

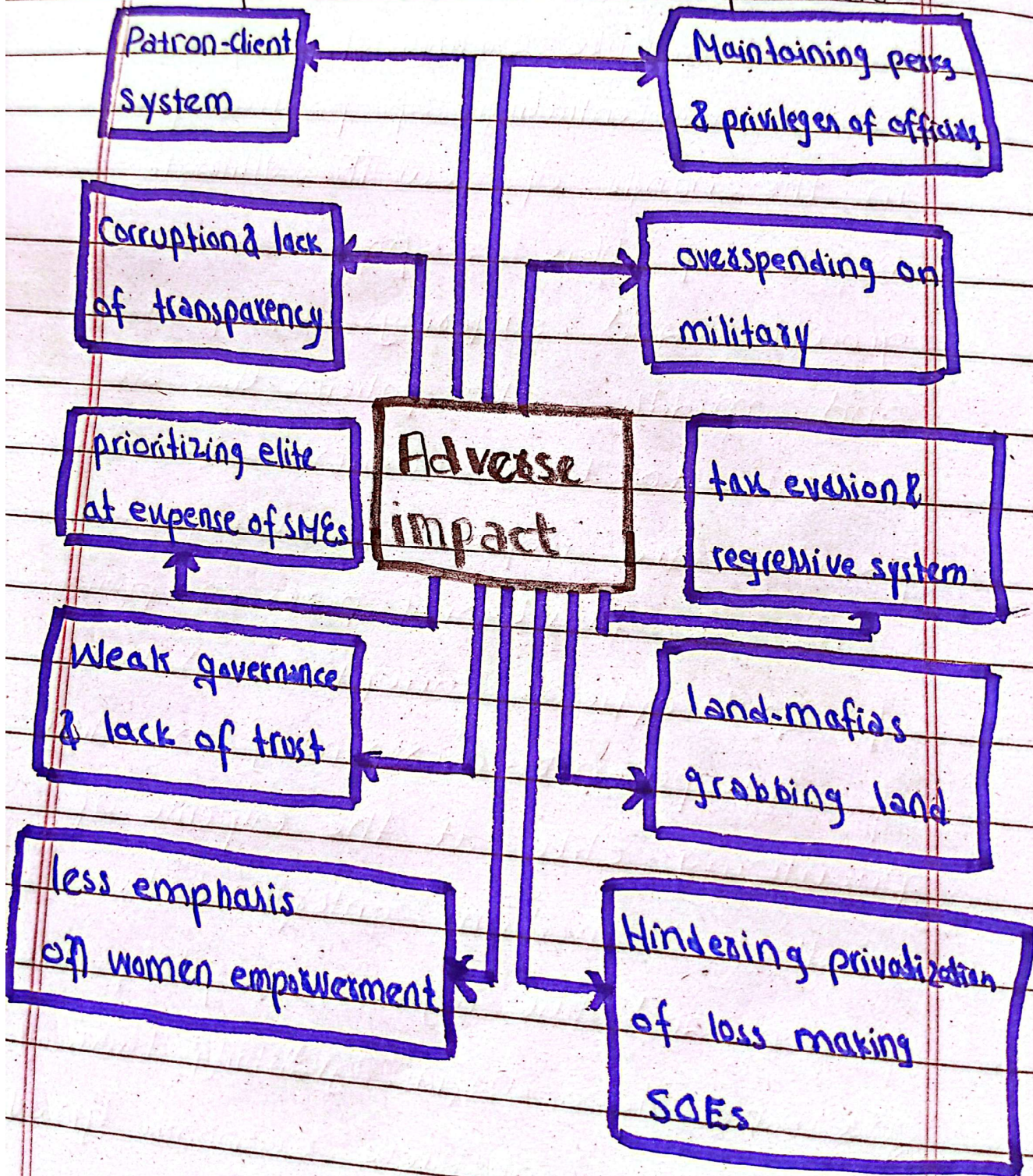
Elite capture of policy-making framework has adversely impacted economic development. Discuss

Introduction:

Elite capture of policy-making means concentration of political power in the hands of few. The ultimate result of this is poor economic growth and sufferings of poor and middle-class policies that are suitable to their businesses and their families are imposed promoting **patron-client system**. Maintaining perks and privileges of govt. officials, corruption and lack of transparency, overspending on military, prioritizing elite at the expense of small and medium enterprises, tax evasion and tax regressive system, weak governance, land-mafias grabbing land, all these factors obstacle economic growth.

