

## Chapter 18

# INSTITUTIONAL REFORMS AND GOVERNANCE

The word 'Governance' refers to the exercise of political, economic and administrative authority for managing affairs of a nation. It comprises complex mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights and obligations, and mediate their differences. In basic terms, it denotes interplay of the state institutions, markets and civil society and a set of processes that deliver entitlements, services and rights to citizens.

The notion 'good governance' guarantees existence of the pluralistic frameworks ensuring that responsibility is jointly shared by players in the public and corporate private sectors, and the civil society by addressing the issues of accountability, transparency, participation, openness, rule of law and predictability. Improved governance contributes to economic growth and poverty reduction. As growth generates income, the good governance ensures that the citizens, especially the poor, share the benefits of the economic progress in an inclusive and equitable manner. A key responsibility of the state is to create conducive political, legal and regulatory environment for building individual capabilities and encouraging private initiatives. Furthermore, effective political and administrative structures and a robust civil society are essential for promoting the democratic governance as these facilitate peoples' participation in economic, social and political activities.

### Review of the existing programmes

The government has undertaken a number of initiatives in line with the priorities set in the Medium-Term Development Framework (MTDF) 2005-10 as well as during the non-Plan period. An amount of Rs64 billion was utilised for the judiciary, Federal Board of Revenue, Auditor General's Office, Statistics Division and Police, and institutional changes in the judiciary and trainings activities of officers and officials within the country and abroad to augment their aptitude and skills. Some major initiatives of the governance sector are as under:

### Public sector management efficiency

#### Tax administration reforms

Tax collections are not enough to meet expenditure requirements, both current and development activities of the government. About 10 per cent tax-to-the-GDP ratio is stagnant over time. The reforms were introduced for promoting voluntary tax compliance through enhanced taxpayers facilitation and provision of incentive packages to the Federal Board of Revenue (FBR) employees. With a view to broadening the tax base, document the economy and improve efficiency of the tax administration, the tax sector reforms in the following areas have helped in enhancing the tax collection capacity of the FBR:

- Fully Automated Customs Clearance Systems (PACCS) at Karachi for e-filing of the Goods Declaration (GDs)

- Improving tax-to-GDP ratio to 13-14 per cent in the next five years
- Reorganisation of the FBR and its field offices on functional lines
- Improved relations and business-friendly environment
- Introduction of the self-assessment system in income tax, federal excise, and customs
- Simplification of the tax laws and procedures
- Reduction in the number of litigation cases and introduction of a mechanism of alternate dispute resolution
- Taxpayers' education and facilitation
- Setting up of the Model Custom Collectorate

The Tax Administration Reform Project was started in 2003 and closed in 2011, which was carried out at a cost of Rs6.5 billion, including foreign aid of Rs5.433 billion for infrastructure development, end-to-end automation of the business processes and human resource development. In order to achieve the objectives, the FBR has established three large taxpayer units and 13 regional tax offices. With the help of reform measures, the registered persons as the sales tax payees have increased from 100, 000 in 2002-03 to 209,000 by the end of 2012-13, showing an increase of about 109 per cent. On the income tax front, the return filers have increased from one million in 2002-03 to 3.5 million during 2012-13, an increase by 230 per cent. Another marked achievement of the FBR has been the disposal of pending appeals related to both direct and indirect taxes. The maximum tariff, which was 150 per cent in the 1980s, has been gradually reduced to 25 per cent.

### **Improvements in audit and accounts**

For this area, the Auditor General of Pakistan has launched phase-II of the 'Project for Improvement of Financial Reporting and Auditing (PIFRA)' at a revised cost of Rs10.365 billion, including a foreign assistance of Rs8.9 billion. A reform programme is being implemented to separate audit and account functions, provide effective accounting and reporting system in line with the international best practices, strengthen financial management practices and increase the impact of the development programmes, provide basis for enhancing public sector accountability through financial monitoring and control, and produce timely and reliable information for decision-making and policy formulation. Implementation of the New Accounting Model (NAM) is progressing smoothly. So far 231 Financial Accounting and Budgeting System (FABS) out of 240 District Account Office (DAO) sites have been established. Four FABS out of four departmentalised account offices, and 53 System Application Programme (SAP) competency centres have been set up.

### **Public sector capacity-building**

The Public Sector Capacity-Building Project was launched to improve efficiency of the civil service. The total cost of the Project was Rs3.5 billion, including a foreign assistance of Rs3.2 billion. The Project had sponsored significant human resource development reforms in the government. The Pakistan Administrative Staff College and four National Institutes of Public Administration (NIPAs) were restructured, and replaced by the National School of Public Policy (NSPP). The focus of training has now shifted from the public administration to supporting effective policy formulation and implementation. Under another component of the Project,

4,657 officers benefitted from foreign and local trainings, while 36 consultants furnished technical assistance to the government and 30 studies were conducted.

The government established the National Commission for Government Reforms in April 2006 to propose a set of structural reforms for good governance. The Commission was mandated to review government structures, civil service and government processes at all levels of the government, that is, federal, provincial, and district, and make recommendations for improving efficiency and effectiveness of the public sector. This was done in consultation with all stakeholders to initiate a reform process, which will improve service delivery and encourage professionalism. The Commission has published a two-volume report on 'Reforming the Government in Pakistan' in May 2008. Implementation of the proposals is still pending as the finalisation of the recommendations was made when the political transition was taking place. However, the Commission and its report provide a useful guide for reforms.

### **Access to justice**

The Access to Justice Programme (AJP) was launched at a cost of Rs21 billion for making improvements in the judicial and non-judicial legal services, security and equal protection of law to citizens, and ensuring greater transparency and accountability of the judiciary, police and administrative justice institutions. Major efforts have focused on reduction in backlog of the pending cases and institutional delays, particularly to help the poor and vulnerable segments of the society. Commercial benches have been established for quick disposal of litigation as a pro-investment measure.

In spite of some bottlenecks, significant policy reforms under the AJP since 2002 include:

- 786 development schemes have been launched pertaining to infrastructure development and capacity-building, and out of which 560 schemes have been completed so far.
- Implementation of the delay reduction programme was carried out, which was a part of the judicial reforms in 18 model districts across the country through case inventories, improved process serving, monitoring and inspection mechanism, and targeted disposals.
- The annual judicial conferences at the national, provincial, regional and district levels have culminated in raising performance of the superior courts since 2003.
- Laws affecting ordinary citizens have been enacted and amended to facilitate dispensation of justice, in particular for the poor and vulnerable segments of the society. These include: contempt of court, freedom of information, defamation, habeas corpus, family disputes, operationalisation of the Anjuman Musalihat Court inspections, ombudsman and alternate dispute resolution.
- Under the police reform, enactment of the Police Order 2002 includes provision of the Public Safety Commissions, functional division of the investigation from watch and ward and prosecution from investigation, internal and external complaints redressal mechanisms, and the District Criminal Justice Coordination Committees.
- Payment of the judicial allowance to augment quality of justice – Utility allowance has been allowed to the judicial officers in Sindh and Balochistan.
- Institutional strengthening and capacity-building measures relate to automation of the justice sector institutions including bar councils, training and capacity-building and public awareness campaigns for citizens to learn about their rights and entitlements

- Performance-based incentives to support adoption of delay reduction procedures and separation of civil courts and criminal courts
- Separation of judiciary from executive under the National Judicial Policy 2009

### Public Information and Statistical Management

The National Strategy for Development of Statistics (NSDS) is being implemented stepwise since 2013 to improve capacity of the Pakistan Bureau of Statistics (PBS) in collection, processing and dissemination of the statistical data to support evidence-based decision-making. During the Plan period, as a continuity of the process, the following activities will be conducted to ensure improvements in the key areas.

(a) *Censuses and Surveys*: The sixth Population and Housing Census 2016, Combined Agriculture Census 2014 and Mouza Census 2018, Pakistan Social and Living Standards Measurement (PSLM) Survey, Labour Force Survey and Pakistan Demographic Survey will be conducted.

(b) *IT Infrastructure and GIS*: Revamping of the IT infrastructure of regional offices and Geographical Information System (GIS) will be done, while eight GIS Labs have been established, which are functional in the PBS, Islamabad, Peshawar, Lahore, Multan, Karachi, Quetta, Muzaffarabad and Gilgit.

