



**REPORT OF THE
NATIONAL COMMISSION FOR GOVERNMENT REFORMS
ON
REFORMING THE GOVERNMENT IN PAKISTAN**

Vol - I

(MAY 2008)

National Commission for Government Reforms
Prime Minister's Secretariat
Government of Pakistan
Islamabad

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PREFACE

Following its creation in 2006, the NCGR was tasked with producing an analysis and recommendations on how government, its institutions and infrastructure can become more effective to meet the social, economic and political challenges that Pakistan faces in the 21st century. This Report produced by the Commission after deliberations during these two years is comprehensive and covers the restructuring of Government at the Federal, Provincial levels, strengthening of the district governments, reorganization of civil services, revamping of human resource management policies and practices, reengineering of business processes. These proposals summarize the findings from extensive research in the field and consultations conducted with a wide range of stakeholders spanning the public and private sectors, particularly the Federal Secretaries committee and the Provincial Governments.

2. A legitimate question may be asked: How does this report add value to the reports of the previous commissions, committees, working groups and task forces. The value addition takes place in at least seven distinctive ways.

3. **First**, it systematically updates the knowledge and problems facing the Government in the formulation and implementation of policies, programmes and projects, carries out a critical analysis of the reforms that have taken place so far and attempts to align the structure, processes and practices with the nature of the problems and difficulties identified.

4. **Second**, the report commits itself to utilize the entire workforce employed by the Government optimally by following an inclusive approach whereby it provides equality of opportunity to the majority of officers who are currently outside the occupational groups and service cadres in matters of recruitment, training, career progression and promotion on the basis of performance and achievements and does away with entitlements and reservations. There is a clear need to ensure that generalists and specialists are brought together under the highest policy making position matrix.

5. **Third**, the essence of decentralization and devolution to the local governments is extended further and strengthened by recommending creation of District Services under the control and management of the districts. All

employees in Grades 1-16 in the devolved departments will become employees of the District governments improving span of control and accountability for results. At the same time it recommends transfer of functions from the Federal to the Provincial Governments. It also opens up the highest policy making positions at the Federal Government to qualified and competent Provincial civil servants by introducing regional quotas at those levels also.

6. **Fourth**, the interface between the public and the civil service administration has to be improved in a manner beneficial to the citizen. The current norm is one where the public deal with low grade, unqualified and ill trained officials who lack neutrality, integrity, and right attitude and often lack the skills to address the concerns of the citizens. These proposals recommend the need to ensure that there is a system where each district assigns young direct recruits in thanas, tehsils etc. to be the first point of contact with a citizen. These public servants would be authorized to resolve the problems and take the decisions expeditiously.

7. **Fifth**, a holistic approach is to be adopted for **human resource management** to turn civil servants into competent, motivated, well trained problem solving individuals rather than demotivated, ill equipped, poorly paid sticklers for rules. The emphasis is on a transparent and accountable merit-based approach that rewards performers and penalizes the recalcitrants. This will ultimately bring much needed cultural change to the organization; it will also ensure that mechanisms are put in place to address under-performance.

8. **Sixth**, it is proposed that the potential offered by **e-Government** should be exploited quickly and advantageously. The switch will ensure there is a move away from paper-based working towards a more efficient, productive and cost-effective approach. This will also imply that all government rules, regulations, circulars, instructions and manuals are readily accessible through web in the public domain and that the latest editions of documents such as the establishment manual, the ESTACODE and Finance Manual, are used instead of obsolete versions. This will not only curtail the discretionary and arbitrary powers of the lower functionaries but also encourage openness, transparency, lesser opportunities for corruption and accountability by the public.

9. **Seventh**, there are some well thought out ideas presented in the report for improvement in the delivery of essential public services: **education; health; police; and land revenue** in the short term. As most of the day to day transactions of an ordinary citizen pertain to these services, an early implementation of these recommendations would bring quick win.

10. This report is a road map that contains the proposals that will carry forward the reforms as a long-term initiative, rolled out over a 10-15 year period. It is hoped that the Government will continue with the review of these recommendations by a high powered Ministerial committee, modify and make changes where necessary and implement them on the basis of a time bound action plan with prescribed milestones and assigned responsibilities.

Ishrat Husain
Chairman

Islamabad
the 3rd May 2008

COMPOSITION AND TERMS OF REFERENCE
OF NATIONAL COMMISSION FOR GOVERNMENT REFORMS

COMPOSITION

1. Dr. Ishrat Husain	Chairman
2. Dr. A. Malik Kasi	Member
3. Mr. Shafqat Ali Shah Jamot	Member
4. Mr. Shamsh Kassim Lakha	Member
5. Mr. Farooq Rahmatullah	Member
6. Mr. Asad Jahangir Khan	Member
7. Mr. Shahid H. Kardar	Member
8. Mr. Ejaz Rahim	Member
9. Secretary Cabinet	Ex-officio Member
10. Secretary Establishment	Ex-officio Member
11. Secretary Finance	Ex-officio Member
12. Ms. Nargis Sethi	Secretary

TERMS OF REFERENCE (TOR)

(1) The Commission shall review and make a clear, precise and implementable set of recommendations in respect of:

- (a) the division of functions, responsibilities and accountabilities among the federal, provincial and local governments to avoid duplication, overlap and functional redundancy;
- (b) the appropriate size of government organizations, at each tier of government including attached departments, autonomous bodies, public sector corporations and other entities in the light of the responsibilities and functions assigned to each;
- (c) improving existing, institutional capacity through identification and meeting of skill gaps in the context of functions assigned to organizations of government at all levels;
- (d) the redesigning of rules and core business processes at all levels of government to achieve functional efficiency, client orientation, cost reduction, transparency and a shift of focus from process compliance to output and outcomes;
- (e) inter-linkages between; federal, provincial and local public services with a view to strengthening the federation through increased transaction efficiency and smoother conduct of business;
- (f) public service design for all tiers of government that would include:
 - (i) the structure of the public services at all levels in view of functional reassignments;
 - (ii) recruitment, training, placement; promotion and career planning for the public services;
 - (iii) the development of human capital through training and higher education;
 - (iv) indicators for qualitative and quantitative measurement of performance for diverse professions and services;
 - (v) compensation packages and performance based incentives;
 - (vi) measures to fill capacity gaps in the interim;
- (g) legislative requirement to implement the plan;
- (h) resource requirement to implement the plan;
- (i) a strategy to manage the proposed changes & transformation; and
- (j) a monitoring mechanism to monitor the implementation of the approved recommendations.

(2) The review and recommendations of the Commission shall be made remaining within the ambit of the provisions of the Constitution of the Islamic Republic of Pakistan.

EXECUTIVE SUMMARY

Restructuring the Civil Services

1. There will be four types of services in Pakistan---All Pakistan, Federal, Provincial and District. All Pakistan Services will include:

- i. National Executive Service. (NES)
- ii. Pakistan Administrative Service.(PAS) (formerly DMG)
- iii. Police Service of Pakistan. (PSP)

Officers belonging to All Pakistan services will rotate between the Federal and the Provincial Governments.

2. The Federal Services will consist of the following cadre services in addition to ex-cadre and subordinate services:

- i. Pakistan Foreign Service. (PFS)
- ii. Pakistan Audit and Accounts Service. (PAAS)
- iii. Pakistan Taxation Service with two cadres for Customs and Inland Revenue. (PTS)

3. Those belonging to the Federal services will work only at the Federal Government. Fresh recruitment to some of other existing cadres and occupational groups through the Central Superior Services (CSS) examination should be discontinued in the future and substituted by other modes of competitive recruitment based on specific job requirements.

4. The Provincial Services will be comprised of:-

- i. Provincial Management Service (PMS)
- ii. Provincial Executive Service. (PES)
- iii. Provincial Technical and Professional Service. (PTS)
- iv. Provincial Judicial Service. (PJS)

In the technical and professional services, multiple cadres such as for Education, Health, Engineering, and Agriculture can be set up by each province depending on the critical minimum mass.

5. A new District Service encompassing all posts in Grades 1-16 will be established for each district or group of districts. All posts in BPS-1-16 at the District, Tehsil/ Town and Union Council level be classified into two categories:

- All common services staff who can be rotated from one office to another, without any difficulty, such as messengers, drivers, clerks, assistants, superintendents, serving at the District, Town/ Tehsil, Union Administration levels, should be grouped together, to form the General Cadre. The inter-changeability of the staff who will mainly be generalists, will be the main criterion for induction into this grouping.
- All technical staff which belongs to specific departments will either be grouped into separate cadres, if there is a justification to do so, or remain in ex-cadre or non-cadre posts in their respective departments, with their promotion prospects at par with the cadre employees.

6. For City District Governments, the District Service can be extended to include BPS-17 officers. These District Service officers will share posts with Provincial and PAS officers.

7. A new All Pakistan Service – the National Executive Service (NES), will be created and along with the Provincial Executive Service (PES), set up in each province, will fill in all senior positions (BPS 20-22) in the Federal/ Provincial Secretariats. The NES/ PES will be open to all existing officers serving the Government and also to professionals from outside, meeting certain eligibility criteria. Regional/ Provincial quotas for recruitment to NES will address the complaints of smaller provinces of non-representation at Secretary/ Additional Secretary levels in the Federal Government.

8. Selection to NES will be made through an open merit-based competitive system, introducing representation for under-developed and provincial regions. In the beginning it has been proposed to have two streams within NES- the Economic Management Group (EMG) and the General Management Group (GMG). The third stream i.e. Social Sector Group (SSG) can be created later on.

9. Any officer in Grade 19 belonging to the Federal, Provincial or All Pakistan Services will have the option to continue working in his cadre service or ex cadre position and move up vertically according to the cadre rules or appear at the NES examination. Once selected the person will become member of the NES cadre in Grade 20 and rise upto Grade 22 on the basis of performance, output, competencies, integrity through a transparent selection process.

Strengthening of District Service

10. The National Reconstruction Bureau (NRB) and the Federal Ministry of Local Government and Rural Development should be abolished and their responsibilities and functions transferred to the Provincial Governments. Each provincial department should organize the Local Government system according to its own peculiar needs but remaining within the parameters agreed at the Council of Common Interests (CCI).

11. Clear boundaries of responsibilities should be delineated between the Provincial Government and the devolved departments at the district government. The Provincial Government will have powers for policy formulation and issuing directives, setting quality standards, officer training, monitoring and evaluation. The Provincial departments that

have devolved their functions should no longer be engaged in executing or implementing programmes and development projects.

12. There are no administrative linkages between the Union Councils(UC), Tehsil Municipal Administration(TMA) and the District Government (DG) under the new system analogous to those existing between the Federal-provincial and Provincial-District Governments. The missing link can be established by requiring the UC Secretary reporting to UC Nazim for all UC affairs as given under the LGO but also to the Tehsil or Town Municipal Officer(TMO) for coordination within the teshsil/town. Similarly, the TMO should report to the Tehsil/Town Nazim for TMA affairs under the LGO but report to the District Coordination Officer (DCO) for coordination purposes within the District. TMO should be designated as ADCO also and should be an officer of Grade 17 directly recruited under PAS or PMS.

13. For meeting urban planning needs of large cities and providing integrated municipal services to the citizens in the 8 City District Governments(CDGs) autonomous Municipal Services Corporations (MSC) may be established with a Governing Board. MSCs will be able to attract quality human resources with requisite skills and establish modern management techniques. This combination of people, processes and technology at one place will halt the fragmented management of urban services; resolve the capacity problem by better response to the needs of the urban citizens.

14. The City District Governments (CDGs) should be assigned the responsibilities of Master Planning, its implementation and the delivery of all municipal services – water supply, sanitation, sewerage, solid waste management, building codes and standards etc. by all other independent land owning agencies operating in their jurisdictions.

15. Training Needs Assessments (TNAs) should be carried out for each District. On the basis of the TNA, course content, teaching tools and methods of on-the-job training and capacity building should be developed. Those who fail to qualify the prescribed standards and qualifications should be removed from these sensitive positions and replaced by professional staff hired on contract or in regular cadres or borrowed from the Provincial Governments on deputation.

16. The monitoring and oversight functions of the Provincial Governments can be better performed ,for example in the province of Punjab covering 35 districts, by posting a Member Board of Revenue with a limited staff at the Regional headquarters with the powers to inspect 8-10 District Governments each year. The NWFP Government has already appointed Regional Coordinators at the former Divisional headquarters.

17. Valuation based on new cadastral surveys can raise the revenues of all the city District Governments three or four times their present level and help them finance the growing needs of urbanization. The over dependence of each tier of government upon the next one and the expanding vertical fiscal imbalances have to be narrowed by exploiting this under-tapped revenue potential of agriculture income tax, water user charges and urban property tax.

18. It has been found that development projects executed by the District Governments have a significant effect in removing inter- district differentials in access to services and promoting equity. These projects are more responsive to the local needs, reflect the priorities of the communities and potential beneficiaries. The Federal Government should formulate and execute projects of inter-provincial or national dimension. The Provincial Governments should do the same in respect of inter-district and province wide coverage projects. But their involvement in District level projects should be through matching grants and provision of technical expertise rather than direct execution.

19. One of the ways in which the enforcement of local and special laws can be ensured under the new Local Government system is to introduce the system of Illaqa Magistracy. Illaqa Magistrates would be entrusted the functions such as Crisis/Disaster management and relief measures, inspection of weekly bazaars and markets for ensuring price control of essential items.

20. The post of District Coordination Officer may be re-designated as District Chief Operations Officer (DCO).The posts of DCO for City District Governments will be in Grade-22, in major district Grade-21 and in smaller districts Grade-20.

Re-organising the Structure of Government

21. The Federal Government should transfer legislative, administrative and financial powers to the Provincial Governments in respect of Education (except curriculum and Higher Education), Health (except national health programmes), Agriculture, Livestock, Fisheries, Forests, Local Government, Rural Development, Labour, Social Welfare and Population Welfare. For these subjects, National Council of Ministries consisting of the Federal and Provincial ministers in charge of the portfolio and National Committee of Secretaries consisting of the Federal and Provincial Secretaries should meet regularly to discuss, formulate the sectoral strategies, plans and policies, monitor the progress and take corrective actions. The responsibility for operations, execution and regulation will, however, remain with the Provincial and District Governments within the parameters specified by the National Councils of Ministries. These Councils and Committees can be established and work under the Council of Common Interests (CCI) and submit a report to the CCI annually. As a consequence, it is proposed to reduce the number of Federal ministries from 41 to 23, the number of Divisions from 46 to 37.

22. In view of the new challenges that are likely to emerge in the future it is proposed to create some new ministries and Divisions by merging, liquidating, transferring some of the existing ministries and Division. These new ministries are:

- Technology Development (merging Science and Technology and IT)
- Regulatory Affairs (carving out of Cabinet Division and bringing in CAA, DRA and PEMRA)
- Human Resource Development (in place of Education, Health, Population, Social Welfare)
- Social Protection
- Infrastructure Development (merging Communications, Ports and Shipping, Railways and Civil Aviation)
- Energy (merging Petroleum and Power)
- Special and Under developed areas (merging KANA and SAFRON)
- Environment and Natural Resources (existing Agriculture and Environment)

23. All the existing 411 autonomous bodies, semi-autonomous bodies, corporations, companies, councils, commissions, training institutes, attached departments, subordinate officers etc. have been regrouped into two broad categories:

- (i) Autonomous bodies
- (ii) Executive departments

24. Detailed proposals have been developed for each of these 411 organizational entities. After mergers, winding up, privatization, transfers to the provinces, liquidation, etc. only 177 Autonomous bodies and 70 Executive departments will be retained at the Federal Government. None of the employees serving the redundant organizations will lose the job non-voluntarily.

25. Autonomous bodies will have an independent Board of Directors and led by a Chief Executive reporting to the Board. The Autonomous body will perform regulatory, operational, corporate, research and development, quasi-judicial functions.

26. All training institutions will be reorganized as Training and Policy Research Institutions which will be autonomous with their own board of directors. These institutions will be given one line budget that they will be allowed to spend for the execution of the annual work plan approved by the Board.

27. In cases where these bodies are funded fully by the national exchequer the representative of the Finance Ministry on the Board will enjoy the veto power on commitments of future financial obligations and liabilities. But no references will be made to the Finance or Administrative Ministry once the decisions have been taken by the Board.

28. All Executive departments will work under the direct supervision and guidance of the Secretary of Division. The head of the department will, however, enjoy the autonomy to deliver the agreed work program for the year and for this he will be provided the requisite financial, human and other resources. The delegation of powers to the heads of departments will have to be upgraded.

Improving Human Resource Management and Development

Recruitment

29. The sources of recruitment for the Civil Services should be widened and diversified. The Federal and Provincial Public Service Commissions should arrange participation in job fairs and make presentations to institutions with potential candidates for civil service employment. For specialist and technical expert jobs they should acquire the services of professional recruitment agencies.

30. Job descriptions and specifications should be developed for all the positions in the Federal and Provincial Governments. Recruitment rules should be revised and

aligned with these job descriptions and the requisitions be sent to the FPSC and PPSC s on the basis of these revised rules.

31. The FPSC study on improving the current examination and interview system should be used to make changes within the Federal as well as the provincial recruitment processes. Initial screening and psychometric testing should help in assessing the attitude, team work and other personality traits of the candidates.

32. Particular attention should be given to bring the standards and rigour of recruitment of ex-cadre officers at par with cadre services. Both written examination as well as structured interviews should be held for this category also.

33. The choice of services at the central superior services (CSS) examination should be linked with the selection of elective papers. For example, a candidate for Audit and Accounts or Taxation Service cannot be considered eligible for these services unless he/she has successfully passed the elective paper in Accounting or Financial management. There will be no restriction on the number of services a candidate can opt for provided he/she has cleared the elective papers relevant for these services.

34. The recruitment standards and processes by the PPSC should be brought at par with the FPSC. The method and eligibility criteria, the tenure of the chairman and members and the quality of permanent staff of these commissions should be reviewed and upgraded.

Training

35. New training institutions should be established for training of technical and professional staff at the Federal and Provincial Governments in the subject areas of their respective expertise. The majority of ex-cadre officers do not undergo any systematic training throughout their career to acquire new skills or modern techniques and knowledge. The shoddy design and implementation, large cost overruns and poor quality of the work in our infrastructure projects and the weak social indicators reflect the inadequate training of the staff in the professional and technical fields.

36. Just like management training has been made mandatory for promotion to the next grade, professional training should also be made pre-condition for officers both at the Provincial and the Federal Government levels. Incentives, facilities and standards

for specialized and professional training institutions should be comparable to those with the National School of Public Policy.

37. To attract instructional staff to the training institutes it is essential to combine policy research at these institutes with extra points in computation of marks for promotion and special emoluments and facilities such as free residential accommodation. Case study methods should be used for analyzing large development projects, their costs, benefits and impact.

Strengthening Key Institutions of Governance

38. About 100 key public sector institutions in the country have a critical impact on the economic and social outcomes. Their governance structure has to be made more transparent and merit-based so that the right man is chosen as the Chief Executive. A special Selection Board will screen, interview the candidates, and prepare a short list for consideration by the Prime Minister. This process will minimize arbitrary discretionary powers of the Chief Executive and attract capable candidates for these key jobs.

Compensation and Benefits

39. The various reforms proposed in this report would remain ineffective and incomplete unless the question of compensation and benefits to the officers above Grade 17 is not squarely addressed. The present compensation structure whereby 85 percent of the Government's salary bill goes to subordinate staff in Grades 1-16 who are well-paid compared to their private sector counterparts while 15 percent goes to the officers grade who are all underpaid will not allow talented persons to be attracted, motivated and retained to civil services. While it is neither politically feasible nor humanly desirable to get rid of the surplus staff in lower grades, it is proposed that new recruitment to this category be frozen except for teachers, health workers, and policemen. Over time the budgetary savings freed up by a reduction in the size of the workforce will enable the Government to double or triple the salaries of the officer grade within the budgetary limits.

40. As a starting point it is suggested that those who are selected to the NES through a rigorous competitive examination should be given MP III to MP I scales. After all, the Government is paying these scales to scores of persons whose suitability and eligibility for these posts is questionable and whose selection procedure is opaque.

The financial implications of paying these scales to 10,000 officers in the NES and PES are likely to be modest but the benefits in terms of productivity, morale, low corruption and efficiency will exceed these costs many times over.

41. Performance-related salary has been introduced in some government organizations such as the Federal Board of Revenue. As long as the selection to these specified posts is competitive and transparent and the measurement of performance indicators is objective, this mode of salary should be introduced in other key organizations and later extended to the whole government in a phased manner.

Performance Appraisal

42. A fair and equitable compensation system cannot work well unless it is accompanied by an objective performance appraisal system. It is recommended that the current system of Annual Confidential Report (ACR) should be replaced with an open Performance Evaluation Report (PER) system in which the goals and targets are agreed at the beginning of the year, key performance indicators to measure the achievements are settled and an open discussion is held between the appraisee and the supervisor on the identification of development needs to carry out the work. Mid-year review is held to assess progress and provide feedback and the annual evaluation is held jointly through a discussion between the appraised and the supervisor. The appraisee can then sign the report or appeal to the next in line supervisor against the findings of his immediate supervisor. This way the PER is used mostly as a tool for the development of the individual to meet the needs of the organization. Poor or underperformers are particularly focused upon to bring them to better performance outcomes.

Promotion Policy and Career Management

43. The promotion policy and career management should be the responsibility of a centralized Human Resource Management and Development Agency. The Establishment Division should be reorganized into two divisions (a) Human Resource Management Division (HRMD)– which will be responsible for the policies of recruitment, career planning, promotion, compensation and benefits, severance, etc. and (b) Organizational Development Division – which will be responsible for the policies of training and organizational developments. Promotion policy should lay down the criteria including the weight given to PER, Training and Skills acquisition, rotation of assignments, diversity of experience, complexity of jobs, etc. for each level. The

HRMD should then guide each Division/Ministry responsible for the management of human resources in the enforcement of these standards and implementation of policies.

Simplifying Rules, Process and Procedures

44. E-Government tools and development in digital technology offer promising prospects for improving the efficiency of government, reducing the costs of transactions, conveniencing the ordinary citizens, introducing transparency and reducing discretionary powers and therefore corruption and tracking the performance and output. Despite such potentially powerful impact of E-Government the resistance, reluctance and contrived delay in its adoption are fierce. A modest beginning has been made in an ad hoc manner but a concerted effort steered and guided by the top leadership at the Federal and Provincial governments is lacking. Unless serious attention is given by the country's leadership the pace will remain uneven, the impact will be marginal and the opportunities foregone will be tremendous. The report stresses equally upon training and adaptation by those already working in the government to make the transition from a paper-based environment to electronic filing, messaging, sharing and exchanging of documents, retrieving, reporting and archiving smooth.

45. The other highly demanding but non-glamorous job the Commission has done is to weed out and purge the multiple rules, regulations, instructions and circulars existing in the manuals followed by the government officials on day-to-day basis, to update them and compile a concise and accurate manual. The Establishment Manual has already been completed while the Finance Manual would be ready by December 2008. These manuals will then be uploaded on the websites of the Government of Pakistan so that they are accessible to the public at large.

46. The Ministry of Finance has agreed to replace the outdated concept of Financial Advisor organization by the Chief Financial and Accounts officer in each Ministry working under the direct control of the Principal Accounting Officer (PAO), who is the Secretary of the Division. The full powers for reappropriation within the approved budget will be delegated to the Secretary of the Division. The Secretary can further delegate some of the financial powers to the Heads of Executive departments or other officers in the Ministry.

Governance and Delivery of Essential Public Services

Education

47. A clarity in division of responsibilities for various levels of education has to be established. Federal Government will deal only with curriculum and Higher Education financing, standards and regulation. Provincial Governments will be responsible for College Education, technical and vocational training and charters of higher educational institutions. District Governments will cover primary, secondary and high schools.

48. To bring about coordination and ensure uniformity in standards of public, private and not for private schools it is recommended that a District Education Board be established in each district. The Board will consist of eminent persons enjoying a good reputation in their communities and will have the District Education officer as the Secretary of the Board. The detailed terms of reference of the Board have been developed. The Boards will be assisted by the School Management Committees which will be empowered. Head Teachers will enjoy more administrative authority in running the schools and disciplining the teachers. The Board will be involved in the oversight of selection of teachers and inspection of schools.

49. Management and teaching cadres should be separated and the career paths for the two cadres would not discriminate against the teachers.

50. Endowment funds should be established by the Provincial Governments to provide financing for talented students to pursue studies at top institutions in the country. Student vouchers or stipends should be given to mentoring children from the poor families to attend private schools of their choice. Private-public partnerships in the form of “Adopt a School” programmes should be encouraged and given incentives.

51. To promote increased female enrollment at primary schools, it is suggested that only female teachers be employed whenever possible.

Health

52. Health management cadre should be separated from teaching and service providers in each province and the Federal Government. Only those having the aptitude should be recruited as health managers and trained at the National and Provincial health academies.

53. The District, teaching and other specialized hospital should have their own boards of directors and should be given autonomy in administrative, financial, legal and human resource matters.

54. Health manpower development particularly in the nursing and paramedic professions require urgent attention.

55. Health Regulatory framework should be made more effective and decentralized to the Provincial Directors of Health.

Police

56. The original Police order has been compromised by amendments that have weakened the functioning as well as the accountability of the Police. The revised Police order should be reviewed.

57. The Provincial Police office should be organized along functional lines and the powers delegated under the Police order should be exercised at all levels.

58. Police stations should be merged, upgraded and headed by an officer of Grade 17 with full responsibility for Watch and Ward, Investigation, and Operations.

59. Legislative amendments and revised disciplinary rules are needed to allow Police officers to perform their duties in ascendance with the Police order and to remove the discretionary powers of the Police. Police force should not fall under the purview of the Civil Servants Act (except those belonging to the Police Service of Pakistan) to enforce internal accountability.

60. Traffic Police in all large cities should be organized and operated on the lines of Motorway Police.

61. Training, allowances, mobility, logistics support, lodging and boarding, medical facilities and welfare of the Police Force fall short of their requirements and create demoralization, too. These should be reviewed and strengthened.

Land Revenue

62. Land revenue assessment and collection, adjudication and dispute resolution should be under the District Government but the maintenance and update of land records should be taken away from the District Government and placed directly under the Board of Revenue.

63. Patwari should be replaced by Revenue Assistant in BS 11 and above and recruited through Provincial Public Service Commission.

64. Colonization of Government Lands Act 1912 should be revised for better and transparent allocation and utilization of State land.
65. Efforts to create a digital database of land records should be expedited.

ACKNOWLEDGMENTS

I would like to acknowledge the hard work done by Ms. Nargis Sethi, Secretary/ Director General, Mrs. Farah Hamid Khan and Mr. Zafar Yab Ahmad, Directors NCGR in the preparation of this report. They organized meetings of the Commission and of the sub-committees, consultations with the Federal and Provincial Governments, meetings with the focus groups of stakeholders and visits to the districts. The Commission had a skeleton staff of only four officers and a limited budget and it was their dedication that this voluminous amount of work was completed.

2. The Secretary Establishment Division, Mr. Tariq Ali Bokhari played an extremely supportive role both within and outside the Commission. His Additional Secretaries, Mr. Tauqeer Ahmed and Sh. Naseer-ul-Haq, and the staff of Management Services were always forthcoming with their assistance to the Commission. The former Secretaries of Cabinet Division, Mr. Kamran Rasool and Mr. Masood Alam Rizvi and former Secretaries of Finance Division, Mr. Tanwir Ali Agha and Mr. Ahmed Waqar also deserve our gratitude for their contribution. I am also grateful to Mr. Salman Siddique, Mr. K. B. Rind, Mr. Fazalur Rahman, Mr. Ejaz Qureshi, Mr. Shakeel Durrani, the Provincial Chief Secretaries and their staff for their contribution to the deliberations of the Commission.

3. At the initial stages I benefited a lot from the interactions with the Civil Service Reform Unit headed by Maj. Gen(R) Asif Riaz Bukhari which had prepared a number of papers on the subjects assigned to the Commission. Two of its General Managers, Syed Najam Saeed and Mr. Saeed A. Memon conducted as Secretaries of the sub committees.

CHAPTER – 1

INTRODUCTION

INTRODUCTION

HISTORY OF ADMINISTRATIVE REFORMS IN PAKISTAN

The history of Government Reform Commissions, Committees, Working Groups, and Task Forces in Pakistan coincides with the history of the country and is quite rich and varied. A lot of able and committed people drawn from all walks of life – politics, judiciary, public service, private sector, academia, professionals – have devoted thousands of man-hours of their valuable time to study, analyze and suggest sensible changes in the administrative landscape of the country. The pity is that their hard work has either been neglected, partially implemented or distorted beyond recognition. There is no dearth of good ideas and proposals that have not been articulated during the last sixty years as the survey below reveals.

2. Soon after independence, a Reorganization Committee was setup under the chairmanship of Sir Victor Turner to look into the staffing needs of each Ministry and also to examine the procedures of working of the Government. The Central Legislative Assembly appointed a House Committee in March 1948, to review the organization and structure of the Ministries and Departments of the Government of Pakistan. A Pay Commission was also set up under the chairmanship of Mr. Justice Mohammad Munir to submit recommendations on the remuneration levels of Government employees.

3. An international expert Mr. Rowland Egger was invited in 1953, to suggest measures for improvement of Public Administration system in Pakistan. Two years later, another international expert, Mr. Bernard Gladieux visited Pakistan in 1955 and prepared a report on the reorganization of the Government of Pakistan.

4. In 1958, a senior civil servant Mr. G. Ahmad submitted a report on reorganization of the Federal Government. After the promulgation of Martial Law, the administrative reforms attracted more serious attention of policy makers. Mr. Justice A.R. Cornelius was appointed by the new Government to head a Pay and Services Commission in 1959. The Commission submitted its report in 1962, which was quite comprehensive in its coverage of the issues facing the services, structure and organization of the Central and Provincial Governments. The Cornelius Report proved to be highly contentious and controversial and its feasible recommendations were also buried in the debris of the demolished report.

5. Mr. G. Ahmad was once again asked to revisit the issue of administrative reorganization of the Central Government in 1961. Upon his recommendations, one of the major breakthroughs took place in the administrative structure, whereby the scheme of Section Officer in the Central Government was introduced, reducing the internal hierarchy within a Ministry.

6. As the new constitution was promulgated in 1962 by Field Masrshal Ayub Khan, the Finance Minister, Mr. M. Shoaib submitted a report on reorganization of the functions and structure of the Central Government, in the light of the new constitutional provisions.

7. Soon after assuming power, General Yahya Khan appointed a Working Group in April 1969, under the chairmanship of one of the Secretaries to the Government, Mr. D.K. Power, to prepare recommendations on the reorganization of Public Service structure in Pakistan. The Power Report looked at the applicability of the Fulton Report, which was presented in the UK to reform the British Civil Service.

8. In the aftermath of the separation of East Pakistan, the PPP Government appointed an Administrative Reforms Committee in 1972, under the chairmanship of Mr. Khursheed Hasan Mir, a Member of the Federal Cabinet. The Committee's major contribution was to abolish the reservation of key posts in Federal and Provincial Governments for the members of Civil Service of Pakistan (CSP) cadre and the replacement of the CSP cadre by a District Management Group (DMG) and the Secretariat Group, in which all occupational Groups would be represented. A unified service structure with different occupational Groups, introduction of national pay scales in Grades 1-22 and removal of constitutional guarantees for civil servants, were some of the deep-rooted reforms implemented in 1973 by the Bhutto Government. Alongwith other measures of nationalization and a larger proactive role of the state these major structural administrative reforms introduced during this period, left an indelible mark on the edifice of the public sector management in the country.

9. General Zia ul Haq's government formed a Civil Services Commission in 1978, under the chairmanship of Mr. Justice Anwar ul Haq, to revisit the 1973 Administrative Reforms and make recommendations. The Commission submitted its report in 1979, but chose to leave the basic thrust of the 1973 reforms intact.

10. The emergence of the democratically elected government, under Mohatarma Benazir Bhutto witnessed yet another attempt for reforms. A Services Reforms Commission was established in 1989, under the chairmanship of Mr. Justice Dorab Patel, the Commission, however, could not finalize its report and instead the Chairman submitted his own recommendations to the Government in 1991. No action was however taken on the recommendations.

11. An Economy Commission constituted in 1991, under the chairmanship of Senator Brig(Retd) A. Qayum Khan followed by Senator Raja Zafar ul Haq, recommended reduction in the number of Divisions in the Federal Government and abolition of 75 organization that were found to be redundant. The Commission submitted its report in 1992, consisting of five volumes and offered specific proposals regarding each attached department, autonomous body and subordinate office under the Federal Government.

12. In 1995, Mr. Hamid Nasir Chattah was requested by the government, to head another High Powered Commission, to deliberate on a large number of issues ranging from the size of the Government to the time limit for disposing enquiries. The Chattha Commission also re-emphasized the need for reducing the number of Divisions in the Federal Secretariat.

13. It was the Caretaker Government under President Farooq Leghari that decided in 1996 to reduce the number of Divisions, attached departments and other organizations in the Federal Government. About 21 organizations were proposed for abolition, liquidation and privatization, while 22 were required to merge into other existing organization. However, in actual fact these decisions were not fully implemented.

14. In 1997 the Deputy Chairman, Planning Commission, Dr. Hafiz Pasha was asked to chair a Committee, with the explicit objective of downsizing the Federal Government. The Pasha Committee's proposals went well beyond those of Chattha Commission and Caretaker Government in reducing the number of Ministries / Divisions, but these proposals were never implemented.

15. In August 1997, another Commission on Administrative Restructuring was appointed, under the chairmanship of Mr. Fakhar Imam, mainly for right sizing the Federal government and identifying surplus personnel. The Commission submitted its

report in February 1999, but before its recommendations could be deliberated upon, the Government of Prime Minister Nawaz Shairf was dismissed in October 1999.

16. The Chief Executive, General Pervez Musharraf, decided in August 2000, that Deputy Chairman, Planning Commission Dr. Shahid Amjad Chaudhry would head a Committee, to restructure and right size the Federal Ministries / Divisions. The Committee submitted its report in April 2001, and its main contribution was rationalizing officer / staff ratio to an average of 1:3.2 and then ultimately to 1: 2.5. The surplus staff was to be surrendered to a Central Pool and also given the option for early retirement, I.T. training at government expense and separation incentive. Although these ratios were observed for some time, they soon fell into disuse.

17. The Devolution Plan of 2000, prepared by the National Reconstruction Bureau, (NRB) under the chairmanship of Lt. Gen (Retd) Tanvir Naqvi and embedded in the Local Government Ordinances of 2001 and the Police reforms, incorporated in Police Ordinance, 2002 and the amendments thereafter, were the most sweeping reforms introduced in Pakistan since 1973. These reforms abolished the posts of Commissioner, Deputy Commissioner, Assistant Commissioner and transferred the powers historically and traditionally enjoyed by these officers, to elected Nazims at the District, Tehsil and Union levels. The executive magisterial powers, under which the Deputy Commissioner exercised checks and balances on the Police officers, were also taken away and the administrative reporting relationship was also assigned to District Nazim. These reforms have been systematically studied and analyzed in the present report, through field visits, observations, stakeholder consultations, feedback gathered from public representatives, officials and general public. A list of all the reports of the various Commissions, Committees and working groups consulted in the preparation of this report is presented in **Table-I**. The key administrative reforms introduced since 1947 as a result of these Commission, Committees, Working Groups and other initiatives taken by the Government, is presented for the three phases (1948-1971, 1973-2000 and 2001- onwards) in **Table-II**.

The Present Report

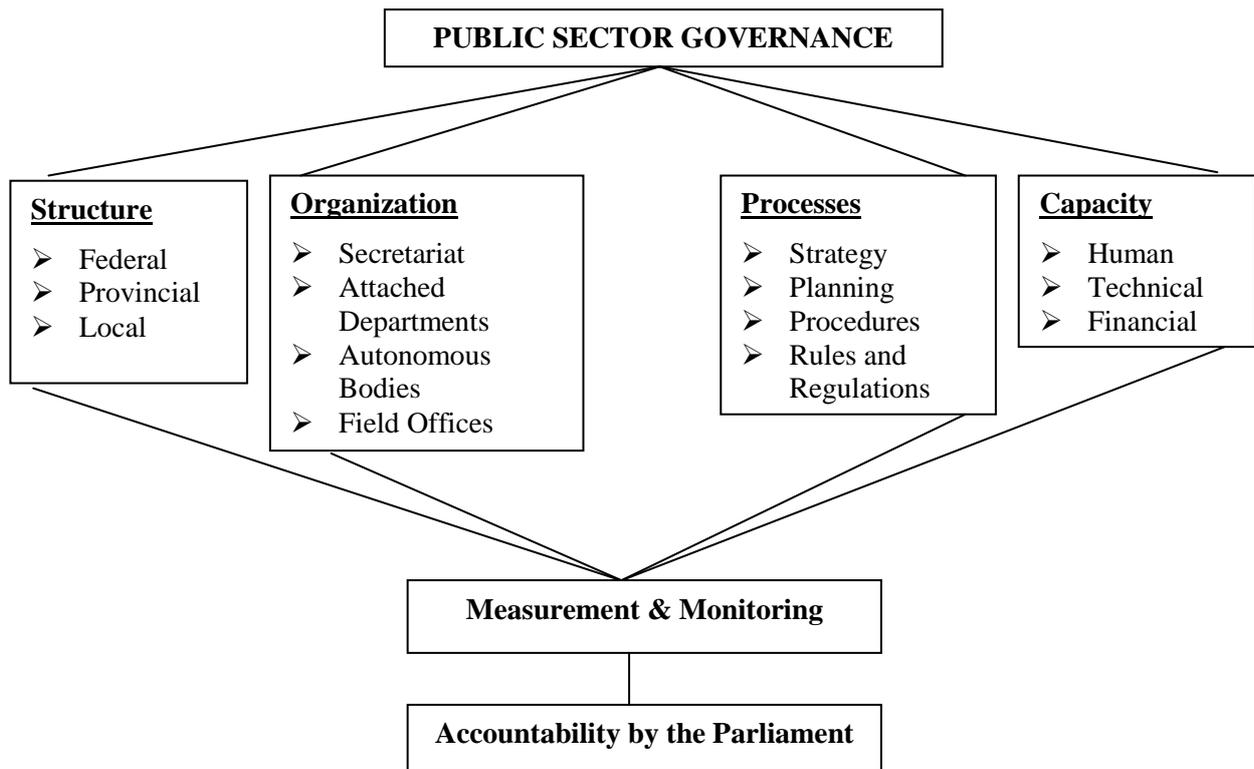
18. In April 2006, the Government of Pakistan constituted the National Commission for Government Reforms, (NCGR) consisting of a full time Chairman, seven part time members from the private sector, three Secretaries to the Government and a full time Secretary (see page-iv). The Commission's mandate as is apparent from its terms of reference (see page-v) is quite broad and comprehensive. What is different about this Commission is, that it did not focus on downsizing, rightsizing or reducing the numbers of civil servants or the numbers of Divisions/ Departments, but took a holistic view of the functions an effective government should perform, how these functions should best be divided between the Federal, Provincial and District Governments, and what kinds of skills and competencies would be required to discharge these functions. In light of this, the business processes, rules of business and other supporting infrastructure (such as e-government) should be revamped. The human resource policies and management should then be aligned to meet the restructured organization and re-engineered processes. The time span to implement these reforms is medium to long term. An innovative feature introduced was the procedure for the approval of the reform proposals developed by the NCGR. A high powered Steering Committee, co-chaired by the President of Pakistan and Prime Minister and consisting of the four Provincial Chief Ministers was authorized to take final decisions on the recommendations of the Commission.

19. The Commission held 13 meetings during its two-year tenure, while the Steering Committee could meet only twice. The proposals presented in this report were developed after exhaustive consultations with the Provincial Governments, Federal Secretaries Committee, focus groups of retired, senior, middle level and junior officers, members of academia and civil society. The Commission made good use of rich material produced by the previous commissions and committees and did not reinvent the wheel. However a few surveys were carried out to update the information and compile new data for analytical purposes.

Analytical Framework

20. The analytical framework used in preparation of this report is depicted in **Chart-I**.

CHART - I



21. According to this framework, public sector governance is a function of structure, organization, processes and capacity. The improvements in these components have to be measured and monitored, while the accountability for the resources used and the results achieved rests upon the legislature.

22. The present Report is divided into eight substantive chapters, starting with the rationale and approach to reforms and ending with four case studies of successful organizational reforms. The concluding chapter points out the way forward and the agenda for next steps and implementation.

TABLE – I

REPORTS OF THE COMMISSIONS, COMMITTEES ON ADMINISTRATIVE REFORMS, PAY AND SERVICES CONSULTED

1. Report of the Pakistan Pay Commission Vol-I (M.Munir) (Ministry of Finance) 1948
2. Report of the Pakistan Pay Commission Vol-II (M.Munir) (Ministry of Finance) 1950
3. Report of the House Committee (S. Ghulam Bhik Nairang) (Ministry of Finance) 1951
4. Report of the Administrative Enquiry Committee (T.B Creagh- Coen) 1953
5. Egger Rowland: The Improvement of Public Administration in Pakistan, 1953
6. Report of the Council for Administration of West Pakistan (M.A. Gurmani) February 1955
7. Gladieux, Bernard: Reorganization of Pakistan Government for National Development (Planning Commission) 1955
8. Report of the Administrative Re-organization Committee (G. Ahmed) 1958
9. Report of the Administrative Re-organization Committee (G. Ahmed) 1959
10. Report of the Provincial Administrative Commission (Akhtar Husain) 1960
11. Report of the Provincial Re-organization Committee- West Pakistan (N. A. Faruqi) December 1961
12. Report of the Pay and Services Commission: 1959-1962 (A.R Cornelius) 28th May 1962
13. Report of the Standing Organization Committee on the Re-organization of the Functions and Structure of the Central Government in the light of the new constitution (M. Shoaib) April 1962
14. Report of the Working Group on the Re-organization of the Service Structure in Pakistan (D.K Power) July 30, 1969
15. Implementation of Administrative Reforms (Establishment Division) August 1973 – March 1975
16. Report of the Civil Services Commission 1978-1979 (S.Anwar-ul-Haq) July 1979
17. Report of the Pay Committee (A.G.N Kazi) May 1983

18. Report of the Economy Commission 1992 Five Volumes
19. Report of the National Commission to suggest measures to improve the efficiency of the Federal Government of Pakistan (Hamid Nasir Chattha) October 1996
20. World Bank, Pakistan: A Framework for Civil Services Reforms in Pakistan, December 15, 1998
21. Report of the Committee on Downsizing of the Federal Government (Hafiz Pasha) April, 1997
22. Report of the Commission on Administrative Restructuring on Re-engineering of the Federal Government Organizations (Fakhar Imam) February, 1999
23. Report of the Committee on Restructuring and Rightsizing of the Federal Ministries/ Divisions (Shahid Amjad Chaudhry) April 2001
24. Administrative Reforms Commission (Justice Dorab Patel) 1991
25. Pay and Pension Committee (Moeen Afzal) 2001
26. National Reconstruction Bureau (NRB)/ The Local Government Book: Explaining the vision, concept and functioning of the local government, November 2002
27. National Reconstruction Bureau (NRB)/ Common Wealth Secretariat Local Government System in Pakistan and the Aberdeen Agenda, July, 2006

TABLE – II

KEY REFORMS INTRODUCED

Phase – I

1948-1971

1. Introduction of Section Officers Schemes in the Secretariat
2. Delegation of administrative powers to the Attached Departments (Ads) and the Secretariat entrusted with policy making and control
3. Delegation of financial powers to the Ads and Divisions and appointment of Financial Advisers in each Ministry
4. Creation of Economic pool for Economic Ministries
5. Re-organization of Planning Machinery
6. Creation of Public Corporations such as PIDC and Development Authorities such as WAPDA to undertake industrialization and other development assignments.
7. Introduction of Local Government System – Basic Democracies
8. Governor's conferences, National Economic Council, National Finance Commission, Election Commission and Federal and Provincial Public Service Commissions
9. Creation of In-service training institutions for public servants Civil Service Academy, Administrative Staff College, National Institute of Public Administration and Pakistan Academy for Rural Development.

Phase-II

1973-2001

1. Constitutional guarantee on the security of service removed.
2. Unification of all the services structure i.e. Non gazetted, class-II, class-I and superior services and abolition of the Civil Service of Pakistan (CSP).
3. The former Central Superior Services(CSS) were divided in functional groups such as All Pakistan Unified Group, Federal Unified Groups Provincial Unified Groups (later changed into Services, Cadres and Occupational Groups).
4. Merging of all services into a single unified grading structure and all civil servants categorized into 22 grades under the National Pay Scale (later Basic Pay Scale).
5. Horizontal movements allowed from one cadre to another and the scope of out-of-turn promotions introduced.
6. Lateral entry system through which individuals from the private sector could be inducted at higher grades into the Government.
7. The Federal and Provincial Secretaries and Additional Secretaries could be retired from the service without assigning any reason.
8. Efficiency and Discipline Rules, 1973 provided summary procedure of action against Government servants.
9. A common Training Institution was established for the entry level officers of all the functional groups.
10. The powers of Public Service Commissions were limited to that of the examinations and testing.
11. Commercial banks, insurance companies, manufacturing enterprises, educational institutions were nationalized and the appointments of the Chief Executives and the Boards were made by the Government.

Phase – III

SINCE 2001

1. A three-tier local government structure consisting of District, Tehsil/ Town and Union Council was established in all the four Provinces.
2. Head of District Government will be an elected District Nazim, Head of Tehsil/ Town Government will be an elected Tehsil Nazim and Head of Union Council will be an elected UC Nazim.
3. The Division level and Sub-Divisional level of administration were abolished.
4. The offices of Commissioner, Deputy Commissioner and Assistant Commissioner were abolished.
5. 12 departments of the Provincial Government were devolved to the District Governments with administrative and financial powers.
6. Each department will be headed by an Executive District Officer who will be under the direct control of the District Nazim with a District Coordination Officer (DCO) acting as the Coordinator for all departments.
7. A new Police Order replacing the Police Act. 1891 was enacted to lay the basis for a new administrative structure for the Police. The District Police Officers (DPO) will be responsible to District Nazim for law and order and not to DCO.
8. Executive magisterial powers were transferred to the Judicial Officers.
9. Provincial Finance Commissions were constituted for allocation of financial resources from provinces to districts.

CHAPTER – 2

RATIONALE, CONCEPT, PRINCIPLES AND APPROACH

RATIONALE, CONCEPT, PRINCIPLES AND PROPOSED APPROACH

A legitimate question that is often raised by those working for the Government in Pakistan is: Why reform the Government? Most of them believe that things are going well and the costs of bringing about these reforms will prove to be disruptive for the economy as well as the administration. They argue that we inherited a strong, robust system from the British, that has been tried and tested over time and consequently there is no compelling reason to bring about major structural changes. To address this question, we have set out the rationale for bringing about these reforms. Having established the business case for reforms, the next step is to lay down the principles that would underpin these reforms. Finally, the proposed approach to design the reforms will be discussed.

RATIONALE FOR REFORMS

2. It is envisaged that the implementation and delivery of these reforms is long term spanning the next two decades. The rationale for this plan should therefore be viewed in the context of the long term vision of Pakistan, the external environment in which Pakistan will be operating as a country, the lessons learnt from other successful developing countries, the diagnostic studies including public opinion polls, about the government performance in Pakistan and the growing expectations of the public at large.

a) Long term vision and External Environment

3. Vision 2030, prepared by the Planning Commission in consultation with the private sector, academia, civil society organizations etc. envisages Pakistan to be a developed, industrialized, just and prosperous nation, at the end of the next 20-25 years. This vision is to be achieved through rapid and sustainable development, in a resource constrained economy, by deploying knowledge inputs. The method for achieving this objective is proposed to be managed by an intelligent and efficient exploitation of globalization through competitiveness. Pakistan is therefore opting to become an active participant in the globalized economy for goods, labour, capital, technology and services and this option has serious consequences for future governance of the country.

4. Any further move to effectively integrate Pakistan into the global economy will require a government restructuring of current systems that will create opportunities for

increased productivity and competitiveness, within the constraints imposed by depleting resources. Among the 180 nations of the world, who are Pakistan's competitors for capturing market share in the global economy, only those that remain agile and adapt themselves to the changing demand patterns, supply value chain and technological up gradation will survive. The main actors in a country that will together impinge upon its competitiveness and productivity are the state, market and civil society. Therefore there is a need to redefined the roles of these main actors and their interrelationships.

5. Structural economic reforms to improve Pakistan's prospects for competing in the globalized economy, require stable, functioning, competent and responsive institutions for implementation. Unfortunately, we are at present caught in a difficult position. While the economic reforms themselves create dislocation and displacement in the transition period, strong working institutions provide the tools to withstand these shocks, thus minimizing adjustment costs and maximizing the benefits to the poor. Consequently the urgency to build viable institutions to implement these structural reforms, is clear.

6. Following this logical sequence, the various organs of the State – executive, judiciary and legislature, have to be assessed and evaluated, to determine whether they are capable of meeting this new challenge or do they need to be redefined, to develop new capabilities and a new response capacity. The task assigned to the National Commission for Government Reforms (NCGR) is limited to a review and examination of one of the organs of the State i.e. the executive branch. . The Commission has been asked to assess, whether the Government, its structures, processes and human resource, can keep up with these new demands or need modification or alteration.

