

Overview of corruption in Pakistan

Query:

Can you provide:

(1) A description of the present status of corruption in Pakistan with past and future trends. This would include details of any previous scandals; the present political interests and institutional structure; and present systems weakness; including assessment of whether the risk to funds is greater at the federal, provincial or local government levels

(2) A summary of the key reforms proposed and implemented by the Government of Pakistan that have effectively mitigated, and, more importantly, will mitigate future corruption both in the private and public sectors. Focus should be on the track-record of respective governments over the last 10 years and in particular any measures proposed by the present government since taking office in March 2008.

Purpose:

We would like specific evidence of the risk of corruption to inform our choice of aid instruments in Pakistan.

Content:

- Part 1: Overview of Corruption in Pakistan
- Part 2: Government's Efforts against Corruption in Pakistan
- Part 3: Further Reading

Summary:

Corruption remains a substantial obstacle for Pakistan where it is still perceived to be widespread and systemic. Petty corruption in the form of bribery is prevalent in law enforcement, procurement and the provision of public services. The judiciary is not seen as independent and considered to be shielding corrupt political practices from prosecution.

Various efforts over the past years have tried to develop institutional mechanisms to address these problems. A National Anti-Corruption Strategy, which was developed in 2002, offers a comprehensive plan for tackling corruption. The executing agency, the National Accountability Bureau (NAB), is endowed with comprehensive powers to investigate and prosecute cases. However, a lack of political will, coupled with the perceived co-optation of the judiciary and the arbitrariness of many anti-corruption proceedings, are major obstacles in the fight against corruption.

Anti-corruption proceedings have long been suspected of being skewed. They are mainly directed against members of the political opposition and minor civil servants while leaving the conduct of military officials outside scrutiny. Moreover, the National Reconciliation Ordinance of October 2007 has granted blanket immunity for past corrupt actions, shielding many public officials and members of the government from prosecution. The dismissal of members of the Supreme Court,

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including Chief Justice Chaudhry, has led to violent civil unrest and further shaken the public's trust in the judiciary to undertake anti-corruption prosecution.

Part 1: Overview of Corruption in Pakistan

Introduction: Recent political history

Political turbulence and insecurity have dominated Pakistan over the last 50 years, marked by frequent regime changes and unrest. Between 1990 and 1999, four different democratically-elected governments held power under the same two political leaders. Each administration was either dismissed or overturned, often as a result of corruption charges and allegations of power misuse.

Benazir Bhutto of the Pakistan People's Party (PPP) first came to power in August 1990 but later was dismissed. Her government was replaced by Nawaz Sharif and his Islamic Democratic Alliance (IJI) party in April 1993. After the resignation of both the president and the prime minister, and an interim government, elections were held, which resulted in a second term for Bhutto and the PPP. Her government was again dismissed in November 1996. Sharif returned as prime minister but this time representing the Pakistan Muslim League party (PML).

This era of democratic government ended in October 1999 following a military coup led by General Pervez Musharraf. After declaring himself the chief executive, the Supreme Court validated Musharraf's claim to the presidency in May 2000. In 2002 a parliamentary election returned civilian rule, yet the Musharraf presidency was extended for another five years.

During the military government, former Prime Minister Bhutto was indicted and convicted on corruption charges at home (in April 1999) and abroad (in Switzerland in July 2003). Former Prime Minister Sharif was also tried and sentenced for acts of terrorism in April 2000 although he was eventually pardoned and went into exile.

Against this backdrop, the political situation in Pakistan deteriorated. A devastating earthquake in 2005 in the Pakistan-administered Kashmir region greatly strained the government. In March 2007, further turbulence arose after the dismissal of Chief Justice Iftikhar Mohammed Chaudhry for alleged misuse of office. Violence in the northern province of Waziristan and in the province of Balochistan in the south served another blow to national unity. After a period of civil unrest, Musharraf was re-elected to the presidency in October 2007, declaring a state of emergency and suspending the constitution within a month of taking office.

Although parliamentary elections were to take place in 2007, they were first postponed because of worries of instability and later as a result of the assassination of Benazir Bhutto in December 2007. When the elections finally took place in February 2008, President Musharraf was defeated by the PPP and PML. The parties formed a coalition government in March 2008 with a new prime minister in power: Yusuf Raza Gilani. The supreme court justices that Musharraf had dismissed during the country's state of emergency in 2007 were then restored.