(c) *Data Collection and dissemination*: The Plan will revisit and harmonise layout and structure of the publications for branding 'Statistics Pakistan' logo, and layout throughout the PBS will be kept constant in order to create corporate identity and brand image. Memorisation with the users will be increased through an effective PR. Effectiveness and timeliness of the data collection, management and dissemination through introduction of modern technology and internationally recognised methodology will be improved. Credibility of data of the PBS will be improved by giving functional autonomy, and implementing international standards.

(d) *National Accounts and Economic Statistics*: The Plan will address key gaps in the economic and social statistics, quality and coverage of the national accounts through the National Economics Statistics Development Plan (NESDP) by applying rebasing of the National Account from 2005-6 to 2015-16, Census of Manufacturing Industries, revisit National Standard Classifications and Expand Business Register – FBR, SECP, EOBI, NEPRA, SNGC, SSGC, and provincial Directorate of Industries, etc.

(e) *Human Resource Development*: Professionally competent workforce and a highly professional management, strong research and analytical capabilities will be developed through an effective human resource development, and establishing a new training and research institute in Lahore.

### Other major initiatives

The following other major reform initiatives have been launched by the government to improve governance.

- Monetisation of official transport for entitled officers (BS-20 and above) including MP scales
- Limits imposed on borrowings of the federal and provincial governments through amendments in the State Bank of Pakistan Act
- Austerity measures for expenditure adopted

- Supplementary grants limited to 10 per cent of the budget appropriations with mandatory cabinet approval
- Permanent committee of the federal and provincial Finance Ministers constituted for budgetary oversight through the 18<sup>th</sup> Constitutional amendment
- Substantial progress has been achieved in reconstitution of the professional Board of Directors and turn-around plans.
- Power sector reforms are underway, which include: improved governance framework, ensure autonomy to the DISCOs, GENCOs and NTDC through dissolution of the PEPCO, sustain power sector financing (resolving circular debt), improving efficiency of generation, transmission and distribution system, strengthen regulatory role of the NEPRA and improve energy mix.
- Restructuring of the PSEs, other than of the power sector, is also underway.
- Achieving economic efficiency through the devolution which includes: transfer of the concurrent list to the provinces under the 18<sup>th</sup> Constitutional amendment and equitable resources transfer to the provinces under the 7<sup>th</sup> NFC Award.

In spite of the above interventions, the governance indicators in Pakistan are not very encouraging. A comparative analysis of the World Bank Group report 2013 on the Worldwide Governance Indicators is given below.

Indicator	Year	Governance score -2.5 to +2.5			Percentile rank 0-100		
		Pakistan	Korea	India	Pakistan	Korea	India
Voice and accountability	2002	-1.22	0.70	0.36	14.42	68.75	58.17
	2007	-0.97	0.66	0.43	20.19	67.79	59.13
	2012	-0.87	0.69	0.35	23.70	69.67	58.29
Political stability and absence of violence and terrorism	2002	-1.70	0.17	-1.24	5.77	48.08	15.87
	2007	-2.43	0.53	-1.15	0.96	62.98	13.94
	2012	-2.68	0.17	-1.25	0.95	51.66	11.85
Government effectiveness	2002	-0.39	0.84	0.13	14.46	79.51	51.71
	2007	-0.46	1.23	0.11	39.32	84.47	56.80
	2012	-0.79	1.20	-0.18	23.44	84.21	47.37
Regulatory quality	2002	-0.79	0.80	-0.38	21.08	75.00	40.20
	2007	-0.50	0.92	-0.27	32.04	78.64	44.17
	2012	-0.73	0.89	-0.47	24.88	77.03	33.97
Rule of law	2002	-0.75	0.91	-0.04	28.23	77.00	51.20
	2007	-0.88	1.02	-0.11	21.05	82.78	55.92
	2012	-0.91	0.97	-0.10	18.96	79.62	52.61
Control on corruption	2002	-0.92	0.47	-0.50	21.95	69.76	38.05
	2007	-0.74	0.52	-0.42	24.76	72.62	40.78
	2012	-1.06	0.47	-0.57	13.88	70.33	34.93

### Governance issues and reasons for low down progress

A broad range of activities were undertaken to improve governance during the last nine years. While considerable progress has been made in a number of areas, major governance challenges persist. Some of these are:

- Ineffective management of resources, disparities in the pace and level of development across provinces and districts
- Denial of the basic needs of food, water and shelter to a substantial proportion of the population and poor service delivery mechanisms
- Lack of transparency and accountability in many facets of the state machinery, particularly those that have an interface with the public
- Weak performance management delivery mechanism
- Lack of credibility – the gap between the policy intent and development results – of public service institutions
- Weak rule of law manifested through deteriorating law and order, ineffective investigation system, expensive, unfriendly and opaque justice system, tax-evasion, weak regulatory frame-works and failure in getting timely justice
- Existence of a significant number of voiceless poor with little opportunities for participating in decision-making and local governance
- Weak Local Government System
- Deterioration of physical environment in the urban and rural areas
- Corruption in all sectors, especially in the Public Sector Enterprises (PSEs)

## Plan strategy

The agenda of the present government emphasises improving governance, strengthening institutions, fostering markets and initiating reforms in the judicial system, civil service, systems and procedures, tax administration, procurement, financial management, enforcing property rights, and the PSEs. During the Plan period, the governance reform scheme – with objectives of sustained high and inclusive growth, improved economic fundamentals, competitiveness and bridging various divides that continue to fragment society – can only be achieved if there is a significant improvement in the quality of governance.

With a comprehensive reform agenda, the governance indicators are expected to improve during the Plan period. The strategic focus of good governance covers the following distinct dimensions for an effective service delivery:



- Strengthening local government system to enhance delivery of the critical municipal services

- Delegation of powers under the 18<sup>th</sup> Constitutional amendment from provinces to districts to tackle key issues of health, education and others in a more effective and responsive manner
- Ensuring balance development and regional equality among the provinces
- Capacity enhancement of the provincial governments to implement policies and plans through improved service delivery
- Establishing the Performance Management Delivery System for an effective monitoring of performance of the ministries and divisions
- Strengthening participatory approaches and local governance structures by involving civil society and other stakeholders in the design and implementation of policies, programmes and projects, with capacity-building of involved agencies – each ministry and division to ensure participation of all stakeholders in the planning, designing and implementation processes
- Addressing systemic problems that undermine the efficiency of legal, judicial and law enforcement institutions – Judicial reforms under the National Judicial Policy to bolster the delivery of justice
- Addressing corporate governance issues and improve the public-private interface in a manner which protects public interest as well as minimises private transaction costs
- Strengthening the law and regulatory framework for an effective implementation of economic policies
- Improving public sector management by (a) streamlining revenue administration, (b) strengthening public financial administration, (c) implementing e-governance initiatives, (d) public sector capacity-building and civil service reforms, covering professionalisation of civil services and qualitative improvements through continuous training and skill upgradation, (e) procedural reforms to simplify government processes and revising archaic rules, (f) enhancing the quality and coverage of data and statistics, (g) strengthening policy research functions within the government, and (h) establishment of performance management system
- Strengthening law enforcement agencies through capacity-building to improve law and order; ultimately improving investors' confidence as well
- Reducing corruption by introducing transparent, open and accountable financial and administrative mechanism in all fields
- Improving implementation effectiveness, at the sectoral, policy coordination and programme levels for key development outcomes with a particular focus on monitoring and evaluation of outcomes of the Public Sector Development Programme (PSDP)
- Strengthening and enhancing the role and capacity of the Parliament and parliamentary standing committees and democratic governance

### **Local Government System**

The decentralisation is promoted for an increased administrative efficiency, equity, service provision, participation and democratisation, national cohesion, local empowerment and poverty reduction and others. The strategy for the devolution process aims to correct the governance patterns marked by centralised and top-down decision-making, haphazard

planning, weak accountability and financial management, and lack of transparency and citizens' participation.

During the Plan period, the Local Government System will be effectively devolved to the districts, which will be responsible to develop strategy on the following guidelines.