(b) Lessons from other developing countries

7. The role and limitations of governments in a variety of developing countries have been analyzed at great length. The majority view is that governments should do what they are capable of doing better than previously. A strong and effective government is needed rather than a weak and expansive one. It has been argued by development economists that effective government in developing countries is not only necessary due to abundant market failures, but possibly even sufficient to achieve economic development. However, Pakistan's governmental apparatus has been illustrated by a highly centralized system, subject to competing demands and

conflicting interests, which has inevitably made it unresponsive to emerging societal needs. Civil servants are poorly trained, sub-optimally utilized, badly motivated and ingrained with attitudes of indifference and apathy.

8. A number of developing countries have successfully reformed their Governments and tackled the market failures, as well as achieved rapid economic development. How have they been able to transform the expansive government into a well focused, well functioning and result oriented effective government? The interpretation of the success of East Asian countries such as Newly Industrializing Countries (NICs), ASEAN countries and China, is a matter of serious debate among development economists. Neoclassical economists attribute the success to market friendly, private led growth and openness to trade, with the governments providing macroeconomic stability, security of person and property, infrastructure services, promoting research and development, investing in education, health, science and technical training. Others such as Wade and Amsden have argued, that an interventionist State, which guided and steered a proactive industrial policy and picked the winners was largely responsible for their success. By now, there is some consensus that if the labels and ideologies are set aside, the evidence suggests, that countries that have tended to promote competition and avoided monopolies or oligopolies, ensured level playing field and entry for new comers in the market, made privatized firms face competition, exercised regulatory vigilance (but eliminated inefficient and outdated regulations), opened up the economy to international trade, provided the way for judicial independence, provided dispute resolution mechanisms and enforced contracts, promoted transparency, observed rule of law, have been relatively successful. In short, the government provided an enabling environment for private businesses, to carry out production, distribution, trade of goods and services, but did not itself indulge in these activities directly.

9. The other piece of empirical evidence, that is beginning to gain wide acceptance is, that decentralization and greater devolution of power, authority and resources to lower tiers of government, also makes a difference, through better allocation and more efficient utilization of resources. Devolution also helps in moving towards a relatively egalitarian outcome in the provision of basic public goods and services.

10. Another way to promote human development and deliver social services to the poor that has worked, is through the wider participation of the private sector, communities and civil society organizations. Participation, besides being considered a

means to further human capabilities, is also a way of choosing the right kind of projects and ensuring that development funds are used more judiciously. Private – public partnerships and public – NGO or Civil Society Organization partnerships, are being successfully used in many countries, for provision of infrastructure, education, health and other social services. These partnerships not only supplement the limited public resources and counter the governance issues through monitoring, evaluation and corrective actions, but also enable local communities to participate in decision making, through their organizations. The reduced efficiency of public sector expenditure can also be corrected through these partnerships.

(c) **Changes in Pakistani scene**

11. We now turn to the diagnostic studies and the changes that have taken place in Pakistan, in the past several years and are likely to affect future functioning of the Government. A number of Commissions, Committees, Task Forces and Working Groups have examined and made recommendations about the changes in our administrative system. These recommendations and studies have been scanned and sifted and the proposals that are still relevant and useful will form part of the NCGR's recommendations. In addition to the historical reasons, there have been at least seven new developments in the last few years that clearly point to the need for reforms in the structure, processes and human resource management policies and practices.

12. **First**, it is becoming increasingly apparent that the benefits of economic growth have not been distributed equitably throughout society, particularly amongst the poor, rural areas and women. Although the government has used the channels of devolution and poverty targeted interventions, to spread these benefits, the results have been less than satisfactory. Almost all studies point out, that the institutions of governance such as the governmental machinery at the Federal, Provincial and Local Governments, have become largely dysfunctional, due to the protracted neglect of our institutions. Almost all comparative country rankings, whether originating from the World Bank or Global Competitiveness Report of the World Economic Forum or other think tanks and institutions, consistently rate Pakistan low in Public Sector Management, Institutions and Governance. Along with the low Human Development Indicators, this weak institutional dimension makes the task of poverty reduction, income distribution and delivery of public services very difficult. The impact of good economic policies upon the lower strata of our society, particularly those who are illiterate and not well connected, thus gets muted. The absence of trickle down effect of good economic

policies, is a manifestation of the dysfunctional nature of our public sector governance. Subsequently government institutions must be strengthened to meet this challenge.

13. **Second**, the responsibilities of the government in the field of owning, managing and operating public enterprises and corporations have undergone significant change, both in thinking as well as action, during the last sixteen years. A large number of government owned corporations, businesses, industrial units, banks, financial institutions and service providers, have either been privatized or are in the process of privatization. This will reduce the burden on the administrative apparatus at all levels of the government. The shedding of these activities by the government has serious repercussions for the oversight function of the Ministries/ Departments, in the post privatization period.

14. **Third**, the devolution of administrative, operational and financial powers to local governments, since 2001, has introduced a completely new element in the governance structure, that will require suitable modifications in other tiers across government. The Federal Government is seriously considering transfer of some functions noted in the concurrent list of the constitution, to the Provincial Governments. Projected increase in the award of financial resources to the Provinces, under the National Finance Commission, should provide some fiscal space, for carrying out essential public services, directly or through the District Governments. This implies a reallocation of administrative resources and strengthening of capacity at the local government level.

15. **Fourth**, the unbundling of the policy, regulatory and operational responsibilities of the Federal Ministries, has shifted the focus on the policy making, monitoring and evaluation functions. However this transition has been incomplete, uneven and mixed across the ministries and needs to be firmly rooted. The lack of adequate competence and knowledge of regulatory functions would demand development of expertise in this field, as well as in policy formulation, implementation and evaluation.

16. **Fifth**, some limited success has been achieved by fostering private–public partnerships in the fields of infrastructure, education and health. However these partnerships can only be nurtured, if Government departments and ministries have the adequate skills to design concession agreements, B.O.T or Contractual arrangements, monitoring and evaluation tools and legal recourse to enforce the obligations agreed to by the private sector partners. Similarly, the NGOs and community organizations such

as rural support programs, have been actively engaged in the delivery of public services, in the fields of education, health, water supply. Government departments must be reconfigured to develop the capacity to design and operate these partnerships.

17. **Sixth**, there is a great deal of uncertainty among the members of the civil services about their future career prospects. Those specialists serving in ex-cadre jobs such as scientists, engineers, medical doctors, accountants are demoralized, because they have limited opportunities for career progression. They also feel that they are not treated at par with the cadre service officers, in matters of promotion and advancement.

18. **Seventh**, the switch over from manual to automated processes and the government's commitment to move towards E-Government, would require a look at the skill matrix and training requirements of both existing and future civil servants, throughout the entire hierarchy. E-Government will itself flatten the hierarchical texture and highlight the redundancies in the system. This will involve basic computer literacy at all levels and grades, facilitating digital archiving, storage and retrieval of files and documents. Consequently, only few of the clerical and subordinate staff positions can be taken forward under the planned re-organization of government.

(d) Expectations-Delivery Gap

19. The recent political history of South Asia clearly points to the failure of successive governments, to live up to public expectations. This trend has become even more acute in the last decade or so, with the advent and spread of the electronic media. Although all the countries in the region have performed well and attained respectable rates of economic growth, yet every incumbent government has been voted out of office at the time of elections. The benefits of growth may have filtered down, but the speed and their distribution have not been able to satisfy the electorate. The ICT (information communication technology) revolution that has touched even the remote areas of these countries, has tended to exaggerate the disparities and contributed to higher expectations from the governments. On one hand, the capacity of the government institutions responsible for delivery of public goods and services has rapidly eroded and is in a weak position, while a large variety of goods and services available, advertised and monitored via internet has whetted the appetite of the poor. These low income groups believe, that the means through which they can acquire these goods and services for themselves and their children, is via public sector employment, education, training and government transfers. In actual practice, the allocation of public goods, services, employment and subsidies is rationed by access to the government

functionaries or by paying bribes .As these groups have neither the access, nor the money to pay bribes, they suffer from a relative sense of deprivation, while observing the influential and well to do segments of the population, preempting and enjoying the benefits of government jobs, contracts, permits, land etc. Large untaxed incomes are also accruing to the same privileged groups and individuals. The resentment of this poor and unconnected population is conveyed through the only instrument they possess i.e. the vote at the time of elections. This gap between expectations and delivery is one of the biggest challenges for Pakistan too.

20. Popular perceptions as expressed in public opinion polls, media commentaries and editorials and so on (articles and papers, seminars and discussions, observations of politicians and civil society actors) Most illustrate a negative image of the civil servants in Pakistan and a high level of dissatisfaction with the functioning of the Ministries, Departments, Corporations and Agencies of the different tiers of the Government. These perceptions are in contrast to the views of the Civil Servants themselves, who see themselves as poorly paid, highly demoralized and stressed individuals. They feel that they have been unfairly treated by their political bosses and un-appreciated by the general public. Empirical studies show that the root cause of this disenchantment of the civil society and the disillusionment of the civil servants, can be traced to structural, procedural and motivational deficiencies in the overall system of governance. Any attempts to treat these symptoms in isolated manner, without tackling the root causes, will be counterproductive. Subsequently the reform package must be comprehensive, with a clear blue print, but the introduction of each set of reforms could be phased and sequenced. The methodology adopted by the NCGR therefore follows with logic.

21. In the light of this changing scene, the role and functions of the Government have to be redefined. Government has to provide: (i) external and internal security for the people, (ii) collect taxes, (iii) manage the public finances, (iv) conduct foreign affairs, (v) maintain a stable macroeconomic environment, including a sound and healthy financial system, (vi) make available the basic infrastructural facilities, (vii) develop an education and training system capable of supplying the skilled manpower, (viii) encourage as well as undertake research and development and (ix) ensure an enabling regulatory framework for private sector and community participation in development. The future restructuring should therefore be guided by this role and function of the government

BROAD PRINCIPLES UNDERPINNING THE REFORMS

22. In order to lay down the direction of these reforms, it is essential that the broad principles that will underpin these reforms are clearly defined. These are set out below.

Civil Services

- (a) open, transparent merit – based recruitment at all levels and grades of public services, with Regional Representation as laid down in the constitution.
- (b) Performance – based promotions and career progression, for all public sector employees, with compulsory training at post induction, mid-career and senior management levels.
- (c) Equality of opportunities for career advancement to all employees, without preferences or reservations for any particular class.
- (d) Replacement of the concept of Superior Services, by equality among all cadres and non-cadres of public servants.
- (e) Grant of a Living wage and compensation package, including decent retirement benefits to all civil servants.
- (f) Strict observance of security of tenure of office, for a specified period of time.
- (g) Separate cadre of regular Civil Services at All Pakistan, Federal, Provincial and District levels, co-existing with contractual appointments.
- (h) Creation of an All Pakistan National Executive Service (NES) for senior management positions, drawn through a competitive process, from the Federal, Provincial and District level Civil Servants and outside professionals.
- (i) Introduction of three specialized cadres under the NES, for Economic Management, Social Sector Management and General Management.

Structure of Federal, Provincial and District Governments

- a) Devolution of powers, responsibilities and resources from the Federal to the Provincial Governments.
- b) Establishing inter-governmental structures with adequate authority and powers to formulate and monitor policy formulation.
- c) Clear separation of policy making, regulatory and operational responsibilities of the Ministries/ Provincial departments.
- d) Making each Ministry/ Provincial department fully empowered, adequately resourced to take decisions and accountable for results.
- e) Streamline, rationalize and transform the attached departments/ autonomous bodies/ subordinate offices/ field offices etc. into fully functioning arms of the Ministries, for performing operational and executive functions.
- f) Reduce the number of layers in the hierarchy of each Ministry/ Provincial department.

- g) Cabinet Secretary to perform the main coordinating role among the Federal Secretaries.
- h) Revival and strengthening of the Secretaries Committee in the Federal/ Provincial Governments, to become the main vehicle for inter-ministerial coordination and dispute resolution among various ministries.
- i) District level officers interacting with the general public in day-to-day affairs should enjoy adequate powers, authority, status and privileges to be able to resolve the problems and redress the grievances of the citizens.
- j) Police, Revenue, Education, Water Supply, and Health are the departments which are highly relevant for the day-to-day lives of the ordinary citizen of this country. The internal governance structures of these departments, public grievance and redressal systems against these departments and checks and balances on the discretionary powers of the officials have to be introduced.

Business process re-engineering

- a. All laws, rules, regulations, circulars, guidelines issued by any Government ministry/ department/ agency should be available in an up to date version, to the general public, free of cost in a user-friendly manner, on web page and in electronic and print forms at public places.
- b. Service standards with timelines for each type of service rendered at the District, Thana and Union level should be developed, widely disseminated and posted at public places in each department.
- c. Rules of business at the Federal, Provincial and District Government levels should be revised, to make them simple, comprehensible empowering the Secretaries/ Heads of Departments/ District Coordination Officers to take decisions without multiple references, clearances and back and forth movement of files. Post-audit of the decisions taken should be used to ensure accountability rather than prior clearances.
- d. Delegation of financial, administrative, procurement, human resource management powers should be revisited and adequate powers commensurate with the authority should be delegated, across each tier of the hierarchy.
- e. Estacode, Financial Rules, Accounting and Audit Rules, Fundamental Rules and all other rules in force should be reviewed systematically and revised to bring them in line with modern management practices.
- f. E-Government should be gradually introduced in a phased manner. Technological solutions, hardware and software applications are easy part of the process, but the most difficult aspect is the training and a change in the culture, attitude and practices. E-Government should be driven by business needs rather than crafted as an elegant technical solution.

APPROACH

23. There were several ways to approach the task assigned to this Commission. But after deliberation the Commission decided to follow a two track approach.

24. The first track was to prepare a comprehensive vision for reforms that can be implemented over a long period of time, covering all aspects of the structure, organization, business processes, and human resource policies of the government, with a view to enhance the capacity of the government in responding to the current and emerging challenges of the future.

25. The second track was also followed, in which some quick win reforms were identified and it was decided to focus on four major areas, where the interaction between the ordinary citizen and administrative machinery of the government was most intense. These four areas are:

- a. Police and enforcement of laws.
- b. Land Revenue Administration
- c. Education
- d. Health

26. The Commission formed four sub-committees, to review and examine the efforts being made by the government, private sector and civil society in each of these areas and come up with incremental solutions, that will make the existing system more efficient and responsive to the needs of the public in the short term. The Commission also formed another Sub-Committee to recommend revision in the Rules of Business, for removing impediments in the functioning of the government departments/ ministries/ agencies and empowering the heads of the departments to deliver results.

27. The preliminary recommendations of the sub-committees were presented to focus groups of stakeholders drawn from diverse segments of society – Secretaries Committee, businessmen, NGOs, academics retired civil servants etc. – for soliciting their feedback and views. Once this feedback was incorporated, the sub-committees finalized their recommendations, which were then discussed by the Commission. Only the Education Governance Reforms were presented and approved by the Steering Committee.

28. The Commission also acted as a facilitator for reforms formulated and undertaken by the Federal Board of Revenue, Auditor General of Pakistan, Ministry of Science and Technology, Pakistan Agriculture Research Council, Civil Aviation Authority.

CHAPTER – 3

RESTRUCTURING THE CIVIL SERVICES OF PAKISTAN

- **Civil Services**
- **Creation of National Executive Service (NES)**
- **Creation of District Service**

RESTRUCTURING THE CIVIL SERVICES OF PAKISTAN

A competent, effective and neutral Civil Service is the backbone of any country's governance structure. Countries that do not have an organized Civil Service system are at a relative disadvantage while executing their programmes and policies. Pakistan was fortunate to have inherited a steel frame for its bureaucracy from the British, but the purpose and motivation of the British, in developing and supporting this steel frame were quite different from the requirements of an independent and sovereign country. This steel frame, could have been modified to suit and adapt to changed circumstances, but there was no point in dismantling the structure itself, which had been built over a century. The major difficulty in the post independence period in Pakistan, lay in the inability to replace the colonial practice of empowering the privileged class of executive/ bureaucratic system, by a new democratic system of governance at local levels. The historical record of political institutional evolution in Pakistan is quite weak and has taken its toll on the quality of Civil Service overtime. The boundaries between policy making and execution got blurred, the equilibrium in working relationship between the Minister and Civil Servants remained shaky and uneasy, whereas the sharing of decision making space remained contested and unsettled. The patrimonial state model, with its attendant mai-bap culture and patronage dispensation mechanism, remains intact in its essence, although the form has changed many times over. The broadening of privileged class by the inclusion of military bureaucracy and political elites has only reinforced the patrimonial tendencies.

2. There is a general consensus that the performance of the Civil Service in terms of output, efficiency, neutrality, objectivity and attitude towards common citizens, no longer meets either the standards set by the British or the exigencies of the new state. The same set of complaints is also reverberated in India that has preserved the same structure of the Civil Service, as inherited at the time of their independence. The significant social development gap and stark inequities despite impressive macroeconomic performance, both in India and Pakistan provide ample testimony, inter-alia to the inadequacy of the governance structures and the failure in the delivery of basic public services to the poor and non-elite classes.

3. Before a reform package is proposed, it is essential to identify the causes for weaknesses in the existing system, processes and practices. For an overview of the existing setup of Civil Services in Pakistan, please refer to **Annex-I**. The gradual deterioration in the capacity of Civil Servants can be attributed to a number of factors. The most important factors that have been identified in the previous Commission/Committee reports and studies on Civil Service can be recapitulated here. These are:

- (i) Absence of a long term human resource development and management policy, which has resulted in a neglect in harnessing the potential of Civil Servants and providing a transparent, predictable, level playing field for all Civil Servants.
- (ii) Civil Servants have by and large become risk averse individuals, who avoid taking timely decisions, as the need for catering to the personal whims of the ruling classes has taken supremacy over observing and implementing the rule of law.
- (iii) Pressures and compulsions from the political leadership in power, push the ambitious Civil Servants into taking partisan positions, favouring the ruling party rather than adopting a neutral stance.
- (iv) A small group of encadred Civil Servants has been given preference for training, development, promotion and status, to the exclusion of a large majority of Civil Servants, particularly professionals and technical experts.
- (v) Decision making has become highly centralized and fear of delegating powers to the lower tiers is highly pervasive.
- (vi) Rapid turnover and transfers of key Civil Servants, particularly in Police and District Administration, at the behest of the politicians in power, has adversely affected implementation capacity and equality of access.
- (vii) Less than adequate compensation packages, have encouraged widespread rent-seeking activities by the Civil Servants, particularly at lower levels, where most of the interactions take place between citizens and government functionaries.
- (viii) Creation of isolated, parallel, project units and organizations for meeting donors' conditionalities, has fragmented and weakened the existing capacity of Civil Service.
- (ix) Reliance on antiquated and outdated rules, procedures and regulations has led to failure in adapting to the changed circumstances and promoting a problem solving attitude.
- (x) Turf fighting and self preservation, perpetually adversarial relationships and a silo mentality amongst the ministries, between the Federal and the Provincial Governments and between the Provincial and District Governments, delay grievance redressal and confuse the citizens.
- (xi) Redressal of grievance and complaint resolution mechanisms for the citizens against Civil Servants, remain un-satisfactory and time consuming, despite existence of the Federal and Provincial Ombudsmans' offices.
- (xii) Absence of internal accountability for results/outcomes, convoluted and formalistic accountability before the public have taken away the incentives for improving performance and behavior.

4. In response to these weaknesses, Pakistan has brought about major structural changes in the Civil Services, at various points in time. However, the most prominent among them were introduced in 1973 and later in 2001. It is important to evaluate the impact and efficacy of the major changes in Civil Service structure introduced in 1973 and 2001, before developing an approach to Civil Service reforms. The time elapsed since 1973 has been more than three decades and therefore the evidence and analysis can be relied upon with some degree of confidence. The period since 2001 is still a period of transition and all the stipulated changes have not yet been put in place. Therefore, the analysis has to be more tentative and the conclusions more cautious.

5. The intent of the 1973 reforms has not been fulfilled in practice, as the quasi monopoly of the former Civil Service of Pakistan (CSP), in apportionment and allocation of high level positions, was substituted by the quasi monopoly of all the cadres, recruited through the Central Superior Services (CSS). The majority of the Civil Servants in the ex-cadre or non-cadre jobs, who form the core of service delivery and technical expertise within the Government, remain outside this small elite group and is not treated at par with the established cadres, services and occupational groups. The majority of officers outside the C.S.S recruited cadres and groups have limited opportunities for career advancement or progression to top managerial positions. The resultant de-motivation, de-moralization and despondency among the majority of Civil Servants is reflected in poor service delivery to the citizens, attitudes of indifference and apathy towards their clients and a mindset that inculcates risk aversion, indecision and self-preservation at all costs. Paradoxically, the members of the cadres and services are equally unhappy. The induction of officers through lateral entry was resented by the incumbents, as the process of selection was considered politically motivated. Thus the 1973 changes have not succeeded in bringing about the intended impact of the reforms.

6. The 2001 system of devolution to local governments, is more wide ranging than previous attempts made by Ayub and Zia Governments. The most significant change was, that under the new system, the posts of Deputy Commissioners and Commissioners were abolished and replaced by the elected Nazims, as heads of the District Administration, with greater powers and autonomy. A critical appraisal of the new system has been presented in Chapter IV and specific recommendations have been made to overcome the gaps, weaknesses and deficiencies of the system that have become apparent during implementation, over the last seven years.

CIVIL SERVICES OF PAKISTAN

SITUATION ANALYSIS

7. The Civil Services of Pakistan are organized at three levels (a) All Pakistan (b) Federal and (c) Provincial. The All Pakistan Services consist of (i) Secretariat Group (ii) District Management Group and (iii) Police Service of Pakistan. The officers belonging to All Pakistan Services are obligated to serve both in the Federal and the Provincial governments.

8. The Federal Civil Services consist of (i) cadre services (ii) ex-cadre officers (iii) subordinate services (Grades 1-16). The Federal Cadre Services or Occupational Groups, as constituted at present are as follows:-

- Pakistan Foreign Service
- Audit and Accounts Group
- Income Tax Group
- Customs & Excise Group
- Railways Group
- Postal Group
- Military Lands and Cantonment Group
- Commerce and Trade Group
- Information Group
- Economists and Planners Group

9. The ex-cadre officers are specialists in Grade 17 and above, serving in the Ministries and organizational entities such as Science and Technology, Education, Health, Food and Agriculture, Water and Power, Communications, Petroleum and Natural Resources, Law, Labour and so on. They are also recruited directly through the Federal Public Service Commission, in response to the requisitions placed by various Ministries and organizational entities of the Federal Government. As compared to the cadre services or occupational groups, the ex-cadre officers do not have a defined or prescribed career progression path.

10. Subordinate services cover all the Federal Civil Servants in Grade 1 to 16. These civil servants are mainly support staff and range from Naib Qasid in Grade 1 to Office Superintendent in Grade 16.

11. The Provincial Civil Service consists of (i) Provincial Civil Service (ii) Provincial Secretariat Service (iii) Provincial Technical Services or Group (iv) Ex-cadre officers and (v) Subordinate Services Grade 1-16.

OBJECTIVES OF CIVIL SERVICE REFORMS

12. The objectives of the proposed Civil Service Reforms are two fold:

- (i) To improve the capacity of Civil Servants, to become more responsive in delivering basic public services to the common citizens, in an efficient, effective and equitable manner.
- (ii) To attract, retain, motivate and develop high quality Civil Servants, in order to improve the functioning of all three tiers of the government.

GUIDING PRINCIPLES

13. If the diagnosis presented in the preceding paragraphs endorsed, then the future reforms of the Civil Service should be aimed at addressing the factors outlined. The guiding principles for the Civil Service reforms should therefore be:

- i) Open, transparent, merit-based recruitment to all levels and grades of civil services, with regional representation as laid down in the constitution.
- ii) Civil Services should be organized to meet the varying demands of Governments at all levels – All Pakistan, Federal, Provincial and Local Governments. The concept of superior services should be done away with and all services, cadres and ex-cadres treated uniformly. Contractual employees should form part of the civil service spectrum.
- iii) Equality of opportunity for career progression and appointment to senior managerial positions, should be provided without any reservations or discrimination, to all members of the Civil Services, whether they belong to services, cadres, occupational groups or ex-cadre positions.
- iv) Standards, eligibility criteria, assessment methods and selection procedures should be equally rigorous, for all new entrants, whether recruited by the Federal or the Provincial Governments.
- v) Post-induction, in service, on-the-job training, should be imparted to all Civil Servants and explicitly linked to their promotion. Specialized and professional training should be given equal weight as managerial training.
- vi) Performance evaluation system should be redesigned and reoriented. Goals, targets and key performance indicators should be agreed upon and performance of the individual appraised against these benchmarks, in an open, consultative manner. The purpose of the performance evaluation should be to build on the strengths of the individual and help him/ her to overcome weaknesses. The principle of confidentiality in performance report should be dispensed with.
- vii) A living wage and compensation package, including decent retirement and other welfare benefits should be made available.

- viii) Security of tenure of office for a specified period of time, should be strictly observed and Civil Servants given legal protection against arbitrary acts, that do not conform to due process of law.
- ix) Career progression should be based on performance on the job, training outcomes, skill upgradation and demonstration of potential, rather than on seniority-cum-fitness criteria.
- x) Efficiency and Discipline Rules should be revised, to allow officers to take initiative, solve problems and be held accountable for results, rather than to go through the rituals and processes.
- xi) Rules of Business, Estacode, Financial and Audit Rules, have to be revised and powers delegated, so that the Secretaries and heads of departments are fully empowered to take decisions.
- xii) Audit function should be strengthened, whereby financial accountability of the Secretary or head of the department is established, while he/ she is in office. The present practice of submitting reports to Public Accounts Committee (PAC), when the responsible Secretary has retired or moved on, dilutes the accountability.
- xiii) Secretaries' Committees at the Federal and Provincial Government levels should be used more frequently, for coordination, consultations, articulation of diverse viewpoints and dispute resolution amongst various ministries/departments.

NCGR RECOMMENDATIONS

14. After an in depth analysis of the situation on ground and on the basis of the guiding principles, as listed above, the Commission considered several strategic options for future restructuring of the Civil Services in the future and decided to make the following recommendations:- (For a detailed overview of options discussed and analyzed by the Commission, please refer to **Annex-II**)

OFFICER CADRES AND SERVICES (BS 17-22)

15. After analyzing the merits and de-merits of two options, taking the sense of the broad Government policy direction, the views of most stakeholders and taking into account the functions of the State, it is proposed that the following formally constituted and encadred services, should be retained or established at different levels of the government.

- | | |
|----------------------------|---|
| <u>All Pakistan</u> | (i) National Executive Service. (NES)
(ii) Pakistan Administrative Service. (formerly DMG)
(iii) Police Service of Pakistan. (PSP) |
| <u>Federal</u> | (i) Pakistan Foreign Service. (PFS)
(ii) Pakistan Audit and Accounts Service. (PAAS)
(iii) Pakistan Taxation Service with two cadres for Customs and Inland Revenue. (PTS) |
| <u>Provincial</u> | (i) Provincial Management Service. (PMS)
(ii) Provincial Executive Service. (PES)
(iii) Provincial Technical and Professional Service. (PTS)
(iv) Provincial Judicial Service. (PJS) |
| <u>District</u> | District Service |

16. In addition to the above services, ex-cadre positions and subordinate services (BS 1-16) to be retained. A detailed discussion of the subordinate services follows. A new class of employees i.e contract employees, to be introduced at all levels starting with MP-I.

17. The major changes proposed in this new framework, compared to the present system are as follows:

- (i) All cadres and occupational groups will have a uniform nomenclature i.e. service.
- (ii) A new All Pakistan Service – the National Executive Service (NES), along with the Provincial Executive Service (PES), will be constituted for each province for filling senior positions (BS 20-22) in the Federal/ Provincial Secretariats and other identified select key positions, in attached departments/autonomous bodies/ corporations. The NES/ PES will be open to all existing officers serving the Government and also to professionals from outside, meeting certain eligibility criteria. Regional/ Provincial quotas for recruitment to NES will address the complaints of smaller provinces of non-representation at Secretary/ Additional Secretary levels in the Federal Government.
- (iii) Fresh recruitment to some of the existing cadres and occupational groups proposed in this paper e.g. Railway Service, Postal Service etc. will be

discontinued through the CSS examination and substituted by competitive recruitment of requisite skilled manpower, through FPSC or other transparent and open modes.

- (iv) A new District Service, encompassing posts in BS 1-16 will be established for each district, or group of districts will be formed in the first phase. Article 240 of the Constitution of Pakistan stipulates that there would be All Pakistan, Federal and Provincial Services. The constitution does not mention a District Service. In view of the fact that most of the interaction of a common citizen takes place at the district level, such a properly constituted and well trained group of Civil Servants is essential at the District level. For City District Governments, the District Service can be extended to include BS 17 officers. These District Service officers will share the posts with Provincial and APS officers.
- (v) Separate cadres of Inland Revenue and Customs will be retained, but become components of the Pakistan Taxation Service.
- (vi) District Management Group would be renamed as Pakistan Administrative Service.
- (vii) Provincial Technical and Professional Services, with multiple cadres such as, Education, Health and Engineering Services etc. will be set up by each province where the critical mass and viable pyramidal structure criteria are met.
- (viii) Contract, short term, part time employment and the use of consultants would be encouraged, to fill in the skill gaps or perform jobs of exceptional or non-repetitive, specialized nature.

18. The Commission is fully cognizant of the fact that both the number of candidates, as well as the quality of successful applicants, to the Central Superior Services examinations, have deteriorated in recent years. There are a number of factors contributing to this trend e.g:

- (i) A buoyant private sector, (particularly in the financial services, telecom, IT, electronic media, oil and gas), is offering more attractive opportunities at the entry level.
- ii) A large number of scholarships and fellowships for studies abroad, provided by the HEC and the introduction of Tenure Track System, with high starting salaries are diverting some of the potential candidates towards teaching as a career.
- iii) The uncertain prospects, under paid compensation package, unsettled terms and conditions Civil Services, have discouraged otherwise eligible candidates, from applying for the CSS.

SUBORDINATE SERVICES (BS 1-16)

19. The future of the Subordinate Services has to be analyzed and pinned down, as this group of employees will continue to play a supporting role, but of a different kind, compared to the past and current situation. A very large proportion of the annual wage, salaries, allowances and benefits budget of the government employees, accrues to staff employed in BS 1-16. In terms of sheer numbers, it is estimated that 90-95 percent of all Civil Servants in the three tiers, belong to subordinate services.

20. At the Federal Government level, 85 percent of the salary and wage bill of the Ministries, attached departments, subordinate offices, is disbursed to this category of employees and only 15 percent to the officers in BS 17 and above. The Federal Government, for example, has upto 234,000 employees sanctioned posts, (208,000 actually working) in BS 1-5. A question may be asked whether this large pool, (almost 60 percent of the Federal Government employees) in a largely unskilled category, would be required, once the e-office suite is introduced in all the Ministries/ Departments, as the horse engine for conducting government business. It is quite conceivable, that new skills which do not currently exist in the Government, at the support staff level, may be required for future business. The existing staff members should be given opportunities for retraining, to acquire the necessary skills. Even after that, if redundancies become apparent, the planning for meeting those redundancies in the outer years should start now and all the vacancies likely to become surplus to the requirements in the future, should be frozen and no new recruitment be allowed against those posts. This natural attrition, would prepare the Federal Government to reach its envisaged target, in a manner that does not threaten the livelihoods of employees. Staff welfare and protection should remain an important criterion for the Government, in evaluating its alternatives and forced or voluntary separation should be avoided as much as possible. These low income employees do not possess marketable skills and therefore their absorption elsewhere in the economy would be highly doubtful.

21. A rough estimate of the Provincial Government employees also indicates that 85 percent of the salary and wage bill is allocated to three departments – Education, Health and Police. These departments will expand in future, as the facilities and services are extended and new recruitment is made, either on contract or regular basis, to fill in the new vacancies. Outside these departments, the Provincial Governments and District Governments may have to examine, in light of e-government initiative, the optimal size of support staff, which will be required to sustain their operations. This

review may lead to the conclusion, that there would be surplus staff in several categories in year 5. Action will have to be initiated immediately, to freeze recruitment to the vacancies against surplus posts occurring due to attrition. Secondly, the up gradation of SHO to BS 17 officer, by combining some of the urban Thanas, or Tehsil Land Record Officer in place of a number of Patwaris, or similar other positions that interface with the general public, may also force freezing of new recruitment against these redundant posts. The NCGR can provide the broad guidelines, but an in depth review has to be carried out by each Provincial/ District Government.

22. Entry points to Subordinate Services should be few, so that there are good prospects for promotion across the BS grades. It is suggested that fresh induction should take place in the following Grades:

a.	BS-1	Through Departmental Selection Boards, automatic promotion on seniority-cum-fitness basis upto BS-4
b.	BS-5	50% vacancies for new entrants and 50% for promotion, through an examination conducted by Departmental Selection Boards, automatic promotion on seniority-cum-fitness basis upto BS-10
c.	BS-11	60% vacancies for new entrants and 40% for promotion, through an examination by the Departmental Selection Boards, automatic promotion on seniority-cum-fitness basis upto BS-13
d.	BS-14	70% vacancies for new entrants and 30% through an examination and interview by Departmental Selection Boards, automatic promotion to BS-16
e.	BS-17	80% vacancies for new entrants and 20% for promotion, through an examination and interview conducted by FPSC and PPSC

SUPPORT SYSTEMS FOR CIVIL SERVICES

23. Any reform of Civil Services will remain incomplete, if the supporting systems and the enabling environment are not brought in line with the proposed structure. Empirical evidence has shown that the structural changes can hardly make a tangible difference, if these are not accompanied by changes in the support systems. The Commission, therefore, recommends that the following reforms in the support systems should be implemented, alongside the structural reforms in the Civil Services that have been outlined in the preceding paragraphs. There is an immediate need to gather all these initiatives, weave them into an integrated plan, track and monitor their progress

and intervene at the highest level, (PM/CM or the Cabinets) where remedial measures or complementary actions are required. The list below is preliminary in nature and needs to be further refined, in light of the comments received from the various stakeholders.

- a. Re-organization of the Federal and Provincial Government structures on the lines proposed by NCGR.
- b. Introduction of E-office suite and E-government standards, applications and automation of business processes. (E-Government Directorate, Ministry of I.T).
- c. Strengthening of the Public Service Commissions, particularly the Provincial Commissions. (Federal/ Provincial Public Service Commissions, Establishment Division/ S&GA Departments).
- d. A Transparent Promotion Policy, with a clearly defined role for the Selection Boards/ Departmental Promotion Committees and pre-announced criteria of eligibility and selection (NCGR/ Establishment Division)
- e. New system of Performance Appraisal, job descriptions, skill profiling, goal setting. (NCGR/ Management Service Wing (MSW)
- f. Revision of Estacode, General Financial Rules, Treasury Rules, Fundamental Rules, Supplementary Rules, Pension Rules, Financial Powers Delegation. (NCGR/ Management Service Wing (MSW)/ Finance Division)
- g. Establishment of Supreme Audit Institution (SAI), in place of the Auditor General of Pakistan. (Finance Division/ Auditor General)
- h. Transformation of Establishment Division into a modern agency for management and development of human resources in the Federal Government. (NCGR/ Establishment Division)
- i. Revision of compensation and benefit packages. (Pay & Pension Committee/ NCGR)
- j. Legal remedies and protection of Civil Servants' rights. (Secretaries Committee)
- k. Strong Internal Control system by Finance, Establishment and Law Ministries. (Secretaries Committee)
- l. Upgrading and setting up Training and Policy research institutions. (NCGR/ Establishment Division/ S&GA Departments)
- m. Enhancing welfare of Civil Servants, through better use of – Pension, Benevolent Fund, G.P Fund, medical facilities, post-retirement housing and benefits (NCGR/ Establishment Division/ Finance Division/ Housing & Works Division)
- n. Streamlining the ombudsman institution and introducing Alternate Dispute Resolution (ADR) mechanism more widely. (Federal Ombudsman)

- o. Providing due process to the Civil Servants, against exercise of arbitrary powers of apprehension and prosecution enjoyed by the National Accountability Bureau (NAB) and giving the Civil Servants ample opportunity to confront adverse reports on integrity, from intelligence agencies. (Secretaries Committee/ NAB/ Central Selection Board)

CONCLUSION

24. The framework proposed above will work only if the entire value chain of human resources management and development, proposed by the NCGR i.e. recruitment, training, promotion, performance appraisal, compensation, severance, welfare and post retirement benefits is targeted for up-gradation in a holistic manner. Partial selection from the value chain will not produce the desired results. The time line for implementation must be phased in, while the end-goal and direction should be clearly set out from the outset, so that the Civil Services can once again become an occupation of choice, for some of the brightest, talented and public-service oriented young men and women of the country. Expectations should, however, be mitigated by the fact that any attempt to replicate the past, would be inappropriate for the future, as the dynamics of State-Market-Society relationship have undergone and is undergoing fundamental change.

CREATION OF NATIONAL EXECUTIVE SERVICE (NES)

SITUATION ANALYSIS

25. In today's world of specialization, jobs in public sector also require highly specialized skills in economics, social development, regulation and human resource management. The future knowledge based economy can be effectively managed by individual who possesses a mixture of substantive knowledge and skills, combined with leadership traits.

26. Keeping in mind these considerations, the Chief Executive directed Establishment Division to conduct a feasibility study on creating an economic cadre of officers in the Federal Government. In the year 2002, the Establishment Division initiated a proposal for creation of an Economic Management Group (EMG).

27. The Establishment Division articulated the need for creating streams of professional Civil Servants, to staff policy-formulation positions in the Federal Government. The basic idea was to competitively select and specially train, competent individuals to pursue predetermined patterns of career growth, to invigorate the Federal Government with the required quality and capacity for policy formulation.

28. The Federal Secretaries Committee considered the proposal to set up the National Executive Service, (NES) at its meeting of 22nd December, 2006 and endorsed the need for creating N.E.S and made many useful suggestions that form part of the current proposal.

GUIDING PRINCIPLES

- 29.
- i) Open, transparent, merit-based recruitment to all levels and grades of civil services, with regional representation as laid down in the constitution.
 - ii) Civil Services should be organized to meet the varying demands of Governments at all levels – All Pakistan, Federal, Provincial and Local Governments.
 - iii) Equality of opportunity for career progression and appointment to senior managerial positions, should be provided without any reservations or discrimination, to all members of the Civil Services, whether they belong to services, cadres, occupational groups or ex-cadre positions.

- iv) Creation of an All Pakistan National Executive Service (NES) for senior management positions, drawn through a competitive process from the Federal, Provincial and District level Civil Servants and outside professionals.
- v) Introduction of three specialized cadres under the NES for Economic Management, Social Sector Management and General Management.

NCGR RECOMMENDATIONS

30. The Commission deliberated upon and consulted stakeholders on various options and decided to make the following recommendations regarding:

- i) Selection to NES
- ii) Number of streams within NES.
- iii) Tiers of Government to be manned by officers belonging to NES.

i) Selection to NES

31. The Commission analyzed various options for selection into NES, each of these options has advantages and disadvantages. (For a detailed review please refer to **Annex-III**). It was concluded that the advantages of establishing the NES through an open, merit based competitive system, while introducing representation for under develop regions and provinces, outstrip the few practical difficulties.

32. Civil Servants from different tiers of the Government and Private Sector can enter the NES through a transparent, competitive process, conducted by the Federal Public Service Commission, (FPSC) keeping the existing regional representation/provincial quotas intact. The candidates will have to fulfill the eligibility criteria of years of experience, professional qualifications, past performance record etc. The process would also be open to outsiders, who meet similar criteria. The FPSC will prepare three lists of successful candidates in order of merit, taking the regional representation and provincial quotas into account and recommend allocation into the various streams of NES. Upon successful selection to the NES, the officers will sever their connections with their previous services/cadres/ posts/ organizations and become part of the NES. Their inter-se seniority will be based on the merit list prepared by the FPSC.

33. Through this mechanism, NES will be able to recruit the best possible talent from within and outside the Civil Services, based on merit, competence and transparency, providing equality of opportunity to all. Regional representation and quota system will redress the grievances of the smaller provinces regarding non-

representation at top policy level positions and non-participation in higher level decision making. The attraction of fast-track career prospect by induction into NES, will upgrade the overall quality and performance of the Civil Servants in the lower grades, aspiring for entry into NES.

34. It has been suggested by some quarters, that the recruitment to NES should take place at BS-17 instead of BS-20 and the positions of BS 17-19 in PAS cadre, become part of the NES. The Secretariat positions and the sub-cadres proposed for inclusion in the NES, BS 20-22 can then draw upon officers both (i) through promotion from among those who were directly recruited in the NES in BS-17 and (ii) from all other services through an examination and interview from BS 19-20. It is argued that this route may attract high quality young men and women to opt for the Civil Services, due to their assured fast track career prospects. However, this particular suggestion violates two of the guiding principles that have been laid out at the beginning of this paper to underpin the re-organization of Civil Services. First, it is a negation of the principle of equality of opportunity, as a sub-set of the officers recruited into BS-17, will have preferential access to the NES jobs. Secondly, the past bickering and inter-service rivalries will re-surface, making it difficult to keep the large body of Civil Servants motivated and productive. Finally, the elements of contestability and competition for higher positions should keep everyone on their toes, to make their best efforts, minimizing the sense of complacency that is ingrained in any scheme of reservation or entitlement. Empirical evidence does not substantiate the proposition that success at a single examination at a young age is a strong predictor of success in the professional career, in absence of continuous training, skill up-gradation and progression based on competition, performance and merit.

35. This proposal may have some disadvantages such as:

- i). The loss of opportunities for automatic advancement without any barriers that is available at present, to the incumbents of the existing cadres/ services may create resentment.
- ii) Striking equivalence of eligibility criteria between the Civil Servants and the outsiders, may invoke some controversy, as the Civil Servants would like to keep the induction of outsiders to NES to the minimum possible. The experience with the lateral entry of the 1970s has not been pleasant for encadred officers.
- iii) There may be difficulty in designing an examination and interview process, that adequately tests the substantive knowledge, skills and leadership qualities of the candidates coming from various professional backgrounds i.e. the private and public sector.

ii) **Streams of NES**

36 The next strategic choice relates to the number of streams within the NES. There is no hard and fast rule that can provide the correct number of streams. The futile debate on generalists vs specialists, that has been a constant refrain of every Commission/ Committee on Civil Service Reforms in the past, need not be revisited. It may be recognized that there is a continuum between technical skills and knowledge on one end, to strategic management and leadership at the other. The NES streams should therefore strike a balance between technical expertise and leadership qualities, tilting more towards the latter, for the position of Secretary. There can be many streams which may lead to too much sub-specialization or there could be one stream that consists of everyone who qualifies through the competitive process. (For a detailed discussion of various options analyzed by the Commission, please refer to **Annex-IV**)

37. After examining various options, the Commission is of the opinion that the best option is to have two streams forming NES i.e. Economic Management Group (EMG) and General Management Group (GMG). Under this scenario, the officers of EMG will man all the posts in the Secretariat requiring knowledge or expertise in the areas of Economics and Finance. The GMG will be the residual stream and perhaps the largest in terms of numbers and in addition to the ministries such as Cabinet, Establishment, Interior, KANA, SAFRON, Narcotics Control etc. the officers from this stream will occupy the posts of Administration in all the ministries. Creation of these two streams would be congruent with the career progression expectations of those inducted into the NES.

38. This option has the advantage that it is inclusive and provides opportunities to all officers for advancement to NES. The overall level of efficiency and productivity in the Government is likely to be boosted by following this approach. Moreover, some degree of specialization and sectoral knowledge, will have a positive impact on the quality of decision making. Finally, the acceptance of the new service structure is likely to be broad based, as there is no discriminatory or preferential treatment for any group of officers.

39. The disadvantages are that the General Management Group officers will have a larger base and more opportunities for rotation among Ministries and the promotion prospects to Grades-21 and 22 may not be uniform or equal for all three streams of NES. These difficulties can, however, be overcome during the design phase.

iii) **Tiers of Government to be manned by NES**

40. The third strategic choice relates to the placement policy of NES at various tiers of government. The scope of the NES can either be limited to the Federal Secretariat only, or expanded to man posts at all three tiers of the government, i.e. District, Provincial, and Federal. This choice is extremely important, as it relates to inter-governmental relationship, and also affects the constitution/structure of the service to be created. At the Federal Secretariat, there will be three hierarchical, tiers (i) Deputy Secretary MP-III (ii) Joint Secretary MP-II and (iii) Secretary MP-I. At the Provincial Secretariat also there will be three tiers (i) Deputy Secretary MP-IV (ii) Joint Secretary MP-III and (iii) Secretary MP-II. Chief Secretary and Chairman Planning and Development Department will be in MP-I. The Provincial Secretariat positions will be open to both the NES as well as the Provincial Executive Service (PES) officers in the following ratios:

MP-IV	100% for PES
MP-III	50:50 between NES and PES
MP-II	70:30 between NES and PES

In case the Federal Government cannot place the requisite number of NES officers at the disposal of the Provincial Governments, the ratios may be adjusted to accommodate PES officers.

41. The Commission examined the two options, (for an over view of the advantages and disadvantages of the two options please refer to **Annex-V**) and came to the conclusion, that the true spirit and nature of the constitutional provision, about an All Pakistan Service will be adhered to, if NES positions are shared between the Federal and the Provincial Government officers. The most persuasive argument in favour of this option is that policy making at the highest level in the Federal Government will not be divorced from an intimate knowledge, understanding and appreciation of the issues, constraints and problems faced at the Provincial and Local Government levels. There will be greater national integration and better appreciation of the problems facing the various geographical regions and segments of the society. This integration is absolutely essential for generation of policy proposals that are feasible, widely acceptable and practicable. The District Service has, for the time being, been kept out of the ambit of this option because it terminates at BS-16 in the first phase (as proposed by NCGR). Once the scope of the District Service is extended to BS-17 and above, the issue of its smooth integration would have to be revisited.

42. The Provincial Governments may argue that they will lose the freedom to select officers of their choice, to manage the policy making positions and will remain dependent on the whims of the Federal Government. But this argument is not valid, as the existing arrangements do involve the posting of APUG officers in the provinces. Many officers living comfortably in the Provincial headquarters may be reluctant to move physically to Islamabad and thus deprive the Federal Secretariat of quality manpower. The rotation between the Federal and Provincial Governments, would be one of the criteria for promotion to higher grade in the NES. However, the strains of managing a large number of incumbents, training them and looking after their welfare can pose some problem.

TRANSITION PLAN

43. Supporting infrastructure will have to be put in place by the Establishment Division, before the NES can take off. The creation of NES is interlinked with decisions on a number of critical issues, without which the present proposal will not be able to make the desired impact. While a number of issues have been discussed in the previous section, there are at least three decisions for transition from the present system to the NES. These are:

- (i) Introduction of e-government in the Federal and Provincial Secretariats for all transactions – horizontal and vertical. Until such time, Section Officers in BS-17 should be recruited by expanding the initial numbers in the various services/ cadres. Technical officers should also be recruited in BS-17 for carrying out professional and technical work.
- (ii) The pay structure of the NES has to be delinked from the BS grades and brought at par with MP-I, MP-II and MP-III. The existing incumbents can be given the choice to opt for the new scales or retain their grades, along with their perks and facilities such as housing etc.
- (iii) The Performance Evaluation Report System (PER) has to be redesigned, to move away from the present, opaque ACRs to a more open, goal-oriented, development needs based system. A new promotion policy that gives weightage to the PERs, training and skills acquired, breadth and depth of experience and evaluation by the Central Selection Board, will also have to be put in place.

CONCLUSION

44 The creation of the NES as an All Pakistan Service, has clear advantages, as it will be able to draw from a large pool of talent from both within the Civil Services and outside. An open, transparent, competitive process, regional representation and provincial quota system will ensure that the smaller provinces have a sense of

participation in high level decision making. Specialization in three streams, will equip the members of the cadre with the skills and knowledge required to analyze the complex issues of the economy and society, as well as formulate appropriate strategies and policies. Fast track promotion prospects and attractive compensation package will provide incentives for better performance, high quality output and minimize corruption and rent-seeking.

CREATION OF DISTRICT SERVICE

SITUATION ANALYSIS

45. The creation of a District Service, within the overall framework of Civil Services of Pakistan has proved to be a contentious issue. Although the Local Government Ordinance 2001 provides the legal basis for creation of this service and a policy decision at the highest level was taken to establish this service by December 2005, the actual progress has been scanty. The differences in the views and approaches of the various stakeholders on this issue are so wide, that fresh thinking is required to take this proposal forward. The NCGR after informal consultations with the Provincial Governments and the Federal Secretaries Committee has come to the conclusion that the creation of the District Service should proceed in phases.

GUIDING PRINCIPLES

46. i) The District Service structure may be allowed to differ for different provinces, according to their particular circumstances. Balochistan may decide to have a few District Service Cadres that comprise several contiguous districts, because every district may not have the critical mass in terms of numbers. This variation should be acceptable and straitjacketing not imposed by the Federal or Provincial Governments.
- ii) The City District Governments may evolve a different configuration of District Service, in which higher grades such as BS-17 may also be included, depending on the number of positions available in the higher grades. The metropolitan and large urban centres must have staff possessing higher skills and higher performance standards, compared to other Local Governments.
- iii) The Local Council Service should be abolished and all the existing incumbents belonging to this service absorbed into the District Service, with full protection of their terms and conditions of service.
- iv) Facility-wide contractual employees such as Teachers, Health workers etc. will not form part of the District Service, as they are not regular Civil Servants. Safeguards should be put in place through legislation, to avoid recurrence of the practice of conversion of contractual employees to regular employees, through a stroke of pen.