Adverse impact on economic development due to elite-capture of policy-making:

The adverse impact on economic development due to elite capture are:



i) Patron-Client System-hindrance towards economic growth:

The policy-makers imposed the policies that are suitable or favourable to their families and to their loyalist, reinforcing crony capitalism. This impedes economic growth as ease of doing business is suppressed by these policies.

"Ishrat Hussain in her book 'Governing the ungovernable' suggest that patron-client system is the main obstacle in way of economic development."

ii) Maintaining perks and privileges of govt. officials-impeding devolution of funds to deserving Class:

Instead of allocating funds towards the deserving class of society and facilitating ease of doing business, a large

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amount of budget is spend in maintaining perks and privileges of govt. officials. This results into poor economic growth.

According to the UNDP report, elite privileges consumes 17.4 billion of Pakistan economy, living minor share for developmental projects.

iii) Corruption and lack of transparency providing opportunities to corrupt officials to grab wealth:

Due to the political backing of corrupt officials, corruption and lack of transparency is widespread in Pakistan, hindering development.

Corruption Perception Index ranked

Pakistan 140 out of 180

countries.

The 95% of developmental projects goes to the pockets of these corrupt

Officials and staff goes to these projects as stated by Ishrat Hussain.

iv) Overspending on military and leaving minos for other services:

Military consume significant portion of budget due to threat perception from hostile India. The defense expenditure is increased in the recent budget allocation, leaving small portions for other services.

The PIDE reports reveals that besides spending significant budget on military, the govt also supports the military in form of access to land, capital, tax exemptions and infrastructure support for its varied corporate interests.

v) Prioritizing elite at the expense of small and medium enterprises:

Instead of promoting small and medium enterprises (SMEs), the elite interest is always prioritized by the policy-makers. This impedes the progress and growth of SMEs, slowing development progress.

According to SMEDA, 36 Common Facility Centers have been established nationwide through PSDP funding, but financial constraints have halted many SMEs.

vii) Tax evasion and tax regressive system halting economic development

Pakistan relies on indirect tax system, ignoring direct taxation that can play a major role in economic progress. Moreover, the elite-capture of policy making aided the elite class

to avoid tax through under-invoicing and tax exemption as asserted by Ishrat Hussain.

According to the economic survey of Pakistan, Tax-to-GDP ratio fell to 9.6% in 2019-20 against 10.1% in 2018-19.

vii) Weak governing institutions and loss of public trust:

The governing institution of Pakistan are very weak because they can't decide anything at their own, due to political pressure. The fear of losing job and privileges make them loyal towards political parties rather than public welfare.

The weak governing institutions are unable to provide services effectively, hindering economic development. ISSI

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Viii) Land-mafias grabbing land illegally-hurting productivity:

Through the political backing, the land-mafias are grabbing land illegally. This made the land purchasing unaffordable to poor and middle class of society.

Ishrat Hussain in her book "Governing the Ungovernable" asserted that land mafias made impossible for the poor and middle class to buy land, that they can use for some productive work like agriculture.

ix) Hindering privatization of loss-making state-owned Enterprises (SOEs):

The privatization of Telecom like PTCL has been proven very beneficial for economic growth. But the elite is hindering the

the privatization of loss-making enterprises like Steel Mill and PIA due to their vested interest.

"The steel Mill and PIA contribute to the heavy losses yearly to GDP. Despite this, elite capture is hindering their privatization, hurting economic progress." ISSI

1) Less emphasis on Women empowerment - hurting economic growth:

The less emphasis on women empowerment by the policy-makers hurt the economic growth of the country. As the large population of country consist of women, without their empowerment true progress is not possible.

Ester Booserup, a feminist scholar,

asserted that women contribute significantly in productive work. Their inculcation in developmental work will contribute to the economic growth.

Conclusion:

In a nutshell, elite-capture of policy-making has impacted the economic growth very harshly. The crying need of hour is to devolve power to the provinces and to the local governments to achieve the economic progress of the country. Without this, the country may face even lower GDP growth and political instability.