- All local governments are to function within the provincial framework in the aftermath of the 18<sup>th</sup> Constitutional amendment – 'absolution of concurrent list'. Each provincial and regional government in Pakistan will ensure that the Local Government System conforms to the provisions of the Constitution, in particular to its Article 140-A and devolve to the local governments the administrative, financial and political power for enabling them to deliver services to the citizens in a cost effective and transparent manner. The word 'devolve' must be focused and be understood in its true perspective as Article 140-A has been retained in the 18<sup>th</sup> Constitutional amendment with consensus of all political parties.
- The provincial governments are to ensure service delivery through policy, regulation, guidance, incentives, oversight and monitoring of outcomes. The local government laws will incorporate all the principles of the local governance as stated in the Commonwealth Aberdeen Agenda to which Pakistan is a signatory. The principle of subsidiarity can be the guiding theory for assigning the functions to the local governments with adequate financial autonomy
- Each local government will prepare its citizens-cum-clients charter for timely provision of the services. There will be effective control mechanisms for ensuring greater transparency and local accountability.
- Development authorities, the Public Health Engineering Departments, Local Government and Community Development Departments, and Water And Sanitation Agencies will be devolved to the local governments.
- Functions of the local government functions must not be performed by the provincial government or any other agency and body. As far as possible, vertical programmes or parallel structures for execution of local government functions will be phased out.
- The local governments are fully empowered to take any administrative and financial decisions relating to their functions. The local councils will notify their own bye-laws relating to delegation of the financial and administrative powers. The local government finance system will be based on incentives for promoting local level taxation and collection of taxes. The machinery for tax collection will be under the control of the local governments.
- The NGOs and civil society will assist in developing capacity of the local governments and facilitate these in improving service delivery.
- The local government elections will be held on party basis. These polls will be held along with the elections of the national and provincial assemblies. There will be a continuity of the local governments. The heads of district and tehsil-level local councils will be elected directly.
- The service structures for the local governments will be reviewed. The postings and transfers of the local government employees will be the exclusive domain of these dispensations.

- The capacity of local government employees will be enhanced to provide effective services to citizens and communities.
- The accountability mechanism of the local governments will ensure audit of the local governments by the Auditor General of Pakistan. The systems of inspections will be aligned to the standards set by the Public Procurement Authority.
- The local governments will ensure community participation in local planning and development.
- The local governments will improve enforcement mechanism for implementation of the local and special laws effectively.
- Inspection and monitoring mechanism will be established to ensure effective resource utilisation.

### **Participatory approach**

Involvement and participation of people at all stages of planning, implementation and monitoring is a pre-requisite for good governance. People must feel a sense of ownership of policies and should participate in its planning and implementation at all levels of government. This can be achieved through participatory approach involving self-help groups, women groups, user groups, associations, trade unions, rural support organisations and civil society. The participatory approach in economic and social development includes the following strategic elements:

- Involving voluntary organisations in planning and implementation process to enhance interface with the public – Labs will be established in each ministry and division for ensuring participation of all stakeholders in planning and implementation process.
- Developing core competencies for participatory governance and professionalism in the voluntary sector will be done.
- Broaden the base and scope of volunteerism by encouraging its growth in districts and regions where such structures are weak. Such efforts will also aim to create an enabling environment for greater involvement of the voluntary sector for the marginalised and the excluded groups.
- Building appropriate databases, carrying out documentation, research and dissemination of innovative development models evolved by voluntary organisations will be ensured.
- Initiating a policy process, whereby the financial and social mobilisation for contributions of the civil society are harnessed, to improve the national development process.

### **Rule of law: Police and judiciary**

The Plan considers police and judiciary to be the key agencies, which ensure the rule of law, and work as the bedrock of democracy and development. Accordingly, capacity-building of the police and judicial systems has been accepted as a legitimate activity for the Plan funding. Over the years, increased politicisation and corruption, overstretched duty hours and low policing intensity have only contributed to the decline in police credibility. Under the Plan, the government intends to re-establish the rule of law and improve public perception through effective delivery of justice and public safety services. There is a fundamental need to improve

the criminal justice administration system. Efficacy of the criminal justice system will also help in counter-terrorism drive of the government. During the Plan, special attention will be given to enhance the capacity of police, prosecution and public defenders' system under the new legislation passed by the Parliament. The police and prosecution reform will help achieve improvements in the conviction rate, speedy disposal of the criminal cases and enhance citizen trust in the justice system. A new security policy will be prepared to tackle the issue of terrorism.

Access to justice is an important part of the governance reform agenda of the government. During the Plan period, efforts will be made to strengthen the judicial reforms undertaken earlier. In addition, the following areas will also be addressed.

- Provide better working environment for bar and litigant public, lawyers' chambers, bar rooms, libraries and special courts
- Introduce jail reforms and amendment of rules for reformation of prisoners, arrange special training sessions for jail staff and improve health facilities for prisoners and posting of officers of other cadres on rotational basis for jail administration
- Ensure independence of the prosecution system and strengthen forensic facilities
- Implement the National Judicial Policy 2009 in letter and spirit to consolidate and strengthen the independence of judiciary
- Introduce institutional reforms by: (a) removing the bottlenecks and duplication in the implementation of law with special reference to drug and human trafficking, and accountability law, (b) strengthening the Bar, (c) providing training to judges and police, (d) automation and e-governance of the court system, (e) ensuring judicial, police and Bar accountability, (f) depoliticisation of the police, and (g) police, prosecution and judiciary to be merit-based and number be increased
- Strict compliance of the existing laws
- Implementation of the Islamic laws
- Discouragement of the adjournment culture and time limit fixation for decision of cases
- Promotion of the corporate bodies of lawyers
- Protect clients by providing them awareness about their rights and legal support
- Thana culture be eliminated and introduction of the citizen-police liaison system
- National and provincial databases of criminals in coordination with the NADRA
- Public-friendly criminal justice system
- Reduce workload in courts by establishing methods of alternative dispute resolution
- Adoption of new security policy to tackle terrorism

## Public sector management

Enhancing public sector management efficiency will be a key focus of the Plan. Reforms envisaged for the public financial sector, revenue administration, capacity-building, data and statistics, E-governance and corruption are outlined below:

## Public financial sector

Under the ongoing PIFRA project, substantial progress has been made in the four areas of reforms: financial and budgeting reform, auditing, human resource development and change management. Efforts will be made for the sustainability of these reforms during the Plan period. Further, the office of the Auditor General of Pakistan will be strengthened to carry out performance, management, process, programme and financial audit by giving wider powers for audit. Professional auditors will be appointed to carry out broader audit functions. The DAGP has already taken several initiatives, including improvement of the legislative empowerment, financial and organisational independence, etc., which are at various stages of implementation or consideration by the government. Similarly, the audit methodology and quality assurance mechanisms have been improved and deployed. The scope of the AGP auditing will be expanded to the PSEs by reviewing relevant article(s) of the Constitution.

## Revenue administration

The main emphasis of the tax administration reform is on promoting voluntary tax compliance through an enhanced level of taxpayers' facilitation. In the long-run, these administrative reforms will also enable tax administrators to effectively tackle delinquent taxpayers through a system of audit and penalties. During the Plan period, an earlier initiated reform agenda of the Federal Board of Revenue (FBR) to enhance its revenue collection effort and service standards will be completed, which will enhance the revenue collection through broad-based tax system by using IT data, reducing tax ratio and exemptions gradually, simplifying rules, accountability, transparency, integrity, publication of annual tax directory and provide transparent and high quality tax services. Briefly, the FBR reform strategy has three main planks of reforms, that is, policy, administrative and organisational.

## Capacity-building and public sector reforms

The poor public management stems in part from low level of human resource development and weak institutions. A major effort has been envisaged as part of the Plan in the public capacity-building to produce a competent, accessible and motivated civil service, which is accountable and responsive to the changing socio-economic needs of the people. The government plans to implement recommendations of the National Commission for Government Reforms, especially to enhance the efficiency of education, health and revenue administration. The Parliamentary Standing Committees and other organisations overseeing and regulating financial and economic activities will be strengthened. A Performance Management Delivery Unit will be established in the Ministry of Planning, Development and Reform to monitor performances of development activities of the ministries and divisions.