Currently, the fate of President Musharraf seems uncertain now that his party has been excluded from the ruling coalition. However, he has so far not given any indication that he is considering any type of voluntary resignation.

Corruption trends in Pakistan over the past 10 years

Most governance indicators show an unchanging situation in Pakistan, with corruption perceived as widespread, systemic and deeply entrenched at all levels of society and government. Based on research done for this query and consultations with TI Pakistan, corruption is viewed as being equally pervasive within federal, provincial and local governments.

Since first being included in 1995, Pakistan has consistently performed poorly on the **Corruption Perception Index (CPI)** of Transparency International, and is among the countries with the most perceived corruption each year. According to the 2007 CPI, Pakistan scored 2.4. (Please see: http://transparency.org/policy_research/surveys_indices/cpi/2007).

The **Worldwide Governance Indicators (WGI)** of the World Bank have also shown very little progress over time, with weak scores in most areas. Most troubling has been the rapid decline in indicators for political stability, which have deteriorated rapidly since 1998: 1.0 in 2007 compared to 5.8 in 2003 and 11.11 in 1998.

According to the World Bank's WGI, governance actually seemed to improve slightly under the first military government (1999-2002) following Musharraf's coup. In 2003, the country even performed slightly better in terms of controlling corruption, rule of law and government effectiveness. However, all the country's indicators have since collapsed (based on 2007 results) except for those related to regulatory quality and voice and accountability. (Please see: http://info.worldbank.org/governance/wgi2007/sc_chart.asp).

Further surveys conducted in recent years confirm the finding that corruption in the country has worsened:

The **World Economic Forum's Global Competitiveness Report (2007-08)** identifies corruption as the third greatest problem for companies doing business in Pakistan, after government bureaucracy and poor infrastructure. (Please see: <http://www.gcr.weforum.org>). Roughly 40 percent of companies in Pakistan feel that corruption is one of their major concerns. Interestingly, the country is seen as a relatively better place for running a business than its neighbours. While the **Doing Business Survey** of the World Bank, (www.doingbusiness.org) has shown the country slipping two places to 76 out of 178 countries based on the latest results (June 2008), only the Maldives has a higher score among countries in the Asia Pacific region.

Apart from the private sector, the general public views corruption to be a stumbling block for the country. TI's **Global Corruption Barometer 2007** shows Pakistan to be one of the countries most affected by petty bribery. More than 44 percent of respondents reported that they have paid a bribe to obtain a service. Half of all those surveyed (52 percent) perceive government efforts to reform corruption as ineffective and nearly two-thirds (59 percent) think that corruption is likely to increase within the next three years. (Please see: http://transparency.org/policy_research/surveys_indices/gcb/2007)

The national chapter of TI in Pakistan has also organised more in-depth surveys to look at the problem. Its **National Corruption Perception Survey (NCPS)**, conducted in 2002 and 2006, assessed perceptions of corruption under the previous governments of Bhutto, Sharif and Musharraf. The first phase of each government was rated as less corrupt than the second period that each leader was in power. The next NCPS is being conducted for 2008, with surveys to follow annually over the coming years. (For the 2002 survey, please see: <http://www.transparency.org.pk/documents/csr.pdf>. For the 2006 survey, please see:

<http://www.transparency.org.pk/documents/National%20Corruption%20Perception%20Survey%202006.pdf>).

Forms of corruption

Corruption manifests itself in various forms in Pakistan, including widespread financial and political corruption, nepotism, and misuse of power. Both petty and grand corruption are prevalent in the country.

Citizens commonly face demands for bribes in their dealings with government institutions to access basic public services. The frequency of **petty bribery** is alarming and has shown little improvement over time, as evident in the national corruption surveys conducted by TI-Pakistan in 2002 and 2006.

Survey results for 2002 indicated that a remarkable 100 percent of the respondents who had any type of contact with the police over the previous year were confronted with corruption. In terms of basic services, 44 percent of the respondents were only able to access electricity by paying a bribe, while the rest had to rely on other forms of influence to obtain a connection. When it came to the country's tax authorities, nearly every respondent (99 percent) had encountered corruption.

