

International community, in a number of declarations and other global and regional conferences has registered, either directly or indirectly the interconnection between human rights, good governance and sustainable economy. In a globalized world, Pakistan has to create competency in labor oriented simple and complex outcomes so as to achieve advancing in technology and skilled labor (Malik , Ghani , & Musleh udDin, 2017). World leaders in United Nations Millennium Declaration, agreed to strengthen democracy, rule of law, human rights, fundamental right to development and sustainable economy (Millennium Declaration, 2000). The Declaration on the Right to Development which was adopted by the United Nations General Assembly resolution 41/128 affirmed that everyone on the face of earth is allowed to participate, contribute and enjoy political, social, cultural and economic development. United Nations strategy documents on the millennium development goals (MDGs) are the eight international development goals that were established following the Millennium Summit of the United Nations, permitted "The United Nations and the MDGs: a Core Strategy", "the MDGs have to be situated within the broader norms and standards of the Millennium Declaration," including those on "human rights, democracy and good governance." (MDGs, 2016).



Fig.1 Pakistan Foreign Exchange Reserves from January 2017 to April 2018

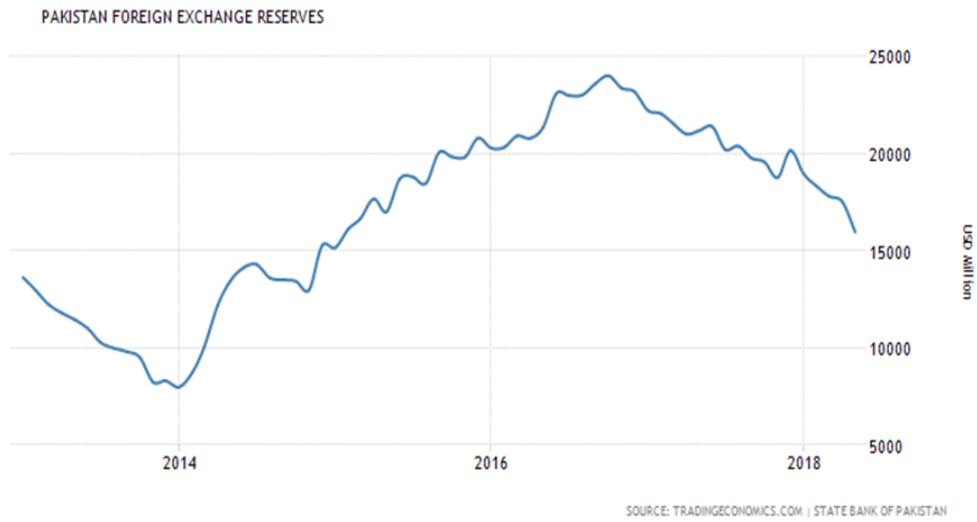


Fig.2 Pakistan Foreign Exchange Reserves from 2014 to 2018



Fig.3 Pakistan Foreign Exchange Reserves from 2010 to 2018

Source: <https://tradingeconomics.com/pakistan/foreign-exchange-reserves>

Author's Note: the research paper has been extracted from Ph.D. thesis of the author and not published anywhere else.

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