- v) The terms and conditions of service and compensation packages should be transparent and codified, but not made uniform across all districts. This flexibility will remove some of the distortions existing in the public sector labour market. If there is shortage in the supply of teachers say in Rajanpur or Layyah, the salaries in those districts must be relatively higher than the comparable salaries prevailing in Lahore, where supply outstrips demand. The liberation from uniform pay scales and uniform eligibility criteria, will help promote school enrolment in under develop districts.
- vi) It should be possible for the District Governments to borrow officials belonging to other Districts, Provincial Governments or the Federal Government, on deputation for a fixed period, in case they face shortages within their own District Service Cadres.

NCGR RECOMMENDATIONS

47. The current strength of the employees in the districts serving in BS 1-16 is estimated to be approximately as follows:

Province	No. of employees in the Districts	No. of Districts	Average No. of Employees per District (000)
NWFP	190,000	24	8
Sindh	238,000	23	10
Punjab	558,000	35	16
Balochistan	110,000	28	4
	1,096,000 (1.1 million)	110	10

48. It may be seen that out of approximately 1.8 million Civil Servants working in the four Provincial Governments (**Annex-VI Table-I**) about 1.1 million or about 61 percent, could become part of the proposed District Service Cadres. The average number of employees in each of the 110 districts, thus works out be 10,000. Of course this number will vary with the 8 City District Governments, having several thousand employees, while most Districts in Balochistan will have fewer than 1 to 2 thousand employees on their rolls.

49. The next step would be for the District Governments to exclude the posts of teachers and health workers, employed on contract basis in Education and Health Departments, from the numbers shown above. As most of the teachers and health workers will be employed in future by the facility, on contract basis only, the size of the District Service will decline with the attrition of the regular Civil Servants serving in these departments.

50. It is proposed to create a District Service for each District Government in Pakistan, separate from the Provincial and Federal Services. The responsibilities for recruitment, training, promotion, disciplinary action, compensation, severance, retirement and welfare of the employees in the District Service, will rest solely with the District Governments. Each district may decide as to how many cadres within the District Service have to be formed. This will depend very much on the critical minimum number of employees at the base and posts available throughout the pyramidal structure. A survey has to be carried out of the distribution of posts at various grades in each department, before it is determined if the critical mass criterion is fulfilled for creating a separate cadre. The seniority lists will be maintained separately for each cadre and promotion against the vacancies in the cadre will take place according to seniority-cum-fitness. Our analysis of the situation in the Districts reveals the following picture:-

- (i) Education and Health Management cadres will be under the control of the Provincial Governments. Teachers and health workers will be employed by each facility i.e. school or hospital, on contractual basis. There would hardly be any core staff left in these two devolved departments to constitute cadres within the District Service.
- (ii) District Coordination, Law, Literacy, Community Development, Finance and Planning have quite a small number of staff and they would not form separate cadres.
- (iii) Works and Services of the District Government, Water Supply and Sanitation, Infrastructure and Services at the TMA level can be grouped together and placed in one cadre.
- (iv) Information Technology may not be amenable to encadrement, as there is a strong case for hiring employees on contract basis and paying them market salaries, while outsourcing the actual applications, development and maintenance services to private firms.
- (v) Revenue Department will have adequate number of staff in many Districts that can be grouped to constitute a regular cadre. In other Districts, a joint cadre option with other Districts of similar size and contiguity may be explored.

51. There are two options for constituting the District Service. As the resistance by the Provincial Governments and the Federal Secretaries to the inclusion of BS-17 and above posts in the District Service is quite fierce, it is proposed that in the first phase, only employees in BS1-16 should be brought within the ambit of the District Service. City District Government Service may include BS-17 officers also, if there is a sizeable number of such officers working in these jurisdictions.

52. The NCGR recommends that all posts in BS-1-16 at the District, Tehsil/ Town and Union Council level be classified into two categories.

- (i) All common services staff who can be rotated from one office to another without any difficulty, such as messengers, drivers, clerks, assistants, superintendents, serving at the District, Town/ Tehsil, Union Administration levels, should be grouped together, to form the General Cadre. The inter-changeability of the staff who will mainly be generalists, will be the main criterion for induction into this grouping.
- (ii) All technical staff which belongs to specific departments will either be grouped into separate cadres, if there is a justification to do so, or remain in ex-cadre or non-cadre posts in their respective departments, with their promotion prospects at par with the cadre employees.

53. The separation of generalist and common services, rotational positions from specific technical positions will bring about a great deal of clarity and transparency. There will be fewer problems in evaluating the performance of the technical and generalist staff carrying out diverse functional responsibilities and inter-se seniority disputes will be minimized under this proposal.

INSTITUTIONAL ARRANGEMENTS

54. To make any headway in creating District Services, the existing institutional arrangements will have to be reviewed and modified. A new set of rules of business, dividing the functional responsibilities between the Provincial and District Governments, will need to be devised and put in place.

55. The Provincial Governments will have to shift their role from direct operational responsibilities for the staff working in BS 1-16 in the Districts, to that of monitoring, oversight, technical assistance, training and capacity building, dispute resolution and grievance redressal. More specifically, the functions that ought to be performed by the Provincial Government are described in **Annex-VI Table-II**.

56 **Entry Points:** It is suggested that fresh inductions into District Service should take place at the following Grades:

a.	BS-1	<ul style="list-style-type: none">▪ Through District Services Selection Board (DSSB).▪ Automatic Promotion on seniority-cum-fitness basis upto BS-4.
b.	BS-5	<ul style="list-style-type: none">▪ 50% of vacancies for new entrants to be recruited through DSSB.▪ 55% of vacancies for promotion through an examination conducted by DSSB.

		<ul style="list-style-type: none"> ▪ Automatic promotion on seniority-cum-fitness upto BS-10
c.	BS-11	<ul style="list-style-type: none"> ▪ 60% of vacancies for new entrants through District Public Service Commission (DPSC) ▪ 40% of vacancies for promotion through an examination conducted by DPSC. ▪ Automatic promotion upto BS-13.
d.	BS-14	<ul style="list-style-type: none"> ▪ 70% of vacancies for new entrants through DPSC. ▪ 30% of vacancies for promotion through an examination conducted by DPSC. ▪ Automatic promotion upto BS-16.

57. **Transition Plan:** Each Provincial Government will prepare a time bound plan with milestones for transition from the existing system, to the proposed system. The public announcement of the whole plan and its dissemination should be carried out vigorously. Efforts should be made during the transition period, to bring about the required synergies between the Provincial and District Governments. In addition, the institutional arrangements proposed in the preceding paras will have to be put in place.

CONCLUSION

58. The above set up will ensure that the transition from the present system is smooth, the separation and division is less problematic and the operation of the District Service takes off without much resistance.

THE EXISTING SYSTEM

The existing arrangements for manning government positions, allows posting of personnel from a variety of services and departmental cadres of the Federal, as well as Provincial Governments. Consequently, personnel from a variety of services and cadres, such as All-Pakistan Unified Grades (APUG), Federal Unified Grades (FUG), Provincial Civil Service (PCS), Provincial Local Councils Service (LCS) and departmental cadres of the Provincial Government are found right down to the local government offices. These are, in addition, to the Servants of the Local Councils (SOLC), who are the direct employees of the local governments. A brief review of the existing structure of civil services at all levels of government is, therefore, essential for understanding the present arrangements for staffing the governments at the three tiers of the Governments.

Constitutional Provision Regarding Civil Services

2. The basis for establishment of various Civil Services at the federal and provincial levels, has been provided in Article 240 of the Constitution of Islamic Republic of Pakistan, 1973, which is reproduced below for ready reference:

"Article 240. Appointment to service of Pakistan and conditions of service: Subject to the Constitution, the appointments to and the conditions of service of persons in the service of Pakistan shall be determined:-

(a) in the case of the services of the Federation, posts in connection with the affairs of the Federation and All-Pakistan Services, by or under Act of Majlis- e-Shoora [(Parliament)];

and

(b) in the case of the services of a Province and posts in connection with the affairs of a Province, by or under Act of the Provincial Assembly.

Explanation: In this Article, "All-Pakistan Service" means a service common to the Federation and the Provinces, which was in existence immediately before the commencing day or which may be created by Act of Majlis-e-Shoora [Parliament]".

Civil Services of the Federation

3. **Legal Basis:** Civil Servants Act, 1973 and the Rules made there under provide the legal basis for regulating the appointment to, and the terms and conditions of an All Pakistan Service or a Civil Service of the Federation or a post in connection with the affairs of the Federation. It applies to all Civil Servants of the Federation wherever they may be, in Federal Government, Provincial Government, Local Authority, a Corporation or a Local Body.

4. **Service Structure:** Administrative Reforms of 1973 abolished all classes among the Civil Servants, merged all services and cadres into a single unified graded structure and prohibited the use of “service” labels. The following three unified grades were created under the new rules (framed on the basis of Civil Servants Act, 1973) which continue to this day:

a. **All Pakistan Unified Grades (APUG):** The APUG officers are posted to Federal as well as Provincial Governments, including Districts, mostly on posts reserved for them. The APUG comprise the following occupational groups/services:-

- (1) District Management Group. (BS17 -22)
- (2) Police Service of Pakistan. (BS17 – 22)
- (3) Secretariat Group. (BS 19 -22)

b. **Federal Unified Grades (FUG):** As a rule, the FUG officers are posted to the Federal Government posts only. The FUG consist of the following occupational groups :-

- i) Pakistan Audit and Accounts Service
- ii) Commerce and Trade Group
- iii) Customs and Excise Group
- iv) Foreign Service of Pakistan
- v) Income Tax Group
- vi) Information Group
- vii) Military Lands & Cantonment Group *
- viii) Office Management Group *
- ix) Postal Group
- x) Railways (Commercial and Transportation) Group
- xi) Economist & Planners Group

***Note:** Fresh induction into groups at (vii) & (viii) above has been stopped recently with a view to ultimately abolishing these groups.

Besides the above eleven occupational groups, personnel belonging to the following categories also form part of FUG:-

(1) **Ex-Cadre Officers (BS-17) and above:** There are a large number of Federal Government officers whose posts have not been encadred.

These officers mainly belong to technical and professional categories, e.g., specialized positions in Ministries of Education, Science & Technology, Food & Agriculture, Population Welfare, Special Education, Communications and a host of Attached Departments, Subordinate Offices, Bureaus, Commissions, Research Organizations, etc. Although they account for 80-90 percent of the officers' positions in the Federal Government, the ex-cadre officers enjoy relatively limited career progression, compared to en-cadred and occupational groups mentioned above.

- (2) **Subordinate Staff of BS-1 to BS-16:** Subordinate staff of BS-1 to BS-16 are Ministry /Division /Department-specific employees with the exception of Subordinate Accounts Service (SAS) personnel who are routinely posted across Ministries /Divisions /Departments. 95 percent of the positions in the Federal Government ministries/ attached departments/ subordinate offices etc. are occupied by the subordinate staff.

5. **Recruitment Policy.** Recruitment to the federal services/posts is regulated by Civil Servants (Appointment, Promotion and Transfer) Rules, 1973; and Federal Public Service Commission (Functions) Rules, 1978. Recruitment to all federal services/posts at the entry point is made on provincial /regional quota basis, through:-

- c. Federal Public Service Commission for employees of BS-17 and above.
- d. Ministry /Division /Department Recruiting Committees, for employees of BS-1 to BS-16.

Provincial Civil Services.

6. **Legal Provision.** On the basis of Article 240 of the Constitution, separate enactments were made by each Provincial Government in 1973/ 1974 for regulating the appointment to and the terms and conditions of service, of persons in the service of respective provinces. The Provincial Civil Servants Act applies to all the Civil Servants of the respective provinces, irrespective of their posting to the Provincial Government, Federal Government or any autonomous body.

7. **Structure of Provincial Civil Services** The 1973 Administrative Reforms also resulted in the merger of all provincial services and cadres into a single unified graded structure, called Provincial Unified Grades (PUG). The existing Provincial Services / cadres can be divided into the following categories:

- a. **Provincial Civil Services (BS-17 and above):** The Provincial Civil Services (PCS) consist of two branches:

(1) PCS Executive Branch. [PCS (EB)]. Extra Assistant Commissioners.

(2) PCS Secretariat Branch. [PCS (SB)]. Section Officers.

Note: Quite recently, the Provincial Governments of Punjab and NWFP have decided to merge (1) and (2) into a Provincial Management Service.

(3) PCS Judiciary Branch. [PCS (JB)]. Magistrates.

- b. **Technical /Professional Services /Cadres (BS-16 and above):** The Technical/Professional Services/Cadres include Revenue, Accounts, Excise & Taxation, Education, Agriculture, Health, Forestry, Veterinary, Engineering, Information, Law etc. Their recruitment is made through PPSC and service matters are handled by their respective parent departments.
- c. **Subordinate Employees (BS 1-15).** Direct recruitment to posts of BS-1 to BS-15 is generally carried out by the respective departments, except for some of the more lucrative posts which are recruited to by PPSC. These posts include Naib Tehsildar, Police Inspector, Sub-Engineer, Sub Registrar (Revenue), Prosecuting Sub Inspector, Asst. Jail Superintendent, Cooperatives Inspector, Electricity Sub-Inspector, Food Grain Inspector, etc. Personnel management of these employees is the responsibility of their respective departments, except for the employees of the Provincial Secretariat who are managed centrally by the S & GAD.

8. **Recruitment Policy:** The departmental recruitment committees are responsible for direct recruitment of technical/ professional cadres and subordinate staff. PCS or PMS officers and Technical officers in Grades-16 and above are recruited through Provincial Public Service Commission (PPSC) and put through an initial training of a short duration of 4-6 months before being posted. The service is managed centrally by Services and General Administration Department (S&GAD) of the provinces.

9. **Federal-Provincial Interrelationship:** The APUG officers (Federal Services) are eligible for posting to the provinces on the basis of the following formula for distribution of posts between the provincial services and the APUG:

Basic Scale	APUG	Provincial Officers
BS-21	65 %	35 %
BS-20	60%	40%
BS-19	50%	50%
BS-18	40%	60%

Civil Service in Local Governments.

10. **Pre-Devolution Scenario:** In the pre-devolution days, the local self-government had a limited scope. Local bodies' functions were restricted mainly to

municipal services, animal husbandry services, establishment and maintenance of dispensaries, maternity centers and rural health centers. In a few cases, urban local bodies also undertook establishment and management of education institutions. While most of the officer level staff (BS-16 and above) of the local councils, was and continues to be provided by the Provincial Services, majority of the support staff in BS-1 to BS-7 were the employees of the local bodies. Support staff of BS-8 to BS-15 was being shared between the Provincial Local Councils Service and the Servants of the Local Councils.

11. **Categories of Employees in Local Bodies:** The following three categories of employees were found in the pre-devolution local governments:

- a. **Civil Servants:** The employees were from the Provincial Local Government and Rural Development (LG & RD) Department, and from DMG and PCS cadres.
- b. **Member of the Provincial Local Councils Service (LCS):** The LCS was established under Provincial Local Government Ordinance 1979/80. Recruitment, postings, transfers and all other service matters of LCS were handled by Local Government Board (LGB), comprising Secretary LG Department as the chairman and 3-5 members, appointed by the Provincial Government. Secretariat of the LGB acted as the secretariat for the LCS. The LCS comprised employees ranging from BS-5 to BS-20.
- c. **Servants of the Local Councils:** Apart from the LCS, Provincial Local Government Ordinance 1979-80 also provided for another category of employees, who were called Servants of the Local Councils (SOLC). They were the direct employees of the local councils responsible for recruitment and personnel management. However, the number of SOLC of each local council and their pay scales were controlled by the Provincial Government.

Post-devolution changes.

12. Since 2001 the Local Government comprises of (a) District Government or City District Government (b) Tehsil Municipal Administration or Town Municipal Administration and (c) Union Administration. Eleven departments – District Coordination, Agriculture, Community Development, Education, Finance & Planning, Health, Income Tax, Law, Literacy, Revenue, Works and Services have been devolved under the Local Government Ordinance to the District Governments. The functions of the offices of Local Government and Rural Development Departments, Housing, Urban Development and Public Health Engineering Department have been entrusted to the Tehsil or Town Municipal Administration.

13. Local Government Ordinance 2001 envisages local governments to function within the provincial framework and adhere to the Federal and Provincial Laws. However, the local governments are not subject to direction by the Provincial/Federal government except "for the purpose of preventing any grave threat to public peace and order, handling emergencies, protection and security of the people and the security and integrity of the state". And such directions are to be issued through the concerned Zila Nazim. It thus implies that the local governments are independent in their routine functioning and that any intervention by the provincial government, except in the above stated eventualities, can only be through legislation. In practice however, the hierarchies of the Provincial Government departments are intact and provincial intervention continues informally, through a network of departmental loyalties. This adversely affects responsiveness of the provincial government employees, to the elected head of local administration. On the other hand, the administrative links between the District Government, Tehsil Municipal Administration (TMA) and Union Administration are quite weak.

STRATEGIC OPTIONS

Option – I

All civil servants in BS 17-22 (precisely defined and conforming to the Civil Servants Act. 1973 and the rules thereunder) serving at the Federal, Provincial and Local Governments as described in paras 16-23 above should be merged and organized into a number of All Pakistan Services and cadres. For example, in addition to merging the existing services and cadres at the Federal and Provincial levels into All Pakistan Services/ cadres, new services and cadres such as Education, Health, Agriculture, Irrigation, Works and Housing etc. could be created as All Pakistan Services/ cadres encompassing all the civil servants serving at the Federal, Provincial and Local Governments – into unified groups. The officers belonging to these services/ cadres can be moved from one province to other and from the Federal to the Provincial and to the local governments after different prescribed intervals of time. All these cadres that have minimum critical mass would have a pyramidal structure and career progression will take place within the cadres according to transparent promotion policy that is identical across the cadres. Equal opportunities for promotion to higher positions will be available to all civil servants irrespective of their initial appointment. Under this option the structure of the civil services would be organized on the following illustrative lines:

- (i) Pakistan Management Service (combining DMG, Secretariat, PMG)
- (ii) Police Service of Pakistan
- (iii) Pakistan Foreign Service
- (iv) Pakistan Taxation Service
- (v) Pakistan Audit and Accounts Service
- (vi) Pakistan Engineering Service (Combined or Separate for each category)
 - a. Civil (Works & Housing)
 - b. Irrigation
 - c. Roads and Highways
 - d. Public Health Engineering
- (vii) Pakistan Education Service
 - a. All management positions in Education Ministry/ Education Departments
- (viii) Pakistan Health Service
 - a. All management positions in Health Ministry/ Health Departments
- (ix) Pakistan Agriculture Service
- (x) Pakistan Legal Service
- (xi) Pakistan Economist Service

2. The exact number of Services and Cadres under this option would be quite extensive as for example the aggregation of Civil Engineers (Works and Housing) from

all the Federal Government, Provincial and Local Governments would be able to generate a sizeable self standing single cadre. In that event the Pakistan Engineering Service can be carved out into three or four independent service cadres. Some of the cadres that are not feasible at present would attain the critical strength at All Pakistan Level.

3. Officers and Staff in Grades 1-16 will be employed at the Federal, Provincial and Local Governments and retain their distinct positions and move within the Governments by which they were recruited. Officers in Grade 16 will be eligible for recruitment to All Pakistan Services through a competitive examination and their qualifications, experience performance record and training will also be taken into account for determining eligibility and suitability for promotion and final induction.

4. The number of services cadres can be determined once a survey is carried out of the strength of existing employees working under each category throughout Pakistan in all three tiers of the Government. This configuration will, however, entail a very powerful and effective Central Personnel Management Agency that is responsible for the recruitment, training, promotion, discipline, postings and transfers of All Pakistan Services/ Cadres. Even assuming that the operational responsibilities for Service/ Cadre management are delegated to the respective line ministries the Central Agency will still have a critical role in policy development and regulation, ensuring consistency in application of the policies, monitoring and enforcement and redressal of grievances.

5. The advantages and disadvantages of this option are:

Advantages:

- a. All civil servants will belong to a regularly constituted uniform national cadre and the existing discrimination between cadre and ex-cadre services, Federal and Provincial Civil Servants will disappear.
- b. There will be equality of opportunity for career progression for all professionals, technical and generalist officers and the elimination of entitlement culture will improve performance on the job and efficiency of the civil servants.
- c. National cohesion and integration will be promoted as officers occupying pivotal positions would have a broader outlook and insights into the specific problems faced by different regions of the country.

Disadvantages

- a. The proposed structure will promote and encourage centralization and go against the grain of devolution of powers and control over their affairs by the Provincial and Local Governments.
- b. The inter-cine rivalries and jealousies among the various cadres and too narrow focus on their own disciplines will discourage an integrated decision making process and reinforce silo-like compartmentalized behavior by the ministries/ departments.
- c. The existence of sub-specializations among the professional staff brought together under single cadre may encourage a culture of entitlement and reservation. For example, the Economist Service would have International Trade, Labour, Macroeconomist, Education Economist etc. and each of these sub-specialists may demand sharing of the limited higher positions in the cadre in a certain pre-assigned ratio.

Option – II

6. A four tier structure of civil services may be constituted on the following lines:

- a. All Pakistan Services - BS 17-22 Occupational Groups
BS 20-22 National Executive Service
 - b. Federal Civil Service - BS 17-22
 - c. Provincial Civil Service - BS 17-22
 - d. District Civil Service - BS 1-16
- (a) **All Pakistan Services**, Two of the existing APUG cadres – the District Management Group (DMG) and Police Service of Pakistan (PSP) should continue to be retained with the DMG being renamed as Pakistan Administrative Service (PAS). Current and future positions in the Federal and the Provincial Secretariats Group should be transformed into a National Executive Service (NES) which will man the positions of the Federal and the Provincial Secretariat from Grades 20-22. Recruitment to NES will be made directly through the Federal Public Service Commission and all officers of the Federal, Provincial, District Governments as well as outsiders will be eligible to compete at the NES examination. Adherence to Provincial/ Regional quotas will be observed in recruitment to the NES and this will help promote a sense of participation and ownership among all the provinces and ensure their representation at higher levels of policy making at the Federal Government. Once they are selected to NES they will sever connections with their previous cadre and become part of the NES. Those who do not wish to compete for NES or would like to continue in their own cadres will have the possibility to rise to highest positions in these cadres.

The NES will consist of four specialized cadres i.e Finance and Economic Management, Social Sector Management, Regulatory Management and General Management. Posts in the Federal and Provincial Secretariats would be identified which will be manned by officers of these four specialized cadres. The underlying principle will not be grouping of ministries/ departments but assignment of posts in each Ministry. For example, although the Ministry of Interior may fall in the General Management category but the Chief Finance Officer of the Ministry would always be a member of the Finance and Economic Management cadre of the NES. The Chief Human Resource Officer in the Ministry of Finance will be picked from the General Management cadre and so on.

The positions of Tehsil/ Town Municipal Officers (Grade-17), Executive and District Revenue Officers, District Planning Officers, District Finance Officers, District Coordination Officers, and other relevant positions at the level of the Provincial and Federal Government would be grouped together under the PAS and shared with the PMG. The positions of Grades 17-19 in the Federal and Provincial Secretariats such as Principal Staff Officer, Staff Officer, etc. will also be open to the officers of PAS and in the provinces to the officers of PMS.

The Police Service of Pakistan (PSP) will have new efficiency and discipline, promotion, training, posting rules in accordance with the new Police Order. The emphasis will be on inculcating and encouraging professionalism and courteous and helpful behavior towards citizens by the police officers. The re-opening of the question whether police is a Provincial or Federal subject so soon after the Police Reforms is not advisable.

(b) **Federal Services.** It is proposed that the following Federal Services should be retained in view of their relative importance and connection to the affairs entrusted to the Federal Government:

1. Pakistan Foreign Service
2. Pakistan Taxation Service
 - a) Customs Cadre
 - b) Inland Revenue Cadre
3. Pakistan Audit and Accounts Service

The following services/ cadres will be retained with the present incumbents and their terms and conditions remaining intact. These services/ cadres will, however, not be open to fresh recruitment in the future through the C.S.S examination:

1. Pakistan Railways Service
2. Pakistan Postal Service
3. Commerce and Trade Group
4. Information Group

NOTE: For 3 and 4 the final decisions will be made after a review has taken place.

The detailed reasoning and justification for the discontinuation of fresh recruitment through the CSS examination has been provided in the paper on recruitment approved by the Steering Committee. The corporations/ management boards/ ministries concerned for these subjects will be free to recruit young officers through an open, competitive process and request the FPSC to conduct the competition. But the eligibility

criteria, qualifications, experience, content of examination and interview structure will vary according to the specific job requirements of the requisitioning agency. This will provide greater flexibility in recruiting skilled manpower instead of adhering to the strait jacketing that is implicit under a closed cadre system.

EX-CADRE POSITIONS

The other question that was explored was whether the specialists serving in the Ministries and organizations dealing with Science and Technology (S&T), Health, Education, Engineering, Economics, Law should be constituted as regular cadres. In our view the S&T organizations should be delinked from the Basic Pay Scales and given autonomy and the terms and conditions should be similar to Strategic Planning Division (SPD) organizations. The Prime Minister has already approved this arrangement in the case of Pakistan Agriculture Research Council (PARC). Health and Education management cadres at the Federal level are too small to form a critical mass essential for encadrement. The Federal Government has successfully transferred operational responsibilities to autonomous bodies and corporations and the regulatory responsibilities to the Regulatory Authorities both of which have the requisite strength of Oil and Gas engineers, water resource engineers, power engineers etc. The residual staff of scattered experts in various ministries does not lend itself to binding into a cohesive or homogenous group. The experience with Economist and Planners Group has not been particularly happy both from the ministries and the incumbents' perspective. After careful consideration it is not considered feasible to transform the ex-cadre specialist and technical staff at the Federal Government level into regularly constituted en-cadred services. But the recruitment, training and career progression opportunities for this large group of civil servants should be made rigorous and brought at par those of the cadre services. It has been observed that most of the staff occupying technical posts are stuck for a long time due to inadequacy of the number of vacancies at higher grades. These experts and specialists are therefore put at a disadvantage for no fault of theirs although they may meet all the requisite criteria for promotion. Due to the arbitrary limits on the number of vacancies available in the technical ministries their path towards career progression is unfairly blocked and hindered. The costs in terms of productivity and efficiency losses caused by poor morale and de-motivation of as many as 80 percent of the officers who are technical experts far exceed the paltry financial savings. This situation needs to be reversed by introducing an alternative system for the ex-cadre staff in which professional growth opportunities are provided in addition to promotion against structured vacancies. Specified criteria such as qualification, experience, training, performance etc. would be laid down and the officers found capable to meet these criteria would be promoted to next grades irrespective of the availability of structured vacancies. The financial implications of this professional growth promotion route would be quite insignificant but the benefits in terms of better morale and higher productivity of specialized and skilled staff are likely to be substantial.

- (c) **Provincial Civil Services.** Most of the day to day interaction of an ordinary citizen with the Government functionaries takes place at the District or Tehsil level. But the face of the Government in the form of Patwari, Thanedar, Darogha, and other low paid, inadequately trained government functionaries, lacking proper manners, enjoying enormous discretionary powers is not very helpful. Effective supervision of these officials and chain of control over them have broken down due to politicization of these positions.

It is, therefore, essential that these posts are upgraded and replaced by officers directly recruited at Grade 17 levels by the Provincial Government and E-governance is introduced to facilitate the delivery of public services to the citizens.

The Provincial Civil Services should have several components such as:

- i. Provincial Management Service (PMS)
- ii. Provincial Executive Service (PES)
- iii. Provincial Technical Services Cadres such as Irrigation, Communications, Education, Health, Police etc.
- iv. Provincial Judicial Service (PJS)
- v. Subordinate Employees (Grade 1-16)

The constitution of technical cadres would vary according to the specific circumstances of each province. For example, it is possible that Punjab may have a minimum critical strength for a regular cadre that provides adequate number of posts in higher grades for career progression and promotion path to higher positions of responsibility. In Balochistan, these criteria may not be fulfilled and most of technical departments may continue to have ex-cadre positions. In that event, like the Federal Civil Services the alternative system of professional growth promotion may also be introduced for these positions and opportunities for progression are equalized between cadre and ex-cadre officers.

The Provincial Management Service would fill in the positions at Tehsil, District, Provincial Government level of generalist nature such as Tehsil Municipal Officer (TMO), Deputy District Officer (DDO), Executive District Officer (EDO), District Officer (DO) in Revenue, Finance, Planning, Community Development Departments and the incumbents can progress all the way upto Grade 22 in the Provinces. These cadre positions will be shared with the officers of PAS.

The Provincial Executive Service will be constituted on the lines of the National Executive Service. A competitive examination by PPSC will be held for recruitment to PES and will be open to the officers of PMS, Provincial technical cadres and ex-cadre posts at Grade 18. Those who meet the eligibility criteria including performance record and are successful at the examination will be inducted into the PES at Grade 20 level. PES and NES officers will have equal shares in all the Provincial Secretariat positions from Grade 20 to 22. Officers of PMS, PAS, ex-cadres, PTS etc. will be eligible to occupy positions at Grades 17-19 in the Provincial Secretariat. District Service officers of Grade 17 will also be eligible for these positions.

(d) **District Service.** The enabling legislative framework for the creation of District Service is provided in the Local Government Ordinances 2001. The law clearly stipulates that “the District Government shall be responsible to the people and the Government for improvement of governance and delivery of services within the ambit of the authority decentralized to it under this ordinance”. The Zila Nazim heads the District Government with the assistance of the District Coordination Officer (DCO). The Executive District Officers of the eleven (11) devolved departments report to the DCO. The effectiveness and scope of control exercised by DCO is limited in practice by the powers specified to him i.e of coordination only and in the absence of any administrative links with the lower tiers of the Tehsil or Town Administration. The actual implementation of all the provisions of the law has stalled due to lack of consensus between the Provincial and the Federal Governments. Although eleven (11) departments have been devolved to the District Governments most of the positions are still manned by the Provincial Civil Servants. As an immediate measure, it is proposed that:

- i. the District Cadres comprising all Grade 1-16 posts at the District, Tehsil and Union level may be constituted for those departments where there is a minimal critical strength and viable pyramidal structure for progression. In City District Governments it may be possible to include Grade-17 officers of several departments in the District Service Cadres.
- ii. the teachers and health workers should be appointed on contract by the facility itself for a specific period. These posts should be excluded from the regular Provincial and District Cadres.
- iii) this phase-I of District Service Cadre should be evaluated after five years of experience and a decision may then be taken for including Grade-17 and above officers in this cadre. It is also possible to have Regional Cadres where a group of Districts agrees to form the Regional Cadre from where posts of Grade-17 and above could be filled in. The formation of Regional Cadres may provide a solution to the tension between a centralized Provincial Cadre and low critical mass of the smaller District Cadres.
- iv) the post of District Coordination Officer may be re-designated as District Chief Operations Officer (DCO) and the current relationship that exists between the CM and CS in respect of the Provincial Government may be replicated at the District level in terms of functions, responsibilities, authority, powers, and accountability. The posts of DCO for City District Governments will be in Grade-22, in major district Grade-21 and in smaller districts Grade-20.
- v) the Tehsil Municipal Officer (TMO) should be the Chief Operating Officer of the Tehsil/ Town Administration (TMA) working under the direct control of Tehsil/ Town Nazims but report for coordination purposes to the DCO. He/ She can be designated as ADCO for this purpose. The staffing of the TMAs should be upgraded by recruiting higher grade officers of

professional competence, caliber and attitude alongwith automation of processes, forms, applications etc.

7. The advantages and disadvantages of option-II are:

Advantages:

- a. The Provincial and District Governments would be able to attract good quality Civil Servants at par with the Federal Government.
- b. The on going process of decentralization, devolution and de-concentration of powers would be aided by the availability of human resources of the right kind at all levels of government, better administrative coherence and quicker response capacity to citizens.
- c. There will be minimum dislocation as most of the essential features of the existing system have been retained and the resistance to the new proposals is not expected to be acute.

Disadvantages

- a. Incremental approach proposed for reforming the Civil Service may not fully remedy the deficiencies existing in the system.
- b. The Federal Government that is responsible for highest policy making in the country may lose some of its talent and therefore its capabilities may be eroded.
- c. The proposals are highly dependent on the speed with which e-government is introduced and any delays – deliberate or otherwise – may slow down the proposed reforms.

STRATEGIC OPTIONS

SELECTION TO NES

Two of the many options for selection into NES have been analyzed. Each of these options has advantages and disadvantages which are summarized in the following paragraphs:

Option-I: Each APUG, Federal and Provincial Service cadre is apportioned a fixed quota of posts based on their cadre strength for induction into the NES. Competitive examination and interviews will be held by the Federal Public Service Commission but will be restricted to the pool of eligible candidates belonging to the particular services e.g. If Pakistan Customs and Excise Service (PCES) has three vacancies in NES to be filled in, only the officers belonging to the PCES meeting the eligibility criteria will compete for these three vacancies. Candidates from other services/ cadres will not be eligible to compete for these vacancies. The examination and interviews will be common for all the candidates from all services / cadres but the selection and induction will take place according to the respective allocation of vacancies for each service. To further clarify this point let us assume that there are 10 vacancies to be filled in the National Executive Service (NES) in a particular year. 03 vacancies are to be filled in from the Pakistan Custom and Excise Service (PCES), 02 from Pakistan Foreign Service (PFS), 02 from Police Service of Pakistan (PSP), 02 from Provincial Services and 01 from Pakistan Taxation Services (PTS). Only officers from these services who meet the prescribed criteria will be eligible to appear at the examination and if qualified called for the subsequent interview. The allocation of 10 positions in NES will follow the pattern of vacancies available for each service/ cadre. In case no candidate from PTS qualifies the written examination or the interview the vacancy will be carried forward to the next round for allocation to PTS and the induction to NES this time around will be limited to only 09 positions. In other words there is no cross over of positions from one service to another.

Advantages:

- (1) There will be support for the creation of NES from all the existing services/ cadres as they will retain their entitlements and benefit from the earmarked quotas and reservations proposed for each service/ cadre.
- (2) The assurance of reservations in NES at higher grades and positions will attract the younger candidates of calibre to join the services/ cadres at Grade-17 level.
- (3) The possibility of entering top policy positions through a competitive process could promote a culture of improved performance and acquisition of knowledge and skills among the junior and mid level officers.

Disadvantages:

- (1) The majority of the officers serving in non-cadre or ex-cadre positions will become ineligible for induction into the NES reinforcing the present state of widespread de-motivation and de-moralization.
- (2) Regional representation will not be ensured fuelling the grievances of the smaller provinces against non-representation at top policy making positions.
- (3) The talent pool from which NES officers can be drawn upon will be much smaller and limited and the principles of merit and equality of opportunity for all will be violated.

2. **Option-II:** Civil servants from all different tiers of the Government and Private Sector can enter the NES through a transparent merit based competitive process conducted by the Federal Public Service Commission (FPSC) keeping the existing regional representation/ provincial quotas intact. The candidates will have to fulfill the eligibility criteria of years of experience, professional qualifications, past performance record etc. The process would also be open to the outsiders who meet similar criteria. The FPSC will prepare a list of successful candidates in order of merit taking the regional representation and provincial quotas into account and recommend allocation into the various streams of NES. Upon successful selection to the NES the officers will sever their connections with their previous services/ cadres/ posts/ organizations and become part of the NES. Their inter-se seniority will be based on this merit list prepared by the FPSC.

Advantages:

- (1) NES will be able to recruit the best possible talent from within and outside the Civil Services based on merit, competence and transparency providing equality of opportunity to all.

- (2) Regional representation and quota system will redress the grievances of the smaller provinces for non – representation at top policy level positions and non-participation in higher level decision making.
- (3) The attraction of fast-track career prospect by induction into NES will upgrade the overall quality and performance of the Civil Servants in the lower grades aspiring for entry into NES.

Disadvantages:

- (1) The loss of opportunities for automatic advancement without any barriers that is available at present to the incumbents of the existing cadres/ services may create resentment.
- (2) Striking equivalence of eligibility criteria between the Civil Servants and the outsiders may invoke some controversy as the Civil Servants would like to keep the induction of outsiders to NES to the minimum possible extent. The experience with the lateral entry of the 1970s has not been pleasant for encadred officers.
- (3) There may be difficulty in designing an examination and interview process that adequately tests the substantive knowledge, skills and leadership qualities of the candidates coming from various professional backgrounds i.e the private and public sector.

The options examined by NCGR:

Option-I: One Stream only, i.e. Economic Management Group (EMG) to begin with, and subsequently creating more streams as required.

Advantages:

- (1) In view of the importance of economic and financial management it may be advisable to create the EMG, as a first step towards streams of professional excellence.
- (2) The incremental approach would test whether this change can be sustained and also avoid turmoil in the service structures. It is visualized that success of this pilot project could then be replicated to create other specialized streams.
- (3) Given the limited size of the stream the management and development of human resource base would be relatively easy.

Disadvantages:

- (1) If EMG is patterned on the basis of the Economist and Planners Group formed in 1973 then this will be an abortive exercise as the experience with this Group has not been satisfactory.
- (2) Officers serving in the Secretariat other than those selected for EMG will find themselves at a disadvantage in their terms and conditions of service, career progression opportunities and compensation package
- (3) The rivalries and confrontation between the EMG and non-EMG officers will adversely affect the efficient working of the Secretariat.

2. **Option-II:** Create two streams within NES, i.e. Economic Management Group (EMG) and General Management Group (GMG). The third stream of Social Sector Management Group (SSG) may be created later on.

Advantages:

- (1) An inclusionary approach providing opportunities to all officers for advancement to NES will boost the overall level of efficiency and productivity in the Government.
- (2) Some degree of specialization and sectoral knowledge will have a positive impact on the quality of decision making
- (3) The acceptance of the new service structure is likely to be broad based as there is no discriminatory or preferential treatment for any group of officers.

Disadvantages:

- (1) The General Management Group officers will have a larger base and more opportunities for rotation among Ministries.
- (2) The promotion prospects to Grades-21 and 22 may not be uniform or equal for all three streams of NES.
- (3) The encadrement of positions within each stream may prove to be controversial particularly in borderline cases which may fall within more than one stream.

Option-I: NES, (including its streams), to man only the posts at the Federal Secretariat.

Advantages:

- (1) There will be a neat separation of officers belonging to the Federal and Provincial Governments and the Provincial Governments can choose the officers for their Secretariat without prior clearance or requisition from the Federal Government.
- (2) The intimate knowledge of the working and many rotational opportunities at the Federal Ministries would speed up fostering of specialization.
- (3) The management and development of the officers of NES would be much easier and effective due to the limited size of the workforce in the NES.

Disadvantages:

- (1) The absence of inter change of the officers between the Federal and Provincial Secretariats may make decision making at the Federal level more abstract, remote from the ground realities and non-responsive to the needs of the public at large.
- (2) The harmony between the different Federating Units and the emergence of a national outlook based on varying perspectives of the provinces may be harmed.
- (3) The silo like, isolated mentality may give rise to more fractious and adversarial relationship between the Federal and the Provincial Governments. The experience gained by working at more than one level of government instils a sense of realism and appreciation of other government's position and view points.

2. **Option-II:** NES, (including its streams), to man all the posts at both the Provincial and Federal Secretariat.

Advantages:

- (1) The continuous flow and exchange of officers between the Federal and Provincial Government would upgrade the quality of decision making at both ends due to the experience insights and first hand broad based knowledge they will bring to bear.
- (2) There will be greater national integration and better appreciation of the problems facing the various geographical regions and segments of the society.
- (3) The true spirit and nature of the constitutional provision about an All Pakistan Service will be adhered to.

Disadvantages:

- (1) The Provincial Governments will lose the freedom to select officers of their choice to manage the policy making positions and will remain dependent on the whims of the Federal Government.
- (2) The reluctance of many officers living comfortably in the Provincial headquarters to move physically to Islamabad may deprive the Federal Secretariat of quality manpower.
- (3) The strains on managing a large number of incumbents, training them and looking after their welfare can pose some problem.

TABLE-I**DISTRIBUTION OF PROVINCIAL GOVERNMENT EMPLOYEES**

BS	PUNJAB	SINDH	NWFP	BALUCHISTAN	TOTAL
1.	20,7152	9,2489	5,1643	3,4056	385,340
2.	12,349	15,253	7,252	12,943	47,797
3.	11,274	1,813	262	909	14,258
4.	13,369	9,508	5,001	12,366	40,244
5.	169,397	95,252	44,622	25,911	335,182
6.	21,791	8,931	6,717	5,060	42,499
7.	176,115	96,705	90,534	33,398	396,752
8.	4,576	1,419	506	901	7,402
9.	123,834	65,577	34,190	10,629	234,230
10.	4,977	4,585	634	559	10,755
11.	19,408	10,801	4,026	6,298	40,533
12.	7,561	2,587	1,239	1,512	12,899
13.	763	329	74	161	1,327
14.	36,108	17,476	4,163	2,628	60,375
15.	4,120	1,547	522	1,654	7,843
16.	44,946	28,076	12,484	7,772	93,278
	857,713	452,348	263,869	156,757	1,730,687

17.	40,398	22,974	11,346	8,572	83,290
18.	14,359	10,851	3,988	1,287	30,485
19.	5,261	3,542	1,411	371	10,585
20.	1,031	635	369	154	2,189
21.	47	14	6	4	71
22.	7	4	2	1	14
	61,103	38,020	17,122	10,389	126,634

Grand Total	918,816	490,368	280,991	167,146	1,857,321
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TABLE-II

ROLE OF THE PROVINCIAL GOVERNMENT

- i. Steer and oversee the transition process leading to creation of District Service and its cadres.
- ii. Council service and employment rules.
- iii. Establish the overall procedures of financial management, reporting and personnel management to be adhered to, by the local administration.
- iv. Establish overall procedures for personnel management, especially procedures and processes for arbitration and review of employment disputes.
- v. Hear and rule on specific grievances on the part of District Service staff, regarding wrongful termination or other issues of personnel management.
- vi. Hear and rule on complaints against either the District or Tehsil administration, or against the elected councils and leaders, regarding deviations from policies, regulations or law.
- vii. Establish and provide training programs and institutions in support of the local government Civil Service.
- viii. Provide professional guidance, standards, technical assistance and skills to technical staff in the Districts and Tehsils.
- ix. Provide specific periodic oversight and inspection regarding the performance of Districts and Tehsils as mandated by law.
- x. Provide such guidance, oversight and support to local administration as required under the law, passed by the Provincial Assembly.

CHAPTER – 4

STRENGTHENING THE DISTRICT GOVERNMENT

STRENGTHENING THE DISTRICT GOVERNMENT

SITUATION ANALYSIS

The 2001 Devolution reforms establishing a new system of local government were motivated, according to the NRB, by the desire to empower the people by strengthening their right to development, the right to participation and the right to information. The other objectives were to bridge the rural - urban divide and to develop a service – oriented governance structure for delivery of quality services in a timely fashion.

2. The empowerment strategy was based on five fundamentals, the ‘Five Ds – Devolution of political power, Decentralization of administrative authority, Deconcentration of management functions, Diffusion of the power- authority nexus and Distribution of resources.

3. The new structure to implement this strategy consisted of directly elected Union Administration, Tehsil / Town Administration and District Governments. Each of the three tiers was headed by an elected Nazim and a quasi – legislative arm in the form of Union Councils, Tehsil / Town Councils and Zila Councils. The Naib Nazims provided the liaison between the Councils and the Executive arm and acted as the conveners of the respective Councils.

4. The District Government comprises the Zila Nazim, the District Administration and the District Police Officer. The Zila Nazim heads the District Government with the assistance of the District Coordination Officer (DCO). The District Administration comprises Executive District Officers, to carry out functions decentralized from various provincial departments. The work of all officers of District Administration is coordinated by the DCO. The administrative and financial authority for the management of the offices of the Provincial Government, decentralized to the offices at the District have been spelled out in the Local Government Ordinance 2001, issued by each of the four provincial governments and the rules made there under.

5. The DCO is responsible for coordinating the work of all Executive District officers of the district departments, except the District Police. He exercises general supervision over programmes, projects, services and activities of the District Administration. The DCO is the Principal Accounting Officer of the District

Government. He can seek recourse to Local Government Commission of the Province, if he considers that an order of the Zila Nazim is politically motivated and unlawful. The decision of the Commission will be final and binding for both.

6. The departments at the district level that have either been decentralized from the Provincial Government or newly created are:-

- (a) Coordination, including Human Resource Management and Civil Defence.
- (b) Agriculture – Extension, Livestock Farm, Water Management, Soil Conservation, Soil Fertility, Forestry, Fisheries.
- (c) Community Development – Labour, Cooperatives, Sports & Culture, Registration.
- (d) Education, Schools, Technical Education.
- (e) Finance and Planning – Budget, Accounts, Investment Promotion.
- (f) Health – Public Health, Basic and Rural Health, Population Welfare, District and Tehsil Hospitals, Child and Women Health.
- (g) Information Technology.
- (h) Law.
- (i) Literacy – Continuing Education, Vocational Training.
- (j) Revenue – Land Revenue, Excise and Taxation.
- (k) Works and Services – Roads, Buildings, Transport, Energy, Spatial Planning.

7. The Province – District relationship is clearly defined and a District is not an independent entity, but very much subordinate to and a part of the hierarchical structure of the Provincial Government in the administrative realm. Although a defacto administrative decentralization has occurred at the District level, the Province continues to exercise control over the District in all respects. The Provincial Local Government Commission (LGC) is another instrument to regulate the local governments and District – Province relations. The LGC is meant to assist the Provincial Chief Executive in his oversight responsibilities regarding the local governments.

8. The Union Administration, (UA) the Tehsil Municipal Administration (TMA) and the District Government (DG), on the other hand, are functionally autonomous parts of the Local Government System. These three constituent parts are parallel components. The District Government is responsible for providing governmental services to the entire district. The TMA has the task of providing municipal services to the entire Tehsil, without distinction of urban or rural areas, and the Union Council has the task to monitor the delivery of both kinds of services to the people in the Union.

9. The District Mushavirat Committee, headed by the Zila Nazim comprises of the Naib Zila Nazim and all Tehsil Nazims of the District as its other members. At the Union Council level, village / neighbourhood councils, various monitoring committees at District, Tehsil and Union levels, Musalahati Anjumans have been approved for in the LGOs to improve accountability and people's participation in the system. In order to strengthen the capacity of the local governments, to redress people's grievances against the excesses of the Government offices, without incurring any cost by the people, Zila Mohtasib has been established.

10. The Citizen Community Boards (CCBs) are voluntary organizations set up in a local area by a group of non-elected citizens, for participation within the decentralized framework. A fixed proportion of the development budget i.e. 25 percent is reserved for projects that will be identified, planned and sponsored by the CCBs, provided at least 20 percent of the estimated cost of the project has been collected by the CCB itself.

11. The District Police is operationally under the direction and control of the District Police Officer, (DPO) who is responsible for the management, command, postings and operational deployment, maintenance of discipline and efficient performance of all duties in respect of the police force placed at his disposal. Although the DPO is responsible to the Zila Nazim for maintenance of law and order, Police remains a provincial subject. As a departure from the past, in which the Deputy Commissioner, as District Magistrate exercised powers of general superintendence over police, in the new police system, it is the DPO who is responsible for all police functions at the District level. He is required to work in close coordination with the Zila Nazim for maintenance of public order. To bring an effective check to police excesses or neglect, alongwith many other police related functions, a District Public Safety Commission (DPSC) has been instituted in each District. District Complaints Authorities were to be established separate from the DPSC, but these have been merged to form a single Commission.

12. In eight major districts – Lahore, Karachi, Peshawar, Quetta, Rawalpindi, Faisalabad, Gujranwala and Multan – City District Governments (CDGs) have been established to cope with the urbanization problems in the large metropolitan areas. City Districts are divided into Towns and Unions, with the Unions comprising Neighbourhood Councils in the urban areas and Village Councils in the surrounding rural areas, within the district boundary. The City District, Town and Union constitute

the three levels of local government, each having a Nazim and Naib Nazim, administration and separate budget. City Districts have an independent police force.

APPRAISAL OF THE NEW SYSTEM

13. The new local government system has been in existence in Pakistan for almost seven years. Since 2001, two elections have been held at all levels of Local Government throughout the country and sufficient experience has been accumulated about the working of the new system. The field visits and interactions with a large number of stakeholders and serving government officials in the districts, the interviews and focus group discussions have added some insights also. Donor perspective on the system has also been taken into account in this appraisal.

14. The 2001 system of devolution to local governments is more wide ranging than previous attempts made by Ayub and Zia Governments. The most significant change was that under the new system the posts of Deputy Commissioners and Commissioners were abolished and replaced by the elected Nazims as heads of the District Administration, with greater powers and autonomy. This new system has begun to bring about positive change in so far as the priorities and choices for development projects are now determined by the representatives of the communities and intended beneficiaries of those projects. The devolution process has transferred a large number of functions that affect the daily lives of people from the Provincial to the District, Tehsil and Union governments, making access to basic services easy.