According to respondents of the 2006 survey, the three most corrupt government agencies were the police, (64 percent), power sector (11 percent) and judiciary (9 percent). The three main reasons for corruption, as viewed by the respondents, were the lack of accountability, low salaries and discretionary powers. Measures suggested for combating corruption included more adequate salaries and a speedier judicial process.

The **public procurement process** in Pakistan is an example of where corruption can take place. In principle, the law in Pakistan provides for open and competitive bidding in awarding government contracts. However, information on government expenditures and decisions is not always made public. As signalled by TI-Pakistan's survey work, public sector services — such as for power and utilities as well as infrastructure and public works — are the most affected by corruption. Public works kickbacks are estimated to constitute approximately 25 percent of the budget. (<http://www.business-anti-corruption.com/normal.asp?pageid=464>).

With Pakistan a major recipient of grants and loans from international donor agencies, corruption in procurement has affected poverty, aid and development projects. A **World Bank Country Assistance Evaluation** of projects and programmes in Pakistan has confirmed the problem. The World Bank and the Auditor General of Pakistan have repeatedly cited governance problems in recruitment, site selection, absenteeism and corruption for development projects. As a result, some of the World Bank's projects were (partly) suspended or cancelled, such as the Baluchistan Primary Education Project. In addition, the disbursement of other loans was withheld after irregularities were uncovered. (Please see: <http://www.oecd.org/dataoecd/63/31/36494011.pdf>).

In response, the World Bank and the Asia Development Bank are assisting Pakistan in establishing e-governance in order to promote transparency and reduce corruption in procurement processes and other areas of governance. The Board of Investment (BOI), for example, is now publishing tender invitations on their website. (Please see, for example: <http://info.worldbank.org/etools/BSPAN/PresentationView.asp?PID=1978&EID=911> and <http://www.pakboi.gov.pk/>

Corruption prone institutions

The wide consensus across surveys points to **the police** as being one of the most corrupt institutions in Pakistan. According to the organisation Global Integrity (<http://www.globalintegrity.org/reports/2006/PAKISTAN/index.cfm>), appointments in the police force are often based on political considerations. Police officers frequently have conflicts of interest due to personal loyalties and family connections. It is also well known that in Pakistan, influential landlords decide the appointment of law enforcement officers in their area, with police officers acting on their behalf. Unlawful police methods do not solely affect poor people. Businesses also complain that they suffer from extortion by the police, for instance in the form of bogus traffic fines.

The other sector in Pakistan which is seen as notoriously inefficient and corrupt is the **judiciary**. According to TI Pakistan's 2006 survey, 96 percent of the people who came in contact with the judiciary encountered corruption and 44 percent of them reported having to pay a bribe to a court official. The judiciary is also viewed as lacking independence from the executive and contributing to a general culture of impunity. Again, according to Global Integrity, the procedure for selecting judges at the national level is not transparent and selection procedures are often made in exchange for political favours. Despite these problems, judges are exempt from oversight and investigations by Pakistan's national anti-corruption agency, the National Accountability Bureau. The business community generally lacks confidence in the capacity of the judiciary to enforce rules and laws, and the settlement of disputes often involves paying bribes. (<http://www.business-anti-corruption.com/normal.asp?pageid=464>). For example, the judiciary takes an average of 880 days to settle a business dispute at a cost of 24 percent of the claim (www.doingbusiness.org).

The country's **tax and public finance administration** has also been affected by corruption. The World Bank's 2004 Public Expenditure Management report on the country showed widespread collusion between taxpayers and tax officials, a situation that has led to tax evasion and lack of tax compliance (See: <http://www.oecd.org/dataoecd/63/31/36494011.pdf>). In addition, a financial accountability assessment undertaken by the World Bank in 2003 showed that, although good progress had been achieved in public sector accountability, major gaps and weaknesses remain in the accountability chain. These have arisen mainly from low institutional and staff capacity and uneven implementation of reform measures. The report emphasised the urgent need to strengthen financial reporting, to institute adequate controls at all levels of government — especially at the provincial level¹ — and to maintain effective tracking of social spending. (Please see: <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/Pakistan-Development-Forum-2004/PakCFAA2004.pdf>). A more recent report on public sector accounting in Pakistan further shows its public sector accounting and auditing does not comply with international standards. More attention needs to be paid to summary tables of outstanding public sector accounting and to good reporting and disclosure processes following audits. (Please see: http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/Publications/448813-1195243379044/sar_report-pakistan-summary.pdf)

The high prevalence of corruption in the sectors covered in the national survey suggest that the problem likely cuts across federal, provincial and local administrations since service delivery is divided between different political levels. Moreover, the country is administratively structured in such a way that there are 100 times more junior-level civil servants than senior officers, creating a ready group to engage in the petty abuses currently plaguing Pakistan.

