

A matter of accountability

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ONE important plank of the economic policy framework put forth by Pakistan's present economic managers is adherence to the principles of good governance. Their analysis of past failures hinges a great deal on the lack of transparency and accountability of previous governments that resulted in — according to them — the 'lost decade' of the 1990s for the country's economy. Similarly, much hope is pinned on good governance measures adopted by the military government (of which this government's economic team is an extension) to revive and develop Pakistan's economy in the future.

The sine qua non of good governance is transparency in both the formulation and execution of government policy. Transparency provides access to information, which in turn reduces asymmetry in information between citizens and the state; creates the underlying basis for accountability and a check on the arbitrary behaviour of the state. Transparency in the conduct of public affairs no doubt leads to controversy at times, but eventually it creates legitimacy for state action and expenditure. Indeed, this is what democracy is all about.

The extent to which good governance measures have been adopted in the recent past is debatable. Both the Standby Agreement and the Poverty Reduction and

division of resources among the army, the air force and the navy or allocations between salary and non-salary components.

In the outgoing fiscal year (2002-03), the defence budget consumed roughly one-fourth of the federal government's current expenditure and about one-third of total revenue receipts. If pensions for defence personnel and servicing of military debt is taken into account, the share of military expenditure jumps even further. The sheer quantum of the military budget thus renders the effort towards good governance in public finances meaningless as long as it remains hidden away as a one line item and is not debated in parliament.

It will be of interest to note that military pensions were separated from the main head of the defence budget in 2000-01. As such, a comparison of pensions of military personnel with the civilian bureaucracy is now possible. In 2001-02, the total pension bill of the federal government was Rs. 33.06 billion. Of this, civil government pensions were a mere

real terms. The Debt Management and Reduction Committee Report — itself a government publication — states: "While defence spending in constant prices more than doubled between 1980-81 and 1999-00, real development expenditure actually declined over that period."

With regard to military preparedness, it is reasonable to state that most Pakistanis value national security as much as the military establishment does. Rather the issue is that the spending of a substantial chunk of public resources should be subject to public scrutiny — much in the same way as the rest of public expenditure is. Subsidies and rents camouflaged in aggregate numbers can only be unravelled once this information is available. Thereafter, an informed debate can take place about the necessity of such special perks in relation to the imperatives of territorial security. Such a debate can also come to the conclusion that given the security needs at a given point in time, there is a good case to enhance military expenditure.

An important virtue of transparency of public expenditure is its legitimizing character. In the absence of such a disclosure, the legitimacy of military expenditure is compromised. For instance, land use of the military for agricultural and housing purposes, subsidization of essential items through the CSDs and expenditure on garrisons is the subject of intense speculation. Once these expenditures are made public and appropriate justification given for these, it will create greater legitimacy for such expenditure in the public perception, this can happen, provided of course the military establishment thinks it has nothing to

If details of India's military spending is available to the public at large, what conceivable reason can there be on the Pakistani side for not revealing such details? Common sense suggests that details of the budget do not disclose any strategic and tactical military secrets. Obviously, certain sensitive information need not be made public, but it can be open to scrutiny by a parliamentary committee. This is the norm in countries that practise democracy.

Growth Facility (PRGF) signed by the military government with the IMF were without any public debate. While it is claimed by the government that the Poverty Reduction Strategy Paper (PRSP) has been debated with civil society groups, many of such organizations claim that rather than debating the issue, the government merely presented the paper to them and was loathe in incorporating their suggestions.

Nevertheless, access to information has substantially improved in the past few years. The quantity and quality of information disseminated by the finance ministry and the State Bank of Pakistan has improved manifold. Between 1988 and 1997, the government signed several agreements with the IMF with important developmental and welfare implications, but all were secret documents. It goes to the credit of Ishaq Dar, finance minister in the Nawaz Sharif government, to have presented the agreement reached with the IMF in 1999 to parliament. Since then, the finance ministry has been readily forthcoming in putting out the details of such agreements for public information.

Similarly, information on development projects from the Planning Commission is much more readily accessible. The Securities and Exchange Commission of Pakistan (SECP) has also brought about some important reforms towards greater transparency in the corporate sector. This level of access to information was unimaginable a few years ago.

These moves towards transparency, however, have not touched the defence budget as yet. The defence budget is still presented as a one line item in the budget documents and is not debated in parliament. It is instructive to go through the two volumes of the Demands for Grants Document, published by the finance ministry. Whereas the expenditure incurred and the budget for the next year for each ministry and division is provided under different heads in this document, expenditure on 'defence services' is under one heading.

While it is theoretically possible to gauge, for instance, the amount spent on the kitchen at Aiwan-e-Sadr, there is no way to know the

Rs.5.37 billion whereas military pensions were a whopping Rs. 27.7 billion. Since employment in the federal government and the armed forces is roughly the same (around 650,000) the fact that pensions of the former are only one-fifth of the latter raises some important questions.

It appears that mid-career retirements in the armed forces are much higher than in the civil government. As such, pensions are given to a greater number of individuals and for a longer period than is the case with civil government. This points to issues of appropriate manpower and human resource planning in the military. However, this can only happen when such issues are debated and there is a willingness to solicit 'civilian' advice. This in turn requires that the military acknowledges that it does not hold a monopoly of wisdom on non-military matters.

Much of the debate in Pakistan is about the level of military expenditure rather than its transparency. With regard to the level of military expenditure, the usual justification provided by government mandarins is that the share of defence expenditure has been declining in real terms and that a certain threshold of defence preparedness has to be maintained given the threat from a hostile neighbour with a much larger military force and military capability. Presumably, the only argument regarding transparency is that such information can be used by the enemy and thus harm the country's security.

Issues of the level of military expenditure and its transparency are inter-linked. The need for transparency, as mentioned above, is all the more important because of the large chunk of resources going to defence. While it is true that the share of defence expenditure in GDP has reduced, the share of government expenditure has also declined from 26 per cent in the early 1990s to about 22 per cent now. On the basis of its declining share in GDP, it is claimed that defence has borne the brunt of the effort towards fiscal deficit reduction along with development expenditure. In fact, over the last decade only the real rate of growth in defence expenditure has decelerated whereas development expenditure has declined in

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Revealing basic heads of military expenditure and allocations in greater detail is not treated secretively in other democratic countries — not just in industrialized countries, but even in most Third World democracies also.

A detailed defence budget is presented to parliament in India and is approved after a debate. Details of expenditure of all the three armed forces are given under thirteen different heads, which include salaries, pensions, transportation, research and development, etc. Similarly, a separate development budget that provides details of arms procurement as well as construction, land acquisition, purchase of vehicles, etc is also presented to parliament.

If details of India's military spending is available to the public at large, what conceivable reason can there be on the Pakistani side for not revealing such details? Common sense suggests that details of the budget mentioned above do not disclose any strategic and tactical military secrets. Obviously, certain sensitive information - such as intelligence spending - need not be made public, but it can be open to scrutiny by a parliamentary committee whose members are under oath not to disclose their findings. This is the norm in countries that practise democracy.

Adherence to the principles of transparency and accountability is in the long-term interest of all societies and countries. It is an opportunity for the military establishment to come clean on the large chunk of public money that is allocated to them. For Pakistan's economic managers - in spite of the fact that they are all beholden to the military establishment for their jobs - it is important to establish their credibility as to good governance on the entire portfolio of public spending. For opposition legislators, this is one more avenue in their struggle to wrest control of policy-making from the non-elective institutions of the state. Such transparency is, however, most relevant for ordinary Pakistanis simply because it is their hard-earned incomes that finance military expenditure.