Increased participation

15. The positive impact of the new system is visible as the participation of the people has increased in local development issues. Identification of development projects is in line with local priorities. Execution of development work has improved due to decentralized decision making and granting of financial and administrative autonomy. The involvement of people, has improved the planning process and services in a cost effective manner.

Inclusion of Marginalized Groups

16. One of the important achievements of the Devolution Plan is the reservation of a large percentage of seats for marginalized groups: Women, workers and peasants and minorities of those directly elected 30,000 are women accounting 25 percent of the total – although less than 33 percent reserved in the plan. This high level of female participation is an encouraging sign and is likely to prove a key driver for social development, reduction in gender disparities and greater political empowerment of a previously disenfranchised group.

17. Community participation is also beginning to take roots through the formation of the Citizens' Community Boards (CCBs). With the establishment of the Devolution Trust for Community Empowerment, (DTCE) there has been an aggressive drive towards facilitating the formation of CCBs. The number of CCBs registered until March 2006, was 24,838 of which 50 percent were in Punjab, 32 percent in NWFP, 12 percent in Sindh and 6 percent in Balochistan. These CCBs had utilized Rs.1825 million of development funds.

Fiscal Decentralization

18. Resource transfer to the local governments is rising over time. According to a SPDC study, the overall extent of fiscal decentralization has increased from 28 percent in 2000-01 to over 36 percent during 2005-06. **Table-I** shows that the share of local governments in public expenditure has increased from approximately 5 % prior to devolution, to about 13% at present. Although the provincial governments have handed over a number of major services to local governments, their share in public expenditure has remained unchanged at about 23%. In Punjab, the share of the local governments in the Provincial Consolidated fund was 33.8% in 2001-02, but had increased to 40.45% by 2004-05. However, the share of development expenditure being executed by the District Governments/ TMAs in Punjab declined sharply from 30% to 12% in 2006-07. The Provincial Government itself is executing a large number of projects in the Districts. In Sindh, the net divisible pool was divided in the ratio of 55:45 between the local governments and the Provincial Government for 2005-06. In NWFP, the Local governments received 60% of the divisible pool for 2005-06. Similarly, the ratio of allocations to the local governments out of the divisible pool in Balochistan has risen from 35% under the 1st PFC award to 46% under the Fourth award. The pattern of sectoral allocations in local government budget shows that primary and secondary education accounted for 60% of the current expenditure. Most of the development expenditure is, however, devoted to construction of roads. Health sector receives less than 10% of the development allocation in most cases.

TABLE – I

Share in total expenditure by level of government

(Percentage)

Govt.	Pre-Devolution	Post Devolution
Federal	72	64
Provincial	23	23
Local	5	13

19. Each Provincial Government has established its own criteria for allocation of resources to the districts under the Provincial Financial Commission awards. Punjab allocates 2/3rd on the basis of population and 1/3rd for underdevelopment. In Sindh, population is given a weightage of 50% only and other variables such as under developness, performance, tax collection account for the residual amount. NWFP formula assigns 40 percent weight to under developness and lag in infrastructure. In Balochistan population accounts for only 10 percent.

20. The analysis carried out by the SPDC reveals that current transfers in Punjab are mildly “fiscally equalizing”, while in the case of Sindh, there is no evidence of fiscal equalization. Overall it appears that while current transfers do not lead to significant equalization, development transfers do play this role and are the prime instrument for removing inter-district differentials in access to services over time.

21. The analysis concludes by showing that the rate of enhancement in literacy of the population and access to water supply and sanitation has increased perceptibly in the post-devolution period. Devolution process is also beginning to gather pace in terms of enhanced improvement. As yet there are no indications yet of any impact of devolution on health indicators.

GUIDING PRINCIPLES

22. First, while the development planning, execution and access to services have certainly improved in the post devolution period, a void has been created in the areas of law and order, disaster and natural calamities management, revenue administration – to name a few. The public-at-large yearn for a one-stop, politically neutral, but legally empowered representative of the Government at the District or Tehsil level, who can listen to their grievances and get them relief and justice. In the past if the fundamental rights of an ordinary citizen were violated or police carried out excesses, they could approach an individual who symbolized the writ of the state. The Nazim, who is an elected representative, but politically partisan is not perceived as a neutral symbol of

the state power or authority. At times his opponents feel, rightly or wrongly, that they will not get justice as long as the Nazim is in power. The already existing polarization and divisiveness among the communities living together on the basis of biradris, sects and ethnicity has been further compounded by the divisions caused by political affiliations. Police force is neither trusted by the non influential and common citizen nor has any checks against its arbitrary and discretionary powers. Examples range from collusion between the Nazim and Police on one hand, to open confrontation between the two. In very few instances a proper balance is struck. The MNAs, MPAs, Ministers elected from those districts are also unhappy as they believe they have lost out on influence and authority in their own constituencies, due to the dominant role assigned to the Nazims vis-a-vis the police. Under these conflicting pressures the role of District Police Officers and the SHOs has become even more contentious.

23. The parallel reforms through the Police Order 2002 have not yet been fully implemented and the transition from the old order to the new has not been managed carefully. Some of the amendments introduced at the behest of the Provincial Governments after 2003 have led to anomalies and internal inconsistencies. The uncertainties and dislocations in law enforcement have therefore become more apparent. The whole value chain of administration of justice – prevention, surveillance and intelligence, detection, reporting and registration, investigation, prosecution, adjudication, prison and rehabilitation – needs to be considered as a continuum and requires strengthening. Please see Chapter-VII.

24. In case of breakdown of law and order there is a lot of ambiguity, lack of clarity and operational difficulty in identifying the focus of responsibility for action. The District Nazims have generally been found to be reluctant or hesitant to take tough actions against encroachers, illegal processions and other violations of law, as they feel they will have to face the repercussions of their actions at the time of elections. This inherent conflict of interest between the need to take timely and tough actions during instances such as breakdown in law and order and the instinct of elected Nazims to survive politically and avoid incurring the wrath of some of their constituents is a serious unresolved issue. The present trend to upscale the decision making process to the level of the Provincial Government in case of breakdown of law and order in a district, is neither feasible nor likely to be effective. There is hardly any substitute for local knowledge, and a network of contacts. Remote control decisions will always remain fraught with high risks of errors in human judgment, arising from a lack of a

complete understanding about the local environment and the interplay between the various groups.

25. Similarly, in the recent cases of earthquake, floods and other disasters, the Armed Forces had to play the leadership role, as the capacity at the district level to meet these exigencies has been eroded. The experience of Earthquake Relief and Rehabilitation Authority (ERRA) and the scope of activities of the newly formed National Disaster Management Agency (NDMA) should be studied to develop a timely and effective response capacity at the District level which has been eroded.

26. The District Coordination Officer (DCO) who now enjoys the powers to supervise the officers of other departments in the District is popularly perceived to be the logical successor to the Deputy Commissioner, but no longer enjoys the same powers. The powers that are missing relate mostly to security of property and persons, resolution of disputes, illegal encroachment and other petty crimes. This gap between the expectations of the citizens and the actual capacity of DCO to deliver, causes frustration. This is a natural outcome in a country where two-thirds of the population lives in the rural areas and three out of five persons living in these areas are illiterate and highly dependent on the Government for their day to day survival. The separation of judiciary from the executive is a welcome step in the right direction. However, practical experience has demonstrated that the matters of price controls, removal of encroachments, enforcement of municipal laws etc. could be satisfactorily resolved only when the powers were conferred upon the Executive Officers by the High Court or by legislation such as the Finance Act.

27. In several districts, revenue records have been tampered as a result of collusion between the Nazim and the local revenue staff. In the NWFP where revenue records are maintained centrally the complaints are fewer. Separation between land record management, land revenue collection, land dispute resolution mechanisms may overcome some of the problems in land administration.

28. Second, the Local Government Ordinance 2001 envisages local governments to function within the provincial framework and adhere to the Federal and Provincial Laws. However, the local governments are not subject to direction by the Provincial/ Federal government except "for the purpose of preventing any grave threat to public peace and order, handling emergencies, protection and security of the people and the security and integrity of the state.....". And such directions are to be issued through

the concerned Zila Nazim. It thus implies that the local governments are independent in their routine functioning and that any intervention by the provincial government, except in the above stated eventualities, can only be through legislation. In practice however, the hierarchies of the Provincial Government departments are intact and provincial intervention continues informally through a network of departmental loyalties. This adversely affects responsiveness of the provincial government employees to the elected head of local administration. On the other hand, the administrative links between the District Government, Tehsil Municipal Administration (TMA) and Union Administration are quite weak.

29. Third, the three tier system across government at the Union, Tehsil and District levels are entities that are politically and administratively independent of each other. While the independence of political entities of each tier may not pose any problems, the lack of administrative linkage between the three tiers is causing difficulties in the smooth functioning of the District Government. This would be analogous to a situation where the Provincial Government is devoid of any administrative links with the District Government or the Federal Government with the Provincial Governments. The lack of vertical integration between TMAs in administrative terms with the District Governments is leading to a fragmentation of the planning process at the district level.

30. In City District Governments (CDGs) multiple jurisdictions within the territorial boundaries of the district coexist as parallel administrative bodies outside the control of the District Government and provide municipal services within their respective areas. There is duality of control, ambiguity and lack of clarity in the division of functions of key municipal service delivery between the Towns and CDGs. These overlapping, uncoordinated, unplanned activities are a major constraint in efficient delivery of integrated municipal services to the citizens. This fragmented approach is also not cost effective as it suffers from diseconomies of scale.

31. Fourth, the Provincial Governments in their zeal to exercise control over the District Governments have designed intervention devices that operate contrary to the spirit of devolution of powers. For example, bans on fresh recruitment have been imposed and an NOC is to be issued by the Provincial Government for filling in any vacancy. Consequently, the responsibility for action has become unclear, the accountability for results is diffused and the results are patchy. The potential benefits that can accrue from the new system are therefore not being fully realized.

32. Fifth, there is a trust deficit between the Federal and the Provincial governments on the issue of the future evolution of local governments, due to the existence and dominant role played by the National Reconstruction Bureau (NRB) and the Federal Ministry of Local Government and Rural Development. There is no doubt that the NRB has done tremendous hard work in conceptualizing and developing the new framework for the Local Government System in the country. But at this stage of fine tuning, refining, modifying and implementing the new system the ownership and initiative should be passed on to the Provincial governments. Each Province may decide to make the necessary modifications as they go along, on the basis of their particular circumstances, endowments and capacity. A “one-size fits all” approach, purported to be imposed by the Federal Government has invoked negative reactions and stiff resistance from the Provincial Governments, even when there was a common leadership at both the tiers. To ensure the success of this system in the future, the provinces should be allowed complete freedom to bring about the desired change through their legislatures, but in consultation with the Federal Government. This will reverse the present arrangement whereby the initiative is taken by the Federal Government and the Provincial Governments are consulted.

33. The above analysis does not, by any means, imply that the old system should be restored, but the deficiencies, flaws and weaknesses that have emerged in the implementation of the post 2001 system should be examined in an open, dispassionate and holistic manner. Remedial measures should then be put in place to overcome these deficiencies. The proposed framework articulated in this Chapter takes the existing post 2001 system as given and anchors the reforms proposals within the context of the post-devolution system.

NCGR RECOMMENDATIONS

34. The following recommendations for improving the Local Government system should therefore be seen in the above larger context, rather than in the narrow sense of taking away powers from one tier of the government to the other. The adversarial and confrontational relationship that dominates at present has to give rise to a more consensual and collaborative arrangement.

- (a) The National Reconstruction Bureau (NRB) and the Federal Ministry of Local Government and Rural Development should be abolished and their responsibilities and functions transferred to the Provincial Governments. This will reinforce the ownership of the future reforms by the provinces, who will develop a greater stake in the system and also allay the perception

that the Federal Government is driving the process that rightly belongs to the provinces.

- (b) The boundaries of responsibilities between the Provincial Government and the devolved departments in the Districts have to be clearly delineated. The Provincial Government should have the powers of policy formulation and directives, setting and enforcing standards of quality assurance, training of officers, management of officers above Grade-17, oversight and monitoring of projects and programs and holding the District Governments accountable for results (**Annex-I**). The Provincial departments that have devolved their functions should no longer be engaged in executing or implementing programmes and development projects. The existing set of rules, regulations, bye laws, orders, should be revised to reflect this changed relationship between the provinces and the Districts. The District Governments should be responsible for the day-to-day operations and implementation of policies, programs/ projects and provision of services to the citizens mainly through the District Service Cadre. The services of the officers of the Provincial Governments in Grades-17 and above ought to be placed at the disposal of the District Governments for a fixed period of time, during which the responsibility for their performance evaluation, disciplinary actions, postings and transfers etc. would fall squarely upon the shoulders of the District Governments. The technical back-up support will be provided by the respective Provincial department. The District Governments can surrender any officer to the Provincial Government before completion of the tenure by providing valid and cogent reasons. Similarly, the Provincial Government can recall any officer after giving reasons, prior consultation with the District Government and providing a substitute.

To illustrate the above division of work take the Tehsil and District Headquarters hospitals as an example. These hospitals will be funded, operated and managed by the District Government, but they will have to abide by service, maintenance, cleanliness and waste disposal standards, drug procurement procedures, patient welfare guidelines etc. issued by the Provincial Health Department and asked to comply with the ISO certification. The Health Director of the Provincial Government will arrange physical inspections of the hospitals by his staff, to ensure that these standards are being observed, patient welfare processes are in place and certification requirements are being complied with. The development schemes for these hospitals will be prepared by the District Health Office, and approved by the DDWP or PDWP as the case may be.

- (c) A District Service Cadre as proposed in Chapter-III of this Report should be established immediately and all Grade 1-16 officials of the devolved departments transferred to this cadre in each district
- (d) The complex nature of urban development requires an organizational delivery mechanism that is able to cope with the future growth of cities in a planned and systematic manner. Unfortunately, the present system of urban planning and management is bereft of the essential ingredients to meet these challenges. To provide integrated municipal services to the citizens of the 8 cities, autonomous Municipal Services Corporations (MSC) may be established with a Governing Board, chaired by the District Nazim and drawing representatives from Town Administration, the Development Authority, the Cantonments and other major jurisdictional entities. In outlying towns the MSC can enter into a Memorandum of Understanding (MOU) with the TMAs, that will be delegated the powers to deliver the municipal services in their respective areas. The

present position of EDO (Municipal Services) will then be transformed into the Chief Executive Officer of the MSC. Water and Sewerage Authorities (WASA) would become part of the MSC. The MSCs should have their own Municipal Police and Municipal Magistrates for taking cognizance of the Municipal offences and enforce action under the law. The merit of this arrangement is that the MSCs will be able to attract quality human resources with requisite skills and establish modern management techniques taking advantage of information technology tools. This combination of people, processes and technology will provide a better response capacity to the needs of the urban citizens who are also more vocal and articulate.

- (e) The City District Governments (CDGs) should be assigned the responsibilities of Master Planning, its implementation and the delivery of all municipal services – water supply, sanitation, sewerage, solid waste management, building codes and standards etc. in all the areas falling within its territorial limits. The ownership of the land and properties within the respective areas will continue to rest with the respective jurisdictional entities such as Cantonments, Housing Societies and Authorities etc. The cost sharing arrangements will have to be worked out between the CDGs and the jurisdictional entities.
- (f) The missing administrative linkage between the Union – Tehsil – District can be established in the following matrix management:
 - UC Secretary reports to Union Nazim for all Union Council affairs as given under the LGO, but reports to Tehsil/ Town Municipal Officer (TMO) for coordination within the Tehsil/ Town.
 - TMO reports to the Tehsil/ Town Nazim for all TMC affairs as specified in the LGO, but reports to DCO for coordination purposes and is designated as ADCO. The DDOs working in the Tehsil / Town will then be able to liaise closely with the Town / Tehsil Administration. The DDOs working in the Tehsil/ Town will then be able to liaise closely with the Town/ Tehsil Administration.
- (g) The LGO stipulates external mechanisms of Citizens’ monitoring and Mediation Committees and the District Ombudsman and the Police Order envisages District Complaints and District Public Safety Commissions. These mechanisms have either been made ineffective or not put in place by design or default. This serious gap in the grass roots accountability is giving rise to growing perceptions of corruption and rent seeking among the elected and appointed officials of local governments.
- (h) Despite innumerable efforts by the donors, NRB and the Provincial Governments, the capacity of the officials at the local governments does not match the requirements of the new system. Training Needs Assessments (TNAs) should be carried out for each District. On the basis of the TNA new pedagogical tools and methods of on-the-job training and capacity building particularly in Planning, Project Cycle, Budgeting, Accounting, Auditing, Procurement of goods and services and tendering, contract management, financial management and controls and human resource management should be immediately introduced. Those who fail to qualify the prescribed standards and qualifications should be removed from these

sensitive positions and replaced by professional staff hired on contract or in regular cadres or borrowed from the Provincial Governments on deputation. Capacity constraint particularly at the TMAs and Union levels is that of technical and administrative expertise. Officials of former Local Government Departments who were not trained or prepared, were given heavy and complex responsibilities for which they were not equipped. Complaints of incompetence, delays, widespread corruption, malfeasance, leakage of funds etc. are rampant at the TMA. The TMA has to be strengthened by elevating the status of the officials responsible for these services and inducting capable, competent and honest officers.

- (i) One possible way to strengthen the monitoring and oversight functions of the Provincial Governments is to post the Members, Board of Revenue with a limited staff at the Regional headquarters and assign them the powers to inspect 08 to 10 District Governments each year, to ensure that the policies, standards, rules and regulations are being observed. They can be delegated the enforcement powers assigned to the Provincial Governments under the LGO.
- (j) The Provincial and Local Governments are excessively dependent on transfers. As much as 90 percent of the revenues of the Local Governments are derived as transfers from Divisible pool. As the incentives for resource mobilizations are perverse the revenue potential of provincial and local taxes and user charges remains substantially under exploited. For example, land revenue collection accounts for less than 1 percent of the agriculture income, water rate collection is inadequate to meet the full operation and maintenance costs of the irrigation system and property taxation of rental incomes is about 5 percent as opposed to the statutory rate of 20 percent or more. In Karachi, Lahore and other large metropolitan areas, the values of property have escalated several fold, but the tax collection has lagged far behind. Valuation based on new cadastral surveys can raise the revenues of all the city District Governments three or four times their present level and help them finance the growing needs of urbanization i.e. water, sewerage, solid waste disposal, traffic management, roads and bridges etc. The over dependence of each tier of government upon the next one and the expanding vertical fiscal imbalances have to be narrowed by exploiting this under-tapped revenue potential of agriculture income tax, water user charges and urban property tax.
- (k) It has been found that development projects executed by the District Governments have a significant effect in removing inter- district differentials in access to services and promoting equity. These projects are more responsive to the local needs, reflect the priorities of the communities and potential beneficiaries and therefore invoke their participation in implementation and monitoring. The present trend whereby the Federal and Provincial Governments formulate and execute development projects that directly affect the infrastructure or social services in a district, should be discouraged and instead the local governments should provide both increased funding as well as technical expertise to plan and execute such projects.
- (l) Governance reforms in education and health sectors (Chapter - VIII of this Report) make specific recommendations for strengthening the delivery of education and health services at the District level. The limited impact on the health indicators in the post-devolution period strongly suggests that some of the vertical programmes that are being executed by the Federal and Provincial Governments and different external donor agencies should be revisited.
- (m) One of the ways in which the enforcement of local and special laws can be ensured under the new Local Government system, is to introduce the system of Illaqa Magistracy. While there is no question that the executive and judicial branches of the state should be kept separate, there are compelling reasons for assigning some of the magisterial powers of prevention and

taking cognizance of the violations of local and special laws to the Executive Officers serving in the districts. The powers to adjudicate, hold trials and punish the offenders should remain solely with the judicial magistrates. Under the Local Government Ordinance, enforcement mechanism was restricted to taking cognizance of violations of the Ordinance itself. Inspectors were to be appointed and they were empowered to impose fines in shape of tickets and to send the offenders for trial in the court of the Magistrates of the First Class. The said law was silent on the violation of other local and special laws. Thus only the Magistrates, working under the supervision of District and Sessions Judge, could take cognizance of such offences. These Magistrates are not only overburdened but are reluctant to visit the sites for taking action for removal of encroachments or other municipal offences or enforce price controls, adulteration etc. Thus, there exists an impelling need to re-introduce the system of Illaqa Magistrates, to take cognizance of violation of local and special laws as well preventive action, as was prescribed under the Criminal Procedure Code (Cr.P.C). Illaqa Magistrates would be entrusted the functions like Crisis/Disaster management and relief measures, inspection of weekly bazaars and markets for ensuring price control of essential items, prevention of encroachments and other preventive actions as may be prescribed, under the law.

Recently, section 14(a) of Cr.P.C. has been incorporated, which provides dispensation by the Price Magistrates, to be appointed by the Provincial Government, (Home Department) to check arbitrary inflation of prices of essential food items. It is a right step in right direction. However, things would not come to a full circle, unless and until Cr.P.C. is amended to empower the Provincial Government to appoint or confer Magisterial powers to any person/public functionary, to perform Magisterial functions in a given local area. To that end, section 14 of the Cr.P.C. needs further amendments.

- (n) The scope and effectiveness of control exercised by DCO is limited in practice by the powers specified to him i.e. for coordination only. The business model that has worked very well in Pakistan so far is the Chief Minister – Chief Secretary model at the Provincial level. It is suggested that the same model may be applied at the district level also, in matters of devolved departments. Chief Minister (CM) is the Chief Executive of the Province in all matter of the Administration, while the Chief Secretary (CS) is not only his principal adviser, but also implementer of the decisions taken by the C.M., the Cabinet and the Provincial Legislature. This relationship has evolved over time and is clearly established despite the variation in the leadership styles of the C.M. or the C.S. After all, some of the districts today are larger than the provinces of the 1950s and 1960s. The post of District Coordination Officer may be re-designated as District Chief Operations Officer (DCO) and the current relationship that exists between the CM and CS in respect of the Provincial Government may be replicated at the District level in terms of functions, responsibilities, authority, powers, and accountability. The posts of DCO for City District Governments will be in Grade-22, in major districts Grade-21 and in smaller districts Grade-20.
- (o) The absence of an institutionalized and effective administrative link between the District Government and the Tehsil / Town Administration, is creating serious problem of fragmentation and lack of integrated planning,

infrastructure and service delivery in the entire territorial jurisdiction of the district. The synergies and the economies of scale and scope are not being fully exploited, with the resultant high cost solutions, inefficiency outcomes, waste and duplication. In order to fill in this missing link it is recommended that the Tehsil Municipal Officer (TMO) should be the Chief Operating Officer of the Tehsil/ Town Administration, (TMA) working under the direct control of Tehsil/ Town Nazims, but report for coordination purposes to the DCO. He/ She can be designated as ADCO for this purpose.

CONCLUSION

35. The Commission does not believe that there is a need for any reorganization and restructuring of the District Governments at this stage. The system is relatively new and will take some time before it stabilizes and matures. In the meanwhile, the gaps, weaknesses and deficiencies that have emerged and the teething problems particularly of the mindset and the attitude need to be fixed. The Federal and the Provincial Governments have to give up powers that legitimately belong to the next tiers of the government, in an earnest manner without creating any unnecessary obstacles or difficulties in the way. The tendency to protect their respective turfs may be successful in the short term, but has severe adverse impact on the governance structure and the welfare of the people. Instead of being eager to execute projects and programmes that can best be carried out by the lower tiers of the government, the higher tiers should reposition themselves by formulating national and provincial development plans, developing macro and sectoral strategies, setting standards, monitoring and evaluating the impact and facilitating the executing agencies through resource transfer, technical advice and expertise and innovative solutions recommendations presented in this Chapter, aim at strengthening the District Governments, promoting mutual trust between the Federal and the Provincial Governments on one hand and the Provincial and District Governments on the other and improving the efficiency in the delivery of services to the citizens.

ROLE OF THE PROVINCIAL GOVERNMENT

- a. Develop multi-year development plan for the province and delineate the responsibilities to be undertaken by the District Governments.
- b. Formulate the overall Provincial Policing Plan and ask the District Police Officers to develop the District Policing Plans within this framework.
- c. Establish the overall procedures of financial management and reporting and personnel management to be adhered to by the local administration.
- d. Establish overall procedures for personnel management, especially procedures and processes for arbitration and review of employment disputes.
- e. Ensure the establishment and effective functioning of the District Public Safety Commission, Zila Mohtasab, Musalahati Committees, Monitoring Committees and others under the Local Government Ordinance.
- f. Hear and rule on complaints against, either the District or Tehsil administration, or against the elected councils and leaders, regarding deviations from policies, regulations or law.
- g. Establish and provide training programs and institutions in support of the local government civil service.
- h. Provide professional guidance, standards, technical assistance and skills to technical staff in the Districts and Tehsils.
- i. Exercise specific routine and periodic oversight and inspection in regard to the performance of Districts and Tehsils as mandated by law.
- j. Provide such guidance, oversight, and support to local administration, as required under the law, passed by the Provincial Assembly.
- k. Monitor and evaluate the District Development plans and District Policing Plans and take action for deviation, slippages, and non-achievement of the targets.

CHAPTER – 5

REORGANIZING THE FEDERAL GOVERNMENT

RE-ORGANIZING THE FEDERAL GOVERNMENT

SITUATION ANALYSIS

1. The present administrative set up of the Federal Government consists of the following organizational entities:

1. Ministry.
2. Division.
3. Attached departments.
4. Autonomous Bodies/ Organizations.
5. Semi-autonomous bodies.
6. Public limited companies/ State owned enterprises.
7. Corporate bodies/ Companies/ Corporations.
8. Subordinate Offices.
9. Trusts/ Foundations.
10. Research Institutes.
11. Colleges, Universities, area study centres and centres of excellences.
12. Councils, Committees and Commissions
13. Regulatory Agencies.
14. Independent Tribunals/ Courts
15. Boards.
16. Development authorities.

2. These units have evolved overtime in an ad-hoc manner. The whims and preferences of individuals have, by and large, determined the organizational outcomes. The nomenclature, functions, legal authority of these entities vary across ministries and there is no uniform or standard criteria, that can provide meaningful distinction between each of these entities or units of the Government. Our review shows that not only these entities need to be brought under a standardized system of organization, but the continued justification of some of them have to be questioned.

GUIDING PRINCIPLES

3. The organizing principles proposed for re-organizing the Federal Government and the Provincial Governments are: (a) efficient distribution of span of control (b) clear delineation of roles/ responsibilities along with accountabilities (c) separation of

policy making, operational, implementation and regulatory functions of the Ministry (d) reducing the hierarchical tie-ring and the turnover time for government business (e) strengthening intra and inter ministerial coordination and collaboration (f) empowering the head of the Division, the head of the executing departments and the head of the autonomous bodies to deliver agreed goals and results.

4. One of the underlying principles that has been adopted through the decision of the Cabinet in 2001, is to separate policy making, regulatory and operational activities of the Federal Ministry. This decision was successfully implemented in case of the Ministry of Petroleum and Natural Resources, (MPNR) whereby the regulatory functions were transferred to the Oil and Gas Regulatory Authority (OGRA) and the operational activities were transferred to the autonomous bodies and corporations, with their own Boards of Directors appointed by the Federal Government. The MPNR did not interfere in the day-to-day operational activities of these autonomous bodies / Corporations / Public Limited Companies, but exercised oversight through its representatives on the Boards of Directors. The Ministry was mainly focused on policy, legislative and monitoring functions. NCGR consultations with the affected stakeholders reveal, that this separation has worked reasonably well in case of the MPNR and should now be extended to other Ministries/Divisions of the Government.

NCGR RECOMMENDATIONS

5. To provide a uniform and standard system of organizational units, it is proposed that the following standard structure may be adopted:

(i) **Ministry** – To be headed by Federal Minister whose portfolio may consist of one or more Divisions. The Minister will be responsible for all legislative and parliamentary business pertaining to the Ministry and accountable to the Parliament. He would monitor, oversee and supervise the policy making functions of the Division, guide and oversee the working of attached departments (to be renamed as Executive Departments) and enter into annual performance agreements with the autonomous bodies and evaluate whether the targets specified have been achieved. Each Ministry will submit an Annual Report to the Parliament on its activities and achievements, as already provided in the Rules of Business, but not complied consistently and uniformly.

(ii) **Division** – To be headed by Federal Secretary, the Division will be the main policy making unit of the Government. It would develop the vision, strategy and plans

for the sector and prepare policies for approval by the Cabinet etc. The policies would be communicated to the executive departments and autonomous bodies for implementation. The Division would formulate the budgetary proposal and prepare development projects for approval by the Finance Division and appropriate fora such as DDWP, CDWP, ECNEC etc respectively.

6. The Secretary of the Division will be the Principal Accounting Officer and Principal Human Resource Manager of the Division and will carry out the responsibilities under the general supervision and guidance of the Minister Incharge. Secretary will either represent the Division on the Board of the autonomous bodies or designate an officer not below the rank of Grade-21, to represent him on the Boards.

7. The Division will have a three-tier structure: Secretary, Joint Secretary and Deputy Secretary. Joint Secretaries in Grade-21 will head different wings of the Division. Each Joint Secretary will be assisted by several Deputy Secretaries in Grade 20, who will be initiating the examination and review of the matters pertaining to their units. It is proposed to abolish the post of Section Officers and further recruitment or promotion to Section Officer in the regular cadre should be discontinued. E-Government tools should be utilized. The institutional memory will reside in the electronic form, rather than in the Section Officers.

(iii) Autonomous Bodies (ABs)

8. To be headed by the Chief Executive, these bodies can be set up to perform regulatory, operational, corporate, promotional, research and development or quasi-judicial functions, entrusted to them by the Government through:

- i) an act of legislation or statute
- ii) formation of a public limited company – listed or unlisted
- iii) resolutions of the Cabinet or Cabinet Committees
- iv) established under the Trust Act

9. The main criteria for deciding whether an entity would be an autonomous body or not, would be the significance of the goals and objectives for which it has been set up, its size and capacity to generate its own revenues fully or partly.

10. The employees of these autonomous bodies would not be treated as civil servants, except those on deputation from the Government. Their terms and conditions will be determined under the rules formulated by the Board of Directors. Where these bodies do not receive any grant-in-aid from the Federal Government, these Boards will

be fully authorized to determine the compensation packages for their employees. The benchmarks will be decided by the Federal Government.

11. As a broad guiding principle, all the existing corporate bodies established under an act of legislation or Companies Ordinance or otherwise, all the regulatory bodies, all the tribunals or quasi-judicial bodies, all research and development institutions of certain size and scale, all training institutions of certain size and scale should function as autonomous bodies. The category of semi autonomous bodies should be abolished and those classified in this category should either become AB or ED. The ABs would have their Boards of Directors appointed by the Federal Government. Due care should be taken to give adequate representation to all provinces and relevant experience in the selection of the Board members.

12. The Board of ABs would have appropriate representation from the Federal Government and these representatives should articulate the views on behalf of the Federal Government and fully participate in the deliberations of the Board. In cases where the Federal Government has to make financial commitments, a senior officer of the Ministry of Finance, of the status not less than Grade-21, should be member of the Board. In case where the entire or partial expenditure is borne by the Government, the representative of the Ministry of Finance on the Board would carry veto powers in matters that commit or create future financial liabilities for the Federal Government. No references should be made to the Ministry after the Board's decision, except in the matters of budgetary allocations or approval of development schemes to the Ministries. The Board, can however, appeal to the Ministry of Finance against the decision of their representative on the Board. In case they are using their own financial resources the Board of Directors will have the final authority. The audit of the ABs will be carried out both by the external auditors, as well as the Auditor General of Pakistan. The procurement of goods and services by ABs should be made in a transparent and competitive manner.

13. The Federal Ministry under whose jurisdiction the AB falls, will also enter into a framework agreement at the beginning of the fiscal year, specifying the goals and targets to be achieved, the financial and human resources likely to be available and the key performance indicators. The AB will prepare an Annual Performance Report that will be placed before the Parliament.

14. All regulatory agencies would enjoy quasi-judicial powers and the Ministry concerned will have no representation in the agency's governance structure. All regulatory

agencies, except for the financial sector, will be clustered under the Ministry of Regulatory Affairs. All the legislative and parliamentary business and international coordination activities, except of purely technical nature will be channeled through the Ministry of Regulatory Affairs, to the Prime Minister/ Cabinet.

(iv) Attached Departments:

15. The attached departments will be the executing arms of the Ministries in additions to the ABs and should be re-designated as Executive Departments (EDs). The main criteria of designating or setting up an ED are:-

- (i) That they form an integral part of the operations and implementation of Ministry's policies, programs and projects.
- (ii) They are fully dependent for their finances and manpower on Government and require constant guidance, collaboration and support from the Ministry, its agencies or other parts of the Government.

16. Other existing entities such as subordinate offices, should either be absorbed within the Division or the Ministry, if the content of their responsibilities are mainly operational.

17. Executive Departments will report to the Ministry specifically to the Minister incharge and the Secretary of the Division concerned. The head of the Executive Department (ED) will prepare an Annual Work Plan and Budget that will be reviewed and approved by the Ministry. All operational decisions pertaining to the planning, programming, phasing, and resourcing of Executive Departments, will be carried out by the head of the Executive Departments. He/ She will be delegated the powers of Principal Accounting Officer by the Secretary of the Division and the budget for the department will be transferred to him at the beginning of the year. The goals and targets assigned to the ED and the outcomes will be monitored by the Minister and Secretary jointly and the HED will be held accountable for the results. The introduction of 3 years rolling medium term budget will be highly useful in planning and facilitating the service delivery arrangements. The audit rules should be suitably modified, so that the responsibility for compliance with the financial rules, adherence to the budgetary discipline and prudent use of resources lies with the head of the Executive department and not the Secretary of the Division.

(v) National Councils of Ministers and Secretaries:

18. The Federal structure of Pakistan and the imperatives of provincial autonomy require that the present ad-hoc structure of consultation and decision making in some important sectors such as Education, Health, Agriculture etc. should be replaced by a more institutionalized structure, in which the Federal and Provincial Governments come together as equal partners rather than in a superior – subordinate mode.

19. It is proposed that in some sectors where a close collaboration between the two tiers of Government is required, there should be a National Council of Ministers (NACOM) for the sector consisting of the Federal Minister and the Provincial Ministers concerned. These Councils will discuss, deliberate and decide on the national policies in subjects such as Education, Health, Agriculture etc. The National Council of Sectoral Ministries should be assisted by the National Committee of Sectoral Secretaries, who will flag and identify the issues, prepare the working papers and the proposals for consideration by the Council and report regularly on the implementation of the decisions taken by the respective Councils of Ministers.

RESTRUCTURING FEDERAL MINISTRIES AND DIVISIONS

20. The Federal Government until 2002, had a small but effective Cabinet which consisted of 16-17 ministers. Since then there has been a proliferation of Ministries to 41 and the number of Division to 48 but very little visible improvement in the efficiency or effectiveness parameters. The NCGR has therefore reviewed the existing structure of the Federal Ministries and Divisions and has come up with some proposals for a new configuration.

21. The proposed configuration of the Ministries and Divisions stems from the principles that a compact and manageable number of Ministers enhance the quality of the discussion, debate and decision making by the Cabinet and each ministry ought to be organized on the basis of volume of work and number of agencies to be supervised, functions of similar and complementary nature should be grouped together. This would enable the Prime Minister to have a better span of control and monitoring over the performance of his ministries and also help in clear demarcation between the line ministries and the support ministries. Privatization, deregulation, transfer of activities to the provincial governments, merger, winding up and liquidation of several entities will create uneven impact on size of each ministry. It is, therefore, necessary to realign each ministry to a uniform bench mark. As more administrative powers, functional and operational autonomy are delegated to the Executive departments and autonomous bodies, the efficiency of the Division will improve.

22. Applying the above principles to the existing Ministries and Divisions, it is proposed that the number of divisions be reduced from 46 to 37 and the number of ministries from 41 to 23. It may be relevant to point out that some ministries have as few as 55 or 58 or 61 and 64 staff members on their strength which is highly sub-optimal from an organizational structure point of view. NCGR survey shows that at

least 12 ministries have less than 100 staff members. The major changes proposed from the existing configuration are as follows:-

- (1) Cabinet Secretariat will continue to work directly under the Prime Minister with three Divisions;
 - (i) the existing Cabinet Division (minus Regulatory Agencies),
 - (ii) an expanded Human Resource Management Division, replacing the current Establishment Division, with the functions to formulate Human Resource policies for the entire Federal Government, directly manage the All Pakistan Unified Grade (APUG), the proposed National Executive Service (NES) cadres, set standards and norms for management of Federal Cadres and services and non-cadre employees by other Divisions, ensure that the policies, standards and norms are being followed. The HRM Division would also be the interface with the Federal Public Service Commission for recruitment into the Federal Government.
 - (iii) the third division i.e Organizational Development, will work in close liaison with the Human Resource Management Division to manage and coordinate training and skill upgradation of the Federal Civil Servants, to develop the job descriptions, position classifications, strength and new post creation in the Ministries, to realign the business processes and revise the manuals, standard operating procedures from time to time. The Organizational Development Division will absorb the existing Management Services Wing of Establishment Division.
- (2) Ministry of Regulatory Affairs: In view of the increasing number of regulatory agencies a new Ministry responsible for Regulatory Affairs be carved out from the existing wing in the Cabinet Division. This Division will be responsible for providing policy directives, selection of the top management positions, training and development of the staff of the regulatory agencies.
- (3) A new Technology Development Ministry consisting of the existing Science & Technology (S&T) Division, Information Technology and Telecom Division be created, to steer the country on the path of technological upgradation in the light of vision 2030 for Pakistan.
- (4) Ministry of Human Development: Considering that Education, Health, Population Welfare, Labour are provincial subjects, there is hardly any need to have separate Ministries for each of these subjects at the Federal level in the future. However, the synergies between each one of these subjects are essential to design, develop, implement and monitor a human development strategy for the country, in consultation with the provinces, private sector, NGOs and other stakeholders. While it is recommended that there should be separate Divisions for each one, these subjects should be all brought together under a Ministry of Human Development.
- (5) Ministry of Social Protection: It has become quite obvious that the present segmentation of the instruments of social protection and social safety nets among the different ministries, agencies and provinces has proved to be inefficient and devoid of any tangible impact on the intended target

population of the poor and vulnerable. A Social Protection Ministry that brings under one umbrella the existing government interventions scattered across the Government and replaces the more narrowly focused Social Welfare Division would be in a better position to meet this objective.

- (6) Ministry of Culture: Cultural Development is not only an essential ingredient of a nation's heritage, but also a reflection of the values of a living nation.
- (7) Ministry of Infrastructure Development: As Railways will be operated by an autonomous corporation, highways will be developed and maintained by an autonomous National Highway Authority (NHA), and Ports and Shipping by autonomous trusts and authorities, it is feasible to form a single Ministry for Infrastructure Development with two divisions. The Division for Surface or Land Transportation will be formed by the merger of Communications and Railways Divisions. The Division for Air and Sea Transportation will be culled from the Civil Aviation Wing of the Defence Ministry and the Ports and Shipping Division.
- (8) Ministry of Energy Development: With the successful separation of policy making, regulatory and operational activities of the Ministry of Petroleum and Natural Resources and ultimate privatization of most of the large operational companies under its control, time is now propitious to have a Ministry of Energy Development, with the two existing ministries becoming the two divisions. The ensuing work load distribution will result in a more efficient and integrated development of hydrocarbon and alternate fuels and the allocation among competing energy supply sources.
- (9) Ministry of Industries and Trade: The three divisions – Commerce, Industries and Textiles – should be lumped together under the Ministry of Industries and Trade. The issues surrounding Pakistan's competitiveness in global markets can also be sorted out by this Ministry in a concerted manner.
- (10) Ministry of Special and under develop areas: The two existing divisions dealing with the Azad Jammu and Kashmir, Northern Areas, FATA, Afghan Refugees etc. would better serve the interests of these special and under develop areas under a single set up. The present strength of 182 employees, working in the two divisions together does not justify their continued existence as separate entities.
- (11) Ministry of Finance and Revenue: should have control over Domestic Tax Revenues and external resource mobilization. The FBR would be transformed into an autonomous tax collection agency, but the tax policy issues will have to be dealt by the Ministry of Finance in the overall context of the fiscal policy. The head of the new Revenue Authority can continue to have the status and powers commensurate with his responsibilities. As Pakistan's dependence on official assistance will decline in the future, the role of EAD will also change. Private sources of external finance, bilateral joint economic commissions, backstopping our embassies in economic intelligence and information gathering, organizing economic fora, managing external debt, will assume much greater importance in the future. The framework for these activities will be provided by the Ministry of Finance. It is logical to have these three divisions working under a single Ministry.

- (12) Ministry of Local Government and Rural Development: should be disbanded as the Federal Government does not have such a major role to play.

- (13) Ministries of Food and Agriculture and Environment: should be merged as most of the activities pertaining to crops, livestock, fisheries and also environment such as water supply, sewerage, solid waste disposals, taxes to resources etc. belong to the Provincial and Local Governments. Agriculture Research and new product and technology development, along with natural resources management for sustainable development should remain under the purview of the new Ministry.
- (14) Narcotics Division had traditionally been part of the Interior Ministry and should revert to that Ministry.
- (15) Ministry of Population Welfare: is not justified as a separate entity for two reasons. This subject can be administered better by the Provincial Governments who should receive matching grants and development budget allocations for this purpose.
- (16) Ministry of Inter Provincial Coordination: should be further strengthened. The National Councils of Ministers for Education, Health, Agriculture, Labour, Environment, Social Protection, Culture etc. consisting of the respective Federal and Provincial Ministers, should have small Secretariats located in this Ministry, rather than in the subject matter Ministries. This arms length relationship between the Federal Division or Ministry concerned and the National Council Secretariats (located in the Ministry of Inter Provincial Coordination) will ease the fears of domination by the Federal Government, nurture a relationship based on trust and mutual respect and build consensus for decision making and implementation.
- (17) Ministry of Women Development: Should also be strengthened. Instead of pursuing a proliferation of donor-driven agendas that is impairing the limited capacity of the Ministry, a long term strategy with a time bound action plan should be developed in consultation with all the stakeholders. The recommendations of the National Commission on the Status of Women should be translated into legislative and other actions through this Ministry
- (18) Statistics Division will have a much reduced work load in the future, as an independent statistical authority is established. The main user of their output is the Planning and Development Division and therefore it is logical that Statistics Division should be absorbed in the Ministry of Planning and Development.
- (19) The Religious Affairs Division should absorb the Minorities Division under the Ministry of Religious Affairs and Minorities.
- (20) The two divisions – Defence and Defence Production have always formed part of the Ministry of Defence. It is suggested that the status quo ante be restored.
- (21) There is no change proposed in the Ministry of Foreign Affairs except that the function of External Publicity should be transferred to this Ministry, as is the international best practice.

- (22) The future role of the Ministry of Information and Media and that of the Information Service Officers requires a more in-depth study, in light of the overwhelming dominance of private electronic media and the marginalization of the government owned channels. The NCGR has no clear views on this highly critical issue, but recommends an exploration of various options.
- (23) No changes are envisaged in the Ministries of Parliamentary Affairs, Privatization and Investment, Law, Justice and Human Rights.
23. Annex-I summarizes the proposed ministries, along with the Divisions under each ministry.

RESTRUCTURING EXECUTIVE DEPARTMENTS AND AUTONOMOUS BODIES

24. The Federal Government has at present 411 organizational entities (OEs) (attached departments, autonomous bodies, registered companies, statutory corporations etc.) under the control of its various Divisions/ Ministries. There is thus a need to make a comprehensive assessment of each of these OEs and make specific recommendations about them.

25. The NCGR has completed a survey of these OEs, reviewed the work of the previous Commissions/ Committees and more recent work of the NRB and the Civil Service Reforms Units (CSRUs) on the attached departments and autonomous bodies.

26. An attempt to categorize these OEs by the nature of their functions, in consultation with the Administrative Ministries/ Divisions reveals that out of 411 OEs, the majority i.e 26% belong to the categories of commercial/ semi-commercial/ manufacturing; public utilities and service providers and financial institutions. 14% are attached departments or executing agencies, 9% are training institutions. The remaining 50% entities are scattered over 12 functional categories. Table-I below presents the results of the categories under which these OEs function.

TABLE – I**Functional Classification of Organizational entities under the Federal Government**

Constitutional bodies	6
Regulatory bodies	29
Courts/ Tribunals	22
Commercial/ Semi Commercial/Manufacturing	84
Public Utilities/ Service Providers	42
Promotion Bodies	24
Financial Institutions	15
Training Institutions	30
Research/ Data/ Documentation	29
Education Institutions	27
Quality Assurance	6
Development Authorities	6
Councils/ Commissions/ Committees	19
Trusts/ Foundation	15
Executive Agencies	42
Security/ Enforcement	13
Others	2
Total	411

27. 24 Training Institutions for Federal Civil Servants and the restructuring of 15 OEs under the Ministry of Science and Technology are dealt separately. The 22 Courts/ Tribunals are judicial institutions and therefore do not fall within the purview of this Commission's mandate. A further 36 OEs are either in the process of privatization or proposed for privatization. Excluding these subgroups from the present analysis leaves a universe of 314 OEs.

28. The Commission therefore analyses the remaining 314 OEs and makes recommendations either for (i) transfer to the Provincial Government, Islamabad Capital Territory and the Northern Areas Administration (46) or (ii) Liquidation, winding up or closure (10) or (iii) separation of independent Commissions/ Councils/ Committees (15) from the control of the Ministries/ Divisions or (iv) Mergers (15) and finally for (v) retention

29. The 228 OEs that have been recommended for retention have been further divided between two broad classes - Executive departments and autonomous bodies, abolishing all other classifications such as subordinate offices, semi autonomous bodies etc. In some instances it is recommended that the Administrative Ministry should carry out an expert evaluation, whether the OE should be retained in its present form, would

up, merged or restructured. The main considerations behind the proposed categorization have already been clearly laid out in the preceding papers.

A Privatization Candidates

30. Three categories of Federal Government Organizations as possible candidates for privatization have been considered. These are:-

- (a) Commercial/ Semi Commercial/ Manufacturing Business (46)
- (b) Public Utilities/ service providers (42) and
- (c) Financial Institutions (21)

These 109 Organizational Entities, (OEs) together account for 27 percent of the total OEs under the Federal Government. The Privatization Commission has furnished information about the organizations included in the pipeline for privatization. In addition we have made our own assessment as to which other organizations can be considered as candidate for privatization. On the basis of this examination we come to the conclusion that at least 40 OEs can be privatized. For the time being we do not include the DISCOs in Peshawar, Tribal Areas, Quetta and Hyderabad in this list. The number of OEs in these three categories should therefore decline from 109 to 73, by the time the privatization process is completed. Table-II below shows the organizations that will no longer remain part of the Federal Government and are therefore excluded from any further scrutiny.

TABLE-II
Privatization Candidates

a) Cabinet	Printing Corporation of Pakistan (PCP)
b) Commerce	State Life Insurance Corporation (SLIC)
c) Defence	Pakistan International Airlines (PIA)
d) Finance	1. Kushali Bank of Pakistan (KBP) 2. Industrial Development Bank of Pakistan (IDBP) 3. National Investment Trust (NIT) 4. SME Bank 5. Zarai Taraqqiati Bank Limited (ZTBL) 6. First Women Bank Ltd. (FWBL)
e) Housing & Works	National Construction Company (NCC)
f) Industries & Production	1. Hazara Phosphate Fertilizer Ltd. 2. Pakistan Steel Mills Corporations 3. Sind Engineering Pvt. Limited 4. Heavy Electrical Complex 5. Heavy Mechanical Complex 6. Pakistan Machine Tool Factory

	7. Pakistan Engineering Corporation
g) Information Technology	Telephone Industry of Pakistan
h) Petroleum & Natural Resources	<ol style="list-style-type: none"> 1. Oil & Gas Development Corporation (OGDC) 2. Pakistan Petroleum Limited (PPL) 3. Pakistan State Oil Company Ltd. (PSO) 4. Sui Northern Gas Pipelines Ltd. (SNGPL) 5. Sui Southern Gas Companies Ltd. (SSGC) 6. Pakistan Mineral Development Corporation (PMDC) – Salt and Coal Mines
i) Tourism	<ol style="list-style-type: none"> 1. Malam Jabba Resort Limited 2. PTDC – Motels and Restaurants
j) Water and Power	<ol style="list-style-type: none"> 1. National Power Construction Corporation (NPCC) 2. Jamshoro Power Generation Co. 3. Central Power Generation Co. 4. Northern Power Generation Co. 5. Lakha Power Generation Co. 6. DISCO, Islamabad 7. DISCO, Lahore 8. DISCO, Gujranwala 9. DISCO, Multan 10. DISCO, Faisalabad 11. DISCO, Hyderabad 12. DISCO, Quetta 13. DISCO, Peshawar 14. DISCO, Tribal Areas

B Transfer to the Provincial Governments, Northern Area Administration and Islamabad Administration

31. The Federal Government is running many institutions and projects that fall within the purview of the Provincial Governments. We have discussed with the Secretary KANA about transfer of offices working in the Northern Areas, to the Northern Areas Administration, from the Ministry. Similarly, the devolution plan envisages that Islamabad City District Government will enjoy the same powers as other City Governments. In view of these considerations, we propose that the following organizations/ entities should be transferred to the Provincial Governments, Northern Area Administration and Islamabad Capital Territory Administration:-

TABLE – III
ORGANIZATIONS PROPOSED FOR TRANSFER

Culture	<ol style="list-style-type: none"> 1. Department of Archaeology and Museums. 2. Quaid-e-Azam’s Mazar Management Board
Education	<ol style="list-style-type: none"> 3. Centres of Excellence (12) into respective Universities 4. Shaikh Zayed Islamic Centers (03) into respective universities 5. Sind Madrassat-ul-Islam 6. Dawood College of Engineering 7. Model Dini Madarsah, Sukkur, Karachi 8. Federal College of Education 9. Government Polytechnic Institute for Women, Islamabad 10. Federal Directorate of Education, Islamabad 11. Department of Libraries, Islamabad
Health	<ol style="list-style-type: none"> 13. T.B Centre, Rawalpindi
Industries	<ol style="list-style-type: none"> 14. Department of Explosives 15. Korangi Fisheries Harbour Authority. 16. Karachi Garment City Company, Pakistan Textile City Company, Lahore Garment City Company and Faisalabad Garment City Company should be transferred to the provinces in which they are located
Interior	<ol style="list-style-type: none"> 17. Capital Development Authority 18. Central Jail Staff Training Institute, Lahore
Labour & Manpower	<ol style="list-style-type: none"> 17. Directorate Dock Workers Safety 18. Directorate of Workers Education 19. Central Inspectorate of Mines
Petroleum & Natural Resources	<ol style="list-style-type: none"> 20. Companies under Pakistan Mineral Development Corporation that are not privatized should be transferred to the provinces in which they are located. 21. Lakhara Coal Development Corporation 22. Saindak Metals Limited
KANA	<ol style="list-style-type: none"> 23. Chief Executive Secretariat Northern Areas 24. The Court of Appeals Northern Areas 25. The Chief Court of Appeals Northern Areas 26. Subordinate Judiciary of Appeal Northern Areas 27. Anti-Terrorism courts of Appeals Northern Areas 28. Northern Areas Transport Corporation 29. Cadet College, Razmak
Social Welfare	<ol style="list-style-type: none"> 30. Social Welfare Training Institution 31. D.G Special Education (all centers to be transferred to the provinces)

32. The transfer should take place after the modalities are agreed between the Federal Ministry and the Provincial Government concerned.