The civil service reforms will be undertaken to enhance capacity of the public sector for proactive public policy, strategic vision in specialised fields and effective decision-making. In this regard, a project URAAN has been launched to reform the civil service. This will require restructuring, capacity-building and professional development with compensation linked to responsibility and performance, reforms in the areas of performance evaluation and review of the pay scales. The good governance has to be ensured in the PSEs. The Enterprises are losing about Rs400 billion per annum. Fast track privatisation, where feasible, will be undertaken. A framework for ensuring well-functioning BoDs and to engage them in turnaround plans of the PSEs will be developed envisaging a transparent process of the Board nominations, capacity-building of the BoDs, clarifying role of the BoDs, and monitoring performance of the BoDs by setting key performance indicators. The corporate governance regulations for the PSEs,

prepared by the Task Force on Corporate Governance, will be implemented. Moreover, capacity of these organisations will be enhanced and operational autonomy will also be ensured for better performance and management. In addition, the following specific measures will also be taken during the Plan period.

- Strict observance of security of tenure of office for a specified period – The Constitutional guarantee for security of services and tenure will be provided to each employee. Premature transfer or replacement of officers during the tenure will only be made on cogent reasons.
- Discretionary power of the Chief Executive or Chief Minister will be abolished and rationalised. However, the Cabinet will be authorised to approve any proposal, where relaxation of rules required.
- At the federal level, the Cabinet Secretary will play the role of the Chief Secretary in the provincial government. Meeting of the Secretaries Committee will be arranged regularly.
- Role of the PAO will be strengthened, and FAs organisation will be dispended with.
- Open, transparent merit-based recruitment at all levels and in all grades of the public services will be ensured keeping in view the regional quota as specified in the Constitution.
- Performance-based promotions and career progression for all public sector employees with compulsory training at the post-induction, mid-career and senior management levels will be ensured. Lateral inductions will be made from the market to enhance the public sector efficiency.
- Equality of opportunities for career advancement to all employees without preferences or reservations for any particular class, and the principle of 'Right man for the right job' will be practised.
- Smart governance will be introduced in the public sector.
- Delegation of powers to the local government for quick and efficient service delivery will be carried out.
- Status of the Federal Public Service Commission as an autonomous body in all respects for merit based recruitment will be ensured.
- Educational qualifications for services groups to be recruited in the federal services will be revised. To induct technocrats, subject-based tests will be administered to candidates aspiring for induction in specific ministries. Those employed in these ministries will be moved from one job to another within the ministry, but transfer from one ministry to another will not be possible.
- Salary and retirement benefits of all civil servants will be market based.
- Execution end of bureaucracy will be made effective to provide better deliverance to the masses.
- System of check and balance will be introduced to encourage the doers and admonish the inefficient.
- The dichotomy of power between the political government and civil services will be done away with through appropriate amendments in all the relevant laws.

- Job description and the KPIs for every post will be made.
- Strengthening provincial civil services will be ensured for allowing the provinces to induct civil servants it needs without reliance on the centre.
- Decision-making tiers will be reduced.
- The redundant departments will be identified, and abolished.
- Innovation and ingenuity will be encouraged.

### **Restructuring of the provincial governments**

The 18<sup>th</sup> Constitutional amendment is a major political achievement. It addresses long-standing political tensions among the provinces, as well as between the provinces and the centre. However, this political achievement needs to be balanced by policy outcomes. Major policy dilemmas have cropped up and require evidence-based, technically sound and politically savvy responses. First, the reform has affected 37,429 employees, who include 13,178 civil servants, 12,006 attached to autonomous bodies and 12,000 project employees. Their new roles and responsibilities need clearer definition. Second, the provinces need to bolster revenue mobilisation to finance the newly devolved responsibilities, which have not been completely covered by the 7<sup>th</sup> NFC Award. The inter-governmental fiscal relations need to be streamlined for addressing issues, such as revenue sharing for sales tax on services, which are already emerging. Third, the structure, function and authority of institutions affected by the reform is similarly unclear with bodies, such as the CCI and NEC, becoming more empowered in the policy-making process, and rethinking the roles of others such as the FPSC and the Planning Commission becoming necessary. Most importantly, capacity gaps relating to technical and administrative skills pertaining to newly devolved functions (for example, curriculum development) at the provincial level need to be identified and addressed. The provinces need to move from the operational minutiae of line-departments (domain of the local governments) to their new responsibilities, which include standard-setting, training and capacity-building, law-making, monitoring and evaluation, ensuring accountability and providing strategic leadership and prioritisation for the local governments, pertaining to each devolved service delivery area. This transition necessitates changes in the skill-sets, mindsets, job descriptions, reporting lines, etc., which need to be carefully worked out and implemented.

### **Role of legislators**

It is more important than ever for legislators to assert their legitimate place in the decision-making, at both provincial and national levels. The Parliament is pivotal to the entire architecture of democratic governance, and needs to be strengthened virtually everywhere in the world with greater oversight capacities and legislative authority. More specifically, stronger parliaments will have to play a central role in the implementation of the future vision and development goals. The legislators' role will be enhanced in the policy-making and monitoring on the flowing lines.

- Proceedings of the Parliament and Standing Committees will be telecast through the PTV and broadcast through radio live transmissions.
- The Local Government System will be made effective and vibrant.
- Secretariat support and research staff will be provided to the parliamentarians to assist them in policy issues.
- Role of the Standing Committees will be enhanced in policy-making and monitoring.

- Political parties will constitute a group of senior parliamentarians to train their young colleagues.
- A training institute will be established to train the parliamentarians.
- Senior leaders of the political parties will visit the Parliament during proceedings.
- A curriculum on the role of the parliamentarians will be devised.
- Awareness will be created among public about the role of the Parliament.
- Capacity-building of the officers of the Ministry of Parliamentary Affairs will be ensured.

### **Data and statistics**

It is recognised that the availability, quality, and accessibility of data in Pakistan needs to be improved to meet planning and monitoring needs, particularly of the rapidly growing economy. Better data is needed to provide the basis to develop well-informed policies, which facilitate broad-based equitable growth and poverty reduction. The Pakistan Bureau of Statistics (PBS) has been established as an autonomous body for the collection of the latest and reliable data. However, its structure and improved systems and procedures are to be operationalised. The improvement-requiring areas are:

- Addressing key gaps in the economic and social statistics, including the quality and coverage of management information systems national accounts, poverty estimation, monitoring and analysis, district and sub district data
- Timeliness of dissemination and presentation of statistical data
- Institutionalising the monitoring system of key indicators
- Harmonisation and integration between different sources of data on key indicators
- Awareness of masses regarding importance of statistics
- Perception of the public regarding reliability of statistics

During the Plan period, improvements will be ensured to achieve quality of statistic through measures such as:

- Improve statistical system
- Increase credibility of data by giving autonomy to the PBS, which will act as an independent statistical apex body with legal mandate. Independent statistical agencies will also be established at the provincial level. These agencies will implement international statistic standards.
- Efficient use of resources for improving quality of the statistical data
- Develop an effective producers-users joint mechanism to make statistical system user responsive
- Provide non-confidential micro-data for researchers
- Speed up collection of data by modernising infrastructure
- Promote professionalism through capacity-building and effective human resource development

## E-governance

The concept of 'Electronic-Governance' is fast emerging as an important tool for achieving good governance, especially with regard to improving efficiency, accuracy, effectiveness, transparency and accountability in decision-making and delivery of efficient and cost-effective public services to the citizens of Pakistan, including provision of user-friendly interface with the government. So far the emphasis has been on providing connectivity, networking, technology upgradation, development of the distributed databases, selective delivery systems for information and services, and a package of software solutions. During the Plan period, the focus will be on amendment of the procedures and rules, which are in fact the core of any effective programme of e-governance. Issues of sustainability, interconnectivity, lack of requisite skill sets, ownership and change management in the beneficiary public organisation and standardisation of the e-governance activities will also be addressed. Within the ambit of e-governance, the government-to-government, government-to-citizens and government-to-business functionalities will be developed.