¹ Please note that the Helpdesk has not unearthed sufficient data and information within the time frame of this query to provide a comparative assessment of corruption risks at the federal, provincial or local government levels.

However, recent findings suggest that the devolution of government to the local level may provide benefits by increasing the good governance and accountability needed to help fight corruption. (Please see the World Bank study at:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/EXTSAREGTOPPRI/SECDEV/0,,contentMDK:20584876~menuPK:496677~pagePK:34004173~piPK:34003707~theSitePK:496671,00.html>. Please see the GTZ report at: <http://www.gtz.de/en/weltweit/europa-kaucasus-zentralasien/3892.htm>).

Major corruption cases

Generally, there is little happening in Pakistan in terms of corruption cases. There is agreement that corruption is a rampant problem, but actual cases in the press involve petty bribery and low-ranking officials. There are hardly any high-profile cases being prosecuted – at least based on what is being covered by the major papers' headlines. Often the high-profile cases seem to be interrupted and terminated without judgment. (See: <http://www.dawn.com/2008/06/19/nat28.htm> and <http://asia-pacific-action.org/node/69>).

However, a number of government employees, politicians and senior military officials have been prosecuted and sentenced to prison in recent years. Recent examples and case studies of corruption scandals, arrests and ongoing investigations can be found in NAB annual reports and press releases, including investigations and arrests of staff and senior management of the banking system or even NGOs. Other prosecutions have focused on low-level police and tax officers. (see: <http://www.dawn.com/2008/07/28/nat13.htm> and http://www.app.com.pk/en/_index.php?option=com_content&task=view&id=47062&Itemid=2).

The prosecution of cases would not be possible without better institutions, however, and the **World Bank Country Assistance Evaluation** (2006) mentions that one of the most visible actions of the Government has been the strengthening of the **National Accountability Bureau** (NAB), which has been mandated to investigate and prosecute cases of corruption in Pakistan.

(Please see: <http://www.nab.gov.pk/index.asp>)

In some cases, allegations of corruption-related offences are suspected to be motivated by political reasons. For example, former Prime Minister Sharif and members of his family are currently under investigation for corruption although the case seems not be moving forward. Also President Musharraf has filed a reference against Chief Justice Iftikhar Muhammad Chaudhry, head of the Supreme Court, on charges of misuse of authority and misconduct after failing to obtain his voluntary resignation. The subsequent suspension of the Chief Justice triggered a major constitutional crisis over the independence of the judiciary, which saw lawyers and barristers demonstrating alongside opposition politicians, journalists and other middle class professionals.

(Please see: http://transparency.org/publications/gcr/download_gcr/download_gcr_2007).

Part 2: Government's Efforts against Corruption in Pakistan

Pakistan has long made official commitments to fighting corruption, going back to the early days of independence. Government anti-corruption initiatives intensified after 2002, starting with the design and implementation of the National Anti-corruption Strategy (NACS) by the National Accountability Bureau (NAB). However, the results have been limited. According to the analysis presented in the NACS, this has been because of two major reasons: i.) political will that has not been sustained over the years and ii.) policy recommendations that have not been supported by a concrete plan of action.

According to TI Pakistan, current anti-corruption efforts are not promising and there has been significant backsliding as of late. The main problem has been the decision by President General Musharraf in 2007 to grant immunity to corrupt elements and bar legal action against ministers and parliamentarians (unless prior clearance has been given). These actions have been sanctioned under the National Reconciliation Ordinance (NRO), which amended in October 2007 the National Accountability Ordinance of 1999 that had guided the country's corruption-related work. Many immune or pardoned beneficiaries of the NRO were appointed to important ministries and included ministers or public officials. (Please see the ordinance at:

<http://www.pakistani.org/pakistan/legislation/2007/NationalReconciliationOrdinance.html>; relevant sections include section 2. Amendment of section 494, Act V of 1989).