C Transformation of Councils/ Commissions/ Committees.

33. At present there are 17 councils/ commissions/ committees, working under various Ministries/ Divisions. Some of them are permanent statutory bodies, others are regulatory bodies of sorts, some of them are of adhoc nature for specific purposes.

34. The following Councils/ Commissions/ Committee should work as independent bodies and not under the control of any Ministry. The Ministry will continue to act as liaison between these bodies and the Government:

TABLE – IV

TRANSFORMATION OF COUNCILS/ COMMISSIONS/ COMMITTEES

Cabinet	1) National Commission for Human Development
Environment	2) National Council for Conservation of Wildlife in Pakistan 3) Press Council of Pakistan
Food & Agriculture	4) Pakistan Central Cotton Committee
Health	5) National Council on Homeopathy 6) National Council on Tibb
Law	7) Law and Justice Commission of Pakistan
Social welfare	8) National Commission for Child Welfare
Women Development	9) National Commission on the Status of Women

35. These entities may have small Secretariats provided by the Administrative Ministries concerned and the funding may also be provided fully or partially by the Government. The budgetary grants for such entities will be shown as a one line item, under the head of the respective Ministries.

36. The NCGR is separately proposing the formation of National Sectoral Ministerial Councils and National Sectoral Secretaries Committees for subjects such as Education, Health, Agriculture, Population Welfare, Social Welfare, Labour, Social Protection.

D Liquidation or Winding up

37. The ten organizations listed below are by the admission of their own Ministries, not performing a meaningful role any more. Their history and past track record are also not that impressive. Going forward, it is not clear if there is any cogent reason for some of these, for their continued existence in the present form or shape.

TABLE – V

ORGANIZATIONS PROPOSED FOR WINDING UP/ LIQUIDATION

Housing & Works	1) Pakistan Housing Authority 2) Abandoned Properties Organization 3) Enemy Property Cell
Industries	4) Pakistan Automobile Corporation
KANA	5) Office of the Administrator, J&K State Property in Pakistan
Labour	6) National Talent Pool
Minorities	7) Evacue Trust Property Board
Social Welfare	8) National Commission for Social Welfare 9) National Trust for the Disabled Persons 10) National Council for the Rehab. of Displaced Persons

38. The organizations managing properties and real estate working under different laws, may have some legal obligations that have to be fulfilled before they are wound up.

E Mergers

In view of the restructuring proposals made elsewhere it is proposed that the following OEs may be considered for merger:

- 1) Pakistan Manpower Institute into the proposed Human Development Policy Institute (HDPI).
- 2) Secretariat Training Institute into National School of Public Policy (NSPP).
- 3) Civil Service Academy, 04 National Institute of Public Administrations, Pakistan Administrative Staff College, Pakistan

Academy for Rural Development, AKH Centre for Rural Development Municipal Training Research Institute, MTRI into National School of Public Policy.

- 4) National Transport Research Centre into the proposed Infrastructure Policy Institute.
- 5) Academy of Education Planning into Human Development Policy Institute.
- 6) Pak. Forest Institute into the proposed Agriculture and Environment Policy Institute (AEPI).
- 7) Audit and Accounts Academy into Institute of Fiscal Policy and Financial Management (IFPFM).
- 8) Railways Academy into IPI
- 9) Custom & Excise Academy into IFPFM
- 10) Income Tax Academy into Institute of Fiscal Policy and Financial Management (IFPM).
- 11) Agriculture Prices Commission into AEPI
- 12) Health Service Academy into HDPI
- 13) National Productivity Organization into Industry and Trade Policy Institute (ITPI).
- 14) Hydrocarbon Development Institute of Pakistan into Energy Policy Institute (EPI).
- 15) National Institute of Population Studies (NIPS) into HDPI

F Executive Departments and Autonomous Bodies to be retained

39. A list categorizing the remaining 228 organizations into autonomous bodies and Executive Departments is attached at **Annex-II and III**.

40. The current diffused responsibility and unclear accountability do not help in practicing good governance. The acceptance and implementation of the proposals made in the preceding paragraphs would result in a much tighter, clearly defined, well focused organizational structure of the Federal Government. The proposed governance structure will ensure that each of these organizations enjoys financial and administrative autonomy, has adequate resources at its disposal to meet its targets and objectives and is accountable to the parliament and the general public for the results.

41. As a result of these changes, the Federal Government would have 230 of the Organizational entities, compared to the present strength of 411. But this loss in numbers will be made up by improvement in quality, efficiency and service standards.

REORGANIZATION OF TRAINING AND POLICY RESEARCH INSTITUTIONS

42. A survey of the Federal Government training institutions was carried out, which revealed that there were 24 training institutions under various Ministries, that are engaged in training of civil servants of all kinds. There were 15 other training and skill up-gradation institutions, which mainly cater to the non-civil servants.

43. These training institutes are characterized by highly varied mandate, governance structure, resource availability, links with policy making and in their capacity to respond to the changing skill requirements of the Ministries/ Division.

44. The main thrust of the proposals is, that the majority of the officers serving the Federal Government who do not belong to any cadre or service, receive no systematic training for upgrading their technical and professional skills. This neglect has a major negative effect on the quality of investment and operations of our development projects. The demands on these specialists and technical experts are going to rise exponentially, if Pakistan has to maintain competitiveness in the global economy. Several missing institutes which cater to the needs of these specialists and cluster around the key components of our future economic and social development, are therefore to be set up. The existing physical infrastructure facilities available in the Government as a whole, have to be reorganized and reconfigured for setting up these institutes, but the main emphasis is to build up the faculty, curriculum, pedagogy, assessment and testing and to link them with career progression in an integral manner.

45. The Government incurs financial losses year after year due to cost overruns, poor designs, weak engineering specification, inadequate supervision and cost controls. The engineers working for the Government, after receiving their first degree are seldom exposed to the latest techniques of project management and new developments in materials, processes etc. As two-thirds of the public sector development expenditure is incurred on energy and infrastructure, the proposed Energy Policy Institute and Infrastructure Policy Institute can play a major role in the up-gradation of the technical and managerial skills of the staff involved in the formulation and implementation of the development projects in these fields. Similarly medical doctors, teachers, agriculture and livestock specialists, economists and financial experts etc. working in the Federal Government, have to keep themselves abreast of the latest developments in their respective fields

46. The other missing ingredient in training of civil servants in Pakistan, is the inculcation of soft skills – values, attitudes, orientation, and respect for citizens.

47. The Government is to be commended for the new initiatives that are under way in respect to management training. The establishment of the National School of Public Policy (NSPP), the autonomy and financial resources made available to it, the changes in the curriculum and pedagogy and the linkage to promotion, are all steps in the right direction, that are likely to make a difference.

48. The basic underlying principle of the proposed re-organization, is to combine training, continuing education and policy research as a critical service arm to the Ministries. The merger of policy research and training functions under a single institution, will have several advantages:

- (a) the scarce expert resources will be pooled with a critical mass available in a field
- (b) training will benefit from research inputs, while research studies will fill in the knowledge gaps, identified by the participants and the policy makers.
- (c) physical infrastructure facilities will be commonly shared and operational costs minimized.
- (d) administrative burden of overseeing multiple institutions on the Ministry will be reduced.

Governance Structure:

49. The existing training and research institutes classified by their size, importance and potential have been re-grouped into eight main clusters. Each cluster institute will be an autonomous body, governed by an independent Board of Directors and a Chief Executive reporting to the Board. The Secretary of the Division will act as the Chairman of the Board, on a rotating basis, with ex-officio members drawn from the Finance and Establishment Divisions.

50. The representative of the Ministry of Finance (MoF) on the Board of Directors, will enjoy the powers of veto on the proposals that create any future financial liabilities, that may have to be picked up by the Government of Pakistan. The Annual Budget proposals submitted to the MoF, will be accompanied by a Business Plan and development budget proposals will be processed and approved by the DDWP or CDWP, according to the size of the project. The Planning Commission will be responsible for monitoring and evaluation of the development projects of the Institute.

51. The hiring and firing powers in respect to staff of all grades, regular or contractual will vest with the BoD and no references or prior clearances for recruitment, promotion, termination, will be necessary from the Establishment Division.

Incentive Structure

52. The incentives for the teaching staff and researchers at these institutes would be comparable to those provided to the NSPP instructors, provided they are selected on merit, through a transparent and competitive basis. To attract the best talent to these institutes, the salary structure of the instructional and research staff will be detached from the Basic Pay Scales (BS) and determined by the Board of Directors. The cadre or ex-cadre officers deputed to serve in these institutes, would also be given extra points for their promotion. For the trainees, the performance at various training courses will be linked to their promotion.

Proposed Training and Policy Research Clusters

53. The proposed clusters will have a group of academies and institutions under independent boards of directors. But each existing academy or constituent institution forming part of the cluster would enjoy autonomy in designing and delivering the courses, testing and appraising the candidates, spending budgetary resources allocated to them, hiring and firing the staff and managing and operating their institutions. They will be guided and overseen by the Boards of each cluster, who will also make appointments of the Chief Executives of individual academies and training institutes. For example, the Audit and Accounts Academy will be part of the Institute of Fiscal Policy and Financial Management, but will carry out its operational responsibilities, as it is doing at present, without diminution of authority. The only difference will be that it will be supervised and overseen by the Board of IFPPM, rather than the office of the Auditor General of Pakistan. The same principle will apply to other existing training institutes and academies.

- (1) **National School of Public Policy (NSPP)**; with its constituent colleges, institutes and centres, will serve as the apex organization for delivering managerial and leadership training to officers of cadres and services and ex-cadres at Grades 17 to 20. It will carry out research in the areas of public policy, public administration issues, civil services etc. The Common, post induction training of the newly recruited officers, both

cadre and ex-cadre will be organized at the Civil Service Academy, while the NIMs and NMC will conduct mid-career, senior management and leadership courses.

- (2) **Institute of Fiscal Policy and Financial Management (IFPPM)**; This institute will cater to the specialized needs of the fiscal and financial managers of the Federal Government at all levels – post induction, mid career, refresher, senior workshops – and also carry out research in fiscal policy, domestic resource mobilization, taxation, audit and accounts and debt issues.

The existing Audit and Accounts Academy, Income Tax Academy and Customs & Excise Academy will become training arms of the institute with expanded responsibilities for policy research in their respective areas.

- (3) **Energy Policy Institute (EPI)**; The institute will be responsible for the technical training, and policy research needs of the Ministries of Water and Power, Petroleum and Natural Resources, NEPRA, OGRA, PPIB and the organizations working under these Ministries.

- (4) **Infrastructure Policy Institute (IPI)**; This institute, like Energy Policy Institute, will meet the specialized training needs of the Ministries of Railways, Water & Power (for water), Communications, Ports and Shipping and Civil Aviation and Infrastructure project facility. Training and research – will form the basic mandate of this institute.

NTRC, Pakistan Railways Academy will become part of the IPI. Professional training of infrastructure engineers and technicians at post induction, mid career, refresher and senior managers level will be provided by IPI.

- (5) **Human Development Policy Institute (HDPI)**; will serve the Ministries of Education, Health, Labour and Population. The existing Academy of Educational Planning and Management, Health Services Academy, National Institute of Science and Technical Education, Pakistan Manpower Institute, National Institute of Labour and Training, National Institute of Population Studies will become training arms of the HDPI and restructured.

- (6) **Industrial and Trade Policy Institute (ITPI)**; This institute will serve the Ministries of Industries and Production, Commerce, Textiles. Pakistan Institute of Management, Foreign Trade Institute, NPO will become part of ITPI and be restructured.

- (7) **Agriculture and Environment Policy Institute (AEPI)**; This institute will serve Ministries of Food and Agriculture, Environment, Local Government and Rural Development. Agriculture Policy Institute and Pakistan Forest Institute will become part of AEPI and restructured.

- (8) **National Police Academy**; will continue to function in its present form, under its Board of Governors. The NPA will have to develop the capacity for policy research, that can be of aid to the Interior Division and Law Enforcing Agencies.

54. In addition to the above eight major training and policy research institutes, the following training institutions should be retained as attached departments of the Ministries concerned.

Foreign Affairs

Foreign Services Academy

Planning & Development

Pakistan Planning and Management Institute.

Information & Broadcasting

Information Services Academy

55. These institutes and their facilities should also be made available for training of the Provincial Government officers, as well as those of the autonomous bodies.

56. Policy research at these institutes should be carried out by the regular staff of the Institutes, the specialized staff, hired for specific assignments, projects, the contractual staff, visiting research fellows and also in collaboration with other universities academic and research institutions. A few serving officers should also be allowed paid research stints on competitive basis.

CONCLUSION

57. The Federal and Provincial Governments have only recently started to pay some attention to training and professional development of their Civil servants. The infrastructure, capacity, governance and quality of training delivered however, remain highly uneven. The proposals made in this chapter recommend financial and operational autonomy to the training institutions, a new governance structure, shared pooling of resources and facilities. New institutions have to be set up to fill in the gaps in the existing array. Incentives have to be provided to attract good officers to serve on the faculties of these new institutions. Ex-cadre officers have to be brought at par in their professional training with cadre services.

CHART SHOWING EXISTING AND PROPOSED TRAINING INSTITUTES

S. NO.	EXISTING	PROPOSED
1.	Secretariat Training Institute	Constituent Colleges, Institutes and Academies of the National School of Public Policy
2.	Civil Services Academy	
3.	NIPA Karachi, Lahore, Peshawar, Quetta	
4.	Pakistan Administrative Staff College	
5.	Pakistan Academy for Rural Development	
6.	Municipal Training and Research Institute (to be renamed as Urban Training and Research Institute)	
7.	Akhtar Hameed Khan National Centre for Rural Development (to be renamed as AKH National Centre for Local Government)	
8.	Academy of Educational Planning	Human Development Institute
9.	Pakistan Manpower Institute	
10.	Health Services Academy	
11.	Agriculture Prices Commission	Agriculture and Environment Policy Institute
12.	Pakistan Forest Institute	
13.	Pakistan Railways Academy	Infrastructure Policy Institute
14.	Pakistan Postal College	
15.	Audit and Accounts Academy	Institute of Fiscal Policy and Financial Management
16.	Income Tax Academy	
17.	Customs and Excise Academy	
18.	Foreign Trade Institute of Pakistan	Industrial and Trade Policy Institute
19.	National Policy Academy (NPA)	National Policy Academy (NPA)
20.	Pakistan Planning and Management Institute (PPMI)	Pakistan Planning and Management Institute (PPMI)
21.	Information Services Academy (ISA)	Information Services Academy (ISA)
22.	Foreign Service Academy (FSA)	Foreign Service Academy (FSA)
23.	Central Jail Training Institute (CJTI)	Central Jail Training Institute (CJTI)
24.	Anti Narcotics Law Enforcement School (ANLES)	Anti Narcotics Law Enforcement School (ANLES)

JOB DESCRIPTION AND POWERS OF THE SECRETARY
OF THE DIVISION IN THE FEDERAL GOVERNMENT
OR SECRETARY OF THE DEPARTMENT
IN THE PROVINCIAL GOVERNMENT.

He/ She would be the Chief Operating Officer of the Division / Department accountable to the Chief Executive of the Federal or Provincial government. For day-to-day operations of the Division/ Department, he/ she will take guidance from the Minister Incharge who will also monitor and oversee the functioning of the Division / Department.

2. The Secretary would effectively act as the Principal Accounting Officer, Principal Human Resource Manager, Principal Planning Officer, Principal contracts and Purchasing Officer and Principal Legal Officer of the Division. He/ She will be assisted in performing these functions by officers with specialized skill in each one of the above fields. Depending on the workload some of these specialized officers could be shared by a group of divisions/ departments but at a minimum each Division/ Department should have a Chief Financial and Accounting Officer (CFAO) to assist the Secretary.

3. The Secretary would prepare the budget proposals for submission to the Ministry of Finance, justify and defend these proposals before the appropriate fora but once the budgetary allocations for the Divisions/ Department are approved by the Assembly the funds should be placed at the disposal of the Secretary for expenditures in accordance with the budget. He/ She should enjoy adequate autonomy in resource allocation within the overall budget ceilings to use public resources in a responsible and efficient manner. The Secretary should be allowed to make the best trade offs in consultation with the Minister/ Incharge for example between salary and non-salary expenditure to attain value for money. If some specialized skills are not available in-house, the Secretary may choose not to fill in a regular vacancy and hire persons on contract for limited period of time against the budgetary allocation for the regular vacancy. This flexibility would allow the Division/ Department to produce timely results. The possible misuse of the discretionary powers can be circumscribed by ex-post financial/ performance audit by the Auditor General of Pakistan.

4. The Secretary should have the powers to select or requisition the services of officers working under his/ her administrative control for the duration of a specified tenure subject to safeguards. He/ She should be able to surrender the services of those found unsuitable for the job by providing a justification and the reasons for such a surrender. As the appointing authority of certain categories of employees he/ she can hire and fire them according to the procedures laid down in the Efficiency and Discipline Rules.

5. The Secretary of the Division/ Department would be subject to oversight by the Minister, Establishment, Finance, Law, Planning and Cabinet Divisions (or the corresponding departments in the provinces) to ascertain the validity of the decisions taken and their consonance with the rules, regulations, directives and instructions in force. At another level, the Auditor General and Public Accounts Committee, the Public Procurement Regulatory Authority and the Monitoring and Evaluation Wing of the Planning Commission will carry out inspection and review of the accounts, contracts and projects.

PROPOSED MINISTRIES AND DIVISIONS

Ministries		Divisions	
S. No.	Ministry	S. No.	Divisions
1.	Cabinet Secretariat	1.	Cabinet Division
		2.	Human Resource Management
		3.	Organizational Development
2.	Regulatory Affairs (RA)	4.	Regulatory Affairs
3.	Inter-Provincial Coordination	5.	Inter-Provincial Coordination
4.	Technology Development	6.	Science and Technology
		7.	Information Technology and Telecom
5.	Human Development	8.	Education
		9.	Health and Population Welfare
		10.	Labour and Overseas Pakistanis
6.	Social Protection	11.	Social Protection
7.	Culture	12.	Culture and Tourism
		13.	Sports and Youth Affairs
		14.	Railways and Communications (Surface Transportation)
8.	Infrastructure Development	15.	Ports and Shipping and Civil Aviation (Air and Sea Transportation)
		16.	Housing and Works
		17.	Water and Power
9.	Energy Development	18.	Petroleum and Natural Resources
		19.	Finance
10.	Finance and Revenue	20.	Economic Affairs
		21.	Revenue
		22.	Planning & Development and Statistics
11.	Planning & Development	23.	Defence
12.	Defence	24.	Defence Production
		25.	Foreign Affairs
13.	Foreign Affairs	26.	Interior & Narcotics
14.	Interior	27.	Food, Agriculture & Livestock
15.	Environment	28.	Environment
		29.	Industries, Production & Special Initiatives
16.	Industries and Trade	30.	Commerce and Textile Industry
		31.	Privatization and Investment
17.	Privatization and Investment	32.	Information and Broadcasting
18.	Information & Media	33.	SAFRON & KANA
19.	Special & Under develop Areas	34.	Religious Affairs and Minorities
20.	Religious Affairs and Minorities	35.	Law, Justice and Human Rights
21.	Law, Justice and Human Rights	36.	Parliamentary Affairs (National Assembly Sectt: and Senate Sectt:)
22.	Parliamentary Affairs	37.	Women Development
23.	Women Development		

PROPOSED AUTONOMOUS BODIES
(Under The Federal Government)

I. CONSTITUTIONAL BODIES

DIVISION	NAME OF DEPARTMENT
ESTABLISHMENT	1. Federal Public Service Commission (FPSC), Islamabad
FINANCE	2. Office of Auditor General of Pakistan
OTHER	3. Federal Ombudsman 4. Council of Islamic Ideology (CII)

II. REGULATORY BODIES/ AGENCIES

DIVISION	NAME OF DEPARTMENT
CABINET	5. Intellectual Property Organization (IPO) 6. National Electric Power Regulatory Authority (NEPRA) 7. Oil and Gas Regulatory Authority (OGRA) 8. Pakistan Electronic Media Regulatory Authority (PEMRA) 9. Public Procurement Regulatory Authority (PPRA) 10. Pakistan Telecommunication Authority (PTA) 11. Drug Control Authority 12. Civil Aviation Authority
COMMERCE	13. National Tariff Commission (NTC) 14. Pakistan Tobacco Board (PTB)
CULTURE	15. Central Board Film Censors (CBFC)
EDUCATION	16. Higher Education Commission (HEC)
ENVIRONMENT	17. Pakistan Environmental Protection Agency (PEPA)
FINANCE	18. Competition Commission 19. Securities Exchange Commission of Pakistan (SECP) 20. State Bank of Pakistan (SBP)
INTERIOR	21. National Aliens Registration Authority (NARA)
P.M. SECRETARIAT	22. National Vocational and Technical Education Commission (NAVTEC)
RAILWAYS	23. Federal Government Inspector of Railways.
RELIGIOUS AFFAIRS	24. Pak. Madrassah Education Board, Islamabad
WATER AND POWER	25. Indus River System Authority (ISRA) 26. Pakistan Engineering Council (PEC)

NOTE: CBR performs the functions of a regulatory and judicial body in respect to taxation in addition to an implementing agency for revenue collection.

III. COURTS / TRIBUNALS

DIVISION	NAME OF DEPARTMENT
LAW, JUSTICE AND HUMAN RIGHTS	27. Accountability Courts 28. Banking Courts 29. Commercial Courts 30. Customs & Excise, Sales Tax Appellate Tribunal 31. Drug Courts 32. Federal Service Tribunal (FST) 33. Federal Shariat Court 34. Foreign Exchange Regulation Appellate Board 35. Income Tax Appellate Tribunal 36. Insurance Appellate Tribunal 37. Special Courts Central 38. Special Courts (Control of Narcotics Substances) 39. Special Courts Customs, Tax, Anti Smuggling 40. Special Courts Offences in Banking 41. Federal Tax Ombudsman
LABOUR AND MAN POWER	42. Implementation Tribunal for News Paper Employees (ITNE), Ibd 43. National Industrial Relations Commission (NIRC), Islamabad

IV. COMMERCIAL / SEMI-COMMERCIAL MANUFACTURING BUSINESS

DIVISION	NAME OF DEPARTMENT
COMMERCE	44. Trading Corporation of Pakistan (TCP)
COMMUNICATIONS	45. Pakistan Post Office Department (PPO)
DEFENCE	46. Pakistan International Airlines (PIA)
DEFENCE PRODUCTION	47. Karachi Shipyard & Engineering Works (KSEW) 48. Heavy Industries Taxila (HIT) 49. Pakistan Aeronautical Complex, Kamra (PAC) 50. Pakistan Ordnance Factory (POF)
FINANCE	51. Pakistan Security Printing Corporation (PSPC)
FOOD & AGRICULTURE	52. Pakistan Agriculture Storage and Services Corporation (PASSCO)
INDUSTRIES & PRODUCTION	53. National Fertilizer Marketing Ltd. (NFML) 54. National Industrial Parks Development & Management Company (NIP) 55. Technology Up-gradation Support and Development Company (TUSDEC) 56. Pakistan Stone Development Company (PASDEC) 57. Pakistan Gems & Jewelry Development Company (PGJDC) 58. Pakistan Hunting & Sporting Arms Development Company

	(PHSADC 59. Heavy Mechanical Complex (HMC) 60. Utility Stores Corporation (USC) 61. Thread Line Gallery of Pakistan
PETROLEUM & NATURAL RESOURCES	62. Government Holdings Ltd. 63. Inter State Gas System (Pvt) Limited 64. Pak Arab Refinery Limited (PARCO)
PORTS AND SHIPPING	65. Pakistan National Shipping Corporation (PNSC), Karachi
INFORMATION TECHNOLOGY	66. National Radio Telecommunication Corporation (NRTC)
INFORMATION AND BROADCASTING	67. Pakistan Broadcasting Corporation (PBC) 68. Pakistan Television Corporation (PTV) 69. Shalimar Recording & Broadcasting Company/ ATV
HOUSING & WORKS	70. Pakistan Housing Authority (PHA)

V. SERVICE PROVIDERS / UTILITIES

DIVISION	NAME OF DEPARTMENT
CABINET	71. Sheikh Zayed Post Graduate Medical Institute
COMMUNICATIONS	72. National Highway Authority (NHA)
EDUCATION	73. Federal Board of Intermediate and Secondary Education, Islamabad (FBISE)
ENVIRONMENT	74. Pakistan Environmental Planning and Architectural Consultants (Pvt) Limited (PEPAC)
HEALTH	75. Jinnah Postgraduate Medical College (JPMC), Karachi 76. National Institute of Child Health (NICH), Karachi 77. Pakistan Institute of Medical Sciences (PIMS), Islamabad 78. National Institute of Cardiovascular Diseases (NICVD), Islamabad
PLANNING AND DEVELOPMENT	79. National Logistic Cell (NLC)
INFORMATION AND TECHNOLOGY	80. National Telecommunication Corporation (NTC) 81. Pakistan Telecommunication Mobile Ltd.
P.M SECRETARIAT	82. Earthquake Rehabilitation and Reconstruction Authority (ERRA)
PORTS AND SHIPPING	83. Karachi Port Trust (KPT), Karachi 84. Port Qasim Authority (PQA), Karachi 85. Gwadar Ports Authority, Gwadar/ Gwadar Port Implementation Authority, Karachi
RAILWAYS	86. Railways Corporation ➤ Rail Constructions of Pakistan Ltd. ➤ Pakistan Railway Advisory & Consultancy Services (PRACS)
WATER AND POWER	87. Water & Power Development Authority (WAPDA) 88. National Engineering Service Pakistan (Pvt) Ltd. (NESPAK)

VI. PROMOTION BODIES

DIVISION	NAME OF DEPARTMENT
CABINET	89. National Language Authority (NLA)
COMMERCE	90. Trade Development Authority of Pakistan (TDA)
CULTURE	91. Iqbal Academy Pakistan 92. National Institute of Folk and Traditional Heritage (Lok Virsa) 93. Pakistan National Council of the Arts (PNCA) 94. Quaid-e-Azam Academy
DEFENCE PRODUCTION	95. Defence Export Promotion Organization (DEPO)
EDUCATION	96. National Book Foundation, Islamabad (NBF) 97. Pakistan Academy of Letters, Islamabad (PAL)
FINANCE	98. Competitiveness Support Fund (CSF) 99. Infrastructure Project Development Facility (IPDE)
SPORTS	100. Pakistan Sports Board
FOOD, AGRICULTURE AND LIVESTOCK	101. Livestock and Dairy Development Board (LDDDB)
INDUSTRIES, PRODUCTION AND SPECIAL INITIATIVES	102. Engineering Development Board (EDB) 103. Pakistan Dairy Development Company (Dairy Pakistan) 104. Small and Medium Enterprises Development Authority (SMEDA) 105. Pakistan Industrial Development Corporation (PIDC)
INFORMATION TECHNOLOGY	106. Pakistan Software Export Board (PSEB)
OVERSEAS PAKISTANIS	107. Overseas Employment Corporation (OEC)
PRIVATIZATION & INVESTMENT	108. Board of Investment (BOI)
TOURISM	109. Pakistan Tourism Development Corporation (PTDC)
WATER AND POWER	110. Alternate Energy Development Board (AEDB) 111. Private Power Infrastructure Board (PPIB)

**VII. FINANCIAL INSTITUTIONS/ BANKING COMPANIES/
JOINT FINANCE COMPANIES**

DIVISION	NAME OF DEPARTMENT
COMMERCE	112. National Insurance Corporation Ltd. (NICL) 113. Pakistan Reinsurance Company Ltd. (PRCL)
FINANCE	114. Central Directorate of National Savings (CDNS) 115. House Building Finance Corporation (HBFC) 116. Pakistan – Brunei Investment 117. Kushali Bank of Pakistan (KBP) 118. Pakistan Kuwait Investment Company (PKIC) 119. Pakistan Libyan Holding Company (PLHC) 120. Pakistan Oman Investment Company Ltd. (POIC) 121. Saudi Pak. Agriculture and Industrial Company (SAPAIC) 122. Zari Taraqqiati Bank Limited (ZTBL) 123. First Women Bank Ltd. (FWBL) 124. National Bank of Pakistan (NBP) 125. Pak – Iran Joint Investment Company Ltd.
FOOD, AGRICULTURE AND LIVESTOCK	126. Agribusiness Support Fund

VIII. TRAINING INSTITUTIONS/ TECHNOLOGY SUPPORT

DIVISION	NAME OF DEPARTMENT
COMMERCE	127. Pakistan School of Fashion Design
COMMUNICATION	128. Construction Machinery Technology Training Institute (CMTTI)
EDUCATION	129. National Institute of Science & Technical Education, Islamabad
INDUSTRIES AND PRODUCTION	130. Pakistan Institute of Management (PIM)
LABOUR & MANPOWER	131. National Institute of Labour Administration and Training (NILAT), Karachi
LAW, JUSTICE & HUMAN RIGHTS	132. Federal Judicial Academy
PORTS AND SHIPPING	133. Pakistan Marine Academy, Karachi
TOURISM	134. Pakistan Institute of Tourism and Hotel Management (PITHM), Karachi 135. Pakistan – Austrian Institute of Tourism and Hotel Management, Gulibagh, Swat (PAITHOM)

IX. DATA, DOCUMENTATION & RESEARCH INSTITUTIONS

DIVISION	NAME OF DEPARTMENT
FOOD & AGRICULTURE	136. Agriculture Prices Commission (APC) 137. Pakistan Agriculture Research Council (PARC)
FOREIGN AFFAIRS	138. Institute of Strategic Studies (ISS)
HEALTH	139. National Institute of Health (NIH), Islamabad 140. Pakistan Medical Research Council (PMRC), Islamabad
STATISTICS	141. Agriculture Census Organization (ACO)

X. EDUCATIONAL INSTITUTIONS

DIVISION	NAME OF DEPARTMENT
EDUCATION	142. National College of Arts (NCA)
HEALTH	143. College of Physician and Surgeon of Pakistan (CPSP), Karachi
INFORMATION TECHNOLOGY	144. Virtual University
SCIENCE AND TECHNOLOGY	145. COMSATS Institute of Information Technology (CIIT) 146. National University of Science & Technology (NUST)
TEXTILE	147. National Textile University (NTU)

XI. STANDARDS & QUALITY ASSURANCE

DIVISION	NAME OF DEPARTMENT
SCIENCE & TECHNOLOGY	148. Pakistan National Accreditation Council (PNAC) 149. Pakistan Standard and Quality Control Authority (PSQCA)
TEXTILE INDUSTRIES	150. Pakistan Cotton Standard Institute (PCSI)

XII. DEVELOPMENT AUTHORITIES

DIVISION	NAME OF DEPARTMENT
FINANCE	151. Khushal Pakistan Fund (KPP)
HOUSING AND WORKS	152. National Housing Authority (NHA) 153. Pakistan Housing Authority (PHA)
INDUSTRIES AND PRODUCTION	154. Export Processing Zone Authority (EPZA)
STATE AND FRONTIER REGION	155. FATA Development Corporation, Peshawar

XIII. COUNCILS/ COMMISSIONS/ COMMITTEES

DIVISION	NAME OF DEPARTMENT
CABINET	156. National Commission for Human Development (NCHD)
EDUCATION	157. Inter-Board Committee of Chairmen, Islamabad

XIV. WELFARE/ TRUSTS/ FOUNDATIONS

DIVISION	NAME OF DEPARTMENT
CABINET	158. Shaikh Sultan Trust
DEFENCE	159. Pakistan Armed Services Board (PASB)
ESTABLISHMENT	160. Federal Employees Benevolent and Group Insurance Funds (FEB&GIF), Islamabad
EDUCATION	161. National Education Foundation, Islamabad (NEF)
HOUSING AND WORKS	162. Pakistan Housing Foundation 163. Federal Government Employees Housing Foundation
INFORMATION TECHNOLOGY	164. Telecom Foundation (TF)
LABOUR AND MANPOWER	165. Employees Old Age Benefit (EOBI), Karachi 166. Workers Welfare Fund Institution (WWF) Islamabad
OVERSEAS	167. Overseas Pakistanis Foundation
POPULATION WELFARE	168. National Trust for Population Welfare (NATPOW)

SCIENCE AND TECHNOLOGY	169. Pakistan Science Foundation (PSF)
SOCIAL WELFARE AND SPL. EDUCATION	170. Pakistan Baitul Mal
SPORTS	171. Pakistan Sports Trust

XV. EXECUTIVE/ IMPLEMENTING AGENCIES

DIVISION	NAME OF DEPARTMENT
ENVIRONMENT	172. Pakistan Environmental Protection Agency (PEPA)
LAW, JUSTICE AND HUMAN RIGHTS	173. Attorney General <ul style="list-style-type: none"> ➤ Deputy Attorney General ➤ Standing Counsel
OVERSEAS PAKISTANIS DIVISON	174. Overseas Employment Corporation (OEC), Islamabad
PORTS AND SHIPPING	175. Gwadar Ports Implementation Authority (GPIA)
PRIVATIZATION AND INVESTMENT	176. Privatization Commission
REVENUE	177. Central Board of Revenue (CBR)

**PROPOSED EXECUTIVE BODIES
(Under the Federal Government)**

I. SERVICE PROVIDERS / UTILITIES

DIVISION	NAME OF DEPARTMENT
DEFENCE	1. Federal Government Educational Institutions (Cantt. & Garrisons)
HEALTH	2. Federal Government Services Hospital (FGSH), Islamabad
INFORMATION AND TECHNOLOGY	3. Special Communication Organization (SCO)

II. PROMOTION BODIES

DIVISION	NAME OF DEPARTMENT
EDUCATION	4. National Museum of Science and Technology, Lahore
ENVIRONMENT	5. National Energy Conservation Centre (ENERCON)

III. TRAINING INSTITUTIONS/ TECHNOLOGY SUPPORT

DIVISION	NAME OF DEPARTMENT
INFORMATION TECHNOLOGY	6. Pakistan Computer Bureau
NARCOTICS	7. Anti Narcotics Law Enforcement School (ANLES)

IV. DATA, DOCUMENTATION & RESEARCH INSTITUTIONS

DIVISION	NAME OF DEPARTMENT
CABINET	8. National Archives of Pakistan 9. National Documentation Centre (NDC)

V. STANDARDS & QUALITY ASSURANCE

DIVISION	NAME OF DEPARTMENT
HEALTH	10. Central Drugs Laboratory (CDL), Karachi 11. Drug Control Administration, Lahore/ Peshawar/ Quetta/ Karachi, Hyderabad 12. National Control Laboratory (Bio), Islamabad

VI. WELFARE/ TRUSTS/ FOUNDATIONS

DIVISION	NAME OF DEPARTMENT
ESTABLISHMENT	13. Staff Welfare Organization (SWO), Islamabad

VII. EXECUTIVE/ IMPLEMENTING AGENCIES

DIVISION	NAME OF DEPARTMENT
CABINET	14. Department of Stationery & Forms
CULTURE	15. Department of Archaeology and Museums
DEFENCE	16. Military Land and Cantt. Department (MLCD) 17. Pakistan Meteorological Department (PMD) 18. Survey of Pakistan 19. Pakistan Military Accounts Department (PMAD)
DEFENCE PRODUCTION	20. Director General Munitions Production
ENVIRONMENT	21. Zoological Survey of Pakistan
FINANCE	22. Office of the Controller General of Accounts (CGA) 23. Federal Treasury Office (FTO) 24. Pakistan Mint
FOOD AND AGRICULTURE	25. Agriculture & Livestock Products Marketing and Grading Department 26. Animal Quarantine Department 27. Department of Plant Protection 28. Federal Seed Certification and Registration Department 29. Marine Fisheries Department 30. Soil Survey of Pakistan
FOREIGN AFFAIRS	31. Missions Abroad (107) 32. Protocol Camp Offices at Karachi, Lahore, Peshawar & Quetta
HEALTH	33. Directorate of Central Health Establishment (CHE), Karachi 34. Directorate of Malaria Control, Islamabad 35. National Leprosy Control Board, Islamabad
HOUSING AND WORKS	36. DG Public Works Department
INFORMATION AND BROADCASTING	37. Directorate General of Films and Publications 38. Press Information Department (PID) 39. Associated Press of Pakistan (APP)
INTERIOR	40. Director General of Immigration and Passport 41. Directorate General Civil Defence 42. National Police Bureau (NPB) 43. Chief Commissioner, (ICT)

LABOUR AND MANPOWER	44. Bureau of Emigration and Overseas Employment (BE&OE), Ibd
P.M SECRETARIAT	45. National Reconstruction Bureau (NRB)
PETROLEUM AND NATURAL RESOURCES	46. Geological Survey of Pakistan
PORTS AND SHIPPING	47. Government Shipping Office 48. Gwadar Ports Implementation Authority (GPIA) 49. Mercantile Marine Department, Karachi
STATE AND FRONTIER REGION	50. Chief Commissionerate of Afghan Refugees
KANA	51. Chief Executive Secretariat Northern Areas
TEXTILE	52. Textile Commissioner's Organization, Karachi
TOURISM	53. Department of Tourism Services
WATER AND POWER	54. Pak. Commissioner for Indus Waters (PCIW)

VIII. SECURITY/ POLICE/ INVESTIGATION

DIVISION	NAME OF DEPARTMENT
CABINET	55. Department of Communication Security 56. National Accountability Bureau 57. Intelligence Bureau
COMMUNICATION	58. National Highways and Motorways Police (NHMP)
DEENCE	59. Airport Security Force (ASF) 60. Maritime Security Agency (MSA)
INTERIOR	61. Federal Investigation Agency (FIA) 62. Frontier Constabulary NWFP 63. Frontier Corps Balochistan 64. Northern Area Scouts 65. Frontier Corps NWFP 66. Pakistan Coast Guards 67. Pakistan Rangers Sindh 68. Pakistan Rangers, Lahore
NARCOTICS CONTROL	69. Anti Narcotics Force (ANF)
RAILWAYS	70. Inspector General Railway Police

CHAPTER – 6

IMPROVING HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

- **Recruitment**
- **Training**
- **Strengthening Key Institutions of Governance**
- **Performance Appraisal**
- **Promotion Policy and Career Progression**
- **Posting Policy**
- **Placement Policy**
- **Compensation and benefits-Retirement & Post retirement**
- **Staff Welfare**

RECRUITMENT SYSTEM

SITUATION ANALYSIS

The current recruitment system that has been in place for almost 60 years, needs to be revisited and the future requirements of the skills for a modern and efficiently functioning civil service ought to be reflected in the new recruitment system.

2. Undoubtedly Civil Service is the largest employment body in Pakistan. Each year thousands of people are employed in two categories i.e. Staff that falls in BS 1-16 and the Gazetted Officers of BS 17-22 that is further categorized in Cadre and Ex-Cadre Officers. The following pages focus on the recruitment and selection of gazetted officers.

Factors Affecting the Recruitment Quality

- a. One of the major problems that the FPSC / PPSCs are facing today is not having the right pool of candidates for the job(s). Quality workers who are interested in joining the civil service are becoming harder to locate.
- b. The non-availability of job descriptions and specifications are directly affecting the quality of recruitment efforts.
- c. The currently practiced system of a single common examination for the recruitment and selection for all Central Superior Services, does not take into account the aptitude, knowledge and skills required to do increasingly complex and specialized jobs throughout the career.
- d. In view of this past experience and the projected move towards E-government and business process automation, it is essential to revise the recruitment process, by attracting those possessing appropriate educational background into different cadres and services.

Constraints on the Recruitment Efforts

3. The civil service that once carried prestige, respect and social status amongst the university graduates and the society as a whole, has lost that image in general for a variety of reasons that are well known. The rise of the corporate sector by virtue of privatization and increased foreign investment in the country during the past two decades, has opened up new avenues of employment. The widening gap between the comparative pay packages offered by the government and the corporate sector has become the single most important constraint on the recruitment efforts of the government.

GUIDING PRINCIPLES

4. The human resource value chain which include recruitment, training, performance management, compensation and benefit, career progression and retirement are all linked together. All these components have been reviewed by the Commission to make comprehensive recommendations for improvement in governance in the public sector.

5. The recruitment system to be based at accessing the widest and most diverse talent pool and ensuring the intake into the civil service, conforming to the norms and standards of open, transparent, equality and merit based system.

NCGR RECOMMENDATIONS

6. The Commission believes that attraction, retention and motivation of civil servants can be facilitated by following a more holistic approach i.e. human resource value chain in which recruitment, training, performance management, compensation and benefits, career progression and retirement are all linked together and provide positive reinforcement. Partial or ad-hoc solutions that affect only one of the components in the value chain, may have some short term palliative impact, but are not sustainable in the medium to long term. Quick fix and populist measures are no longer required.

Sources of Recruitment

7. The NCGR and the Federal Public Service Commission (FPSC) recommend that the recruitment sources can be broadened by taking the following measures:

- i. Relationship building with the universities and other professional educational institutions. An active interaction of FPSC and the Provincial Public Service Commissions (PPSCs) with these institutions, shall not only be helpful in communicating the type of talent required by the government to meet its current and future needs, but will also help in raising the standards of education.
- ii. Participation in the job fairs and presentations to the potential candidates in the educational institutions to create interest in the Civil Service i.e. explaining the spirit of the civil service.
- iii. Seeking Services of Professional Head Hunting Organizations for some specific senior and professional positions.
- iv. Improving Communication i.e. improving advertising copy writing and customer services in person or through the use of information technology, in addition to the public relations. The FPSC to conduct a study on strengthening the recruitment process for all ex-cadre positions. The findings of this study would guide further improvement.

Professionalizing and Strengthening Recruitment

8. It needs to be emphasized that the Federal and Provincial Public Service Commissions would have to be strengthened. In order to help the recruitment agencies to upgrade themselves, the following actions are recommended:

- i. Developing Job specifications for the cadre positions would be rather simple. The more time consuming and complex exercise is to map the thousands of ex-cadre jobs in the Federal and Provincial Governments, develop job descriptions and specifications. Recruitment to each position would then relate the skills required to meet those specifications.
- ii. The MS wing of the Establishment Division has initiated job analysis exercise for sample Ministries and Divisions. Establishment Division has to hire professional firms who are qualified in this specialized area.
- iii. The Federal Public Service Commission (FPSC)'s recruitment efforts have been more tuned and targeted at the cadre services, compared to the large number of ex-cadre positions, who join the Civil Service every year. The ex-cadre officers are selected on the basis of a short interview and in some cases by conducting a screening test. The FPSC is conducting a study on strengthening the recruitment process for all ex-cadre positions. The findings of this study would guide further improvement.

Recruitment to Cadre Services and Groups

9. At present the FPSC recruits approximately 150 candidates annually for induction into the following regularly constituted cadres:

- (i) District Management Group (DMG)
- (ii) Pakistan Foreign Service (PFS)
- (iii) Police Service of Pakistan (PSP)
- (iv) Audit and Accounts Service
- (v) Income Tax Service
- (vi) Custom and Excise Service
- (vii) Information Service of Pakistan
- (viii) Commerce and Trade Group
- (ix) Pakistan Railway Service
- (x) Pakistan Postal Service
- (xi) Pakistan Military Lands and Cantonment Service (PMLCS)
- (xii) Office Management Group (OMG)

It has already been decided by the Government that fresh recruitment would not be made to the Office Management Group (OMG) and Pakistan Military Lands and Cantonment Services (PMLCS). The Commission endorses this decision and further recommends that fresh recruitment should not be made in the following two services and a plan for corporatization of these will be prepared alongwith a transition plan:

- (i) Pakistan Railway Service

(ii) Pakistan Postal Service

10. As Railways and Post Office are competing with private operators i.e road transport and courier services, they have to be converted into autonomous commercial organizations with their own decision making authority and accountability. The reservation of the higher management positions for this cadre and unequal career advancement opportunities for the majority of officers possessing critical specialized skills, such as mechanical and electrical engineering, marketing, finance, sales etc. would prove detrimental to the overall productivity and efficiency of these two organizations. The ever-changing market conditions and competition would sooner or later render the generalists recruited through the FPSC examination irrelevant to the organizational needs. This recommendation of the Commission about Pakistan Railway, Service and Pakistan Postal Service stands approved.

11. In case of Commerce and Trade Group, the two main avenues for career progression were (a) Export Promotion Bureau (EPB) and (b) Commercial Counselors abroad. As it has been decided to convert the EPB into an autonomous Trade Development Authority (TDA) which will recruit its own personnel in the future and the posts of Commercial Counselors abroad are filled in through a competitive selection process, open to all Government Servants and also private sector, we do not believe the continuation of a separate Commerce and Trade Group is necessary any more. Other organizations under the Ministry of Commerce, such as State Life Insurance Corporation (SLIC), National Insurance Corporation (NIC), Pakistan Reinsurance Company Limited (PRCL) etc. will have to be privatized at some point of time or other and Trading Corporation of Pakistan (TCP) will enjoy a more limited role. This recommendation of the Commission is to be considered afresh by the Steering Committee.

12. It has generally been seen that officers belonging to the Information Service are at a relative disadvantage, as their substantive knowledge and exposure to the issues is highly limited. The Commission, while fully emphasizing the need for building a strong capacity in this area, would recommend that the Government should commission an independent review of its information and media functions, in light of the evolving circumstances and then opt for the best course of action. In the meanwhile, we believe that continued recruitment of generalist officers through the Information Service of Pakistan may in fact prejudice or act as a possible impediment in adoption of alternative business models for restructuring this function. The Commission, therefore, recommends that recruitment to this service may also be frozen, until the Government

takes a decision on its overall strategy, after the review has been completed. Secretary Information has been asked to prepare a report for consideration of NCGR.

13. The Commission has assured the present incumbents of the above services/cadres, that their terms and conditions of service will be fully protected and the discontinuation of future recruitment through Central Superior Services (CSS) examination, does not in any way imply that fresh induction to man the jobs in these organizations will not take place. The Commission believes that the Railways Corporation, Postal Services Management Board, Trade Development Authority and Information Ministry should broaden their pool of recruitment and not rely exclusively on generalists recruited through the Federal Public Service Commission. They should bring in other expertise, skills and specialists, that may not be available among those recruited through the CSS examination.