Further, one of the major initiatives envisaged in the IT sector is to increase access of the citizens to the IT tools and promote greater connectivity. Rollout of the successful e-governance model applications, within the federal and provincial levels, will also be concentrated. Requisite measures will be taken to mitigate gaps between key stakeholders of e-governance (public entities, academia and IT industry). Formation and re-activation of high level forum on e-governance for implementation of e-governance initiatives and restructuring of relevant institutions will be focused. Capacity development within the public sector will also be carried out to ensure that there is a greater familiarity of electronic procedures within the government quarters.

A reliable Information Communication Technologies (ICT) infrastructure will also be established by using ICT-based systems in the PSEs to promote efficiency, transparency and accountability in service delivery and decision-making.

## Corruption

One of the major challenges in improving governance is to act against corruption, which is widely seen as having seeped into the administrative fabric. It is evident that systematic corruption exacts a heavy price from development activities by reducing investment, increasing capital costs, and enhancing the time business executives need to spend negotiating with the government officials. Several initiatives will be undertaken in accordance with the 18<sup>th</sup> Constitutional Amendment to curb corruption. These include: (i) Strengthening NAB through financial and administrative autonomy and utilising trained manpower already developed over the years, (ii) strengthening governance institution through an enhanced capacity and integrity, (iii) public sector management agenda consisting of actions to make markets competitive and supporting improvements in the public administration, (iv) the development of proper institutional and legal frameworks, (v) strengthening audit functions to improve resource allocation while making detection of embezzlement easy, (vi) procurement reforms, while reducing transaction costs and making fraud more difficult to perpetrate, (vii) civil service reforms, while improving procedures for recruitment and promotion that build capacity and help reduce patronage and nepotism, (viii) freedom of information through constitutional provision, (ix) reviewing and updating of the existing law against cybercrime and the IPR violation, (x) training of the investigation officers in the field of serious white crimes including banking and internet frauds, cyber offences, money laundering, terrorist financing, (xi)

enforcement and streamlining regulations that improve public management and introduction of preventive tools and code of conduct which reduce opportunities for corruption, and (xii) enhancing public awareness on good governance and corruption. These initiatives will be implanted under an umbrella of the National Anti-Corruption Strategy, developed by the National Accountability Bureau. Under the mandate of section 33 C of the National Accountability Ordinance 1999, the NAB has intensified its awareness campaign against corruption. In this regard, different forums are being used to spread the NABs slogan 'Say No to Corruption' amongst the masses with an objective to make general public aware about the ill-effects of corruption and corrupt practices.

### **Effective implementation of the PSDP**

A distinguishing feature of the Plan is the emphasis on an effective implementation of the Public Sector Development Programmes (PSDP). The strategy includes: capacity-building and institutional development of agencies involved, development of performance and result-based monitoring indicators, strengthening of planning and monitoring cells in ministries and departments, and impact analysis, and monitoring and evaluation activities in planning and development agencies with linkages to the District Monitoring Development Committees under the Devolution, periodic monitoring exercises with reports to the ECNEC and NEC, and training of project directors and other staff in the project management, monitoring and evaluation. A major focus will also be on building capacity for undertaking the public-private partnerships, monitoring the pace at which these partnerships are actually realised, lessons learnt and disseminating the implementation experience to catalyse actual realisation of the partnerships to enhance infrastructure development. Performances, outcomes and result-orientation will be the guiding criteria not only for projects and programmes, but also for policies, action plans and rules and regulations governing development as a whole.

In the past, the emphasis has only been on monitoring of activities related to the PSDP. During the Plan period, the development effectiveness of a framework as a whole will also be a focus of attention, covering both the public and private sectors. Progress on the strategic thrust of the framework will be monitored including policy coordination and effectiveness of key strategies and programmes. At the project, programme and sector-level, greater attention will be devoted to evaluation studies with a focus on impacts and outcomes, and on lessons learnt for incorporation in the subsequent phases. The monitoring system in the planning agencies, line ministries and departments, and agencies will be supplemented by constituting high-level standing committees in each of the thematic areas, with membership drawn from both the public and private sectors. These committees will have a strategic role in reviewing the Plan, implementation relating to overall policies, strategies and programmes, and key result areas, assessing the recent developments, both macroeconomic and sectoral, and making recommendations for action.

Realising importance of the monitoring, the Projects Wing of the Planning Commission is to be further strengthened by recruiting more staff and procuring equipment, and creation of the Evaluation Section. During the Plan period, the pace of monitoring will be increased by three-folds. About half of the portfolio of project inclusive of all large ones will be monitored. An impact evaluation of some of the important projects will also be taken up.

During the plan period, focus of monitoring and evaluation activities will be on following areas:

- Improving quality of projects ‘at entry’ through proper feasibility studies and setting-up of performance benchmark for all projects, incorporation of lessons learnt from evaluation of the earlier projects, capacity-building, and interagency coordination
- Ensuring adequate and timely release of funds
- Reviewing procedures for submission, examination and approval of projects
- Enhancing capacity for contract management, including transparency in contract documents, greater professionalism and adequate delegation of authority
- Strengthening the Result-Based Monitoring System (RBMS) – the financial phasing to be linked with the implementation schedule and key deliverables
- Simplifying procedures for the acquisition of land
- Preparing a ready reference of the financial control and regulation
- Facilitating project at preparation and design stage by the Planning Commission at the federal level, and Planning and Development Departments at the provincial level, including on-line services
- Enhance information flows, resources capacity and expenditure at the sub-national level for effective monitoring and evaluation
- Mandatory training of the project and M&E officials at the Pakistan Planning and Management Institute (PPMI) for an effective project implementation and accrual of benefits envisaged under the development initiatives
- Appointment of the qualified Project Directors from the preparation stage till completion of the project
- Establishment of the performance management delivery unit in the Planning Commission for effective monitoring of development activities as proposed under the Vision 2025
- Development of the M&E processes, procedures, tools and manuals
- Monitoring at the district level for the beneficiary-oriented schemes, and those schemes requiring greater efforts at the Tehsil, union council and community levels
- Online connectivity of all ministries and divisions with the Planning Commission to ensure sustained flow of information on the project implementation

Further to this, during the Plan period, an effective monitoring and evaluation system for managing development outcomes will be devised on the following lines:

- Realign resources in line with priorities
- Translate overall government objectives into specific programmes and activities
- Make explicit choices and trade-offs between objectives and policy options by assessing effectiveness and costs of various choices
- Build capacity to report on outcomes
- Enable managers to exert real management skills in their programmes (take decisions based on performance to improve impact of programmes rather simply ensuring disbursements and utilisations of funds)

## Legal and regulatory framework

The complexity and dynamism of a market economy requires laws, rules and norms based on transparency and openness that encourage and facilitate economic interchange. It is, therefore, imperative that a progressive legal and regulatory policy framework is in place to stimulate participation in economic development and to effectively implement government policy. Laws and regulations have a direct bearing on the economic development. A legal and regulatory framework, which stifles business expansion, innovation and competitiveness, translates into a shrinking economic base. Vague laws and uneven regulations create institutional uncertainty, which constrains economic growth. This uncertainty is further compounded by cumbersome bureaucratic procedures, discretionary and arbitrary decision-making and enforcement practices or by repeated changes in the regulation and rampant corruption.

Laws, rules and regulations promoting accountability are most successful in creating conditions, which ensuring transparency and probity. Greater transparency, objectivity, predictability and legitimacy in the institutional environment lower transaction costs, and increase contracting efficiencies. It also encourages open and formal business transactions and enhances credibility of the state and its policies. All these factors provide impetus to economic development. Effective regulation is ultimately a function of good governance, which is compromised by the absence of an effective court system. Even the best-designed legal and regulatory frameworks cannot achieve their objectives if these are not accompanied by an independent and efficient judiciary to guarantee and enforce legal rights. The role of effective judicial system is critical for ensuring predictability in the economic transactions and for their long-term planning. The judicial independence guarantees enforcement of contracts, and fair and consistent application of the rule of law to economic life; thereby averting arbitrariness of officials.