Another negative setback is tied to the stand-off between the judiciary and the executive branch of government. After the dismissal and house arrest of Chief Justice Chaudhry, newly selected judges were sworn into office under a Provisional Constitutional Order. While more than 60 judges, including Chief Justice Chaudhry, have refused to take the new Oath of Office, the new PCO judges are supposedly involved with protecting the interests of the beneficiaries of the NRO. (For the PCO, please see: http://www.pakistani.org/pakistan/constitution/post_03nov07/pco_1_2007.html).

Both these developments together are perceived by local observers to have hurt the independence of the judiciary and have led to an increase in political corruption. Since the Modified National Accountability Ordinance is still the main prevailing anti-corruption law, the rule of law and independence of the judiciary is severely limited. In the absence of rule of law and a credible independent judiciary, there is concern that Pakistan will become a more corrupt country in the future.

It is still unclear what the new leadership will add to these efforts. Within the timeframe of this query, the Helpdesk has not unearthed any specific documents or speeches indicating meaningful political anti-corruption statements made since March 2008. Neither the government of Pakistan nor the NAB website spells out any recent anti-corruption commitments. Administrative proceedings and judicial anti-corruption efforts by the appointed bodies are ongoing, mainly through court cases and policy development in the provinces.

(Please see: http://www.gulf-times.com/site/topics/article.asp?cu_no=2&item_no=232074&version=1&template_id=41&parent_id=23)

From the stand-point of TI Pakistan, the past four months of government rule have not been very promising for advancing the anti-corruption agenda. The economic situation has deteriorated, inflation has risen and law and order has deteriorated. Generally, corruption is observed to be on the rise.

The main political parties had declared in their manifestos before the election that they would disband the National Accountability Bureau when in office. In the previous government, most senior positions were occupied by personnel from the military. When the new government took office all the serving military personnel were returned back to their original assignments, leaving a vacuum in the civil service which has still to be filled.

The legal anti-corruption framework

The legal framework for addressing corruption includes the **Pakistan Penal Code** of 1960 (PPC), the **Prevention of Corruption Act** of 1947 (PCA) and the **National Accountability**

Ordinance of 1999 (NAO). The PCA criminalises both active and passive bribery, while the NAO outlines the authority of the NAB. The ordinance was re-promulgated in September 2002 with some modifications and it will remain in force after the election of a new parliament. The NAO has been criticised for excluding important categories of officials, including the judiciary and active personnel of the armed forces.

However, the current anti-corruption framework of the country is perceived to be in a state of disorder following the issue of the National Reconciliation Ordinance (NRO) by President General Musharraf in October 2007, which circumscribes the NAO.

In terms of international norms, Pakistan has endorsed the **ADB-OECD Anti-Corruption Action Plan** in 2001, ratified the UN **Convention against Corruption (UNCAC)** in 2007 and signed, but not yet ratified the **UN Convention against Transnational Organised Crime**.

The institutional anti-corruption framework

The National Anti-Corruption Bureau (NAB)

Pakistan's main anti-corruption body is the NAB, which has preventive, enforcement and public awareness functions. Its mandate is to investigate and prosecute corruption cases and it publishes annual reports on its progress. However, it is important to note that the judiciary and active military personnel are not subject to the NAB's oversight.

(Please see: <http://www.nab.gov.pk/index.asp>)

Although it is formally independent, the NAB has always been strongly influenced by the military. Traditionally its chairman has been appointed by the President from among senior military officials. The current chairman of the NAB, Mr Nawid Ahsan is not a ranking member of the military. The NAB is widely perceived to target politicians and civil servants from preceding civilian governments, discrediting political opponents and junior government officials. Judges and military officers as well as political allies of the government have been virtually immune from any investigations or being held accountable for their actions.

(Please see:

<http://www.freedomhouse.org/template.cfm?page=140&edition=7&ccrcountry=138§ion=73&ccrpage=31> and <http://www.cmi.no/publications/file/?2914=anti-corruption-policy-making-in-practice>).