14. The Commission is of the opinion that a transition plan can be worked out separately with the ministries, controlling Groups & Services to be taken out of Central Superior Service (CSS) examination. Direct recruitment by the Federal Public Service Commission annually, should be carried out for the following six cadres services/groups only:

- (i) District Management Group (DMG)
- (ii) Pakistan Foreign Service (PFS)
- (iii) Police Service of Pakistan (PSP)
- (iv) Audit and Accounts Service
- (v) Income Tax Service
- (vi) Custom and Excise Service
- (vii) Information Service of Pakistan
- (viii) Commerce and Trade Group

15. The candidates, who are selected for these regular occupational groups, need to be tested not only for their professional skills, but also for the managerial and administrative skills. The major weakness of the current system of common examination is that it does not take into account the aptitude, the skills and the knowledge required to qualify for a particular occupational group. It is therefore, recommended that the current system of common examination for the various occupational groups should be replaced with the following:

- a. **Initial Screening Test;** an initial screening test of 60-90 minutes should be made mandatory for all cadre and non-cadre positions. It should be an objective type/ multiple choice test, specifically developed to assess the verbal reasoning, logical reasoning, language and vocabulary skills and every day science knowledge of the candidates.
- b. **Common Examinations for all Occupational Groups;**

The common examination should remain limited to the following compulsory subjects:

- (i) Comprehension & Communication Skills
- (ii) English Essay Writing/ Précis Writing
- (iii) Pakistan Studies
- (iv) General Knowledge & Current Affairs

- c. **Separate Examinations for different Occupational Groups;** The candidates opting for different groups should demonstrate some semblance of skills and knowledge/ qualifications that are essential to meet the requirements of each of the occupational groups. It is proposed that a set of mandatory elective subjects must be developed for these six different groups, according to the job requirements e.g. the candidate who is opting for Income Tax, Customs and Excise must qualify papers of Financial Accounting, Financial Management and International Standards of Audit, since they reflect the most essential part of the cadre requirement. For District Management Group subjects such as Economics, Financial Management and Human Resource Management may be made mandatory. Those opting for Foreign Service should have International Relations, Diplomacy, International Trade and Economics as elective subjects. Those opting for Police Service should be asked to appear at Criminal and Penal Laws and Human Resource Management.
- d. **Personality Tests;** The FPSC is already carrying out the Psychological assessments of each candidate, followed by interviews. The FPSC should be provided more high caliber experts in psychological testing and one of the way to fill in-house shortages, is to deploy experts from Universities and other institutions.

Strengthening of the Federal and Provincial Public Service Commissions

16. The Federal and the four Provincial Public Service Commissions have to be strengthened, their capacity particularly at the staff level and the Secretariat work has to be reconfigured and enhanced, the information technology tools available to them need to be upgraded and expanded. The composition and procedure of selecting the Chairman and Members reconsidered.

CONCLUSION

17. It is expected that a merit based recruitment system will not only ensure the intake of the best and most qualified, but would form a Key Component of Human Resource Management.

NATIONAL TRAINING STRATEGY FOR CIVIL SERVICES

SITUATION ANALYSIS

18. Establishment Division is the agency of the Government of Pakistan that is responsible for recruitment to the Central Superior Services (CSS) examination, held annually through the Federal Public Service Commission (FPSC). Establishment Division also organizes common training for the new recruits into these services, through NSPP and manages specifically four services/ occupational groups i.e District Management Group, Police Service of Pakistan, Secretariat and Office Management Group. There is thus a gap in the systematic management of training for the officers outside these cadres and groups, although the CBR and Auditor General of Pakistan have taken initiatives recently, to revitalize training of officers in their cadres.

Present Status of Training Profile :

19. Management training for civil servants takes three main forms

a) **Pre Service Training:**

i) **Common Training Program (CTP) for CSS Probationers:**

The Civil Services Academy Lahore, provides pre-service training to Grade 17 officer appointed as probationers to the Central Superior Services. CSA is now a constituent unit of the National School of Public Policy (NSPP).

ii) **Specialized training Program (STP):**

The CSA also holds a 20 weeks specialized training program for DMG probationers. In addition, there are 10 other specialized training institutions providing training to the probationers selected for other Central Superior Services.

b) **In-Service Training:**

i) **Secretariat Training Institute (STI):**

STI provides both probationary and in-service training to the directly recruited and promoted section officers of the Federal Government. The training of officers and staff of the autonomous bodies under Federal Government has also been included in its purview.

ii) **Pakistan Provincial Services Academy (PPSA):**

PPSA, Peshawar was established to impart pre-service training to the probationary officers of the Provincial Civil Service cadre. Provincial Civil Service officers of all the four provinces of Pakistan viz the Punjab, NWFP, Sindh and Balochistan were

being trained in the academy. Governments of Punjab & Sindh have now made their own arrangements.

iii) **National Management Institutes (NMI) formerly National Institute of Public Administration (NIPA):**

NMI administers two 16 weeks advanced courses annually in Administration and Development, to officers of the Federal and Provincial Governments at middle-management levels up to the level of Deputy Secretary or equivalent (BS 18 &19) belonging to both administrative and non-administrative services. Successful completion of these courses serve as a pre-condition for promotion of the participating officers.

iv) **Pakistan Academy for Rural Development (PARD), Peshawar:**

PARD arranges in-service training on selected topics/issues for Federal and Provincial Government Officers. The academy's training program mainly comprises regular eight week courses for Tehsil, District and Divisional level officers.

v) **National Defense University (NDU):**

NDU provides a few seats to civil service officers of BS- 20 for training which is considered equivalent to training at Pakistan Administrative Staff College (PASC).

vi) **National Management College (NMC) formerly Pakistan Administrative Staff College (PASC):**

NMC is an apex-level in-service institution catering exclusively to the training of senior officers of BS-20 drawn from all the civil services. The training at NDU and NMC is a pre-requisite for promotion to BS-21.

c) **Training Abroad:**

20. Training of "selected personnel" is arranged by the respective Ministries/ Divisions through their own foreign courses or by EAD through technical assistance programs abroad. Under the Public Sector Capacity Building project financed by the World Bank, officers in BS 17-19 are sent under Professional Development Program for obtaining Master's degrees and senior officers in BS-20-21 attend the Kennedy School at Harvard under Executive Development Program.

21. The Federal Public Service Commission recruits 700 or more specialists or technical persons annually, for non-cadre officer positions in BS-17 and above, in different ministries of the Government in contrast to 150 officers in the generalist cadre services and cadres. No systematic effort is made for either post-induction or in-service training of these officers who are controlled by different Divisions and Ministries.

22. The Board of Governors of NSPP has recently decided on the introduction of Common Training Program (CTP) for ex-cadre officers, after their initial recruitment by the FPSC. This is a most welcome decision but has to be followed by in-service professional training at various levels and linked to promotion in the next grade. More than 60% officers of the Federal Government belonging to ex-cadre positions do not undergo any training in their career to upgrade their technical skills. This huge gap has seriously impaired the capacity of the Government in designing and implementing projects and programmes requiring specialist inputs.

23. Similarly, the Provincial Governments have not accorded priority or resources for the continuous training of their officers – both generalists as well as specialists. The demands arising out of the devolution to local tiers of government, have brought to our attention the lack of capacity among the officers at District and Tehsil levels, in planning, managing, operating and delivering public services in a cost effective and efficient manner.

GUIDING PRINCIPLES

24. Training has been accorded inadequate attention in the management and development of human resources deployed in the Civil Services. Historically, post induction training for the civil servants selected for Central Superior Services had been the main focus of attention. More recently, the formation of National School of Public Policy (NSPP) has spurred management training at middle and senior level positions and links have been established between performance at training courses and promotions. Following guiding principles are proposed:

- (a) Strengthen the institutional infrastructure, delivery, incentives and standards of training outside the scope of NSPP;
- (b) Expand in service training opportunities for the majority of officers working outside the cadre services and
- (c) Upgrade the quality of training institutions in the Provincial Governments, particularly for capacity building at the local government level.

NCGR RECOMMENDATIONS

(a) Management of training at the Federal and Provincial Governments

25. In view of the importance, expanding role and growing responsibilities in the field of training, the management of this function at the Federal and Provincial Government levels requires immediate attention.

(b) Training of ex-cadre officers

26. The Engineers, Accountants, Economists, Medical Doctors, Educationists, Agriculture experts, Scientists, Financial Analysts etc. who form the bulk of officers' grades in the Federal and Provincial Governments, should be provided in-service training in their respective professions after certain intervals of time. The successful completion and certification of the prescribed courses should be made a pre-requisite for promotion to the next grade.

There are some existing institutions that can be mandated to design these training courses, while in other cases new institutions such as an Engineering Academy may be set up for the design and delivery of professional in service training.

(c) Training of Provincial Officers

27. The Provincial Governments are setting up the Provincial Management Academies for the training of their newly inducted generalist officers. These academies should be asked to expand their activities to in-service training, on the lines of the Federal Government. As the majority of the officers of these Governments and District Governments are in the field of education, health, police, agriculture, engineering and municipal services, professional training of these officers should also be made mandatory and linked to their promotion.

(d) Incentives, facilities and standards in specialized and professional training institutions

28. To attract best staff members to serve as faculty members in various training institutions, it is necessary to bring the compensation, incentives and facilities admissible to them at par with those offered at the constituent units of NSPP. It is proposed that the decisions taken by the NSPP Board of Governors in respect to its constituent units on salaries, allowances, facilities, additional points etc. should also be made applicable to all training institutions. In return, the standards of instruction, pedagogy, testing and certification in all these institutions should meet the standards prescribed by NSPP. We expect that as the NSPP units have begun to attract officers of high caliber to work as instructional staff, these incentives will be able to add quality staff to other specialized training institutions also.

(e) **Governance structure of training institutions**

29. There is a great deal of variation in the current governance structure of the training institutions, ranging from subordinate offices to autonomous bodies. We recommend that all training institutions should be autonomous bodies with their own boards of directors, chaired either by the Minister or Secretary of the Division or Department concerned, but consisting of eminent persons in their fields. The Board should enjoy the financial, administrative and operational powers to manage the training institutions in an effective manner.

30. These training institutions should also be mandated to develop the capacity for policy research in their respective areas of expertise and thus provide inputs to the Ministries in their policy formulation work. As these institutions would be offering better remuneration than is available in the regular Ministry, they will be able to attract the right kind of skills, which can in turn be used by the Ministries to their advantage. Two options placed before the Steering Committee (SC) may be seen at **Annex-I**.

CONCLUSION

31. It was decided by the Steering Committee to set up a centralized Training Division under the Cabinet Secretariat, in the Federal Government and S&GAD under the Provincial Government that is responsible for:

- Training Needs Assessment (TNA) of all cadre and ex-cadre officers.
- Select and place the participants in various training courses according to TNA and career advancement requirements.
- Monitor, track and maintain, an updated scorecard of training received by each officer.
- Advise training delivery institutions to design and organize training courses, workshops to fill in specific skill gaps.
- Utilize the academic institutions and non-government training institutions, to augment the training resources in the public sector.
- Coordinate all public sector training institutions, for optional utilization of the training infrastructure and resources available.
- Undertake impact assessments of training courses after regular intervals.
- Until such time that a Training Division is formed, the existing Management Services Wing, under the Establishment Division, can be strengthened and upgraded to perform this role and handle additional work assigned to it.

- Establishment Division to look after and detail officers from all Services, as well as ex-cadre officers, for training courses which are mandatory and required for promotion.
- Ministries/ Divisions should develop, design and deliver professional training courses for various levels of ex-cadre officers, under their administrative control.
- All training academies to be linked with NSPP for maintaining standards, quality of instruction, content of curriculum, assessment and testing methods.

32. NCGR recommendations are expected to provide a well coordinated training system, to enhance the capacity of officers and staff in the public sector.

Option-1:

A centralized Training Division under the Cabinet Secretariat in the Federal Government and S&GAD under the Provincial Government that is responsible for:

- * Training Needs Assessment (TNA) of all cadre and ex-cadre officers.
- * Select and place the participants in various training courses according to TNA and career advancement requirements.
- * Monitor track and maintain an updated scorecard of training received by each officer.
- * Advise training delivery institutions to design and organize training courses, workshops to fill in specific skill gaps.
- * Utilize the academic institutions and non-government training institutions to augment the training resources in the public sector.
- * Coordinate all public sector training institutions for optional utilization of the training infrastructure and resources available.
- * Undertake impact assessments of training courses after regular intervals.
- * Until such time a Training Division is formed the existing Management Services Wing under the Establishment Division can be strengthened and upgraded to perform this role and handle additional work assigned to it.

Option-2:

2. A decentralized training system in which each Division in the Federal Government or each Department in the Provincial Government is responsible for the training of officers under its control. In that case a Training Wing will have to be established in each Division or Department to carry out the functions outlined in above para.

3. Option-1 has the advantage that a more uniform, across-the-board and coordinated training system will emerge. The disadvantage is that the management of such a large number of employees may lead to inefficiencies, delay and bureaucratization of training.

4. Option-2 has the advantage that the numbers are more manageable and training can be more differentiated, nuanced and tailored to the needs of the Division or Department concerned. The disadvantage of this option is that there may be overlap, duplication of facilities and courses and less uniform and less rigorous standards in testing and certification.

STRENGTHENING KEY INSTITUTIONS OF GOVERNANCE

Selection Process of Chief Executives in the Public Sector

SITUATION ANALYSIS

32. Outside Judiciary, Parliament and Election Commission, there are about 100 key institutions (**list attached**) that play an important role in the governance structure of the country. A further analysis of these institutions reveals the following picture:

- 04 are constitutional in nature.
- 19 fall within the rubric of regulatory bodies or legal and quasi-judicial bodies and tribunals, set up under various statutes and laws.
- 34 institutions are set up under companies' law or as public sector corporations, for commercial or financial activities.
- 14 are service providers.
- 03 are development authorities.
- 12 are set up as promotion or facilitation bodies.
- 04 are investigation and enforcement agencies.
- 10 deal with data, research and statistics.

33. The appointments of the Chief Executives of these institutions are made by the Federal Government, in most cases by the Chief Executive. The selection of the right person for the right job, would make an enormous difference in the quality, effectiveness and efficiency of these regulatory, commercial institutions and service providers. These organizations should therefore be headed by individuals of highest caliber, in terms of professional competence, leadership and integrity. A fair, transparent and broad-based selection process should therefore be put in place, in order to identify candidates that offer a good fit with the needs of the organization.

GUIDING PRINCIPLES

34. To identifying a broad pool of eligible candidates, pick only those who are most suitably qualified, provide them the operational autonomy, pay them competitive remuneration packages and hold them accountable for results. The piecemeal and ad-hoc manner in which candidates are identified, selected and compensated for these jobs, has outlived its utility and needs to be replaced by a more structured, systematic and transparent process outlined in the following paragraphs.

NCGR RECOMMENDATIONS

35. A broad pool of eligible candidates should be identified out of which only those who are most suitably qualified, should be picked. Those selected for the jobs should be provided with operational autonomy, competitive remuneration packages and then be held accountable for results.

36. As Search Committee (S.C) should be constituted for the recruitment of the Chief Executive Officers (CEOs) in 95 institutions listed in the annex. The S.C will be a purely recommending body for proposing a short list of suitable candidates. The composition of the Committee would vary with the nature of the organization and the job.

37. The Chairman of the Search Committee (S.C) will be the Federal Minister, who will also be Incharge administrative, jurisdiction of the autonomous body. The members of the SC will consist of:

1. Secretary Establishment
2. Secretary of the Division under which the institution falls
3. Principal Secretary to the Prime Minister
4. A specialist from academia, private sector inside or outside Pakistan in the field of activity of the institution.
5. The non-executive Chairman of the Board of Directors or a senior member of the Board of Directors of the Institution in cases where such Boards exist.

38. The Committee would be autonomous and assisted by a high profile headhunting firm from the private sector in identifying and attracting the right pool of candidates.

39. The Establishment Division will carry out the Secretariat functions including preparation of the record of all the candidates eligible for interview, presenting the candidates to the Search Committee, recording and circulating the minutes of the Committee, preparing the short list approved by the Search Committee and sending a summary to the Prime Minister for his decision.

40. The Establishment Division would ask each requisitioning ministry to prepare the job description, the eligibility criteria and the skills and competencies required for the job.

The Establishment Division will:

- (a) circulate the information among the officers working in the Government to seek out those who fit the eligibility criteria and possess the required skills and competencies.
- (b) advertise the jobs widely through the print media in Pakistan and if need be outside Pakistan and also through on-line recruitment agencies.
- (c) post the information on websites of the Government, Establishment Division, Ministry of Information, concerned Ministry and the organization.
- (d) invite a pre-screened firm of headhunters from the approved panel, to screen, identify, persuade and recommend suitable candidates to apply.

In case an officer working in the Government is selected for the job of Chief Executive and he/ she decides to opt for the associated compensation package he/ she would have to seek premature retirement or resign from the Government.

41. The Establishment Division will submit the long list of eligible candidates to the Search Committee for initial review. The Search Committee will also decide the evaluation parameters for the job.

42. Once the Search Committee has completed this initial review process, the Establishment Division will arrange the structured interview for the candidates. The Chairman of Search Committee will forward a short list of 3 to 5 candidates to the competent appointing authority.

43. The competent authority can select any one of the candidates on the short list prepared by the Special Selection Board. The Competent authority will have the discretion either to appoint some one else considered suitable and if not satisfied with the recommended short list, ask the Search Committee to submit a fresh panel. The Chief Executive thus selected will be appointed on contract for a fixed tenure ranging between three to five years and will be eligible for renewal if his or her performance is found satisfactory.

CONCLUSION

44. The above recommendations were approved by the Steering Committee with the following amendments.

The Search Committee shall have the following composition:-

- 1 x Minister/ Secretary of the concerned Ministry
- 1 x Secretary Establishment Division
- 2 x Specialists in the relevant field
- 1 x prominent member from the civil society

45. The proposed process for selection will help in identifying the most suitable and qualified person to be appointed through a transparent and merit based selection procedure.

LIST OF KEY INSTITUTIONS**CONSTITUTIONAL BODIES**

1.	Auditor General of Pakistan (AGP)
2.	Federal Ombudsman
3.	Federal Public Service Commission (FPSC)
4. ✓	State Bank of Pakistan (SBP)

REGULATORY BODIES

1.	Federal Board of Revenue (FBR)
2. ✓	Civil Aviation Authority (CAA)
3.	Drug Control Authority
4. ✓	Higher Education Commission (HEC)
5.	Indus River System Authority (IRSA)
6.	Monopoly Control Authority (MCA)
7.	National Electric Power Regulatory Authority (NEPRA)
8.	National Tariff Commission (NTC)
9.	Oil and Gas Regulatory Authority (OGRA)
10.	Pakistan Electronic Media Regulatory Authority (PEMRA)
11.	Pakistan Environmental Protection Agency (PEPA)
12.	Intellectual Property Organization (IPO)
13.	Pakistan Telecommunication Authority (PTA)
14. ✓	Securities and Exchange Commission of Pakistan (SECP)
15. ✓	National Vocational & Technical Education Commission (NAVTEC)

LEGAL AND QUASI-JUDICIAL BODIES/ TRIBUNALS

1.	Banking Mohtasib
2.	Federal Services Tribunal (FST)
3.	Federal Tax Ombudsman (FTO)
4.	National Industrial Relations Commission(NIRC)

COMMERCIAL/ SEMI COMMERCIAL BUSINESSES

1. *	Heavy Electrical Complex (HEC)
2. *	Heavy Mechanical Complex (HMC)
3.	Karachi Shipyard and Engineering Works(KSEW)
4.	National Fertilizer Corporation (NFC)
5. ✓	Oil and Gas Development Company (OGDC)
6. ✓	Pak-Arab Refinery Company (PARCO)
7.	Pakistan Agriculture Supply Corporation (PASSCO)
8.	Pakistan Broadcasting Corporation (PBC)
9. ✓*	Pakistan International Airlines (PIA)
10.	Pakistan Mineral Development Corporation (PMDC)
11. ✓	Pakistan National Shipping Corporation (PNSC)
12. ✓*	Pakistan Petroleum Limited (PPL)
13.	Pakistan Post Office (PPO)
14. ✓*	Pakistan State Oil (PSO)

15.✓*	Pakistan Steel Mills Corporation
16.✓	Pakistan Television Corporation (PTV)
17.	Printing Corporation of Pakistan (PCP)
18.✓	Pakistan Security Printing Corporation (PSPC)
19. *	State Engineering Corporation (SEC)
20.✓*	Sui Northern Gas Pipelines Ltd. (SNGPL)
21.✓*	Sui Southern Gas Corporation (SSGC)
22.	Trading Corporation of Pakistan (TCP)
23.	Utility Stores Corporation (USC)
24.	Government Holdings (Pvt.) Ltd.
25.	Pakistan Automobile Corporation.

SERVICE PROVIDERS

1.✓	Federal Board of Revenue (FBR)
2.	Employees Old Age Benefit Institution (EOBI)
3.✓	Gawadar Port Authority (GPA)
4.	Jinnah Post Graduate Medical College (JPMC)
5.✓	Karachi Port Trust (KPT)
6.	National Database and Registration Authority (NADRA)
7.	Pakistan Baitul Mal
8.	National Engineering Services of Pakistan (NESPAK)
9.	Pakistan Institute of Medical Sciences (PIMS)
10.✓	Pakistan Railways
11.✓	Port Qasim Authority (PQA)
12.✓	Sheikh Zayed Medical Institute
13.	Water & Power Development Authority (WAPDA)

PROMOTION BODIES

1.✓	Board of Investment (BOI)
2.✓	Engineering Development Board (EDB)
3.✓	National Commission for Human Development (NCHD)
4.	Overseas Employment Corporation (OEC)
5.✓	Pakistan Industrial Development Corporation (PIDC)
6.	Pakistan Software Export Board (PSEB)
7.	Alternate Energy Development Board (AEDB)
8.	Pakistan Tourism Development Corporation (PTDC)
9.✓	Private Power and Infrastructure Board (PIIB)
10.✓	Small & Medium Enterprises Development Authority (SMEDA)
11.✓	Trade Development Authority (TDA)

FINANCIAL INSTITUTIONS

1.✓	First Women Bank Ltd. (FWBL)
2.✓	House Building Finance Corporation (HBFC)
3.✓*	Industrial Development Bank of Pakistan (IDBP)
4.✓	National Bank of Pakistan (NBP)
5.	National Insurance Corporation (NIC)
6. *	National Investment Trust (NIT)
7.	Central Directorate of National Savings (CDNS)

✓

8.	Pakistan Reinsurance Company Ltd.(PRCL)
9. ✓	SME Bank Ltd.
10. ✓	State Life Insurance Corporation (SLIC)
11. ✓*	Zarai Taraqiati Bank Limited (ZTBL)

DATA, RESEARCH AND STATISTICS

1.	Federal Statistical Authority
2.	COMSATS
3.	National Database and Registration Authority (NADRA)
4.	National Institute of Health (NIH)
5.	National Institute of Population Studies (NIPS)
6.	Pakistan Agriculture Research Council (PARC)
7.	Pakistan Atomic Energy Commission (PAEC)
8.	Pakistan Council of Scientific Industrial Research (PCSIR)
9. ✓	Pakistan Institute of Development Economics (PIDE)

INVESTIGATION AND ENFORCEMENT

1.	Anti Narcotics Force (ANF)
2.	Immigration and Passport Agency
3.	National Accountability Bureau (NAB)

DEVELOPMENT AUTHORITIES

1.	Capital Development Authority (CDA)
2. ✓	National Highway Authority (NHA)
3.	National Telecommunication Corporation (NTC)
4.	Export Processing Zone Authority (EPZA)

OTHERS

1.	Federal Land Commission (FLC)
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- ✓ **Boards**
- * **to be privatized**

PERFORMANCE APPRAISAL

INTRODUCTION

46. As Pakistan moves into the 21st Century there is a need to ensure that its civil service is adequately equipped to meet the challenges of the modern world alongside national expectations concerning its ability to develop into an effective and coherent administration.

47. The National Commission for Government Reform proposals include a vision for performance appraisal that aims to eradicate the weaknesses in the current approach, whilst empowering public sector employees to become more proactive in the way in which they contribute to and deliver their work objectives.

SITUATION ANALYSIS

48. Historically much of Pakistan's civil service and its infrastructure stems from the days of British rule, with intermittent attempts at reform over the past six decades, with varying results. However, it has been difficult to extract real examples of significant progress in the field of performance appraisal, where the norm has been an absence of clear, consistent monitoring and evaluation of performance.

49. Under the current system, shortcomings in the way in which civil servants deliver their objectives and job roles are clearly apparent. This has been attributed to a lack of adequate training, absence of knowledge about the specific post and about how this fits in with the 'big picture' and ultimately a sense of apathy towards the job and associated responsibilities. This lack of motivation is a further cause for concern, as it is drawn from the belief that opportunities for recognition of high caliber work and career progression are seriously limited and not part of an overarching approach within the current performance management system. Predictably this has had a subsequent impact on:

- Quality;
- Timing for delivery;
- Inability to meet work objectives; and
- Lack of skills.

50. Inevitably this highlights clear gaps throughout the current performance appraisal process and is further compounded by a lack of consistency across departments in their appraisal systems. This shows that there is difficulty in highlighting what constitutes good delivery of objectives, over those that are mediocre or worse. The absence of clear criteria under the current system and a staff culture characterised by below standard awareness or concern for the wider strategic aims of government and its public administrations, will inevitably have negative repercussions on the way in which Pakistan's civil service develops further.

51. If allowed to continue along its current path, this will inevitably lead to a further lowering of standards, resulting in a badly equipped workforce which lacks the confidence, motivation and skills to meet the demands of modern government, and compete in the international arena. Indeed, one would only need to look at developing countries such as those in the ASEAN block as well as states such as China, and the way in which they are working to ensure their public administrations evolve effectively to deal with the challenges of a global economy.

GUIDING PRINCIPLES

52. The vision for Pakistan's civil service through the effective performance management of its public servants, will underpin and shape the way in which the organization develops; through enhanced performance by both individuals and the overarching system. This will bring Pakistan's civil service on a closer par with its international counterparts. The guiding principle is to put in place and implement a strengthened performance management process that acts as a development tool for the human resources, discerns clearly good performer from indifferent and poor once and sets out parameters and metrics that are transparent, objective and unbiased. Subsequently it is the capability, motivation and skills of the workforce, which will form one of the main drivers for achieving the long term goals of this reform package.

53. In order to mitigate the risks to delivery that are apparent in the current appraisal system, the new approach to performance management will allow for a more coherent performance management system, bringing this in line with international standards and norms.

NCGR RECOMMENDATIONS

54. i. A move towards an open and transparent appraisal system, ensuring that post holder and reporting officer are clear about both objectives, and the way in which they link up with the overarching business plan. This will ensure that there is clarity from the outset regarding objectives and that these are realistic, achievable and also challenging. Both parties would discuss these goals and agree to these before they are noted in the appraisal process. The mid-year review would be used to ensure that objectives remain up to date and relevant to the business plan, and that good progress is made on these. The end of year performance report would then be an accurate and realistic assessment of the individual's performance.
- ii. Greater ability to effectively manage poor performance. The need to identify those officers who regularly achieve and surpass objectives over those who do not, is crucial in shaping how an organization develops. The lack of consistency in separating good officers from those that may lack the skills to deliver an improved service, should involve corrective action to tackle this issue.
- iii. Need to address issues surrounding under performance, where reporting officers can set out clearly with the officer, where the areas of under performance lie, address the underlying problem and set out more realistic goals if necessary. If left unchecked, both poor and under performance would result in an environment where capable employees are stretched beyond capacity to meet deadlines and cover work that other areas of the business have failed to deliver. In addition, factors such as the lack of recognition of significant achievements and successes will also mean that the civil service is unable to harness the strengths of high calibre individuals, who have a strong potential for future leadership within the organization.
- iv. Highlight any skills gaps and how best to address these. Effective performance management will always seek to address the training needs of the workforce; enhancing and developing core skills so that individuals and the organization are fully equipped to deliver objectives and strategic aims. Subsequently the remit would also include a focus on the continued development of both individuals and teams.
- v. Promote consistency in the appraisal process, so that personnel across departments are monitored using the same criteria. Consistency will also work to remedy any motivational issues, so that the workforce is confident in the knowledge that all have been monitored and evaluated in the same manner and subsequent opportunities for career progression will be routed through a clear and fair process. This would also enable the workforce to take an active interest in developing transferable skills, that would further aid those with an interest in career progression.
- vi. Monitor and evaluate all staff, across the grade structure to distinguish between those who do their jobs well, those who lack skills to do the job as effectively as they would wish and those who deliberately under perform.
- vii. Informed decision making to ensure that the relevant courses and training are made available to individuals and teams, while ensuring that value for money is also factored into the business case for training.

CONCLUSION

55. Effective performance management provides a clear and transparent system by which the post holder and reporting officer are provided with the necessary tools to effectively deliver, both their individual objectives, alongside the broader, strategic aims of government and its institutions. As a result Pakistan's civil service should evolve towards a more streamlined structure, characterized by well-trained officers with strong transferable skills, who can effectively multi-task and regularly deliver objectives to set standards.

56. Accepting the full performance management package will ensure a coherent approach to both individual and institutional development in the field of performance management, which will ultimately underpin the work towards modernizing Pakistan's civil service. Once this proposal has been ratified, milestones will be put in place to support a phased roll-out of the system. It is envisaged that the process will be monitored quarterly to ensure that checks are in place throughout the implementation stage, rectifying any problems that may arise.

57. The criteria set out in the performance management model will all require good interpersonal skills, the ability to both praise work done well, as well as being constructive when addressing problems surrounding poor or under performance. There should also be clear leadership in motivating and managing staff expectations, whilst empowering staff to feed into the management chain.

58. Ultimately it should be recognized that this change in approach to performance management techniques, should not be viewed in isolation but form part of the complete NCGR package. These reforms are working to promote much needed cultural change in an organization that must move forward, if it is to deliver the services expected of it by state a society.

PROMOTION POLICY & CAREER PROGRESSION

INTRODUCTION

59. The legal framework for promotion and its procedure, has been provided in the Civil Servants Act 1973 and the Civil Servants (Appointment, Promotion and Transfer) Rules framed there under, and this explains not only the entitlement, but also the basis of promotion of Civil Servants. The Law categorizes promotion as:

- i) Promotion on the basis of seniority cum-fitness.
- ii) Promotion on the basis of selection on merit.

60. The present Promotion Policy, formulated under the above law/ rules is found lacking in the manner and details of the process and purpose to be pursued by Departmental Promotion Committee (DPC)/ Central Selection Board (CSB), hence National Commission for Government Reforms (NCGR) considers it appropriate to articulate a comprehensive Promotion Policy, which would ensure complete fairness and transparency in this important exercise.

61. In order to rationalize the criteria for promotion and to define processes to be followed, to ensure merit, fairness and transparency, in public sector promotions and to do away with ambiguity, the present Promotion Policy requires re-articulation.

SITUATION ANALYSIS

62. The present Promotion Policy lacks an objective criteria, thus making it difficult to implement it in a transparent and uniform manner. This has led to certain Civil Servants filing writ petitions, challenging their supersession on grounds not clearly specified in the policy, creating legal difficulties and challenges for the government. The implementation of the present Promotion Policy, with disproportionate and unspecified weightage assigned to intelligence reports, which finds no mention in the policy is the main reason for a large number of representations/ litigations against recommendations of the Central Selection Board and approval of the competent authority. The main issues arising out of promotion policy are as follow:-

(i) **Intelligence Reports**

63. There is no mention of intelligence reports as one of the criterion, for consideration of an officer for promotion in the Promotion Policy. In practice, a lot of importance is being assigned to these reports in taking a decision regarding promotion or otherwise of an officer. This practice is against the basic principles of fair play and justice, as the officer concerned is neither aware of the allegations against him nor is provided an opportunity to respond to the allegations contained in the Intelligence Report. This leads to numerous problems for the Government, as officers superseded on the basis of a negative intelligence report contest, that an adverse decision about them has been taken, without any known reason, which was not in their knowledge and was also not communicated to them.

(ii) **Training Assessment**

64. The present Promotion Policy provides, that for promotion to posts in BS scales 20 & 21, a civil servant must successfully complete a training course at NIPA and Pakistan Administrative Staff College or NDU respectively. It has also been decided that promotions to BS-19 will also be linked with a mandatory training course.

65. There are no exemptions from training on account of having served in a training institution or age. Presently training reports are not quantified and successful completion is the only requirement. This some times leads to use of training reports by the Board in an arbitrary manner, to the disadvantage of an officer. These training reports are not given importance and no weightage is given to them in the overall quantified PERs score.

(iii) **Importance of Relevant Experience**

66. Conspicuous by its absence in the policy, is any mention of the guidelines governing an individual career profile for promotion to the next grade. There have been number of instances in the past, when officers have been superseded for not possessing meaningful or diversified experience required for higher responsibilities. This appears to be an unjust criterion, when efforts are not made by the Establishment Division and Services Departments in the provinces, to do anything in this regard, and it is just not within an officer's powers to be able to plan and manage one's career profile.

67. Though merit is recognized as the basis of promotion to higher posts, the existing policy does not clearly explain the factors and considerations governing

selection on merit, other than laying down eligibility criteria, not sufficient to assure selection on merit.

(iv) **Undue weight to Performance Evaluation Report (PER)**

68. The large weight attached to the required threshold for PER for promotion purposes, has resulted in a scramble by the reportees, to force their assessing officers to award them the qualifying marks, to meet the required threshold. The PER system itself is highly subjective, contains irrelevant and unmeasurable attributes and is a stick used by some of the immediate superiors, to force obedience and obsequiousness among their subordinates. A flawed PER system and the undue weight assigned to the PER have rendered the promotion policy an ineffective tool for career development.

PROCEDURE FOR SELECTION

(a) **For Selection Posts**

69. Posts in BS-19 and higher are selection posts. Promotion to posts in BS-19 to 21 is processed through the prescribed Selection Boards, on the criteria of excellence and comparative merit. Promotion to posts in BS-22 is made on merit by the Prime Minister.

(b) **For Non-Selection Posts**

70. Posts in BS-17 to 18 are non-selection posts. Promotion to these posts shall be processed through Departmental Promotion Committees, on the criteria of seniority-cum-fitness. Integrity and performance in the existing grade shall be a crucial factor in determining a civil servant's fitness for promotion.

71. The present Policy ensures that an officer to be considered eligible is required to meet the following specified criteria:-

- i) Minimum length of active service for promotion to higher grades.
- ii) A clear disciplinary record.
- iii) Required Performance Evaluation Report (PER) threshold.
- iv) Successful completion of training course.

72. The criteria of excellence and principle of comparative merit is determined through the collective wisdom of the members of the Central Selection Board.

NCGR RECOMMENDATIONS

73. To rationalize the yardsticks for promotion and articulate specific processes to be pursued, to ensure strict observance of merit and transparency, the following recommendations are made to remove ambiguity and weaknesses from the existing policy, to bring clarity, uniformity and consistency in the implementation of the promotion policy. This would in the ultimate analysis, reduce litigation against the government and could lead to a more fair and just system of career advancement in the public sector.

74. These are as follows:-

- a) An objective quantifiable Performance Management System (PMS) should be introduced in place of the existing system.
- b) The officers are to be considered in order of seniority, but seniority shall not carry any extra weightage for the purpose of determination of merit and potential for promotion.
- c) Past performance as reflected through PERs quantification and synopsis should give weightage to performance only in the last two grades and to a few recent assignments. Training reports should be focusing particularly on management/ skills of the officer and qualities required for decision-making positions with leadership potential and personality's strengths and weaknesses. The training report needs to be quantified and grading should be added to the overall PER score, to give it due weightage in an officer's professional profile.
- d) Career planning for officers belonging to various Services/ Groups is to be effectively managed by the Establishment Division and by administrative heads of other Services/ Groups. All Services/ Groups should have clearly defined career paths, so that career planning for each officer is not an uphill exercise. Commitment will be required from all concerned in the achievement of this very important objective by making no exceptions in the enforcement of the policy. An officer needs to be facilitated in gaining meaningful and diverse experience, which can develop his or her capacity for future assignments. Lack of variety of experience cannot be used as a reason for not promoting an officer, unless it is shown that the officer himself turned down rotational opportunities offered to him. In fact career paths need to be focally kept in view while officers are posted on different positions. The terms like well-rounded experience, hard and difficult assignments require clarity in Estacode, to help in assessment of an officer's career.

75. In order to implement these recommendations the following is proposed.

Specific Criteria for Promotion/ Deferment/ Supersession

76. An efficiency index on the basis of following weightage is proposed for consideration of officers for promotion:-

S.No.	Factor	Marks	Remarks
1.	Quantification of PERs relating to last 2 grades or last 15 years of active service.	70%	-
2.	Training Evaluation Reports.	15%	Training reports to be evaluated on the basis of government decision on equivalence formula. While considering promotion to BS-21 15% would be divided between training in BS 19 & 20 at 40/60 basis.
3.	Evaluation by CSB	15%	The Board shall award these marks on the basis of an officer's overall profile.

77. The criterion of threshold be followed. The minimum threshold of marks for promotion to various scales shall be as per following table:-

78.

Basic Pay Scale	Existing Quantification of PERs	Proposed aggregate marks of Efficiency Index
BS-18	50	50
BS-19	60	60
BS-20	70	70
BS-21	75	75

79. The Selection Board/ DPC shall recommend the officers on the panel securing requisite percentage and above in the efficiency index for promotion, unless deferred (in order of seniority, depending upon the number of vacancies). No officer, meeting the aggregate threshold, shall be superseded.

80. In view of the proposed efficiency index being part of the promotion policy, it is considered appropriate to do away with the reliance on intelligence reports, as these are most of the time, in conflict with the performance reports of the officers, which have a part on integrity and honesty also.

PROMOTION TO BS-22

81. A High Powered Board be constituted under the Prime Minister, with the following composition:

- | | | |
|----|-------------------------------|-------------------|
| 1) | Secretary Cabinet | Member |
| 2) | Principal Secretary to the PM | Member |
| 3) | Secretary Establishment | Member/ Secretary |

82. The Board to meet twice in a year. The vacancies would be indicated by the Establishment Division, a panel of three officers would be placed against each vacancy, as per the following parameters:

- ☐ The officer should have served in BS-21 for at least 2 years.
- ☐ Must have very good record in the current scale.
- ☐ Should possess variety of experience and enjoy good reputation.
- ☐ Leadership qualities and potential for holding top level positions.

83. The recommendations of the Board would stand approved, as the Board is headed by the Prime Minister.

CONCLUSION

84. The Central Selection Board should be able to gauge demonstrated performance as reflected through PERs, improvement in academic qualification, experience and training assessments. PERs quantification shall not be the sole determinant for selection. The Board should be able to judge an officer's capacity, competitiveness, leadership qualities and potential to shoulder higher responsibilities, as reflected through career pattern and performance in difficult and challenging assignments. Objective determination on scientific lines needs to be stressed in PERs, to truly gauge an officer's competence, so that these reports prove reliable and credible in determining an officer's suitability for promotion.

85. While PERs form a reliable part of personal qualities of an officer, including competence, capacity, reputation, integrity and financial propriety, the CSB further relies extensively on personal knowledge if possible and reports of Intelligence Agencies. Since public servants are not only public functionaries, but also upholders of state interests, it is crucial to have correct and authentic information about their

strengths and weaknesses. It is essential that these reports should be prepared by an officer not below the level of Assistant Director or Deputy Director, supervised by a senior officer and should be on an approved format, so that random comments in the report can be avoided which, can in any way influence the recommendation of the Board about an officer.

86. Civil servants who are in specialist cadres such as doctors, teachers, professors, research scientists and incumbents of purely technical posts, should also be governed by the above criteria, for the purpose of promotions to posts involving administrative responsibilities. In case of posts involving purely professional and technical duties, a separate criteria for promotion for these posts will have to be followed, with the condition of prescribed professional competence as an essential part of the promotion from one grade to the next.

POSTINGS POLICY

87. A proper and effective posting policy and its implementation in letter and spirit is essential, not only to attain optimal utilization of available human resource, but also for grooming our lot of Civil Servants, by providing them with proper exposure and experience for future responsibilities.

SITUATION ANALYSIS

88. Following problems are evident when we observe the way Civil Servants are posted in our System:

- There appears to be no proper Career Planning by the Establishment Division or other concerned departments responsible for postings/transfers, creating unpredictability, lack of transparency and high level of anxiety among the officers.
- Well connected officers are able to have themselves posted to choice postings and continue to do so throughout their careers, whereas the rest have to waste time and energy, searching for appropriate postings, as they do not happen in routine.
- At the time of promotion, an officer is put at a disadvantage for not having fulfilled the criteria required to cross the barrier. For example, at one time the Selection Board places premium upon job enrichment i.e. specialization in a particular business area of the government, while at another time the emphasis is shifted to job rotation i.e. variety of the job performed across business areas, the officers suffer for no fault of theirs.
- Officers belonging to All Pakistan Services are reluctant to serve outside their own provinces, specially in remote and under develop areas, as there are no explicit career enhancement incentives attached with such rotation.
- Due to non-implementation of the provisions for security of tenure, officers have become risk averse, complacent and unprofessional.

89. The present erratic and unprofessional practices in postings of the officers, have spawned creeping politicization of the cadre and non-cadre employees, as they vie with each other for plum or prized postings. Those who are unlucky in getting the postings of their choice or who do not align themselves with the political regime in power and therefore do not enjoy the patronage become resentful, demoralized and apathetic. The end result is a highly demotivated workforce that operates sub-optimally, much below its given capacity.

GUIDING PRINCIPLES

90. It is not possible to have a uniform posting policy for the entire public sector, but certain broad guidelines need to be laid down:

- i) Transparent and merit-based postings at all levels and grades of civil services.
- ii) Equality of opportunity for career progression and appointment to senior managerial positions should be provided without any reservations or discrimination, to all members of the Civil Services, whether they belong to services, cadres, occupational groups or ex-cadre positions.
- iii) Security of tenure of office, for a specified period of time should be strictly observed and Civil Servants given legal protection against arbitrary acts, that do not conform to due process of law.
- iv) Provisions already present in the ESTACODE relating to deputations and postings of officers be implemented in letter and spirit.
- v) Each service/ group has its own peculiar requirement, depending on whether they deal with policy making, service delivery or regulatory functions. The Personnel Management Units dealing with each cadre, services or groups have to design, develop, disseminate and enforce the posting policy for officers under their administrative control.
- vi) An officer belonging to an All Pakistan Service would ideally require the following kinds of exposure:
 - Citizen-State interface at the sub-division and district level, preferably in two or more provinces.
 - Policy formulation and implementation/ regulatory functions at the Federal, as well as Provincial Secretariat levels, with emphasis on experience of working in regulatory Divisions/ Departments, such as Establishment/ Finance, as well as Social Sector Divisions/ Departments, such as Health/ Education.
 - An instructional post at a well reputed Training Institution.
- vii) The officers belonging to other services/ groups, who may opt to work in their own departments, should be given opportunities to man a variety of posts in the field, as well as the headquarters to equip them for shouldering higher levels of responsibility in their respective cadres or service groups. Instructional posts should also be part of the posting policy for high flyers in their cadres.
- viii. In case of officers belonging to All Pakistan Services, serving in a Province other than their home province, be made mandatory and strict implementation be ensured. In this regard “Policy regarding initial & subsequent postings/ transfers of officers appointed to DMG and P.S.P,” issued by Establishment Division’s letter No.5/9/86-E-5 dated 10.04.1988, which made it mandatory for officers to serve in a province, other than the province of their domicile, in the initial three years of service, was more appropriate as compared to the subsequent policy of “Inter-Provincial Posting/ Transfer Policy for DMG/PSP Officers,” issued vide Establishment Division letter No.1/11/93-Rev, dated 10.01.1998 for the following reasons:

- A probationary officer fresh out of the Academy is much more adaptable and likely to settle down easily in a new environment (outside one's own province).
- The officers are still not that well entrenched in the service, to be able to manipulate transfer to their own province.
- The initial years of service leave an indelible impact/ impression, on the officer's mind. This could prove invaluable for the unity of the Federation, as officers would have developed an understanding and sympathy for problems/ issues faced by a province other than their own.
- It is also beneficial for provinces with lesser representation in the Civil Service, to benefit from the services of bright/ young/ energetic officers from other provinces.
- At the initial stage of service, the officers are at a stage in their family lives, (either single, newly married or with very young kids) where posting in a remote/ under develop area does not pose a big problem.

NCGR RECOMMENDATIONS

91. Based on the preceding discussion following is recommended:

- Guidelines for Career Planning are required to be designed, developed, disseminated and enforced for different services, while job descriptions are to be designed for non-cadre positions.
- The Career Planning Wing in the Establishment Division and its counterparts in the provinces and other departments be strengthened and provided some measure of insulation from external pressures. This would require strong political will at the highest level.
- A broad profile be drawn up for each service/ group, listing the kind of postings relevant for the career of an officer.
- C.P. Wing to have an upto date data base of officers working against various posts and their period on a particular post.
- C.P. Wing to undertake proper Career Planning of officers in consultation with the provinces.
- For horizontal movement of the officers within the cadre and service groups, Internal Job Vacancy system be introduced on similar lines as adopted by the Federal Board of Revenue, for other Federal Cadres and Service groups.
- Provisions already contained in the ESTACODE be enforced in letter and spirit, without any exceptions and without succumbing to pressures.
- A conscious effort be made to post upright, hardworking and dedicated officers to the Establishment Division, with a balance between various services/ groups.

- In case of officers belonging to All Pakistan Services, posting in a province outside province of domicile, for at least three years be made mandatory and the policy introduced in 1988 be revived.
- Adequate facilities, specially accommodation, be ensured to officers being posted to far flung or under develop areas, or places like Islamabad where rental ceilings are forbiddingly high. This might involve a review of the basic pay scale structure.
- Postings at very senior levels, (BS-21/22) should be done by properly examining each individual case, in order to ensure that the right officer is placed at the right job. For this purpose, a committee of senior most secretaries may be formed as a recommendatory body.
- Officers exerting political influence regarding their postings or trying to avoid certain postings be penalized at the time of promotion.

PLACEMENT POLICY

92. A carefully thought out placement policy and its implementation is essential for optimal utilization of the available human resource in the public sector, strengthening of government organizations and improvement in governance.

SITUATION ANALYSIS

93. The Government of Pakistan spends a substantial amount on capacity building/ skill enhancement of its officers, which includes training at the domestic and international levels. However it appears that the desired impact of these capacity building programmes is not very visible.

94. The two principle impediments seem to be:

- i) Lack of proper Training Needs Assessment T.N.A.
- ii) Lack of proper placement of officers on their return from training.

95. The Government of Pakistan launched the Professional Development Programme in 2004, with the assistance of World Bank funded Public Sector Capacity Building Project (PSCBP). In a period of 3 years, 327 scholarships were awarded to midcareer officers of BS-17 to BS-19 for study in specified disciplines, at top ranking universities of the world. The CSRU conducted a tracer study of 178 officers, who completed training in the years 2004-05 and 2005-06. An analysis of the tracer study provides the following information:

- i) Out of a total of 178 officers who completed training under DP, 63 are on assignments which are not relevant to their training.
- ii). Most officers seem to have opted for a particular programme, with an aim to enhance their professional prospects for jobs outside the public sector.
- iii). The tracer study mentions that a proper T.N.A was not carried out.
- iv). A capacity building programme without a proper Training Needs Assessment component is an exercise which cannot deliver the desired results.

96. The CSRU prepared a placement policy for better utilization of the PDP scholars. The policy got formal approval of the Prime Minister of Pakistan on 25th August, 2005 and was circulated to all Federal & Provincial Departments.

97. The 1st Steering Committee meeting of the National Commission on Government Reforms (NCGR), directed implementation of the existing placement policy.

98. Besides proper implementation, one aspect which does not seem to have been given the desired importance is conducting proper T.N.A. which creates problems in the subsequent placement of officers.

GUIDING PRINCIPLES

99. The guiding principles laid down for Posting Policy as mentioned in the preceding paragraphs are also broadly applicable in case of Placement Policy.

NCGR RECOMMENDATIONS

100. On the basis of the above discussion following measures are recommended:

- i) Establishment Division be directed to conduct a comprehensive study of the T.N.A of All Ministries/ Divisions.
- ii) Officers be selected for training within the country and abroad on the basis of this T.N.A.
- iii) Only the officers who demonstrate excellence in their performance on the job and at the training courses in the country, should be selected for foreign training courses.
- iv) On return from their training, the officers be placed at positions where their newly acquired skills may be put to best possible use.
- v) For this purpose, the Placement Policy already approved by the Prime Minister of Pakistan on 25th August, 2005 be implemented in letter and spirit.
- vi) The Establishment Division should monitor the implementation and take appropriate action in case of violation of the policy.

CONCLUSION

101. A carefully planned and effectively implemented posting and placement policy would go a long way in strengthening the Civil Service and improving its efficiency. However any policy is only as good as its implementation. Most important factor being the political will to have a neutral, fair and transparent posting and placement policy.

PROPOSALS FOR RATIONALIZING COMPENSATION AND BENEFITS

SITUATION ANALYSIS

102. Pakistan's public sector has a sanctioned staff of over 3.4 million persons. Civilian Work Force excluding Armed Forces, consists of 2.8 million which is divided as follows:-

	<u>000</u>
Autonomous Bodies	390
Federal Government	376
Civilians paid out of Defence	162
Punjab Government	902
Sindh Government	478
NWFP Government	300
Balochistan	<u>166</u>
	<u>2774</u>

103. The employees of the autonomous bodies are in the service of Pakistan, but are not civil servants. The actual total size of the Federal and the Provincial Civil Servants in 2005, excluding the employees of the autonomous bodies, is approximately 2.4 million (**Annex-I**). A further division among the Federal, Provincial and District levels reveals the following picture:

	<u>000</u>	<u>Share</u>
Federal Government	538	22.5%
Provincial Governments	607	25.5%
District Governments	1239	52.0%
Total :	2384	100%

104. In 1972, one Federal civil servant was serving a population of 751. If this benchmark is accepted, then the present size of the Federal civil servants should have been 213,050 as against the actual number of 376,000 civil servants serving the Federal Government on January 1, 2008. On this basis it can be argued, that there are about 147,000 employees in excess of the benchmark prevailing almost three decades ago. The current ratio is one civil servant serving 425 population. In India with a population of 1.1 billion people the total number of civil servants serving the centre and the states is currently 10 million or one civil servant for 110 persons in the population. As a contrast, Pakistan with a population of 160 million, has 2.4 million civil servants at the Federal and the provincial level or one civil servant for 67 persons in the population.