During the Plan period, the legal and regulatory institutions will be strengthened to protect public interests through formulation and application of the rules and regulations, separation of power, democratic accountability, consistent and coordinated regulation, uniform regulatory framework, transparency and predictability. The main features of the Plan strategy to be implemented are:

- Provide an enabling environment for economic reforms to ensure development through investor-friendly legal and regulatory frameworks, which reduce corruption and enhance efficiencies within the public sector
- Introduction of 'One-Stop Shop' concept, that is, establishment of the central point of all government agencies dealing with new investment
- Enhance understanding and awareness of legal and regulatory framework issues, among all relevant stakeholders, including the general public
- Promote effective implementation of the government laws and rules to regulate the market in the public interest
- Improve capacity of the regulatory institutions for an effective enforcement of legal and regulatory policies, programmes and projects, and develop a monitoring mechanism for an effective implementation
- Develop and put in place a well-targeted, comprehensive and integrated legal and regulatory framework covering the following sectors: (i) banking and financial, (ii) trade facilitation, investment and industries (cartel and monopoly), (iii) power, oil, gas and water (public-private partnership legal framework), (iv) information technology, (v)

social sector (NGOs), administrative, tax, judicial and dispute resolution, (vi) labour, (vii) intellectual property rights, (viii) land and property, and (ix) consumer protection

## Improving regulatory environment

A key pillar of the Plan is to facilitate growth through the private sector development, which in turn requires an enabling environment. The following institutions and their regulatory competence will be given priority during the Plan period:

### State Bank of Pakistan

The main aim of the SBP is to regulate the monetary and credit system of Pakistan and to foster its growth in the best national interest with a view to secure monetary stability and fuller utilisation of the country's productive resources. As central bank of the country, the SBP has a number of policies, regulatory and fiduciary responsibilities aimed at strengthening the financial system of the country and providing an enabling framework for the financial industry that fosters economic growth.

A sound and dynamic banking sector is essential for the economic growth, as growth in the banking sector and real economy mutually reinforce each other, while this sector constitutes the core of the financial sector in Pakistan. The private sector investment and consumption will be seen as the key drivers of the economy, and will be supported by growing financial intermediation and services, including not only banks, but other financial sector players as well. The dynamism and robustness of the banking sector is impressive and stands out particularly relative to its state in the early 1990s when the financial system was dominated by the public sector banks. However, more reforms are needed for the banking sector to grow to its full potential (like other emerging market countries and enhance its outreach to undeserved and unbanked segment of the society) for supporting strong and sustained economic growth and development.

### Issues and constraints faced by the financial sector

There are a number of critical problems and constraints, which limit scope of the banking sector growth and development in Pakistan. These include the following:

- A large number of segments of the economy, population and geography remain underserved by the formal financial system.
- The SBP has so far played its role very effectively. However, the competition and continuous market innovations continue to pose challenges to the SBP.
- The financial system of Pakistan remains bank-centred and needs to become more diversified in order to meet the country's future financing needs. The operations of the Development Finance Institutions (DFIs) also require reconsideration.
- Low level financial literacy contributes to the underdevelopment of the financial sector.
- Banks and Non-Bank Financial Institutions (NBFIs) are introducing new systemic risks as well as regulatory and supervisory challenges that have to be dealt with. The SBP has developed coordination, made different arrangements and formed a Joint Task Force (JTF) with the SECP to manage these risks.
- The current privately-owned structure of the domestic banking system calls for robust safety nets, particularly the deposit insurance for the small savers.

- There is a lack of bankruptcy legislation and confidence of the financial sector in available legal process for recovery of the Non-Performing Loans (NPLs).
- Growth and development of the banking system and other financial institutions needs further improvement in the Financial Market Infrastructure.
- There is a limited availability of the Shariah-compliant financial products and services against huge demand among various segments of the society.
- Issues and documentation of economy and asymmetry of information in various sectors of the economy discourage financial institutions to play their optimal role in promoting participatory modes of finance.
- Crowding-out effect excessive government borrowings from the banking sector also leads to availability of the limited resources for the real sector of the economy, including priority areas, like agriculture, SME, micro, infrastructure, etc.
- Also, there is a limited availability of Shariah-compliant government securities and non-availability of short and long-term Shariah-compliant securities for liquidity management of the Islamic banking institutions.
- The investor-base for the government securities is largely confined to the banking financial institutions. There is a need to attract a broader investor base including NBFIs and retail investors to channelise funds directly to debt instruments and bringing efficiency to bank intermediation process.
- Taxation issues of the Islamic financial services industry need to be resolved by providing a level playing field and tax neutrality.
- Capacity-building is needed in relevant government departments for promotion and development of the Islamic financial industry.
- Issues in efficient recovery system of non-performing financing need to be resolved in order to improve financial health of the banking industry.
- Institution mechanisms for alternate dispute resolution need to be developed.
- Opaque information and weak enforcement of laws is resulting in stringent collateral requirements from the banks contributing in access to finance.

### **Banking sector reform strategies**

The Plan strategises sustainable growth and development of the economy in general, and the financial sector, in particular. The steps are:

- In line with our country's requirements and global trends, the SBP has recently developed a broader National Financial Inclusion Strategy (NFIS) for Pakistan in collaboration with the World Bank (WB) Group. The NFIS will help the SBP and government of Pakistan to adopt a strategic vision for universal financial inclusion in Pakistan. The NFIS provides a vision that underlies a framework and a roadmap for priority actions aimed at addressing constraints and significantly increasing access to the usage of quality financial services. The strategy will guide efforts to promote financial inclusion over the coming five years. It includes targets and objectives, which will be monitored, but it intends to be a living document that can be adjusted as required. Broadly, the NFIS covers priority areas such as branchless banking, SME finance and infrastructure, microfinance, rural and agriculture finance, housing finance,

Islamic finance, digital payment systems, consumer protection and financial literacy, insurance, pensions, etc.

- Strengthen competition and efficiency in the banking sector with more transparency and diversification with new products, and delivery channels as well as measures to enhance the outreach of the banking system in the rural areas
- Further strengthen and diversify the banking sector by continued efforts to raise governance and risk management standards, capital adequacy requirements and resolution of underperforming commercial and specialised banks
- Ensure consumer protection through codes of conduct and new institutional arrangements, and improve financial education through financial literacy programmes
- Strengthen prudential regulation and supervision by updating banking legislation and regulations, methods of supervision, and effective enforcement of the prudential rules for all banks, including state-owned ones
- Strengthen the legal framework to support consolidated supervision (for example, the concept of non-operating bank holding company) and to recognise the regulatory architecture to allow better regulation and supervision of financial groups and conglomerates
- Develop a financial safety net of protection for small depositors, coordination arrangements with the government for dealing with systemic banking problems
- Further strengthen the SBP to maintain monetary and financial stability by updating the half-century-old SBP Act in accordance with the best international practices for the central bank independence, accountability and governance structures
- Further efforts for steady foreign exchange reserves by attracting FDI in the financial sector and channelling of home remittances through formal banking channel
- Development of the Islamic banking system as an alternate to conventional banking by providing enabling legal, regulatory and Shariah-compliant framework, promotion of the Islamic finance as a distinct and competitive system to serve to the financial needs of the masses
- Improving the infrastructure, especially introduction of the Bankruptcy Act, improvement in legal process for recovery of the NPLs, enhancement of capacity of the Banking Courts, credit information and ratings, land and property registries and addressing the procedural delays in the legal system to improve the efficiency of the financial sector transactions
- More coordination among various segments and stakeholders of the Islamic financial industry, including relevant federal and provincial ministries, departments, authorities and regulatory bodies, required in order to achieve synergistic results of the efforts being made by them independently
- Increasing Pakistan's connectivity to the global Islamic financial services, appropriate mechanisms to be developed for utilisation of the funds from the Islamic banking industry in various economically and financially viable projects by the federal and provincial governments, PSEs, etc., through issuance of the project specific Sukuk or other Shariah-compliant modes

- Assessing the legal frameworks for supporting the resolution strategies of the SBP and coming up with enhancements and revisions therein.
- Developing legal frameworks and provisions in the existing laws to provide coverage for enhanced domestic and cross-border cooperation with other regulatory bodies
- Develop framework for facilitation of the electronic commerce
- Pakistan's investment policy provides complete freedom of investment repatriation of profits, dividends and disinvestment proceeds to the foreign investor
- The Pakistan Remittances Initiative (PRI), jointly launched by the Ministry of Finance, SBP and Ministry of Overseas Pakistanis in 2009, is striving hard for channelising of the home remittances through the formal banking channel.
- A high-level Steering Committee for the promotion of the Islamic Banking in Pakistan has been constituted.
- A Centre of Excellence for the Islamic finance is being created.