For example, a series of politically-motivated prosecutions by the NAB have been well-documented. Freedom House reported that Pakistan's Supreme Court refused in February 2005 a request by the government to withdraw a corruption case against an incumbent minister. The NAB had filed the case concerning a bank default of 690m rupees (US \$11 million) against Minister Faisal Saleh Hayat while he was a member of the opposition PPP. The NAB's request to end the prosecution against Hayat followed his defection from the opposition to the government. The Supreme Court bench hearing the case accused the NAB of "trying to use the Supreme Court for its own purposes." The case reflected the frustration of the judiciary with selective and apparently politically motivated prosecutions by the NAB and was a rare attempt by the court to openly assert judicial independence.

(Please see:

<http://www.freedomhouse.org/template.cfm?page=140&edition=7&ccrcountry=138§ion=73&ccrpage=31>).

In spite of these problems, the NAB itself has claimed many victories in the fight against corruption. The conviction rate of the NAB remains at 68 percent of all processed cases. The NAB further asserts that 200 billion rupees of financial resources are being wasted through corrupt practices at higher government levels, while 67 billion rupees have fallen

prey to lower level corruption every year. The NAB is said to be continuing the process of reforms within the organisation to make it more efficient and independent.

(Please see: http://www.dailytimes.com.pk/default.asp?page=2008\08\01\story_1-8-2008_pg7_45).

The Auditor General

Rumours of collusion between auditors and civil servants have long tarnished the reputation of the Office of the Auditor General (AG). After 2002, the offices of AG and Accountant General were separated to address corruption in both departments and to strengthen and concentrate financial audit functions. Since then, the AG has published its annual report on its website. (Please see: <http://www.agp.gov.pk/>).

The Public Account Committee of the National Assembly supports the auditing of the use of government funds. However, a Global Integrity report (2006) has argued that the appointment of the head of the agency is done by the government and has not been exempt from political interference.

(Please see: <http://www.globalintegrity.org/reports/2006/pdfs/pakistan.pdf>).

The Ombudsman

The concept of *Wafaqi Mohtasib* is an ancient Islamic concept that was established in many Islamic states to make sure that no wrong or injustice was done to citizens. In Pakistan, the office of *Wafaqi Mohtasib* was established in 1983 by a presidential order. It is empowered to investigate and award compensation to those who have suffered loss or damage as a result of poor administration by a federal agency or official. The ombudsman is appointed by the president for a period of four years. The *Mohtasib* has the authority to investigate the affairs of all the offices of the federal government, except the Supreme Court, the Supreme Judicial Council, the Federal Shariat Court and the High Courts. A Global Integrity report (2006) asserts that the ombudsman has not been very effective and has been sometimes subject to external pressure from the executive with regard to initiating investigations. There is no known case of high level officials being investigated by the ombudsman in recent years.

The Public Procurement Regulatory Authority (PPRA)

The PPRA is responsible for regulating public procurement and has taken steps towards reforming the process by implementing the Public Procurement Rules of 2004 in all public procurement agencies. (Please see: <http://www.ppra.org.pk/doc/rules.pdf>).

The PPRA is comprised of a secretary, finance division (chair), and the secretaries of the ministries of industries and production, defence, water and power, housing and works and communications. Three members from the private sector who are nominated by the federal government also sit on the PPRA. The agency can exercise powers “as may be necessary” for improving the governance, transparency and accountability of the public procurement of goods, services and works for the public sector.

Procurement procedures have been standardised in an attempt to promote transparency and reduce corruption. All tenders are published on the PPRA website. (Please see: <http://www.ppra.org.pk/>). TI Pakistan has supported these efforts by promoting the adoption of TI's Integrity Pact as an integral part of all major public contracts exceeding PKR 10 million. (Please see: <http://www.transparency.org.pk/prog/currentactivities.htm#1>)

In addition, there is an independent complaint mechanism for procurement processes. Complaint mechanisms are set up at the administrative and judicial levels. However, the

judicial review must be preceded by an administrative review. An administrative review only covers decisions made during the tendering process and cannot be used to challenge, for instance, the choice of the procurement method or decisions made in adjudication procedures other than tendering. (Please see: <http://www.adb.org/Documents/Books/Public-Procurement-Asia-Pacific/pak.pdf>, p. 88)

The National Anti-Corruption Strategy in Practice

The NACS does not refer to specific programmes but is structured around the pillars of the National Integrity System (NIS), as developed by Transparency International. According to a U4 report, the NACS is especially useful for its analysis and diagnosis of the Pakistani corruption situation and the detailed programme of reforms it recommends.