105. Civil servants account for 8.6 percent of the country's total non agriculture employment and 4.8 percent of the country's total labour force, while the entire public

sector including the armed forces have a share of 2.4 percent in the population, 6.8 percent in the total labour force and 12.1 percent in total non-agriculture employment.

106. It may be seen that public sector is no longer the major employer in the country, but has expanded employment despite retrenchment of many activities in wake of privatization of state owned enterprises, liberalization and deregulation. Another way is to examine the claims the public sector places on the country's resources. Public sector wage bill as a percentage of GDP is about 3.7 percent, but this is more a reflection of the low salaries paid to the Government officers. However, given the precarious fiscal position of the Government, due to large subsidies paid for petroleum, power, wheat, railways and aviation services, the additional burden imposed by a revision of the compensation package for civil servants should be manageable within the prudent limits of fiscal deficit.

107. In terms of the budgetary outlays, the total wage bill of the Federal Government, including that of the armed forces is Rs.134 billion (Rs.151 billion after including the pay and allowances paid under development expenditure). Adding the wage bill of the provincial governments of Rs.110 billion, the estimated expenditure on the wages, salaries and allowances of Pakistan's Public Sector, (excluding autonomous bodies) would be about Rs.244 billion for the year 2007-2008. If the retirement benefits, are included the total amount increases to Rs.323 billion (**Annex-II**). This accounts for 17 percent of the total consolidated expenditure (18 percent including these paid under development expenditure) or 25 percent of the consolidated current expenditure for FY-08. The challenge for the policy makers is therefore to rationalize the compensation and benefits package, without breaching this budgetary ceiling.

108. A further division of the civil servants by BS scales shows that approximately 90 percent of them are working in BS 1-16 scales, while only 10 percent are occupying BS 17-22 position. The Pay and Pension Committee 2004 had carried out a comparison of the public sector employees with those working in identical or similar positions in the private sector and found that public sector wages have fallen significantly behind and "the gap at senior levels is unacceptably large and suggests that a higher rates of growth of senior level compensation is justified, to both recruit the needed talent and to retain it". A differentiated approach has therefore to be followed, to make up the large gap in wages of the senior level civil servants. The present practice of a uniform, across the board, adhoc increase is not helping resolve this problem.

109. On a per capita basis, the average salary and allowances received by a government employee in service, whether in the Armed Forces or Civilian establishment, is Rs. 87,000/- annually. Per capita income in Pakistan of an average citizen is Rs.58,000/- annually. Thus a government employee receives 50 percent higher income compared to an average citizen. It may be argued by those who look at this number superficially that a government employee is much better off than an average citizen. This comparison is, however, erroneous as the educational level of government employees is much higher than that of an average citizen. 50 percent of the population in Pakistan is illiterate and mostly unskilled, while almost 100 percent of those employed in the government are literate and excluding a few in BS-1, have at least a minimum 6 to 10 years of schooling. Those at the upper end of the spectrum are highly educated, having completed Master's degree or equivalent. If adjustment is made for skills and qualifications, those occupying higher positions of responsibility are underpaid, relative to the norm for that group. Thus on the basis of comparators relativity, erosion of the real purchasing power, the literacy and education skills possessed by civil servants, there is ample justification for an increase in the compensation and benefits packages.

110. Most studies on compensation have rightly focused on the cost side of the equation. But evidence is quite clear that the benefits of a decent living wage, far exceed the costs over a period of time. A realistic framework to evaluate the costs and benefits of salary increase, is the investment project appraisal. The costs are sunk upfront, but the benefits start accruing over the life cycle of the project with a time lag. The net present value of the benefits are then compared with that of the initial costs.

111. A legitimate question may be raised: what is the benefits stream of increased compensation and how can they be quantified. Although all the benefits are not measurable, but some of them can be quantified. First, there would be a reduction in corruption and leakages, as those driven by the needs of maintaining a minimum lifestyle, would no longer be tempted if they are paid well. Second, an increase in efficiency and productivity arising out of better employee satisfaction would improve the service delivery to the citizens. Third, the waste and callousness in government spending that arises from an indifferent attitude of those involved in these activities would be minimized. Of course other complementary reforms such as real time management information systems, procedural changes and accountability measures would reinforce the benefits stream and should be introduced as part of a comprehensive package.

GUIDING PRINCIPLES

112. The guiding principles adopted in this paper are aimed at avoiding across-the-board uniform increase in the compensation package, but introduce differentiation based on certain measurable and transparent parameters.

- i) The civil servants should be provided a decent living wage and the gap between the wages received in 1994 and actual wages in real terms received today should be filled.
- ii) Compensation package should consist of several components such as (a) cost of living increment (b) job content (c) performance related increment.
- iii) The pension system should be revised from defined benefits, to defined contribution and should be funded.
- iv) Monetization of perks, non-pecuniary benefits and allowances should be gradually introduced and the existing incumbents given a choice, either to opt for an all inclusive monetized package or stay with the current compensation package. New entrants should be given the monetized package only.
- v) The definition of the Civil Servant should be precisely laid down, so that the coverage of the revised compensation structure is transparent and follows certain specified criteria.

SIZE OF THE CIVIL SERVICES

113. This paper analyzes the Federal and the Provincial Civil services separately and makes certain proposals to determine the “real” size of the civil services. The options presented for revision of compensation in this paper, in the light of the guiding principles and the budgetary constraints facing the country, would be applicable to this group of civil servants only. It needs to be reiterated that without an adequate compensation package, the prospects for implementing other systemic reforms proposed by the Commission will remain bleak. A decent living wage for civil servants is the anchor upon which recruitment, retention, motivation, performance evaluation, minimizing corruption efficiency are tied. If the anchor is weak, then the other components of the system are likely to remain fragile and vulnerable.

FEDERAL GOVERNMENT

114. The Federal Government (excluding the Armed forces) and autonomous bodies can be classified into four broad categories:

	<u>000</u>
(i) Secretariat	17
(ii) Attached Departments	256
(iii) Civil Armed Forces	103
(iv) Civilians paid out of defence	<u>162</u>
	<u>538</u>

115. A further break down of the employees in the Federal Secretariat and attached departments by Division and Ministry is provided in **Annex-III**, while the details of civilians paid out of Defence budget and by defence organizations provided in **Annexes-IV & V**.

Commercial Organizations

116. There is a serious anomaly in the present organizational classification, as a few commercial organizations such as Pakistan Railways, Central Directorate of National Savings, Pakistan Post and National Logistics Cell are shown as part of the attached departments. These four organizations together, employ 116,000 persons. There is no difference between them and those working in KPT, NHA, PIA or financial institutions etc. It is proposed that to ensure consistency and uniformity, these four organizations should be shifted from the category of attached departments to autonomous bodies. This will automatically move them out of the category of Civil Servants. The argument that these organizations are drawing budgetary support from the Federal Government is untenable, as the largest autonomous body i.e WAPDA is receiving subsidies year after year from the budget for meeting its losses. It is the legitimate right of every government to provide subsidy to Pakistan Railways or Pakistan Post Office, for operating on un-remunerative routes or delivering mail in remote places, for purely social purposes. This fact does not entitle these organizations to be run as attached departments of the Ministries. They are, for all practical purposes, self-standing and autonomous business corporations, generating their own revenues and incurring expenditures to operate the business. As Railways is competing with private Road Transport and Post Office with the Private Courier Services, it is not fair to put these two organizations under the rule-bound strait jacket of government departments. These organizations should be given operational, financial and administrative autonomy to run

their operations on commercial considerations, with the caveat that they will carry agency functions of social nature on behalf of the Government. Such autonomy will be carried out with responsibility to manage the finances in a prudent manner and develop compensation structures that are responsive to the organization's needs. The de-linking from BS scales will confer the flexibility to reward the skills badly needed, but scarce, while saving on the abundant and surplus employees.

117. The Ministry of Communications has already established a Pakistan Postal Service Management Board (PPSMB) through an ordinance dated 15th November, 2002. This legal instrument enables the PPSMB to fulfill the condition of an autonomous body. Administrative and financial autonomy has been conferred to Pakistan Post under this Ordinance, to operate as a corporate entity, including the freedom to recruit the kind of manpower it requires to execute its functions. The Ministry of Railways has also initiated measures to turn the Railway Organization into a Corporation. The Central Directorate of National Savings has already been transformed into a corporate entity. The NLC is also undergoing similar transformation. As all these organizations meet the critical test of autonomous bodies, it is therefore possible to exclude the staff working in these four organizations from the category of civil servants, although the existing incumbents should be given the option to remain civil servants if they wish to do so.

118. The Establishment Division supports the proposal. However, the Acts of Parliament establishing the autonomous bodies for Railways, Post Office, NLC and CDNS should have a clause, that the terms and conditions of their existing employees, (who are civil servants) would not be varied to their disadvantage.

119. Those employees who opt to avail of the Civil Service remuneration compared to their new organizations' package, should be included in the overall number for calculating financial implications of the proposals contained in this paper. But it is expected that with the passage of time and attrition, this sub-set will also dissipate and a complete decoupling between the BS and their own scales will take place. By excluding the employees of these four commercial organizations, the size of the attached departments will become 139,000.

Other Bodies to be made Autonomous

120. The Commission also recommends that institutions such as Pakistan Institute of Medical Sciences (PIMS), Jinnah Post Graduate Medical Centre (JPMC), Federal

Bureau of Statistics (FBS), and Services Hospital should also become autonomous bodies with their own independent boards of governors and their own budgets. The financing of these institutions would come from the Federal Government, user charges, fund raising and public donations. In order to improve the social indicators of the country and competitiveness, the professionals working in the field of Medicine, Science, Higher Education etc. in specialized institutions have to be paid relatively higher compensation, than what they are getting under the Basic Pay Scales, to motivate and retain higher caliber staff. The budgetary allocations for education, health, research and development in Pakistan have to be raised, provided the governance and capacity to deliver are also strengthened at the same time. The delinking of the scales in the Universities for tenure track faculty needs to be followed in the institutions of scientific research, technology, postgraduate medicine etc. If the recommendation to turn these four organizations into autonomous is accepted, the size of the attached departments will further shrink to 131,000. An ordinance to convert FBS into an autonomous body has already been finalized. In other three cases, similar legal action has to be initiated.

Education and Health

121. The next question to consider is whether teachers, health professionals and workers in Islamabad should be employed by the Federal Government or by Islamabad Administration, in the spirit of devolution. It is proposed that the employees working in the Federal Government educational and health institutions located in Islamabad Capital Territory, should not be Federal Civil Servants, but employees of the Islamabad local government or of the local Cantonment Boards, in case of those run by the Ministry of Defence. If the Federal Government wishes to maintain some of these institutions under its control, then the teachers and health workers should be the employees of those institutions, rather than accorded the status of Federal Civil Servants. Applying the same logic about 18,500 workers employed in Northern Areas Administration, should also become part of the Northern Areas Local Government. KANA Division has advised that the employees of the Northern areas departments of Health and Education are the employees of Northern Administration and not that of KANA Division.

122. The Establishment Division supports the above NCGR proposal in principle. The Finance Division also supports this proposal, as Education and Health are Provincial/ Local government subjects. The Ministry of Education considers the proposals to change the existing arrangement a regressive step, in the context of provision of efficient educational service to the citizens of Islamabad Capital Territory.

Civilian Armed Forces

123. The Civilian Armed Forces under the Interior Division such as Pakistan Rangers, Frontier Constabulary, Frontier Corps, Northern Scouts, under the Defence Division (Airport Security Force, Maritime Security Agency), under the Narcotics Division (Anti Narcotics Force) have been established under special statutes and laws. These laws very clearly spell out that the rules and regulations made under them will apply to all these uniformed personnel serving in these organizations. Thus, they are not civil servants and their inclusion in this category, creates anomaly and inconsistency with the definition of a civil servant in the Civil Servants Act of 1973. The members of these forces receive pay, allowances, medical facilities, housing, free ration which are completely at variance with those of the civil servants. They should, therefore, be treated at par with the Armed Forces, for purposes of revision of emoluments and benefits and not along with the Federal Civil Servants.

IMPLICATIONS OF THE PROPOSALS FOR THE FEDERAL BUDGET

124. If the definition of “civil servant” as proposed above is accepted and the proposals to exclude (a) the employees of eight commercial organizations and autonomous bodies mentioned in para above (b) the Civil Armed Forces (c) the Education and health staff presently shown on the strength of the Federal Government, from the purview of the Civil Servant category are endorsed, the size of Federal Civil Service in the medium term could be limited to 274,000 (162,000 civilians paid out of the defence budget and 112,000 in the Federal Government).

125. At present, the Federal Secretariat has strength of 17,000 and the attached departments 359,000. In case a decision is taken to exclude the Civilian Armed Forces from the category of the civil servants immediately, then the strength of the attached departments would decline to 256,000. This assumes that all the employees of the Railways, Post Office, CDNS, NLC, PIMS, JPMC, FBS and FGSH opt to remain civil servants. Similarly, as local government has not yet been established in Islamabad, the Federal Government will continue to run the education and health institutions. The Federal Government, in that case, would be left with approximately 256,000 Civil Servants under the attached departments and 17,000 in the Secretariat. It would be possible to focus on the 25 attached departments (**Annex-VI**) that account for 92 percent of the employees in this category and carry out their indepth review for restructuring. As only these 274,000 Civil Servants (**Annex-VII**) would then be subject to restructuring, the increase in compensation and benefits could become affordable.

This approach can produce quick results rather than looking at every single unit of the Government.

126. In the medium term, the pay bill of the Federal Government would be reduced by 3/4th if all the proposals discussed above are accepted and implemented. In 2007-2008 constant prices, the pay bill would decline from Rs.32 billion to Rs.8 billion. **Annex-VIII** shows the wage bill data for the 13 organizations proposed to be excluded from the Federal Civil Service. **Annex-IX** incorporates the data for the Federal Secretariat only.

127. In the short term, however, the Federal Civil Servants pay bill would be reduced by Rs.7 billion, if the Civilian Armed Forces (CAF) are excluded from this category. If the CAF is linked with the Armed Forces, in matters of revision of pay, the financial consequences would have to be worked out separately, along with the revision of pay scales of the Armed Forces. The Ministry of Finance would, however, argue that the change in categorization does not matter substantively, as the pay revision of the Civil Services and the Armed Forces has been carried out simultaneously in the past. It is for consideration of the Government, whether this approach needs to be retained for the future. The plight of the civil services can improve only if they are restructured as proposed in this report. One of the main pillars of this restructuring is the differentiated increase in compensation and benefits package. The Armed forces should be given raise due to cost of living increases, but they do not fall within the purview of this one-off restructuring plan, that is limited to the civil services only. The rationalization proposals contained in this report should not be applied to the Armed Forces.

128. The scope for increasing the pay of those serving at the Federal Secretariat is quite large within the existing budgetary outlays (**Annex-IX**) depicts that the annual wage bill of the Federal Secretariat is Rs.1.6 billion, divided equally between the officers and the staff. This accounts for 6-7 percent of the annual recurrent pay bill of the Federal Government or 5 percent if those paid under development expenditure are included. Even of the salaries of officers and doubling or tripling pay of the staff would only result in an additional expenditure of Rs.2.6 billion annually. The remaining attached departments, after excluding those listed in **Annex-VIII** have a total pay bill of Rs.6.2 billion divided between officers (Rs.2.7 billion) and staff (RS.3.5 billion) The National Executive Service will cover even a smaller sub-set of the posts, (i.e Grades 20-22) in the Federal and Provincial Secretariats and therefore the recommended MP scales for the NES officers will not make any significant additional financial burden.

129. It may be argued that the financial implications of any revision in compensation and benefits, to this particular group of precisely defined Federal Civil Servants, would spill over to the other categories of public servants, autonomous bodies and provincial governments. This may be true, but by de-linking those categories of public sector employees from an automatic revision in the basic pay scales, the stage is being set for decentralized decision making by the respective bodies, which may not necessarily be driven by the changes in the basic pay scales notified by the Government of Pakistan. A list of 38 major Corporations/ Companies and autonomous bodies, (**Annex-X**) that account for 92 percent of all employment in this category of organizations, shows that the majority of them are generating their own revenues and are not dependent upon the Government. The successful examples of this model of decentralized decision making are the State Bank of Pakistan, the FBR, the Highway and Motorway Police, where rationalization in the staffing has led to fewer numbers, but high quality staff without causing major budgetary pressures. The current practices of National Bank of Pakistan, PSO, PIA and a host of other public sector companies in setting their own salary and benefit scales, independent of the basic pay scales of civil servants should be encouraged, so that it becomes widespread over time. In those autonomous bodies or Corporations where the Federal Government is the sole provider of budgetary resources or is obligated to pick up the deficits or surpluses, the Ministry of Finance representative on the Board of these bodies will have the veto power on all financial matters, including the setting or revision of pay scales and compensation packages.

PROVINCIAL GOVERNMENTS

130. The four provincial Governments employ about 1.8 million Civil Servants (1.2 million in the districts and 0.6 million at the Provincial headquarters). The pay and allowances of these employees in the 2007-08 budget are estimated at Rs.110 billion. The pay bill is Rs.58 billion, while the allowances are Rs.53 billion. Officers in Grades 16-22 receive Rs.19 billion or about one-third of the pay bill, while the remaining two-third goes to the staff. Although the break-down of the allowances is not available, it can be assumed that the same ratio of 1:3 applies in this case between the officers and the staff. The Provincial Governments spend about Rs.26 billion on the officers and approximately Rs.84 billion on their staff.

131. In the long run, the contractual employees of the Education and Health Departments would be excluded from the regular Civil Service. In the short run,

however, they will be treated at par with other civil servants. Almost 60 percent of the employees or 1.1 million employees serving in the provinces, belong to Education and Health Departments. Of these 1.1 million employees of these 980,000 are placed in Grades 1-16.

132. The salary structure of teachers have been raised recently and government school teachers receive higher salary, compared to their counterparts in the private schools, but their output and productivity are relatively lower. The proposed system introduces incentive for those who are regular in their attendance, diligent and remunerated to their work and perform well. These teachers and health workers should be remunerated well compared to others who do not come up to the performance standards. This performance related compensation structure is likely to have a positive impact on the quality of teaching and health service delivery. The incremental cost of this differentiated compensation is likely to be much lower than the current system of across-the-board increase.

133. As Police is a uniformed force and the officers as well as the staff are provided housing, ration, transport and medical facilities, they should be treated differently than all other civil servants who do not receive such facilities. The rules under the Police Order 2002, should be drafted, excluding the Police Force (except the officers of All Pakistan Services or Provincial Services) from the definition of Civil Servants. 300,000 employees of the Provincial Governments belong to Police Departments. By excluding 1.4 million teachers, health workers and Police, (**Annex-XI**) the Provincial Civil Services will ultimately comprise of 400,000 employees, both at the Provincial and District Government levels. The salary increases and adjustments for these civil servants would become manageable.

MP Scales, Special Allowances, Project Allowances

134. One of the ways the Federal and the Provincial governments have tackled the issue of inadequate compensation, is to institute MP scales, award special, post and project allowances to officers occupying certain specified positions. The Commission would like to see that the proliferation of MP scales, particularly to serving and retired government officers is brought under control, transparency is introduced in the process of selection for these posts, guidelines are issued and criteria are laid down. Equal opportunities should be available to all aspirants, rather than to a chosen few. There is no harm in attracting experts from outside the Government to fill in the skill gaps, but

they should be brought in for a fixed tenure on contract basis, in a well laid out, transparent manner. Their performance on the job should be evaluated on the basis of the objective indicators and those who do not meet those indicators should be dispensed with. The present practice of employing serving and retired officers against MP scales, should therefore be rooted in the open competitive process in which only those fulfilling the criteria and winning over outside candidates should be employed on these scales.

135. The posts against which special allowances or project allowance is awarded should be identified and advertised among the serving officers. The job description, qualifications, experience and skills required for the job should be known in advance. An internal job posting system should be established, through which the selection takes place against these posts through a competitive process.

136. The above modification, if implemented, would make use of the best talent available within and outside the government, while stemming the de-motivation, demoralization and resentment among the officers against the current discretionary selection process in place. Politicization, favoritism and nepotism, alleged or perceived in the current process, would be minimized to a large extent.

NCGR RECOMMENDATIONS

137. In the medium term the size of the Civil Services of Pakistan will be limited to 600-700,000 persons by excluding teachers health workers, Police and Civilian Armed Forces from the definition of the Civil Service. Assuming Rs.100,000/- annual pay and allowances the wage bill of civil servants through out Pakistan will cost the exchequer between Rs.60-70 billion annually in constant 2007 prices much lower than Rs.244 billion actually paid in 2007-08. With the introduction of e-government the skill mix of the staff in Grades 1-16 will also change and the need for employees in Grades 1-5 will be considerably reduced. It is recommended that there should be a freeze in fresh recruitment to Grades 1-5 excluding Education, Health and Police. For example the number of employees in BS 1-5 are 1.0 million out of 2.4 million total employees in the Government – a sizeable 41 percent (**Annex-XII**). In the Federal Government 219,000 persons or 58% of the total Federal Government employment occupy Grades 1-5 posts. The savings from this freeze can become available to meet the requirements for increased salaries of officers in Grades 17-22 who are underpaid. Although the data is not available a similar proportion would be applicable in the Provincial Governments after excluding Education, Health and Police departments. Our rough estimates indicate

that out of 600-700,000 government employees left in the steady state almost one half will fall in this category.

138. For the interim the National Commission for Government Reforms endorses the recommendations made by the Pay and Pension Committee of 2004 (reproduced in para-134 below). The base case along with alternative-I would make a significant difference in arresting the erosion of the real purchasing power of the compensation structure of the civil servants, and help in attracting, retaining and motivating talented young men and women. The financial impact of the base case and alternative is as follows:-

S.No.	Government	Base	Alternative-I
			<u>Rs. Billion</u>
1.	Federal Government	13.20	7.894
2.	Federal Civil Service	8.571	5.223
3.	Civilians paid from Defence	4.635	2.671
4.	Provincial Governments	66.835	34.321
	Total	80.041	42.215

139. The main difference between the base case and Alternative-I is that the housing allowance is linked to the minimum of the 2005 pay scales and the medical and conveyance allowances are increased by 100% for pay scales 1-16. The incremental cost of the base case is about 50 percent of the total pay and allowances bill of 2007-08, while the alternative-I would cost an additional 26 percent. It is suggested that the implementation may be staggered over a 2 year period, to minimize the financial burden on the budget.

140. The key components of the proposed Compensation Package are:

- a) Include the three (Special Relief Allowance, Ad-hoc, relief and Special Additional Allowance) in the Basic Pay. This amounts to a 40% increase in Basic Pay of Civil Servants. Because it is absorption of current allowances, it does not add to expenditures on the pay side; but it has an upward effect on pension liabilities. However, this is compensated by the proposed Parametric Pension Reforms.
- b) Increase the Regular Allowances i.e. Housing, Conveyance; Khidmat; Qualification Pay, Senior Post Allowance, Entertainment Allowance.
- c) Introduce Parametric Reforms and Proposed Systemic Reforms in the Pension System for current employees. as spelled out in the Report of the Pay and Pension Committee (PPC)

- d) Significantly increase Human Resource Management capacity in the government, beginning with the Establishment Division. This “capacity” will positively impact on increase in productivity.
- e) Introduce Pay for Performance in selected Divisions, Education and Health Departments of the Federal and Provincial Governments beginning in 2008-09 and expand the programme to the entire Federal Government in a few years.
- f) Introduce a TWO- PART Compensation Increase System comprising (i) inflation adjustment; and (ii) Merit (against performance).

The inflation component should be automatic and related to (not necessarily equal to) the increase in CPI. Such an adjustment should be available to all employees, to adjust their compensation for increase in the price level.

The merit component should be reserved for the better performers. A Bell-Curve Forced Ranking System may be considered on a pilot basis in a few Divisions. The merit component should be significantly (a multiple) larger than the inflation component.

- g) Introduce indexing for pensions to maintain purchasing power of pensioners.
- h) Initiate JOB-CONTENT Evaluation in a few divisions and broaden the programme over a few years.
- i) Introduce Health Insurance for government employees. This should be done in phases spanning over a few years.
- j) Introduce the link of Housing Allowance with Home Ownership. This will also be a multi-phase activity.
- k) Revise MP Scales and all MP contractees should have Performance Contracts.
- l) Professional Comparators Surveys should be carried out after every three years, to provide information for structural changes in the level and composition of compensation. Those Surveys would also be useful for periodic adjustments in MP Scales.

TRANSITION AND IMPLEMENTATION PLAN

141. A phased implementation of the recommendations is necessary, since Pension and Institutional Development Issues will require longer gestation periods. A Road Map for implementation is presented in the Report of the PPC. The exact dates for various phases will be filled in only after the recommendations are approved. Given the complex and interacting nature of the activities in the ROAD MAP, it is recommended that a Government Committee be appointed to supervise the implementation of the activities in the ROAD MAP. This Committee will require close co-operation of the Finance and Establishment Divisions, with need for frequent guidance from the Prime

Minister and may include some members of the Pay & Pension Committee. The Committee may be jointly managed by Finance and Establishment Divisions.

142. The New Pay award as recommended by the Pay and Pension Committee, provides two components for future increase in Basic pay. These are (i) inflation and (ii) performance. The adoption of this process will require institutional arrangements which would take some time. Therefore, for the time being, the Committee recommended to continue the existing practice on the following lines:-

143. **Pay fixation in the Revised Pay Scales**

- (i) Pay of the existing employees shall be fixed on point to point basis i.e. at the stage in the Revised Pay Scales which is at many stages above the minimum of 2001 Pay Scales, as occupied by them.
- (ii) There are employees who have crossed the maximum of 2001 pay scales by six stages. There are also employees who are at the maximum of their pay scales. This has happened as a result of discontinuation of move-over scheme. In order to provide them benefit of the revised pay scales, their pay will be fixed after increasing the span of pay scale by ten stages in BS 1-16 and five stages in BS 17-19.
- (iii) The pay of those employees who did not opt for the Pay Scales 2001, and who, if now opt for the revised Pay Scales 2005, shall first be presumptively revised and fixed in 2001 scales, at the stage at which it would have been fixed, had they adopted the scheme of 2001 pay scales and then it will be fixed in the Revised Pay Scales 2005, in the manner as specified in sub paras (i) and (ii) above.

ANNEX - I**Pakistan: Size of Civil Services**

Government		BS 1-16	BS 17-22	Other	Total
Federal Government		358,716	17,216	-	375,932
Civilians paid out of Defence					162,000
NWFP	District Govt.	189,994	12,006	17,092	219,092
	Provincial Govt.	73,087	4,988	2,609	80,684
	Total NWFP	<u>263,081</u>	<u>16,994</u>	<u>19,701</u>	<u>299,776</u>
Sindh	District Govt.	237,741	49,759	-	287,500
	Provincial Govt.	173,938	15,929	-	189,867
	Total Sindh	<u>411,679</u>	<u>65,688</u>	-	<u>477,367</u>
Punjab	District Govt.	558,340	38,449	38,081	634,870
	Provincial Govt.	256,600	10,480	564	267,644
	Total Punjab	<u>814,940</u>	<u>48,929</u>	<u>38,645</u>	<u>902,514</u>
Balochistan	District Govt.	92,312	5,266	-	97,578
	Provincial Govt.	62,508	6,109	-	68,617
	Total Balochistan	<u>154,820</u>	<u>11,375</u>	-	<u>166,195</u>
Grand Total (Provincial + Federal)		<u>2,003,236</u>	<u>160,202</u>	<u>58,346</u>	<u>2,383,784</u>
Memo Item	Federal Government	<u>358,716</u>	<u>17,216</u>	-	<u>375,932</u>
	Provincial + District Governments	<u>1,644,520</u>	<u>142,986</u>	<u>58,346</u>	<u>1,845,852</u>
	District Governments	1,078,387	105,480	55,173	1,239,040
	Provincial Governments	566,133	37,506	3,173	606,812

**Compensation and benefits bill of the
Federal and Provincial Governments 2007-2008
(excluding autonomous bodies)**

(Rs. billion)

Government	Pay	Allowances	Total Pay & Allowances	Retirement Benefits	Total
Federal Government*	74.9	59.3	134.2	51.0	185.2
Civil Servants	24.5	25.5	50.0	12.3	62.3
Armed Forces	50.4	33.8	84.2	38.7	122.9
Provincial Governments	57.7	52.0	109.7	28.6	138.3
Grand Total	132.6	111.3	243.9	79.6	323.5

*Rs.17 billion are paid on pay and allowances under Development expenditure in addition to the amount shown here. Retirement benefits include the amount shown both under current as well as development expenditure.

ANNEX - III**PRESENT STRENGTH OF THE DIVISIONS UNDER THE FEDERAL GOVERNMENT**

S. No.	Department/ Organizations	Secretariat	Attached Depts.	Total
1.	Cabinet	574	562	1136
2.	Commerce	314	704	1018
3.	Communication	96	31,077	31,173
4.	Culture, Sports & Youth Affairs	183	1,094	1,277
5.	Defence	445	22,538	22,983
6.	Defence Production	161	0	161
7.	Economic Affairs Division	317	0	317
8.	Education	392	10,401	10,793
9.	Establishment Division	601	980	1,581
10.	Environment	222	583	805
11.	Finance	858	14,117	14,975
12.	Food & Agriculture	432	1,634	2,066
13.	Foreign Affairs	1,890	0	1,890
14.	Health	426	7,278	7,704
15.	Housing & Works	174	2,860	3,034
16.	Industries	282	83	365
17.	Information & Broadcasting	288	951	1,239
18.	Information Technology	107	115	222
19.	Interior	532	107,799	108,331
20.	KANA	64	18,460	18,524
21.	Labour, Manpower	201	675	876
22.	Law Justice & Human Rights	435	1,915	2,350
23.	Local Government & Rural Dev.	127	82	209
24.	Minorities Affairs	58	5	63
25.	Narcotics Control	61	897	958
26.	Overseas Pakistanis	97	0	97
27.	Parliamentary Affairs	64	0	64
28.	Petroleum & Natural Resources	303	921	1,224
29.	Planning & Development	687	53	740
30.	Population Welfare	329	734	1,063

31.	Privatization	224	201	425
32.	Ports & Shipping	82	243	325
33.	Religious Affairs	331	147	478
34.	Revenue	0	24,943	24,943
35.	Railways	208	81,728	81,936
36.	Science & Technology	136	0	136
37.	SAFRON	118	1,101	1,219
38.	Statistics	71	2,177	2,248
39.	Social Welfare	374	1,427	1,801
40.	Textile	55	45	100
41.	Tourism	68	94	162
42.	Water & Power	114	184	298
43.	Women Development	87	0	87
Total		12,588	338,808	351,396
44.	President's Secretariat	669	0	669
45.	Prime Minister's Secretariat	850	0	850
46.	National Accountability Bureau	1315	0	1315
47.	National Reconstruction Bureau	115	0	115
Total		2,949	0	2,949
Other Organizations of the State.				
48.	Election Commission	0	3,094	3,094
49.	National Assembly	863	0	863
50.	Senate	610	0	610
51.	Supreme Court	477	0	477
52.	Federal Ombudsman	461	0	461
53.	Federal Tax Ombudsman	75	0	75
Total for other Organizations		2,486	3,094	5,580
Grand Total		18,023	341,902	359,925
			Vacancies	16,000
				375,925

ANNEX-IV

CIVILIAN EMPLOYEES BEING PAID BY DEFENCE MINISTRY

I Defence Division

S.No.	Name of the Department/Organization	Number of civilian employees.
1.	Pakistan Armed Services Board	871
2.	General Headquarters (CAO's Branch)	5,117
3.	Air Headquarters	27,102
4.	Pakistan Military Accounts Department	10,854
5.	Naval Headquarters	15,847
6.	Maritime Security Agency	86
7.	General Headquarters (E-in-C's Branch)	34,294
8.	Joint Staff Headquarters	84
9.	CP Directorate, General Headquarters	78,978
Total:-		173,233

II Defence Production Division

S.No.	Name of the Department/Organization	Number of civilian employees.
1.	Pakistan Ordnance Factories (POFs) Board, Wah	24,204
2.	Heavy Industries Taxila (HIT)	5,067
3.	Pakistan Aeronautical Complex, Kamra (PAC)	5,392
4.	Directorate General Munitions Production, Rawalpindi (DGMP)	120
5.	Armament Research and Development Establishment (ARDE)	100
6.	Defence Export Promotion Organization (DEPO), Rawalpindi	08
7.	Military Vehicle Research and Development Establishment (MVRDE)	187
8.	Institute of Optronics (IOP)	171
9.	Submarine Rebuild Complex (SRC)	9
Total:-		35,258
Grand Total		208,491

CIVILIAN EMPLOYEES PAID BY DEFENCE ORGANIZATIONS

I Defence Division

S. No.	Department	No. of Civilian Employees
1.	Maritime Security Agency (MSA)	86
2.	Pakistan Armed Services Board (PASB)	90
3.	Pakistan Military Accounts Department (PMAD)	10,847
Total		11,023

II Defence Production Division

S. No.	Department	No. of Employees
1.	Pakistan Ordnance Factory (POFs)	24,204
2.	Heavy Industries Taxila (HIT)	5,067
3.	Pakistan Aeronautical Complex, Kamra (PAC)	5,392
4.	Directorate General Munitions Production Rawalpindi (DGMP)	107
5.	Armament Research & Development Establishment (ARDE)	100
6.	Defence Export Promotion Organization (DEPO), Rawalpindi	8
7.	Military Vehicle Research & Development Establishment (MVRDE)	187
8.	Institute of Optronics (IOP)	171
9.	Directorate of Submarine Rebuild Complex (SRC)	9
Total		35,245
G. Total		46,268

ANNEX - VI

MAJOR ATTACHED DEPARTMENTS EMPLOYING 1000 OR MORE

S. No.	Name of Attached Departments	
1.	Civil Armed Forces	94,207
2.	Pakistan Railways	81,936
3.	Pakistan Post	27,008
4.	Federal Board of Revenue (FBR)	24,943
5.	Northern Areas Secretariat	18,341
6.	Islamabad Capital Territory	10,545
7.	Federal Directorate of Education	9,941
8.	Airport Security Force (ASF)	8,137
9.	Federal Government Educational Institution (FGEI)	7,486
10.	Controller General Accounts	5,791
11.	National Logistics Cell	4,228
12.	Survey of Pakistan	3,970
13.	Auditor General of Pakistan	3,970
14.	National Highway & Motorway Police	3,842
15.	Central Directorate of National Savings	3,087
16.	Pakistan Institute of Medical Sciences (PIMS)	2,693
17.	Pakistan Public Works Department (Pak PWD)	2,524
18.	Federal Investigation Agency (FIA)	2,068
19.	Pakistan Metrological Department	1,999
20.	Jinnah Post Graduate Medical College (JPMC)	1,935
21.	Election Commission	1,643
22.	Federal Bureau of Statistics (FBS)	1,604
23.	Directorate General Special Education	1,349
24.	Services Hospital	1,311
25.	National Accountability Bureau (NAB)	1,215
26.	Afghan Refugees Commissionerates	1,101
27.	Archaeology & Museum	1,036
Total		327,910

FEDERAL GOVERNMENT EMPLOYMENT
(excluding Armed Forces)
(000)

Total Employees:	928,000	
minus Autonomous bodies		390,000
minus Civil Armed Forces		103,000
minus Commercial Organizations		124,000
minus transfer to Local Governments		<u>37,000</u>

**Total Civil Servants
under the Federal Govt. 274,000**

I. Federal Civil Service	.....	<u>112,000</u>	
Of which C.B.R	.....	<u>25,000</u>	
Auditor General	.....	<u>4,000</u>	
Secretariat	.....	<u>17,000</u>	} 83,000
Other Departments	.....	<u>66,000</u>	

II. Civilians paid out of Defence Budget 162,000
 serving at the GHQ, NHQ, AHQ etc.

ANNEX – VIII

WAGE BILL OF THE ORGANIZATIONS PROPOSED FOR RESTRUCTURING

Rs. millions				
S. No.	Name of Organization	Pay of Officers	Pay of Staff	Total Pay
1.	Civil Armed Forces	344.3	5873.4	6217.7
2.	Pakistan Railways	217.8	4805.5	5023.3
3.	Tribal Area Administration	531.6	3144.1	3675.7
4.	Revenue Administration	472.2	1570.5	2042.7
5.	Federal Government Education Institutions	828.1	889.7	1717.8
	a) Islamabad	399.3	523.7	923.0
	b) Cantonment & Garrisons	428.8	366.0	794.8
6.	Pakistan Post Office	101.9	1533.9	1635.8
7.	Northern Area Administration	266.8	895.7	1162.5
8.	Audit and Accounts Administration	389.5	670.0	1059.5
9.	Medical Services & Public Health	376.2	332.2	708.4
10.	Islamabad Capital Administration	38.5	505.6	544.1
11.	Airport Security Force	114.4	384.7	499.1
12.	National Savings	79.4	162.6	242.0
13.	Narcotics Control	58.2	134.4	192.6
	Sub-total	3818.9	20902.3	24721.2
	Total budget (2007-08) on salaries and wages	7320.5	25261.2	32581.7
	Major recipients as % of total budget on salaries and wages	52.2	82.7	75.9

ANNEX – IX**FEDERAL SECRETARIAT WAGE BILL****Rs. millions**

S. No.	Name of Division	Pay of Officers	Pay of Staff	Total Pay
1.	Cabinet	32.4	45.5	77.9
2.	Commerce	18.1	17.3	35.4
3.	Communication	7.3	5.0	12.3
4.	Culture	6.4	6.6	13.0
5.	Defence	21.4	24.9	46.3
6.	Economic Affairs	18.7	20.0	38.7
7.	Education	28.4	25.8	54.2
8.	Environment	15.0	10.9	25.9
9.	Establishment	57.3	23.6	80.9
10.	Finance	70.2	60.9	131.1
11.	Food	19.6	24.9	44.5
12.	Foreign Affairs	66.7	85.2	151.9
13.	Health	19.7	25.8	45.5
14.	Housing	9.5	12.3	21.8
15.	Industries	16.7	19.2	35.9
16.	Information	9.0	9.7	18.7
17.	Interior	28.7	41.9	70.6
18.	KANA	6.6	4.4	11.0
19.	Labour	9.4	12.6	22.0
20.	Law, Justice & Human Rights	30.6	24.5	55.1
21.	Local Government	14.7	13.7	28.4
22.	Minorities	4.2	6.5	10.7
23.	Narcotics	3.7	4.3	8.0
24.	Overseas	10.6	28.6	39.2
25.	Parliamentary Affairs	19.4	3.9	23.3
26.	Petroleum & Natural Resources	20.6	16.3	36.9
27.	Planning & Development	63.1	43.2	106.3
28.	Population Welfare	21.3	20.8	42.1
29.	Ports & Shipping	16.0	24.3	40.3
30.	Prime Minister's Secretariat	39.5	52.5	92.0
31.	Privatization	2.0	3.0	5.0

32.	Religious Affairs	13.6	17.6	31.2
33.	Revenue	12.1	26.9	39.0
34.	SAFRON	6.1	7.9	14.0
35.	Science & Technology	9.5	8.2	17.7
36.	Social Welfare	8.0	7.7	15.7
37.	Statistics	3.7	3.7	7.4
38.	Textile	10.2	8.7	18.9
39.	Tourism	12.9	8.9	21.8
40.	Water and Power	21.8	16.1	37.9
41.	Women	8.0	8.0	16.0
42.	Youth	3.0	2.5	5.5
Total		815.7	834.3	1650.0

ANNEX - X**MAJOR AUTONOMOUS BODIES EMPLOYING 1000 OR MORE**

S. No.	Name of Autonomous Bodies	No. of employees
1.	Water and Power Development Authority (WAPDA)	147,139
2.	Pakistan International Airline (PIA)	18,484
3.	National Bank of Pakistan (NBP)	13,067
4.	Pakistan Steel	13,004
5.	Capital Development Authority (CDA)	11,300
6.	National Database and Registration Authority (NADRA)	11,186
7.	Oil and Gas Development Corporation Limited (OGDCL)	11,044
8.	Sui Northern Gas Pipelines Limited (SNGPL)	8,716
9.	Civil Aviation Authority (CAA)	7,058
10.	Karachi Port Trust (KPT)	5,558
11.	Zarai Taraqati Bank Limited (ZTBL)	5,550
12.	State Bank of Pakistan (SBP)	5,431
13.	Sui Southern Gas Corporation (SSGC)	5,136
14.	Pakistan Television Corporation (PTV)	4,269
15.	State Life Insurance Corporation (SLIC)	3,789
16.	National Telecommunication Corporation (NTC)	3,028
17.	Pakistan Broadcasting Corporation (PBC)	2,899
18.	State Engineering Corporation of Pakistan (SEC)	2,583
19.	Pakistan Petroleum Limited (PPL)	2,557
20.	Pakistan Agriculture Research Council (PARC)	2,486
21.	Pakistan Council of Scientific and Industrial Research (PCSIR)	2,449
22.	Pakistan State Oil (PSO)	1,952
23.	Karachi Shipyard and Engineering Works (KSEW)	1,879
24.	National Fertilizer Corporation (NFC)	1,755
25.	Pakistan Agriculture Storage and Services Corporation (PASSCO)	1,704
26.	Port Qasim Authority (PQA)	1,626
27.	Sh. Zayed Medical Centre	1,569
28.	Pakistan Security Printing Corporation (PSPC)	1,507

29.	Utility Stores Corporation (USC)	1,418
30.	House Building Finance Corporation (HBFC)	1,381
31.	Allama Iqbal Open University (AIOU)	1,348
32.	COMSATS Institute of Information Technology (CIIT)	1,310
33.	Special Communications Organization (SCO)	1,234
34.	International Islamic University (IIU)	1,189
35.	Printing Corporation of Pakistan (PCP)	1,180
36.	National Institute of Health (NIH)	1,062
37.	Pakistan Mineral Development Corporation (PMDC)	1,033
38.	Employees Old Age Benefit Investment (EOBI)	1,031
Total		309,363 (92%)
Total for 207 autonomous bodies/ corporations		335,750

Note: These 38 institutions account for 92 percent of all employment in autonomous bodies/ corporations.

ANNEX-XI

Provincial Government Employees in Education, Health and Police Departments

EDUCATION

	PUNJAB	SINDH	NWFP	BALUCHISTAN	TOTAL
1-16	433,625	208,118	168,770	51,461	861,974
17-22	37,308	14,183	12,470	3,537	67,498
Others	33,777	2,740	-	-	36,517
Total:	504,710	225,041	181,240	54,998	965,989

HEALTH

	PUNJAB	SINDH	NWFP	BALUCHISTAN	TOTAL
1-16	66,207	28,045	31,909	12,992	139,153
17-22	9,797	9,882	6,082	2,870	28,631
Others	703	2,924	-	-	3,627
Total:	76,707	40,851	37,991	15,862	171,411

POLICE

	PUNJAB	SINDH	NWFP	BALUCHISTAN (incl: Levies)	TOTAL
1-16	146,054	91,257	40,080	30,633	308,028
17-22	1,038	471	281	256	2,046
Others	-	12	-	-	12
Total:	147,092	91,740	40,361	30,889	310,082
Grand Total:	728,509	357,631	259,592	101,749	1,447,481

% of
Provincial and
District
Government
employment

80.7

74.8

83.5

61.2

78.4

Federal and Provincial Government Employees

BS 1-5

(000)

NWFP	114
Punjab	413
Sindh	214
Balochistan	85
Total	826
Federal	209
Grand Total	1035

ROAD MAP

ACTIVITIES AND OUTPUTS

No.	Activity/ Output	To be completed by the date below or earlier	Person or Unit to lead the Task (s)
A.	Initiate Job – Content Analysis for a selected set of Grade levels to begin to define and address horizontal inequity		ED ¹ⁱ
B.	Broaden in the Job- content Analysis process to selected departments of the Federal Government		ED, Provincial EDs
C.	Broaden the job- Content Analysis to Provincial and District governments.		ED
D.	Begin the Preparatory work for introducing Pay-for-Performance System in a few Federal Division ² . Identity 1000 “Reform” Positions (BS 17-22) in the Federal Government with Special Pay. These appointments will be based on (i) Qualification and (ii) Selection through FPSC. Initiate OPEN JOB POSTING (as in CBR) for these “Reform” positions.		ED, PM ³
E	Introduce Pay-for-Performance in Selected Divisions² as well as service delivery activities. This will be integrated with the Prime Minister’s ongoing program of Performance Related Management.		ED, PM, FIN ⁴
F.	Professional Comparator Survey for adjusting M-P Scales.		ED,
G.	Through the initiation of “A to E” above the elements of Modern Human Resource Management (HRM) WOULD HAVE BEEN INTRODUCED IN THE Culture and Rules of Business of the Establishment Division: Restructuring; Training; Placement; Promotion).		PM, ED,
H.	Recruitment of Professional HRM Staff in Establishment Division and / or the Civil Service Reforms Unit (CSRU)		ED,
I.	Complete Analysis of Pension Options and made recommendations guided by the advice given to the government by the Pay and Pension Committee (E.D- Focus on “Incentives”)		FIN ACT ⁵ ED
J.	<ul style="list-style-type: none"> • Three Groups Pension options are studied jointly. • Federal government; • Provincial government • Punjab Government appoints an actuary 		Punjab Govt. Designees government appointed Committee supervising
K.	Carry out Evaluations of the job-content Analysis and Pay-for-Performance initiatives undertaken.		ED; PM
L.	Carry out evaluation of the Catalytic effects of the proposed compensation policy on :- <ul style="list-style-type: none"> • Recruitment : Quality of new Entrants • Retention behavior of existing employees • Morale in the Civil Service • Housing and Health related expectations i.e. magnitude 		ED, PM

¹ Establishment Division

² These Divisions could be: Finance; Commerce; Establishment; Revenue; Planning; Housing & Works; Health; Water resources; and Education.

³ PM = Civil Service Reform Coordinator in the office of Prime Minister

⁴ Finance Division

⁵ Actuary

	of catalytic effects		
M.	Incorporate recommendations of the job-content Analysis and Pension Reform for the Pay decisions .		ED; PM
N.	Continue introduction of Modern Human Resource Management in the Public Sector		ED
O.	Introduce Health insurance in Phases: Phase-I - Department Basis Phase-II- Evaluation Phase-III- Broadening Program		Health Division FIN
P.	Introduce the link of Housing Allowance with Home ownership on retirement. This supports the Program already initiated by the Minister of Housing and Works and inaugurated by the Prime Minister.		FIN P.M. Housing ⁶
Q.	Crave Anomaly Committee		MOF

**This ROAD MAP will have to be elaborated in Terms*

⁶ Designee of Minister of Housing

STAFF WELFARE

SITUATION ANALYSIS

144. Presently welfare measures for serving and retired federal employees are mainly provided through two governments entities i.e. the Federal Employees Benevolent & Group Insurance Funds (FEB & GIF) and the Federal Government Employees Housing Foundation (the Foundation).

145. The FEB & GIF, was set up in 1969 under the administrative control of Establishment Division. It manages two Funds i.e. the Federal Employees Benevolent Fund and the Federal Employees Group Insurance Fund. Sources of the the Fund consist of contribution by its members and investment income. Its assets base is on sound footing and provides facilities like monthly grant for widows and disabled government servants and farewell grant for employees who retire after twenty five years continuous service are provided by the FEB & GIF. This organization also manages the Group Insurance Scheme for the federal employees, under which group insurance cover on death during service, on invalid retirement is provided to the employees. Besides, this fund also manages to pay marriage grant, burial charges and educational stipends.

146. Initially it had started with two welfare schemes i.e. monthly benevolent grant and lump sum payment of group insurance on death during service; it has now introduced a number of welfare schemes.

147. Similarly in the four provinces, various welfare measures are provided through the Benevolent Fund and Group Insurance schemes.

148. The Federal Government Employees Housing Foundation, was set up and registered in March 1990, as a Company Limited, by guarantee, with the objectives of formulating programs, projects and their launching, sponsoring and implementation regarding provision of shelter to Federal Government employees, in all major cities of Pakistan.

149. The Foundation since its inception has allotted more than 23,000 plots/ houses/ flats, to its allottees in Islamabad, Karachi and Peshawar. Federal Government employees are the major cliental, while a small ratio of plots is also to be given to the retired employees, employees of autonomous organizations and journalists.

150. Main source of funds of the Foundation is seed money received from the employees, which is received very slow in this era of low saving scenario, causing the Foundation a lot of financial hardship to complete its ongoing projects.

151. The allotment criteria is solely based on age. An employee senior in age has priority in allotment of plot. A phase takes 4-5 years to complete. The employees who could not get plots on this basis in any phase and are retired before launching the next phase are the worst sufferers, as they slide down to the quota of retired employees, which is very meager.

152. The Housing Foundation has thus not been able to provide plots/ shelter to all the Federal Government Employees before retirement, as laid down in its charter. In order to achieve the target for providing plots/ houses/ flats to a maximum number of government employees, assistance in shape of funds as well as land (as being provided in Army housing schemes/ Sindh Government and Punjab Government) is essentially required.