### **Competition Commission of Pakistan**

Pakistan's contemporary competition law originally came into effect as the Competition Ordinance 2007, and was subsequently enacted by the Parliament as the Competition Act 2010, which aims to ensure, enhance and provide a legal framework to create a business environment based on healthy competition towards improving economic efficiency, developing competitiveness and protecting consumers from anti-competitive practices.

Since 2007, the competition regime in Pakistan has come a long way. The CCP's consistent cross-sector enforcement, supported by sound research, and coupled with broad-based advocacy efforts, have strongly established its presence and that of the Act in the country.

During the Plan period, the CCP and the competition regime will be further strengthened by adopting the following measures:

- Continued across-the-board enforcement, focused advocacy, and sound research
- Development of the formal institutional linkages with sector regulators such as the SECP, PPRA, PTA, etc., through the MoUs
- Introduction of the competition law and economics courses in the higher educational institutes
- Development of the specific regulations and guidelines relating to protection of competition in the public procurement
- Introduction of the competition impact assessment
- Improvement in the human resource capacity through close linkages with the international agencies and counterparts

### **Securities and Exchange Commission of Pakistan**

The Commission is to develop an efficient and dynamic non-bank financial market based on sound legal, regulatory system, which fosters principles of good governance in the corporate sector, ensures proper risk management procedures in the capital market, and protect investors

through a fair, efficient and transparent regulatory framework, based on the international legal standards and best practices. The SECP has proactively undertaken various reform initiatives for improving legal, regulatory and operational infrastructure. As result of these efforts, visible improvement in performance of the non-bank financial market has been witnessed, such as unprecedented growth, higher returns and amplified investor confidence. This growth coupled with inherent potential, necessitates concerted efforts for sustainable and comprehensive growth of non-bank financial market. For this purpose, the following measures will be taken:

### **Capital market**

The SECP's future roadmap, as listed below, envisages introduction of the key structural and regulatory reforms for development of the non-bank financial market in line with the International Organization of Securities Regulators (IOSCO) principles and international best practices. The measures are:

- Revamp of the Broker Registration Regime for the demutualised environment, where registration will be linked to capital adequacy requirements and activity based licensing.
- Development of a robust regulatory framework in line with the best international practices and IOSCO principle
- Improve regulations governing exchange traded funds and regulations governing market making
- Review of a large number of outdated rules governing capital market and formulation and promulgation of new one
- Introduce new regime for the Islamic capital market with appropriate legal and regulatory framework for products and service to address investment needs of investors in compliance with the Shariah
- Improvement and introduction of new corporate laws to regulate securities market
- Introduction of the post-demutualisation reforms in stock exchange, such as brining in strategic investor
- Diversification of product portfolio of commodities market, including exploring options to introduce the Shariah-compliant commodity contracts
- Development of new products and systems, such as listing and trading of stock option
- Develop debt capital market for the government and corporate bodies
- Establishment of the Securities Investor Protection Corporation and Brokers Associations
- Introduce guidelines for issuance of the Sukuk (Assets Backed Securitisation)

### **Corporate sector**

- Review of the Companies Ordinance 1984 for simplification of company law and its procedures
- Implementation of the newly-approved rule to improve corporate governance practices, that is, the Public Sector Companies (Corporate Governance) Rule 2013
- Amend the existing legal framework to improve e-governance

### **Non-banking finance companies**

- Promulgation of an independent NBFC law
- Revamp the business model of investment banks through amendments in the NBFC rules and regulations
- Launch investor education programmes on mutual fund
- Amendments in the Modaraba Ordinance and Rules 1981 to protect interests of shareholders
- Introduce reforms in the real estate investment trusts

### **Insurance sector**

- Establish terrorism pool for terror-affected persons on the public-private partnership basis
- Introduce framework for the micro-insurance schemes for the public and private sectors
- Introduce compulsory Motor Third Party Insurance Scheme
- Establish Guarantee Fund for protection of policyholders in the event of failure of companies
- Development of catastrophe insurance and bounds in Pakistan
- Corporatisation and rejuvenation of the State Life Insurance Corporation
- Strengthen role of the National Insurance Company Limited to promote insurance industry
- Regulation of the postal life insurance and group life insurance sector
- Development of the health insurance and review of insurance and reinsurance regulation

### **National Tariff Commission**

The federal government promulgated the National Tariff Commission Ordinance 2015 and trade remedy laws, namely (i) Antidumping Duties Ordinance 2015, (ii) Countervailing Duties Ordinance 2015.

Under the Section 8 of the National Tariff Commission Ordinance 2015, the functions of the Commission will be to advise the federal government on:

- (a) Tariff and other trade measures to
  - i. provide assistance to the domestic industry; and
  - ii. improve competitiveness of the domestic industry
- (b) Trade remedy actions being faced by domestic producers and exporters
- (c) Rationalisation of tariff and proposals for tariff reform
- (d) Removal of tariff anomalies, and

- (e) Any other matter relating to tariff and trade measures, which the federal government refers to the Commission.

### **Public Procurement Regulatory Authority**

The Public Procurement Rules (PPR) 2004 provide a broad regulatory framework for transparent public sector procurements, and are applicable to all the PSEs at the federal level. Adherence to these Rules promises introduction of transparency and accountability in the public sector procurements. The Authority has been assigned the role to reform and restructure process of regulating the public procurement of goods, services and works in the public sector. The first major assignment undertaken by the PPRA was review of the existing procurement regulations and procedures of five public sector enterprises as well as their re-engineering and redesigning for transparent and efficient procurement procedures by these enterprises.

During the Plan period, a robust public procurement will be established through intervention and reforms in the areas, which includes: i) review of the existing PPRA Ordinance 2002, PPR 2004, and PPRA Regulations to bring them at par with international best practices, ii) preparation of new regulations as per requirements of the PPR 2004, iii) preparation of Standard Bidding Documents (SBDs) for goods and services, and review of the existing SBDs for Works, iv) development and application of e-procurement as an end-to-end business solution, v) strengthening the National Institution for Procurement for capacity-building of officials of the procuring agencies and suppliers from the private sector through face-to face and on-line training, vi) strengthening the existing Advisory Group on Procurement – a representatives body of the federal and provincial governments for harmonisation of the procurement procedure and practice, vii) developing linkages and cooperation with the South Asian countries and other international bodies to learn from their experiences and replication of their best practices in Pakistan, viii) ensuring financial autonomy for the PPRA to reduce dependence on the federal government grants and generate own resources for meeting its expenses.

### **Intellectual Property Organisation**

Pakistan's intellectual property rights regime is not being enforced for many years. Some quarters think that it discourages the Foreign Direct Investment (FDI), and serves as a disincentive to local research, innovation, creation and development of knowledge assets in the country. Counterfeiting in various fields of intellectual property, like software and recording industry, has become rampant and space for genuine business is squeezing. During the Plan period, the Law on Genetic Resources, Traditional Knowledge and Folklore (GRTKF) and Law on Utility Model and amendment in the Intellectual Property Legislation will be prepared and review of the Intellectual Property Law on copyrights, patents and trademarks in consultation with the Federal Investigation Agency, stakeholders of the private sector and IP experts will be undertaken. In addition, the following initiatives will also be undertaken:

- Building IP house in Islamabad
- Notification of the industrial law and designs of integrated circuit rules
- Establishment IP Academy in Islamabad
- Offering PhD scholarships in the IP education by the HEC
- Operationalisation of the IP Tribunals for speedy disposal of cases

- IP strategy and action plan to strengthen the IP regime to be implemented in collaboration with other stakeholders
- Strengthening the IP and its enforcement
- Capacity-building of diplomatic missions to rectify Pakistan's IP image abroad
- Revision of the legal framework
- Balance the interest of stakeholders
- Approval of the Plant Breeders Rights Law and establishment of PBR in the IPO-Pak