However, the process has been initiated by a military institution in a military-led country. As a result, the NACS primarily targets politicians, civil servants and business people, while ignoring military and security personnel. Although the military regime itself has been perceived as relatively clean, the NACS process has been compromised by the perception that NACS could be motivated by political motivations, such as to ensure President Musharraf's election in 2002.

(To access the NACS, please see: <http://www.nab.gov.pk/Downloads/Doc/NACS.pdf>)

The U4 case study highlights various obstacles that have hampered the effective implementation of the NACS to date:

- Lack of political leadership;
- Structural constraints as a result of NAB's contested authority;
- Weak positioning of the NACS within the NAB itself;
- Lack of demand for reform from external actors;
- Poor communication with the public; and
- Expectations are not matched with supply of reforms.

The report further highlights a series of lessons that can be learned from the Pakistani example:

- Anti-corruption policies can easily collapse in the absence of a legitimate political process leading to their elaboration;
- Broad consultations are not enough to create demand for reform;
- Supply of reforms requires commitment and capacity among implementing agencies as well as the possibility of ongoing advice and support;
- Comprehensive policies at the national level may have limited impact on key services in decentralised government contexts; and
- Without consistent communication and monitoring, momentum for implementation can fade.

(Please see: <http://www.cmi.no/publications/file/?2914=anti-corruption-policy-making-in-practice>)

Part 3: Further Reading and Resources on Pakistan

INDICES

Bertelsmann Transformation Index 2008

The BTI is a global ranking of transition processes, in which the state of democracy and market economic systems as well as the quality of political management are analyzed in 125 transitional and developing countries. Pakistan is included in the analysis and the rankings. The country reports can be found at: <http://www.bertelsmann-transformation-index.de/28.0.html?&L=1>

For ranking please see: <http://www.bertelsmann-transformation-index.de/27.0.html?&L=1>.

The Global Integrity Index (2007)

The power struggle that gripped Pakistan in late 2007 was foreshadowed in this assessment, which covers the period from July 2006 to June 2007. Executive and legislative accountability scored poorly, while judicial accountability and the rule of law (a measure for the effectiveness of the judicial branch) earned moderate scores. The judiciary (lawyers, generally) later became a key player in protesting the suspension of Pakistan's constitution. Pakistan performs below the median in election inclusiveness and oversight, while regulation of political financing is also rated as very weak.

Please see: <http://report.globalintegrity.org/Pakistan/2007>.

TI Corruption Perceptions Index 2007

The **CPI** is an "index of indices" composed from nine different sources that provide a ranking of countries by their perceived levels of corruption based on expert assessments and opinion surveys. Since 1995, Pakistan has consistently been among the lowest ranks, scoring below 3 in every CPI. For the latest CPI survey data please see: http://transparency.org/policy_research/surveys_indices/cpi/2007.

World Bank Governance Indicators 2007

The **Worldwide Governance Indicators (WGI)**, produced by the World Bank Research Institute, consist of six aggregate indicators of governance, including: voice and accountability, political stability, regulatory quality, rule of law, control of corruption. It covers 200 countries and combines cross country data from 30 organisations, including the sources used for the CPI. For the current 2007 index please see: http://info.worldbank.org/governance/wgi2007/sc_chart.asp.

REPORTS

Government of Pakistan

- **Auditor General's Report.** The report of the Auditor General is published to provide an independent and objective assessment of the process of governance and financial management at all tiers of government. It aims to audit all expenditure from the Consolidated Fund of the Federation and of each Province and to ascertain whether the money shown in the accounts as having been disbursed was legally available for the service to which they have been charged, and whether the expenditure conforms to the authority which governs it. <http://www.agp.gov.pk/>.
- **NAB's report 2007.** The National Accountability Bureau (NAB), Pakistan's national anti-corruption agency, publishes an annual report on the progress of anti-corruption work in the country. It compiles processed complaints and successful investigations, and disaggregates the data according to the national provinces. <http://www.nab.gov.pk/index.asp>

