

# More laws, less enforcement

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AS the government makes more and more laws to check corruption, improve the conduct of the officials and reform governance as a whole, the basic question arises: can we catch a thief by loading the statute book with more laws?

We have by now too many laws against every crime, too many rules for each administrative action and complex procedures for doing simple things in the hope they would give the best results. And yet the overall outcome has been too poor.

It used to be said "set a thief to catch a thief." That might have been valid in the old world of simple thievery. But in the areas of administration instead of the monitoring officer checking his erring junior we may get two thieves as they find the sharing both easy and lucrative. That certainly has been our experience, and the strength of the administration has gone on, as a result, expanding. We find the total of state employees rise to four million — federal, provincial and local. The people in the employ of the state seem to exceed the number employed in a large scale industry.

The World Bank, which has been stepping up its aid to Pakistan and supporting the reform process, has been highlighting one weakness after another in the administrative field, beginning with corruption in excess, maladministration and misuse of public funds. Now it is focussing on excess of red tape which slows down the administration, hampers economic development and increases corruption.

It is often asked whether corruption is the result of red tape or the cause of it? The answer is both. Where there is corruption, disposal of files is delayed until the expected payment is made, and quickened if the payment is made in advance.

and balances in government to ensure that regulatory discretion is not used to abuse business and exact bribes."

As a result, as in Pakistan, there is less enforcement and more stringent laws and greater corruption to evade them. The report says "a vibrant private sector — with firms making investments, creating jobs and improving productivity — promotes growth and expands opportunities for poor people. "And heavier regulation is generally associated with greater inefficiency in public institutions, longer delays and higher cost. That results in higher unemployment, increased corruption, less productivity and investment but not better quality of private or public goods."

This kind of dissatisfaction with how the costly official machinery works has made

opportunities for women.

It is interesting to note that 40 Pakistani enterprises have been set up in the Hamriya Free Zone of Sharjah at a cost of one billion dollars. This is in addition to the investment Pakistanis had made earlier at Jebel Ali in Dubai, which could be even larger. Compare that to the fiasco with KEPZ. It has happened at a time when there has been little investment in Pakistan itself and the government has been appealing to our entrepreneurs to invest and provide employment to the vast mass of the unemployed.

If you ask these Pakistanis why do they invest in the Gulf, their answer will be that it is tax-free, including the import of machinery, unlike in Pakistan, and no questions are asked there and all help given once the permission to set up the enterprise is given.

Here, they may find themselves defaulters or face questions from the CBR as tax defaulters. What is the government going to do about it as we need investment desperately to increase employment and expand the economy.

We have been talking about special industrial zones and now three textile cities as well. But progress in such sectors has been too slow. We cannot afford such foot-dragging or excess of red tape which delays all decision-making and negates efficient implementation. "Productive businesses thrive where government focuses on the defini-

tion and protection of property rights," says the World Bank. "But where the government regulates every aspect of business activity heavily, business operates in the informal economy.

But businessmen in Pakistan are not a bunch of virtuous men. The endless infighting in the chambers of commerce and the malpractice in the stock exchanges of the country reflect their serious flaws or follies. They have to become a far better lot and be better at self-regulation.

They have to pay their taxes regularly

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many former western administrators and thinkers talk of re-inventing the government altogether in the US. David Osborne and Ted Gaebler have written a book, "Reinventing government", and Osborne ultimately realized that bureaucracy itself has to be done away with, and came out with a book entitled "Banishing bureaucracy." In Pakistan, a recent book titled "Governance, the South Asian perspectives" deals with the problems and is an instructive and comprehensive study.

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ment is made in advance.

The late finance minister Mohammad Shoaib used to say that bribe is more like a tip — to insure promptness — which is essential in business as time is money there. But that is not as simple as that. The amount involved matters. Once the practice of “tipping” begins in government offices it grows like a giant weed and can eventually become a monster. Equally important is the penalty a businessman pays if he does not pay the ‘tip.’

Industrialists in Karachi have been protesting that they have to deal with 40 government departments or more — federal, provincial and local. In case a payment was involved and if a person fails to pay up he may have a lot of hardships or difficulties to put up with, which are bad for business. A World Bank report based on studies in 130 countries says “poor countries regulate the most, and regulation in poor countries is more cumbersome for all aspects of business activity.” As examples it gives a group of African and Latin American countries which regulate the most, including Bolivia, Chad, Costa Rica, Mali, Mozambique, the Philippines and Venezuela.

Compared to them a group of wealthy countries beginning with Australia and Canada regulate their business the least. And they include some Asian countries like Singapore and Hong Kong and Jamaica. It says that Pakistan is getting good results out of its deregulation.

The report says “the countries which regulate the most — poor countries — have the least enforcement capacity and few checks

study.

We should have an in-depth discussion on the subject in Pakistan using such publications and other literature on the subject. We should not confine ourselves to the current discussion on the role of the politicians and the generals.

The World Bank report says that in Australia a business can be registered in two days; but in Haiti it takes 203 days. In Denmark it costs nothing to start a business, while in Cambodia it costs five times the nation’s per capita income.

Excessive regulation drives more and more of the business from the formal sector to the informal sector. In Bolivia, one of the most regulated economies, 82 per cent of the business is in the informal sector.

That also means that most of the revenues of the government vanishes or does not come into the government coffers ever. And while the government may be poor the senior officials are very rich and soon after retirement they become industrialists or politicians by buying a seat in the legislature.

The report says excessive regulation has a perverse effect on the very people it is meant to protect. The rich and connected may be able to avoid cumbersome rules or even be protected by them.” But it is the ordinary man, the man without connections or enough money to pay the right bribe, who suffers and ultimately the consumer who has to pay a heavy price for the products he buys and is often forced to prefer the cheaper smuggled goods.

The report observes that rigid employment laws are also associated with fewer job

better at self-regulation.

They have to pay their taxes regularly instead of trying to avoid or evade them. If foreign companies in the country can pay full taxes and yet make large profits and declare them publicly, there is little reason why the major Pakistani entrepreneurs can’t do the same. There is a great deal of talk of public-private partnerships following the same debate in the West. To achieve that, the officials have to improve their ways and so have the businessmen instead of both infecting each other far more, and making such enterprises fail or make little progress.

Even after more and more public sector is privatized the officials would continue to be the regulators and monitors. They have to do that job honestly and efficiently as custodians of public welfare.

If we want a better administration and real good governance we need to re-invent the government using such guide books as “Banishing bureaucracy.” Making the local government more resourceful alone will not solve our administrative problems. How can we make the bureaucracy feel the impact of public opinion and respond to public needs and the nation’s welfare?

Should we not only sack the corrupt civil and military officials, but also dispossess them of their ill-gotten wealth so that they do not begin an industrial or a political career after retirement? These are questions to which answers have to be found and applied so that the 140 million people of this poor country can have a better deal and not the chosen few who bind others in unending red tape, if not erect a stone wall to block them.