### **Oil and Gas Regulatory Authority**

A number of legal and regulatory initiatives, including the Minimum Performance and Services Standard 2003, Natural Gas Quality Standard 2008, Standard Technical Specifications for Equipment and Material to be used in the Natural Gas Networks 2009, Contract for supply of gas for domestic, commercial and industrial consumers, OGRA (Financial) Regulation 2005, OGRA Service Regulation 2005, Natural Gas (Well-Head Price) Regulation 2009, UFG and HR benchmarking OGRA, NGRA (licensing) Rules Regulation 2009, Natural Gas Tariff Rules 2002, OGRA Complaint Resolution Procedure Regulation 2003, Oil Transportation (Pipeline) Technical Standards 2009, etc., have been launched by the OGRA to protect public interest, regulate and foster competition and investment in the oil and gas sector during 12 years. There is still a need to provide effective and efficient regulations to the sector. During the Plan period, the following regulations will be initiated in the sector:

- Introduction and expansion of the LPG Auto Refuelling Infrastructure
- Introduction and encouragement of LPG as alternate domestic fuel in domestic and commercial sector, particularly in new towns where natural gas infrastructure unavailable
- Implementation of the Natural Gas Regulated Third Party Access (TPA) Rules 2012
- Notification of the draft Pakistan Oil (Refining, Blending, Transportation, Storage and Marketing) Rules 2014
- Enhancement of storage capacity for the petroleum products for their better availability in emergency situations
- Encouraging investment in the oil refining and marketing to reduce oil imports bills
- Grant of the LNG licences to facilitate LNG import to bridge demand-supply gap
- Introduce UFG benchmark and HR benchmark in respect of the gas utility companies for next five years
- Implementation of standards, provisions of applicable rules and regulations, etc., by the licensees
- The federal government to issue policy guidelines in accordance with the provisions of the OGRA Ordinance 2002, and the regulator to be permitted to function independently as per provisions of the Ordinance

### **Pakistan Telecommunication Authority**

Efforts to develop a fully competitive market in the telecom sector were initiated in the early 1990s and during the last 10 years, a number of initiatives, including promoting rapid

modernisation of the telecommunication systems, and protecting interests of the telecom users, were taken by the PTA.

During the Plan period, the following policies will be adopted to regulate and operate the telecommunication sector.

- Create a fair regulatory regime for promoting competition and providing equal opportunities to the existing players and new entrants in the market
- Ensure fairness and transparency in licensing and competition
- Promote rapid modernisation of telecommunication systems and introduction of next generation technologies
- Build regulatory and technical support systems, including availability of additional spectrum, spectrum harmonisation, spectrum and infrastructure sharing
- A timely shift in the regulatory regime with the introduction of the next generation technologies, networks and proliferation of broadband in an increasingly converging environment
- Make efforts for ensuring quality telecom services to the unserved and underserved areas through the USF
- Undertake timely and efficient decisions to effectively safeguard public interests
- Encourage and facilitate local manufacturing of the telecom equipment and handsets
- Regular in-house as well as third party Quality of Service (QoS) audits and surveys
- Streamline enforcement of the national laws, rules and regulations for governing the telecom sector in the next revolution underway with an advanced spectrum licensing
- Safeguard Pakistan's national and security interests

### **Pakistan Electronic Media Regulatory Authority**

Owing to the sudden and rapid impetus of the electronic media in Pakistan, the PEMRA inherited many challenges. One of these was to cause realisation among the media players that media freedom is coupled with a direct and equal proportion of responsibility. In a democratic country like Pakistan where freedom of speech and expression is guaranteed to every citizen by the Constitution as a fundamental right, it is the responsibility of all and sundry to exercise this freedom with due care to ensure that it might not incite violence, terrorism, racial, ethnic or religious discrimination, sectarianism, extremism, militancy, hatred, obscenity, vulgarity or anything offensive to the commonly accepted standards of decency. Another challenge for the PEMRA was flooding of the foreign satellite television into the country without any degree of control. Although initially, at the time when many Pakistani satellite television channels were in offing, many foreign TV channels did a commendable job in enhancing level of general knowledge and information of our people. Simultaneously, some posed grave cultural and political threats to the country. To tackle these issues, the PEMRA formulated a policy of 'Landing Rights' allowing public access to those channels, which conformed to generally accepted value system, while barring those which were on the contrary. During the last decade, the country has witnessed unprecedented growth in the number of TV channels, cable TV and FM Radio stations in the private sector, which is unmatched in the South Asian region, and perhaps elsewhere as well. This boom is owed to the government's unequivocal commitment to

a free media and the proactive role played by the PEMRA in facilitating growth of the electronic media.

During the Plan period, the following strategy will be pursued to strengthen and regulate the electronic media:

- Improve the standards of information, education and entertainment
- Addition to choices available to the people
- Facilitate the devolution of responsibility and power to the grassroots level
- Ensure accountability, transparency and good governance by optimising the free flow of information or news

### **National Electric Power Regulatory Authority**

The government embarked upon a restructuring plan of the WAPDA in 1992, and the entity was restructured into distinct autonomous entities under the Companies Ordinance 1984. To regulate the power sector, the NEPRA was established under the Regulation of Generation, Transmission and Distribution of Electric Power Act 1997. The NEPRA, in pursuit of its functions, has introduced a number of regulatory tools to ensure service quality, and during the last five years added several rules, regulations, guidelines, Standard operating Procedures (SoPs), namely:

- NEPRA Upfront Tariff (Approval and Procedure) Regulations 2011
- NEPRA Financial Regulations 2010
- NEPRA (Procedure for filing appeal before the Authority) Regulations 2012
- NEPRA Standard Operating Procedures for Inspection, Examination and Provision of Copies of Documents 2015
- NEPRA (Sale of Electric Power by Renewable Energy Companies) Guidelines 2015
- NEPRA Guidelines for Determination of Consumer-end Tariff (Methodology and Process) 2015

The NEPRA is vigorously following monitoring and enforcement of its licences to enforce government policies effectively in addition to the existing laws for the betterment of the power sector. The NEPRA has announced upfront tariffs of various technologies, such as, wind, solar, coal, bagasse, small hydro, RLNG, etc., to expedite the process of grant of tariff in transparent manner. By the end of the Plan period, the prevalent state of the electricity affairs will be much improved.

### **Pakistan Nuclear Regulatory Authority**

During the last five years (2008-2012), regulations on various subjects have been issued by the PNRA to control and regulate matters related to nuclear safety, radiation protection, transport and radioactive waste management. These organisations and subjects include:

- Licensing fee by the Pakistan Nuclear Regulatory Authority
- Transaction of business of the Pakistan Nuclear Regulatory Authority
- Licensing of the nuclear safety class equipment and component manufacturers

- Safety of the nuclear installations – site evaluation
- Management of a nuclear or radiological emergency
- Safety of the nuclear research reactor(s) operation
- Pakistan Nuclear Regulatory Authority enforcement regulations

During the Plan period, additional regulations and other regulatory activities will be taken up to control and regulate nuclear safety and radiation protection aspects: The subjects are:

- Physical protection of nuclear materials and nuclear installations
- Security of the sealed radioactive sources
- Decommissioning of facilities using radioactive material
- Safety of nuclear fuel cycle facilities
- Authorisation of organisations for non-destructive testing and evaluation of safety class equipment for nuclear installations
- Licensing of the Karachi Nuclear Power Plant (Unit-2 and Unit-3)
- Review and assessment of the site evaluation reports for new Nuclear Power Plants sites, other than the existing NPP sites in line with the energy security plan of the government
- Further increase in licensing net of facilities using radioactive sources and radiation generators being used in the medical, industrial and agricultural applications

With a comprehensive reform agenda as mentioned above, the governance indicators are expected to improve during the Plan period. In order to accomplish this agenda, Rs344.125 billion (Rs25.5 billion for the federal programmes and Rs318.625 billion for the provincial programmes) have been earmarked for the Plan period for activities related to the governance, innovation, reform, research and statistics sectors. It is expected that the successful implementation of initiatives in the areas of service delivery, rule of law, citizen participation and regulatory framework will result in improving governance and growth-related indicators.