Freedom House

- Freedom House publishes a flagship comparative assessment report, **Freedom in the World**, which looks at global political rights and civil liberties in a wide range of countries worldwide. Published annually since 1972, the survey ratings and narrative reports on 193 countries and 15 related and disputed territories are used to monitor trends in democracy and track improvements and setbacks in freedom worldwide. Please see the 2007 country report on Pakistan at: <http://www.freedomhouse.org/template.cfm?page=22&year=2007&country=7247>.
- **Countries at the Crossroads** is an annual survey of government performance in 60 strategically important countries worldwide that are at a critical crossroads in determining their political future. The in-depth comparative analyses and quantitative ratings examine government accountability, civil liberties, rule of law, anti-corruption efforts and transparency. The study is intended to help international

policy makers identify areas of progress, as well as highlight areas of concern that could be addressed in diplomatic efforts and reform assistance. A new edition is published each year, with one set of 30 countries analysed in odd years and the other 30 in even years. The 2006 **Countries at Crossroads** publication includes a report on Pakistan. Please see the country report at: <http://www.freedomhouse.org/template.cfm?page=140&edition=7&ccrpage=31&ccrcountry=138>.

Transparency International

- **Global Corruption Report: Pakistan country report (2008)** The Global Corruption Report 2008 analyses corruption in the water sector, demonstrating in its thematic section that corruption is a cause and catalyst for the water crisis. The country report section provides an overview of corruption-related problems in thirty-five countries, including Pakistan. http://www.transparency.org/publications/gcr/download_gcr.
- **National Integrity Survey (2003)** http://www.transparency.org/policy_research/nis/regional/asia_pacific.

TI Pakistan

- **National Corruption Perception Survey (2006 and 2002)** The general objective of this national survey was to measure the nature and extent of corruption being faced by consumers of seven public sector departments: education, health, power, land administration, taxation, police and judiciary. Another objective was to gather information about the particular stage where obstacles are usually faced and the means used by customers to overcome the bottle necks in the seven sectors. A comparative study has also been done between NCPS 2006 and the NCPS Survey conducted in 2002.
- The survey for 2002: <http://www.transparency.org.pk/documents/csr.pdf>.
- The survey for 2006: <http://www.transparency.org.pk/documents/National%20Corruption%20Perception%20Survey%202006.pdf>.

World Bank

- **Country Financial Accountability for Pakistan (2003)**. The objective of the CFAA is to enhance knowledge of public financial management (PFM) and accountability arrangements in the World Bank's client countries. It supports the exercise of fiduciary responsibilities through assessing the strengths and weaknesses of accountability arrangements in the public sector and identifying risks that these arrangements may pose to the use of public and Bank funds. This Financial Accountability Assessment undertaken by the World Bank in 2003 indicates that although good progress has been achieved in public sector accountability, major gaps and weaknesses remain in the accountability chain, arising mainly from low institutional and staff capacity and uneven implementation of the reform measures. Please see: <http://siteresources.worldbank.org/PAKISTANEXTN/Resources/Pakistan-Development-Forum-2004/PakCFAA2004.pdf>.
- **Pakistan Country Assistance Evaluation (2006)**. This **Country Assistance Evaluation** provides an independent assessment of World Bank assistance to Pakistan during the period 1994-2003. It analyzes the objectives and content of the Bank's assistance program during this period, the outcomes in terms of economic and social development in Pakistan, and the contributions of the Bank and other development partners to development outcomes. The report is based on a review of project files, economic and sector reports, implementation completion reports (ICRs), Project Performance Assessment Reports (PPARs) and other IEG evaluations, Quality Assurance Group (QAG) ratings of quality at entry for Pakistani projects and economic and sector reports, as well as interviews with

Bank staff. Please see: http://www-wds.worldbank.org/external/default/WDSContentServer/WDS/IB/2006/03/08/000090341_20060308090400/Rendered/PDF/34942.pdf.

- **Pakistan Public Sector Accounting and Auditing (2007)** This Report supports improving the effectiveness of public financial management and government spending in Pakistan. The recommendations of the report include, among other things, the adoption of International Public Sector Accounting Standards, the implementation of the new Financial Audit Manual and clarification of the role of the Auditor General of Pakistan. Please see: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/0,,contentMDK:21555720~pagePK:146736~piPK:146830~theSitePK:223547,00.html>. Further PFM reports:
 - For the province of **Balochistan**: Public Financial Management and Accountability Assessment, May 2007.
 - For the **North West Frontier Province**: Public Financial Management and Accountability Assessment, May 2007.
 - For the province of **Punjab**: Public Financial Management and Accountability Assessment, May 2007.