153. In addition to above, the Prime Minister of Pakistan has also approved an assistance package for Government Employees who die in service, circulated vide Establishment Division O.M. No.7/40/2005-E-02, dated June 13, 2006 effective from 1.7.2005. This has greatly facilitated families of deceased Government employees, as the Administrative Secretaries can now sanction these welfare grants etc and there is no need to refer these to the P.M. Secretariat on case to case basis.

154. The nature of welfare measures provided by defence services related welfare organization are much more pronounced, as compared to those provided by the FEB & GIF or the Federal Government Employees Housing Foundation. Fauji Foundation, Shaheen Foundation and Baharia Foundation, therefore, provide a vast range of welfare measures for their employees. The Police Foundation also emulates working of defence services related welfare organizations and raises higher resources through industrial activities.

155. In order to provide greater benefits to civilian in-service and retired employees, financial resources are required. It can be made possible through provision of seed money by the government, participation of the employees in shape of contributions and adoption of dynamic investment portfolios. The problems of retired employees could be categorized under the following four heads:-

- Lack of recourse to health benefits.
- Loss of income after retirement.
- Settlement of children of retired employees.
- Post retirement housing problems.

156. The Federal Government established Services Hospital at Islamabad and Provincial Capital. Initially these hospitals were established to cater only for government employees. However, with the passage of time, all such hospitals have been made accessible to general public and the visiting government officials, serving or retired, do not get any special access while visiting these institutions. Specially in case of low paid employees, this is a very acute problem. Contrary to this, CMH hospitals are restricted only to defence personnel and are not open for the general public. Fauji Foundation hospitals are additional benefits for the retired defence services employees in this context. One of the likely areas to be explored is therefore, provision of specific health facilities, which are restricted only for government employees and are not open for the general public. If these facilities are funded through the Benevolent Fund mechanism, the spread of the same for general public would not be required.

157. Immediately after retirement, government employees see a loss in income, as their salaries are discontinued and pension is started. In contrast, the defence services have undertaken elaborate arrangements to ensure re-employment prospects for their employees at II levels. Pensionary benefits plus salaries of re-employed positions for these employees usually improve their income position. The above noted mechanism needs to be replicated for retired employees of Federal Government. One likely area of welfare measures could be maintenance of a placement pool of retired employees. All government departments requiring specific contractual manpower of skilled/ un-skilled labour for short periods of time, to meet stop gap arrangements, can then be provided temporary placement position through the foundations. The temporary availability of jobs for retired employees through this mechanism, would provide better income position for these employees. Funding of specific training and educational programs for retiring federal employees, could be another likely welfare measure. Employees with

specific skills can also be trained during their service for specific skills, which can provide them better access to private sector employment after retirement.

158. One of the critical problems of the retiring employees is “housing”. As soon as the employee retires, he has to arrange for his residence and a considerable portion of his income is wiped out in provision of housing, causing further financial problems.

GUIDING PRINCIPLES

159. A living wage and compensation package, including decent retirement and other welfare benefits should be made available to civil servants, in order to boost morale and improve performance

NCGR RECOMMENDATIONS

159. It is proposed that a Civil Servants Foundation may be established on the line of the Fauji Foundation. The Federal Employees Benevolent & Group Insurance Funds has sufficient infrastructure for establishment of the Foundation.

160. In order to provide funds for welfare activities, the Benevolent Fund organization can initially raise funds through contributions from the employees, as well as grant from the Federal government.

161. The Foundation may work to obtain job requirements in public and private sector entities, so that retired employees could be adjusted therein, according to their education and work experience.

162 Necessary welfare measures should also be adopted for adjustment of children of the retired employees.

163. Requirement of health facilities is greater after retirement for the employees. The Foundation should work to establish service facilities for the employees, including retired employees. Health insurance schemes can be initiated for terminal diseases.

164. A policy of “house on retirement” may be adopted and every civil servant on superannuation must own his house. Deductions in this regard may be made at the start of service.

165. In order to resolve the housing problems, FGEHF should allow the employees retiring on superannuation, to avail the quota of serving employees up to five years after retirement.

166. The NWFP Benevolent Fund obtains plots in residential schemes developed by the concerned government departments and allots them to serving and retired employees. Price of the plots is collected from the employees in installments. The plots are also allotted to the widows free of cost. Such arrangements may also be made at Federal level.

167. Main problem in housing is to arrange cost of plots. The Federal government may provide land for residential schemes, free of cost as in case of Army officers schemes, the Punjab and Sindh Government.

168. The proposed Foundation may also work to arrange funds for the employees, to pay installment of plots/ houses either from its own resources or through financial institution on easy terms.

169. It has been observed that contributions and benefits structure at federal and provincial levels are different. Since these schemes are being operated through the contributions of employees, it is proposed that the provinces may be advised to adopt the same policy.

170. The benefits under the Punjab Employees Benevolent Fund scheme are the highest. However, contribution rate of Punjab Employees Benevolent Fund is also higher (3% of pay without cap) than other schemes. Contribution rate in the Federal Employees Benevolent Fund is 2% of pay with a cap of Rs.155. In view of the benefits being paid by the Federal Employees Benevolent Fund. There should be no upper ceiling for contribution.

171. The house rent allowance may be kept at market level and should be paid with the monthly salary.

CONCLUSION

172. The measures proposed above are part of the value change of human resource management and development, proposed by NCGR and therefore essential for success of any reforms package, aimed at bringing about an improvement in the Civil Service.

CHAPTER – 7

SIMPLIFYING RULES, PROCESSES, PROCEDURES

- **Streamlining Rules & Procedures**
- **E-Government in Federal Government**

SIMPLIFYING RULES, PROCESSES, PROCEDURES

One of the objectives of civil service reforms, as mentioned earlier in Chapter-II is:-

“To improve the capacity of Civil Servants, to become more responsive in delivering basic public services to the common citizens, in an efficient, effective and equitable manner”.

SITUATION ANALYSIS

2. One of the factors adversely affecting the efficient working of the public sector are the antiquated and cumbersome rules and procedures.
3. Most of the rules and procedures have not been updated in many years which has led to overcentralization of authority and red tapism. This further leads to promote lack of initiatives in civil servants and perpetuates the status quo.

GUIDING PRINCIPLES

4. This chapter is an overview of the work done by the Commission in order to achieve the objective of efficiency and effectiveness based on the following guidelines:
 - (a) Rules of business at various levels of government should be revised to make them simple, comprehensible, empowering the Secretaries/ heads of departments to take decisions without multiple references, clearances and back and forth movement of files.
 - (b) Delegation of financial, administrative, procurement, human resource management powers should be revisited and adequate powers commensurate with the authority should be delegated at each tier of the hierarchy.
 - (c) Estacode, Financial Rules, Accounting and Audit Rules, Fundamental Rules and all other rules in force should be reviewed systematically and revised to bring them in line with modern management practices.
 - (d) E-Government should be gradually introduced in a phased manner.
 - (e) Service standards with time lines for each type of service rendered at various levels of government should be developed, widely disseminated and posted at public places in each department.

STREAMLINING RULES & PROCEDURES TO MAKE GOVERNMENT EFFICIENT & EFFECTIVE

5. After detailed deliberations on various rules and procedures, the Commission recommends certain amendments, in areas that are causing constraints in the disposal of work. The recommendations focus on strengthening the position of Secretary, in order to facilitate decision-making and to relieve the Prime Minister and Ministers from attending to matters that can be disposed off at Secretary's level.

NCGR RECOMMENDATIONS

6. The recommendation of the Commission are as follows:

a. **ROLE OF THE FINANCE DIVISION**

The FA Organization should be replaced with a BS-20 Chief Accounts Officer, to assist the Secretary in each Division. The Financial Advisers will be gradually phased out and replaced with Sectoral Specialists. A BS-20 Chief Finance & Accounts Officer to assist the Secretary in running of the Division.

b. **RE-APPROPRIATION OF FUNDS**

Full powers for re-appropriation within the budgetary allocation should be delegated to the Secretaries.

c. **DELEGATION OF POWERS**

Secretaries should be empowered to delegate financial and administrative authority to sub-ordinate officers and Heads of Departments.

d. **AUTHORIZATION TO APPROVE INSTALLATION, MAINTENANCE OF TELEPHONE (EXCEPT INTERNATIONAL), FAX, INTERNET AND ALLIED TELECOMMUNICATION**

Secretaries should be authorized to sanction installation of fax, internet (including DSL) office/residential telephone and allied telecommunication connections.

e. **NOC FROM ESTABLISHMENT DIVISION FOR MAKING INITIAL RECRUITMENT AND APPROVAL FOR CONSTITUTING DEPARTMENTAL SELECTION/PROMOTION COMMITTEES**

For initial recruitment, the condition of obtaining an NOC from the Establishment Division should be withdrawn. Similarly, the requirement for obtaining approval for constituting Departmental Selection/Promotion Committees should be waived.

f. **NOC FROM THE CABINET – PURCHASE OF VEHICLE**

The requirement for obtaining an NOC from Finance Division for purchase of vehicles, within the allocated budget should be dispensed with.

g. **ENTERTAINMENT/ GIFTS/ MISCELLANEOUS/ REPAIR AND MAINTENANCE EXPENDITURES**

The financial limits for entertainment, gifts, miscellaneous expenditure and repair/maintenance of sophisticated vehicles, should be revised realistically and a system for index linking them to reflect price revisions/ inflation should be developed.

h. **APPROVAL OF VISITS ABROAD OF OFFICERS**

The Minister in-charge should be empowered to approve visits abroad of officers in BS-21, BS-22 and equivalent grades.

i. **HIRING AND REPAIR/ MAINTENANCE OF RESIDENTIAL BUILDINGS**

The facility to rent residential accommodation, should be extended to all stations. Secretaries should be suitably empowered to rent and order repairs and maintenance of residential buildings.

j. **POWERS TO SANCTION RENT PAYMENT OF OFFICE BUILDINGS**

The powers of Secretaries to sanction rent of office buildings, needs to be enhanced to Rupees five lakh for designated stations and to Rupees one lakh for other stations.

k. **ADDITIONAL CHARGE, ACTING CHARGE AND CURRENT CHARGE ARRANGEMENTS**

Secretaries should be given full powers to make additional charge, acting charge and current charge arrangements.

1. **POWERS TO RE-DESIGNATE AND/OR ABOLISH SANCTIONED POSTS**

Secretaries should be empowered to re-designate and/or abolish sanctioned posts.

m. **HIRING PERSONNEL ON CONTRACT**

Secretaries should be authorized to recruit persons on contract up to BS-20 and equivalent, for posts already sanctioned.

n. **EXECUTIVE AUTHORITY OF PAO OVER AUTONOMOUS BODIES**

Instead of the Secretary, the Heads of Autonomous Organizations should be accountable to the Public Accounts Committee.

E-GOVERNMENT IN FEDERAL GOVERNMENT

SITUATION ANALYSIS

7. E-Government is part of the Information and Communication Technology (ICT) in support of economic development and competitiveness.

8. E-Government is recognized internationally as an enabler toward achieving good governance through transparency while increasing the ability of citizens and businesses to access public services in an effective and cost efficient manner. Maturity and the decrease in cost of technologies has made E-Government an enabler of choice for developing countries to leapfrog across multiple generations of technology. The Federal Cabinet therefore approved National IT Policy and Action Plan in 2000.

9. The objectives of introducing of E-Government in Pakistan are (a) improving the productivity of government departments and ministries, (b) reducing the transaction costs and thus effecting budgetary savings, (c) providing convenience to the ordinary citizens in accessing public services, (d) modernization of business processes in government departments and ministries, (e) sharing knowledge and improving communication within the government and transmitting information to the public at large.

10. E-Government encompasses the following areas:

- G2G: Government-to-Government includes interactions between Federal, Provincial, Local, as well as Governments of other countries and international agencies. To allow for process and IT-system integration as well as the provision of services that support significant administrative savings and improve service delivery to citizens.

- G2B: Government-to-Business includes all Suppliers as well as Businesses procuring services from government. The aim is to reduce the government's burden on businesses by accelerating government processes vis-à-vis businesses, providing services, eliminating redundant collection of data and better leveraging E-business technologies for communication.

- G2C: Government-to-Citizen includes interactions with Citizens to provide easy to find, easy to use, points-of-service while providing higher speed, higher quality, and greater accessibility. (**Annex-I**) list the 21 most important services that should be accessed by the citizen
- G2E: Government-to-Employee includes interactions with Government Employees to provide easy to find, easy to use, points-of-service while providing higher speed, higher quality, and greater accessibility.

11. The phases of e-Services to citizens in E-Government are divided into the following categories:

- **Informational**: This is the first phase and includes the provision of information alone. The quality, usability and currency of the content determine the value of this phase of e-government. This is the least complex of all the phases.
- **Interactive**: In this phase, E-Government provides some degree of online interaction. For instance, citizens can enter complaints or job applications online. This phase does not include secure transactions such as financial or other transactions that require a high degree of authorization and audit.
- **Transactional**: Provides secure transactions with high level of authorization. Citizens can now apply online for passports, NICs and make payments online. This requires a high degree of security and basic infrastructure allowing for secure transactions.
- **Collaborative**: In this phase citizens and businesses collaborate with the government on processes, projects, etc. This is especially important for businesses working together with the government on projects, for public-private partnerships, NGOs, citizen forums, etc. This phase requires a collaboration infrastructure, which brings together suppliers, consumers and the government in a network with the object of increasing value creation

12. The strategy proposed for implementation of E-Government programme was documented in the "E-Government Strategy & Five Year Plan" which was approved by the National E-Government Council, headed by the Prime Minister and the Federal Cabinet in 2005. The following are salient features of this Strategy:

- **Basic Infrastructure** - Deploy basic infrastructure, comprising This includes PCs, Intra-Ministry network, office automation software, intra-ministerial communication at all government agencies. To connect all government agencies with each other through a secure Federal Government Data Center.

- Common Applications - A portfolio of applications that are common to all Divisions has been identified, namely Internal Communications & Movement of Files, Human Resource Management, Finance & Budget Management System, Inventory & Procurement Management System and Project Management System, These are to be implemented in all Ministries of the Federal Government.
- Agency-Specific Applications & e-Services for Citizens - Every Ministry is to identify high-impact processes for the agency and to provide services to citizens electronically. This is then to be implemented through the support of Electronic Government Directorate (EGD), however, with the ownership lying with the respective agency.
- Standards - An EGD Framework is under development and will be made accessible for all E-Government projects so that reference architectures, standard methodology, best practices and lessons learned are leveraged at all projects.
- Enabling Environment -
 - **Federal Government** - Top level leadership is to be provided by the National Electronic Government Council (NEGC) under the chairmanship of the Prime Minister. NEGC will meet quarterly to review the progress of the implementation of E-Government. Necessary changes in Legislation, Rules and Regulations need to be identified and made.
 - **Agencies** - Will take on ownership and implement their E-Government program with the support of EGD. Training will be made mandatory for all employees of and above Grade BS-5. An Awareness campaign will be started for all employees and citizens.
 - **EGD** - would be given more organizational and financial autonomy to remove unnecessary procedural delays.

13. The Government set up an Electronic Government Directorate (EGD) as an organization under the Ministry of IT in 2002. The EGD was interested with the task of implementing the E-Government programme. The Ministry of IT was also strengthened and an IT Wing for policy and strategy formulation and monitoring was established. The IT Wing and EGD decided to take up projects in those organizations whose will, commitment and ownership towards E-government system could be won over successfully.

14. The Government of Pakistan encourages the Government organizations to use e-mail, Internet, organizational websites and other means of electronic media to conduct the business of Government, to communicate with other officers within Government and with the general public. Following have been prepared

and published to help government organizations in this context.

- Internet & Email usage Policy
- Web Standard & Guidelines for Government Website

15. EGD has also developed draft EGD Framework that includes various standardized templates to ensure the robust software/system development. Further, the standards for each life cycle of software development process from Requirement Gathering to Testing are being developed at EGD. These will be published and made available to all concerned.

16. These standards and guidelines are being developed for guidance of government ministries/ divisions/ departments/ agencies undertaking similar initiatives. This will ensure the system interoperability horizontally and vertically across Government of Pakistan.

17. The GoP Web Portal, www.pakistan.gov.pk, is developed and managed by EGD. It was launched in 2002, and has created cyber-presence for the Government of Pakistan. It is the official gateway to the Government of Pakistan on the Internet, and contains websites of all Federal Ministries. It provides basic information about the government to the public, search capabilities, hosting of relevant forms, linkages with other relevant sites, as well as e-mail addresses and phone numbers of offices or officials. It has resulted in a number of benefits like information dissemination to the citizens without having to visit offices of government. On average around 300,000 visitors visit the GoP portal everyday, which makes this the most effective vehicle for citizen-government interaction.

18. Recently EGD has revamped the whole environment of the GoP portal. The new portal environment has been necessitated as the technology and server environment being used for the portal since its launch in 2002 has slowly become outdated and was not properly able to cater to the large volume of public visits/hits. In addition, Federal Ministries/Divisions were hampered in updating and customizing their individual websites as per their own demands. This existing portal environment is slowly being migrated to the new revamped portal. At present, the content of 26 Ministries/Divisions out of 37 have been migrated to new portal architecture

19. Apart from information dissemination and contact details about Government, EGD is in process of incorporating citizen-services in the portal, to

provide a central self services gateway to the citizens. Various EGD projects that are coming on-line are being incorporated into the new portal. As an example, online application submission in FPSC (Federal Public Service Commission), online Access to Case Laws, Online Hajj Applications processing are a few to name, while there are many to come in near future as they get completed.

NCGR RECOMMENDATION

20. The NCGR is of the view that progress in implementation of E-government has been slow due to lack of support from the highest level. The Ministry of IT is not in a position to enforce compliance by other ministries/ departments. Only a handful of the organizations have taken the initiative. A common understanding across all government agencies of the potential of introducing E-government is also lacking.

21. The National Electronic Government Council (NEGC) under the chairmanship of Prime Minister, should be reactivated and meet frequently to assign time bound action plan to the ministries and departments for introduction of E-services, resolve problems in the implementation and coordinate, monitor the progress and takes turn action against those who are not cooperating in the implementation of the plan. The council should also co-opt the provincial representatives to ensure both coordination and compliance and bring NADRA into its fold. NADRA kiosks can be a very useful excess tool to the citizen all over the country.

THE 20 MOST IMPORTANT SERVICES FOR E-GOVERNMENT

1. Land Revenue Record mutations and Land Services
2. Urban immovable property Record Registration and Services
3. Court Case load management
4. Police Station record and FIR registration
5. Payment of electricity bills
6. Payment of telephone bills
7. Payment of water bills
8. Payment of gas bills
9. Health Care Services/ Public Health, Immunization
10. School Enrollment
11. Issuance of Computerized National Identity Card
12. Passport Services
13. Domicile Certificate
14. Driving Licenses
15. Birth/ Death Certificates
16. Payment of traffic licences
17. Building permits and approvals
18. Property taxes
19. Motor Vehicle Related taxes
20. Postal Services
21. Distribution of Zakat.

CHAPTER – 8

GOVERNANCE AND DELIVERY OF ESSENTIAL PUBLIC SERVICES

- **Education**
- **Health**
- **Police**
- **Land Revenue**

GOVERNANCE AND DELIVERY OF ESSENTIAL PUBLIC SERVICES

EDUCATION SECTOR REFORMS

INTRODUCTION

1. Since independence successive governments have acknowledged the importance of education and have made efforts and planned/ implemented policies to make education accessible to all and also to improve quality education in the country. The results have not been very encouraging and there is a lot that still needs to be done at the federal, provincial and district levels to achieve these objectives. NCGR recommendations are being made with the sole aim of facilitating the stakeholders in this most important sector, which is vital to every aspect of human progress and development.

SITUATION ANALYSIS

2. The National Commission for Government Reforms(NCGR) is mandated to suggest reforms in the governance structure of education and ensuring access to the ordinary citizens and therefore the recommendations will touch upon these issues and not cover other important issues connected with the context, pedagogy etc.

3. The Commission would like to express satisfaction that clarity has emerged in the division of responsibilities for various segments of education. Higher education and curriculum will fall under the jurisdiction of the Federal Government, College education, vocational and technical education under the Provincial Governments, while primary, secondary up to matric, will be managed by the District Governments. The Commission also realizes that the outstanding issue of the Higher Secondary education (Class XI and XII) is under active discussion of the Council of Education Ministers and will be resolved amicably in the near future. The working paper on Education Policy was issued in December 2006 for wide stakeholder consultation.

4. Following the increased availability of resources, the Commission is encouraged by the efforts being made by the Federal and provincial governments to improve educational outcomes. To varying degrees, the provincial governments have launched supply and demand side initiatives, like provision of free text books to all students enrolled in grades 1 to 10, in government managed schools, stipends to girls attending classes 6 to 10 and provision of missing physical infrastructural facilities, as measures to improve access to education, reduce dropout rates and narrow gender and intra-provincial regional disparities. The successes achieved to date have been mixed owing to a) the continuing poor quality of physical infrastructure (in the form of lack of classrooms, toilets, boundary walls, furniture and dangerous buildings) to be able to attract children to schools; and b) the uneven monitoring systems and institutional implementation capacities at the levels of the provincial and district governments. The institutional arrangements and mechanisms, (especially with powers of postings and transfers of even local staff still centralized in the provincial education departments) for holding teachers accountable for service delivery, continue to be weak, as new instruments to improve teacher presence in schools, like hiring of teachers on contract (and hence terminable in case of poor performance) and school-specific basis, founded on transparent and merit-based criteria (including additional marks for females and locals for primary level teachers) only apply to fresh recruits and not the existing stock of teaching personnel.

5. Moreover, for a variety of reasons, the achievements of quality improving interventions, in the shape of teacher training, (partly because of the poor academic endowment of the existing stock of teachers-in view of the relaxed professional requirements for induction in the past combined with non-merit, politically driven, recruitments) to enhance their capabilities, curriculum and textbook revision and revamping of examination systems have been lack lustre to date, except for the efforts and results of teacher training in the NWFP.

6. There is no institutionalized arrangement for greater stakeholder participation and provision of advice by civil society, in policy development and planning of education. Also, the participation of parents, the beneficiaries of service delivery, at the local level could be more effectively harnessed through the existing School Management Committees/Parent Teacher Associations, to improve the environment for schooling.

GUIDING PRINCIPLES

7. The Guiding Principles for the recommendations are:
- (1) Merit based induction of teachers.
 - (2) Curriculum and text book revision and revamping of examination system.
 - (3) Institutionalized arrangement for greater stakeholders participation in policy, planning and implementation.
 - (4) Involvement of civil society in policy development and planning of education.
 - (5) Teachers training to enhance capacity.
 - (6) Narrow gender intra provincial disparities.
 - (7) Improvement in infrastructure.

NCGR RECOMMENDATIONS

8. In the light of the above discussion, the Commission recommends the following proposals for the consideration of the Federal and Provincial Governments. The recommendations are to be further refined, developed and implemented by the Federal, Provincial and local governments, in respect to their respective areas of responsibility.

District Boards

9. The Commission proposes the establishment of District Education Boards, to be headed by a nominee of Zila Nazim, selected through a process of Search Committee. He/ She should be supported by a Board, comprising a membership of both officials and civil society representatives, with EDO (Education) functioning as the Secretary of the Board. The non official members of the Board will be selected by a search committee, consisting of the Education Minister, District Nazim and one of the Vice Chancellors of the public sector Universities in the province. In case of Balochistan and NWFP where the number of universities is limited, a Judge of the High Court may be appointed instead. The establishment of such a Board will provide the much needed stakeholder/civil society participation in education planning and the introduction and design of initiatives, to improve educational outcomes. The main functions of the Board will be;

- (a) Developing criteria and standards for establishing primary and secondary schools in the district and ensuring that these criteria are met in practice.
- (b) Ensuring that the selection of teachers is made in a transparent manner and their training is rigorously carried out by developing and enforcing recruitment and promotion criteria, contracting procedures, teacher deployment, pre-service and in-service training.

- (c) Establishing institutional arrangements and empowering Education Officers to inspect schools and receiving inspection reports for initiating action against teacher absenteeism, laxity of standards and other lapses in the smooth functioning of schools
- (d) Developing criteria, standards and acting as the accreditation/ registration body for private schools in the district.
- (f) Working with communities and civil society organizations, such as CCBs, RSPs, NCHD, PPAF etc in enrolment of out of school children.

10. The above is a listing of some of the critical functions to be performed by the District Education Boards. Once an agreement is reached on the need for such Boards, the details can be worked out. A similar institutionalized arrangement may be considered for the provincial level, to help the Education Department in matters of policy formulation and monitoring educational outcomes of various initiatives, implemented with provincial support.

Separation of Teaching and Management Cadres

11. In this age of specialization and to improve educational outcomes, there is a need to develop an organizational structure under which there are separate teaching and management cadres. Any teacher having acquired 5 years experience, either in schools or college, having aptitude for management, can apply for selection to the management cadres in schools and college streams. They would be tested for aptitude, suitability and skills and those selected, would assume the positions of Head teachers and Principals, rising to other management positions in the Districts and provinces. After their selection, they should be given rigorous training at educational management academies, including soft skills and those found fit should be inducted into the management cadres. The management cadres should be centralized at the provincial levels, to provide a variety of experience and better career advancement prospects. Those choosing to stay in the teaching cadres should be allowed to advance without hindrance to higher grades and pay scales, so that they are not forced to opt for management cadres in order to earn better promotion prospects. Although we endorse the facility specific contract employment for teachers, their continuous professional training along with performance on the job should determine their retention, increments and advancement.

12. The management and supervisory personnel will have to be appropriately empowered administratively, to hold service providers, teachers, accountable for service delivery. For example, they should be able to at least penalize absenteeism, say through deductions from salaries for days absent. The oversight of service delivery and

proper implementation of initiatives, needs to be improved by using technology and installing better management systems (learning from the Government of Punjab), by enhancing the monitoring and supervision capacities and by providing mobility to the supervisory layers.

Empowerment of educational managers

13. Following generally accepted principles of management, the head teachers/principals of schools will also have to be given administrative authority, (if they are to be held responsible for school results in public examinations) to initiate appropriate action against recalcitrant teachers, e.g. those habitually absent or not teaching their full quota of hours regularly, even when attending school.

Increasing female enrolment ratios

14. As one of the millennium development goals is to raise the female enrolment ratio in the rural and under develop areas of the country, it is suggested that female teachers may be employed at primary school level wherever possible. Experience in Pakistan has revealed that even conservative parents are willing to send their girl child to a primary coeducational school, if a female teacher is employed. This practice will utilize the existing physical facilities to the maximum and provide comfort to the conservative parents in these areas, to send their girls to primary schools.

School Management Committees/ Parent Teachers Associations

15. SMCs/ PTAs should be empowered through greater administrative autonomy, (with the majority of members and Chairperson from among parents) and financial powers. Also, more financial resources should be placed at their command, (as is being done in the Punjab) to recruit teachers to fill temporary vacancies, monitor teacher absenteeism and, based on simplified spending processes, utilize allocated funds to improve the schooling environment. The provincial and district governments may wish to consider granting more powers to SMC/PTAs of schools in urban areas, (which are less likely to be hijacked by local influentials) and focusing their limited outreach, owing to scarce financial and human resources to the monitoring and supervision of schools in rural and under develop areas.

Role of Provincial/District Governments

16. Since the operational aspects of service delivery under the devolution framework have been delegated to district governments, the role of the provincial governments should focus on policy planning, monitoring and mentoring, except for College education, vocational and technical training, which will be the direct responsibility of the Provincial Government in all aspects. To this end, therefore, powers of recruitment, postings and

transfers of teachers for primary, secondary and high schools, need to be delegated to district governments. As pointed out above the District Education Boards will carry out the selection and recruitment of teachers on behalf of the District Governments.

Funding for Infrastructure and teachers

17. To address the lack of basic physical infrastructure in schools, the Federal and the provincial governments particularly in Punjab have undertaken projects for providing additional funds on school completion basis, (provision of all missing facilities, including teachers) to district governments in the form of conditional grants, which are linked to need and overall performance of local governments in the sector, in the shape of agreed outcome-based performance indicators. We recommend that other provincial governments should also provide such conditional grants to district governments, for expeditious completion of missing facilities, including teachers in schools. In some districts a rationalization of teacher redeployment, from schools with low enrolment and high teacher strength, to schools with high enrolment and low teacher strength, will take care of some of the imbalances and distortions.

Curriculum

18. The Commission strongly endorses the changes, reforms and improvements being jointly considered by the Federal and Provincial governments in the curriculum and has nothing much to add.

Testing and examination system

19. The reforms underway to improve the testing and examination systems aimed at enhancing critical thinking and analytical skills, should be taken to their logical culmination, as examinations are the most important determinant of the quality of education. We would however like to urge the provinces to adopt a uniform system, so that the variations in the standards do not put the students of any province at a relative disadvantage. To this end, proliferation of examination boards should be discouraged and ultimately a National Testing Service should be entrusted the task of designing the examinations, while the boards become responsible for administration of these examinations and certification. We also recommend uniformity throughout the country for the examination boards, placement and reporting relationships within the Provincial Government.

Public-Private partnership

20. The private sector is playing an increasing role in the provision of education at all levels of education. Even less affluent households are voting with their feet by selecting

private schools (most charging fees under Rs.300/month) for their children. Hence, there is a need for greater public private partnerships through Adopt-a- School programmes, allowing the private sector to use government school buildings for evening classes/schools and reviewing, for possible replication, the programmes of the Punjab Education Foundation (PEF), for instance its initiative to fund private schools, catering to less affluent households, by providing such institutions Rs.300 per child enrolled per month and making continued financing contingent upon the students attaining a minimum score in 6 monthly tests, administered by the PEF. The guidelines developed by the Pakistan Centre for Philanthropy on Public-Private Partnership, should be examined by the Provincial Governments and if acceptable widely disseminated and circulated among the private sector and NGOS.

21. The Federal and the Provincial Education Foundations should also consider the options of providing subsidies to private schools, for teachers or paying each school a lumpsum grant to secure placement for a talented student from a less privileged household. This would ensure that poor families are able to obtain access for their talented children, to private institutions of their choice, without incurring considerable expenses involved. The budgets of the Foundations should be increased to fund these subsidies.

Merit based scholarship

22. In case the subsidies for teachers is accepted as the preferred route, the Provincial Governments should consider establishing an Endowment Fund for merit based scholarships for deserving students.

Data and Management Information Systems

23. There is a need to support the institution of GIS systems to help locate schools, check duplication of facilities, rationalize size of teaching staff in different localities, through redeployment of personnel from institutions with low pupil-teacher ratios, to those with higher ratios, before fresh recruitment drives commence and also strengthen the linkage between different levels of education, using the process of upgrading (primary to middle and the latter to secondary schools). The Federal Ministry of Education has established a National Management Information System, which should be linked with the Provincial Systems. The Provincial Management Information Systems, in turn, should be based on the District Systems. Such an integrated and interlinked system, which is updated in real time and has on line access to managers, will help a great deal in decision making and remedial action.

CONCLUSION

24. All these recommendations are expected to improve governance in public sector education and also help in involving the private sector in a more meaningful way in education, planning, development and implementation in an institutionalized manner.

HEALTH SECTOR REFORMS

INTRODUCTION

25. In countries like Pakistan which face a resource constraint, it is extremely difficult for the state to deliver health services to all its people, none the less the government tries to provide health services to all. It has been realized by NCGR that reforms are required in this important sector to improve service delivery, which affects the lives of all people. These reforms cannot be general but have to identify certain critical areas which would make a meaningful and visible difference in the state of health services in the country.

GUIDING PRINCIPLES

26. The Commission has decided to focus on a few selected areas within the health sector which would definitely help in provision of better health facilities to the ordinary people of Pakistan. These are:-

- Governance
- Regulation
- Inter-sectoral Scope
- Manpower
- Key Pilot Project

1. GOVERNANCE

SITUATION ANALYSIS

27. Improving governance in health and reconfiguring the stewardship role of the government, is the single most important factor in improving health outcomes. This is so for two reasons; firstly, the bulk of health service delivery, especially essential health services must be provided by the state and secondly, because the state also has the responsibility to regulate the delivery of health services by the private sector. However, as opposed to this, it is widely established that there are many gaps in these areas.

28. The absence of a health management cadre has led to serious inefficiencies in the delivery of health care at all levels. As promotions of medical staff to higher grades are linked to management positions such as Medical Superintendents, Executive Directors of Hospitals, there is a misallocation of human resources. Given the complexity of running a facility, every medical doctor cannot be expected to perform the functions of logistics, finance, operations, human resources etc. Aptitude and management skills are needed, in addition to technical knowledge.

29. The Ministry of Health (MoH) is the principal state agency at the Federal level, mandated with a policy making, regulatory and normative role in the health sector. Although, health is a provincial subject, with responsibility for service delivery now devolved to the districts, after the passage of the Local Government Ordinance 2001, the Ministry of Health still retains a key overarching role in the areas of policy making, donor coordination, regulation of healthcare providers, inter-provincial coordination and support through the public health programs. Despite this mandate, the capacity of the Ministry of Health is weak in many areas.

30. The Ministry of Health has many allied, attached and subordinate institutions, which either have a reporting relationship with the MoH, or the MoH has a key role in their governance arrangements. The Ministry of Health can use this leverage for achieving several purposes. Capacity within the MoH is critical for the stewardship and oversight role that the MoH is mandated to play; this becomes even more important as we move towards new models of delivery of services, which will involve a role of the private sector. The technical, regulatory and evidence gathering capacity of the MoH and its stewardship role underpins the success of any reform in the health sector. A similar situation is seen in the provincial departments of health, which are supposed to provide oversight to service delivery at the district level, however they face the same capacity challenge as their federal counterparts. In addition, the existing administrative structure creates administrative bottlenecks and decision-making delays, which undermine program implementation and the effectiveness of the implementation of policies.

31. Following the principles that underpin the basic framework of organization of the Federal Government, the Ministry of Health should be responsible for policy formulation, monitoring and oversight of the executive departments or autonomous bodies, for implementation and operations and the regulatory bodies for regulation. As soon as the Drug Regulatory Authority (DRA) is established, this separation between policy making and regulation would become complete. However, the boundary between policy making and implementation remains blurred as the DG Health is an integral part of the Secretariat.

32. Another governance function that necessitates reforming is the process of procurement of drugs and other supplies, which constitute a bulk of the spending, in addition to being a critical input to the health system; however, there are impressions of

pilferage in this area. The Government of Pakistan has established the Public Procurement Regulatory Authority (PPRA), according to which procurements are made in general. However, due to the special nature of drugs, additional considerations are important, which form the basis of recommendations in this area.

NCGR RECOMMENDATIONS

33. It is proposed that a separate Health Management Cadre be established by each Provincial Government, to provide duly trained and experienced managers for administrative/ managerial posts in hospitals and institutions, in development projects/ programmes and District/ Provincial health administration. The persons selected to man this cadre would fill in all positions of administrations of tehsil, district, teaching and specialized health cadre facilities, DDOs and EDOs Health and other management positions in the Provincial Health Department. An open, transparent, merit based system of recruitment and satisfactory completion of mandatory training at different levels, would be used to select the persons in this Cadre.

34. This Cadre would be different from the Clinical and Teaching Cadre, with its own career progression path. The members of other cadres in health and outside professionals can compete for entry into this cadre, provided they meet the eligibility criteria.

35. It is not obvious that there will be a minimum critical mass of posts at the Federal Government, that can justify the creation of a separate management cadre. The few Federal institutions and projects should openly advertise the jobs, with eligibility criteria and select the best available management talent in the country.

36. Recruitment rules should allow both internal and external recruitment. However, all senior level management positions should be advertised and selections should be based on merit. The recruitment rules for direct appointments in the Management Cadre should include the qualifying degree of MPH or equivalent.

37. For promotion a course at National Health Academy, as well as provincial health academies should be instituted with a common content. For higher management posts, eligibilities should include training courses at National School of Public Policy (Senior Management and National Management Course).

38. The above principles should also apply as and when Direct Cadres are created in the health sector, for management related posts.

39. Since it may take some time before qualified individuals are available, management cadre may be introduced in a phased manner. Within the structure of the new management cadre, reforms centered on good governance, accountability and performance monitoring should be institutionalized and safeguards may be built against political and external interference, albeit while building appropriate incentives.

40. The offices of the Federal and Provincial Director Generals of Health should be revamped, keeping in view the contemporary role and challenges of the health sector. The DG Health should be head of the executive and implementing arms of the Health Ministry and Provincial Health Departments. They must function separately from the Secretariat. Focal points and dedicated institutional arrangements should be created within the offices, for the following essential functions: i) apex responsibility for the coordination of the national public health programs; ii) standard setting for medical education, credentialing and accreditation of health related human resources and infrastructure; iii) dedicated parallel institutional arrangements and responsibility for liaison with regulatory authorities (drugs, private sector, institutions and human resource; iv) apex responsibility for inter-sectoral collaboration; and v) international health regulation.

41. These executive departments should be given technical manpower, financial and legal powers, authority and adequate resources to carry out these functions. Once the proposal is accepted in principle, the terms of reference for the DG Health can be worked out later.

42. In order to enhance transparency in procurements, standard PPRA regulations should be followed; for procurement beyond a certain level, electronic bidding process should be adopted, to ensure speed and transparency. In addition, electronic public expenditure tracking procedures and electronic equipment and supply inventories should be established, to track leakages from the system.

43. One appeal with right of hearing against procurement decisions at administrative level, must be allowed, so that aggrieved parties do not proceed to courts straightway, in the absence of an administrative level appeal.

44. Oversight organization(s) in civil society/ private sector may be engaged, to act as a consumer protection organization, providing information to Federal/ Provincial authorities, about availability of essential drugs/ supplies in the public sector, and transparency in the procurement process.

2. REGULATION

SITUATION ANALYSIS

45. It is well established that leveraging the potential of the private sector partners including a growing number of philanthropic and charitable health care providers and facilities, can significantly improve outcomes across a range of social services and can enable the State to share responsibility for getting programmes out to communities, by relying on groups and organizations that have complementary mandates.

46. Timely and transparent procurement of drugs in the public sector is most essential for patient welfare, in order to ensure availability of safe and high quality drugs. The present government has commenced a reform process in the area of drug regulation, by initiating work to establish a Drug Regulatory Authority.

NCGR RECOMMENDATIONS

47. The office of the DG Health at the federal and provincial levels, should be made responsible for developing norms and standards, with reference to establishing a policy, operational and regulatory framework for fostering public private partnerships.

48. Health regulatory authorities should be created at the federal and provincial levels, to implement these frameworks, in order to mainstream the role of the private sector into the delivery of healthcare, the services of bona fide NGOs into the national development process and foster public-not-for-profit relationships at an overarching level.

49. Existing private-public arrangements in the area of the First Level Health Care, (FLHC) should be revisited, to ensure that private and primitive aspects, including responsibility for immunization at training of LHWs and BHUs are fully secured.

50. An independent Drug Regulatory Authority (DRA) must be setup as a priority. In terms of its governance arrangements, the DRA should be fully autonomous. The DRA should be mandated with the task of developing regulatory frameworks and their implementation. Its relationship with the Ministry of Health should be clearly defined;

the Ministry should have the policy making prerogative in line with the definition provided in the OGRA legislation and the Rules of Business, 1973. As in NEPRA's law, due provision should be kept for public hearings and complaint redressal in the proposed DRA legislation. Provincial DRA may be of great value in giving credibility to it.

3. THE INTER-SECTORAL SCOPE OF HEALTH

SITUATION ANALYSIS

51. It is widely recognized that factors which determine health status, range much broader than those that are within the realm of the health sector and that modern healthcare has less of an impact on population health outcomes, than economic status, education, housing, nutrition, sanitation, population dynamics, human development and improvements at a governance level.

52. Social protection is generally regarded as a mechanism to address poverty and vulnerability, by providing protection against uninsured hazards such as illness, unemployment and disasters, which push vulnerable households into poverty and the poor into persistent poverty. If equity funds are made part of social protection measures, they enable exemption at the point of service and therefore mitigate the risk of exclusion based on access. Pakistan is fortunate to have developed a Social Protection Strategy; the short term recommendations of this Strategy are to *"extend existing cash transfer programmes to reach the poorest ten percent of households, and to introduce conditional cash transfer programs to achieve specific objectives"*. Cash transfers are important, because such funds can be used in waiver and exemption systems in health facilities, where health services have been contracted out and where user charges have been introduced. However this would entail inter-ministerial coordination and support by the Ministry of Social Welfare to the Ministry of Health and the departments of health, in terms of linking *Zakat and funds* from the Bait-ul-Mal, to waiver systems in health care facilities. In the long run, this responsibility needs to be taken up by an empowered Ministry of Social Protection.

53. Integrated and synchronized delivery of both population, as well as health services can significantly enhance the state's ability to achieve population and health outcomes. The importance of significant decline in fertility rates, for reaping the demographic dividend can hardly be sufficiently stressed.

54. The population-health (*strategic and operational*) disconnect, is unfortunately embedded in structural administrative and institutional issues within the country. Many opportunities exist to create better linkages, for improving outcomes through approaches that can be acceptable to stakeholders on both sides. For example, the existing quasi-integration of population and health, at the Executive District Officer level, under administrative devolution, can be further built upon; population welfare services can also be integrated for patients/clients in the newly evolving public-private partnership frameworks, that the health sector is pursuing. In addition, family planning can be brought on the mainstream agenda of the Ministry of Health and integrated with programs such as the Lady Health Worker program, more effectively. The division of responsibilities for health care – preventive and curative – is not clearly delineated. Although some overlap is inevitable, a more clear demarcation of boundaries among the various tiers of the government is highly desirable.

55. The District is the most important administrative unit in terms of health delivery administration, especially after the Local Government Ordinance of 2001. District Health Administration needs to be strengthened on the following lines:

56. The basic health units the rural health centres, the urban clinics and dispensaries, the tehsil headquarters hospitals and the district headquarters hospitals, form the core layer of public sector health service delivery system. The recent attempts to integrate the Lady Health Workers and vertical preventive programmes such as immunization, vaccination etc. at the BHU and RHC should be extended to other health facilities also. The inclusion of the population programme within this integrated framework, will also help this process further. In addition to these public sector facilities, a number of private for profit and charitable facilities and private practitioners do exist at Union, Tehsil and District levels. It has also been observed that unqualified quacks, posing as medical practitioners are carrying out brisk business, particularly in remote and poor areas. Local hakims and homeopaths are also involved in the health care delivery. But there is no mechanism at the District level that coordinates, monitors, enforces standards and regulations and ensures that the family receives advice and quality care at the time of need.

57. The Provincial Governments should be responsible for setting the norms, standards, regulations, licencing etc. and monitoring them. The Provincial Governments should also set up and operate teaching hospitals, specialized hospitals such as Cardiovascular, Urology, and Cancer etc. and also provide conditional grants-

in-aid to private and charitable facilities, for taking care of the poor and destitute patients.

58. The Federal Government should not only set up Centres of Excellence, but also be responsible for the overall policy, planning and investment for future health care needs. The production and training of health manpower and filling in the shortages in critical areas such as nursing, allied health sciences etc. health financing mechanics, Research and Development, health infrastructure development, coordination of international assistance, inter-provincial coordination would all fall under their domain. Health policy development will be initiated by the Federal Government, in collaboration with the Provincial Governments.

NCGR RECOMMENDATIONS

59. The proposed reforms, within an inter-sectoral scope, entail developing alternative policy approaches to health within its inter-sectoral scope.

60. In Pakistan's context, there is a need to strengthen intersectoral linkages of the health sector with social welfare and population sectors. In addition, it must be recognized that after the passage of the Local Government Ordinance of 2001, the development mandate has been devolved to the district level. Within this context, it is important to create a district level coordination mechanism, to synergize the roles and contributions of all the actors in the health sector at the district level, to common objectives and envisaged outcomes. Integration of national vertical health programmes should also be done through district coordination mechanism.

61. It is recommended that pending creation of a fully empowered Ministry of Social Protection, a health-social welfare intersectoral coordination committee should be constituted, with representation from both ministries; this committee should be given the mandate to create/maximize operational linkages of the health sector with social welfare, so as to institutionalize cash transfers for waiver and exemption systems, in hospitals and other health facilities. This committee should also monitor the implementation of policy decisions in this field.

62. It is proposed that the scope of the National Population Commission be broadened to the National Population-Health Commission, so as to institutionally integrate the delivery of population and health services in Pakistan and mainstream population planning and the delivery of its services into health policy and planning. The

District Population Officers are not reporting to the District Government at present. This is a very serious gap and must be rectified urgently.

63. It is recommended that **District Health Boards** should be created within each district. Membership of the Board should be interdisciplinary, both from the public and private sectors; the EDO health should be the secretary of the board, with operational responsibilities, whereas an eminent personality from the public/private sector in the district should be requested to chair the board on a two yearly basis. Broadly, the Board should be mandated as an oversight body, to plan, guide, oversee and coordinate the delivery of health, within the district, in line with local needs, albeit within the national health policy framework. The following roles should be assigned to the board:

- i) Developing mutually agreed strategic workplans for the district, with participatory consensus of all stakeholders in the health and development sectors.
- ii) Providing a point of contact for stakeholders in the health and population sectors and other areas relevant to the intersectoral scope of health, for coordinating plans and activities.
- iii) Coordinating public and private roles for the delivery of health care, based on locally relevant evidence.
- iv) Providing oversight to decisions on contracting out services to the private sector at a basic healthcare level and contracting in private sector services for public sector secondary level hospitals, which fall within the jurisdiction of the districts.
- v) Developing locally suited monitoring and evaluation plans and overseeing compliance to these.
- vi) Reviewing and critically analyzing district level data from the health management and information systems for decision making.
- vii) Liaising and negotiating with the Federal and provincial governments, for resource allocations from development budgets
- viii) Monitoring and ensuring that the regulations developed by the Provincial and Federal regulatory agencies are enforced.
- ix) Coordination and integration functions and powers vis-à-vis all vertical health programmes, both national and provincial.
- x) Public mobilization, including interaction with Civil Society/ NGOs

4. **MANPOWER**

SITUATION ANALYSIS

64. Teaching Cadres already exist in teaching hospitals with separate Recruitment Rules. The hierarchy of posts includes: Demonstrators, Senior Registrars, Assistant

Professors, Associate Professors and Professors. Members of the teaching cadres are expected to pay equal attention to patient care, student training and medical research. In actual practice, a major portion of their time is devoted to clinic-based practice and related areas, whereas perfunctory attention is given to medical research. In theory, Rules of Recruitment make minimum number of research papers mandatory for promotion in teaching cadres. However, in practice, plagiarism characterizes the state of medical research generally, emerging from teaching hospitals. The situation calls for reform measures.

65. The health system is suffering from some critical manpower shortages, which need to be addressed in the short run. Some of these shortages need urgent attention, such as in the case of Nurses, Paramedics, Anesthetists, Midwives and health administrators.

NCGR RECOMMENDATIONS

66. The annual performance reports of members belonging to the Teaching Cadres, should include columns indicating proportion of time given to patient care (daily rounds/ward visits/OPD/cases attended), time spent in student training (lectures, supervision of thesis etc); and contribution in the field of medical research (number of publications in peer reviewed journals and not local hospital journals). Promotion criteria should be revised; teaching staff should be statutorily bound to contribute to research and *tangible quality outputs* should be the criteria for promotion. HEC should be provided an assessment role in research papers.

67. Institutional arrangements should be created to foster research, such as the creation of research funds in teaching institutions, through linkages with the Higher Education Commission and the creation of ethics committees. Regulation should be strengthened against plagiarism, to encourage original research.

68. It is proposed that medical and vocational training in the above categories may be allowed in the private sector, subject to proper regulation for complying with quality of output. Incentives may be provided to private investors, to set up institutions complying with minimum prescribed standards, particularly in areas where the government has the absorptive capacity; in such areas, the government can suitably subsidize the private sector for training manpower. Ministry of Health should prepare a 5 to 10 years Health Manpower Plan, for which resources may be provided.

5. KEY PILOT PROJECT

SITUATION ANALYSIS

69. Tertiary care hospitals are generally swamped with huge numbers of patients who are brought from large catchments areas, by passing tehsil or district level hospitals. In this way, both time and expenses of the patients are consumed, while unnecessary load is created on tertiary facilities. A desirable tool to control unnecessary rush at major hospitals is to develop a Referral System, whereby the bulk of cases are handled at tehsil and district level and only complicated cases are referred to tertiary hospitals. However the mode of health financing determines the success of such a referral system. Where the systems makes it binding on the patients to see a first level provider before the next level, because of the manner in which care is financed, referral systems get inherently faulty. It is therefore recommended that a viable and sustainable referral system should be developed on a pilot basis in Islamabad.

NCGR RECOMMENDATIONS

70. It is recommended that a Model Referral System may be developed for ICT, whereby the BHUs, RHCs, and other hospitals may be linked through a Referral System to PIMS. The task of developing such a system should be undertaken by PIMS. The administrative and financial requirements should be worked out by a committee, to be set up for the purpose by the Ministry of Health. Comprehensive operating procedures, including establishment of filter clinics should be worked out. Public sector facilities in ICT should be networked, for purposes of developing a Model Referral System. The system should start functioning within 6 months to a year, for which PSDP support may be provided. It should serve as a springboard for replication across the country.

CONCLUSION

71. If recommendations in the five sub-sectors of health outlined above, are implemented by the government, marked improvement in provision of better health facilities to the ordinary people of Pakistan can be expected not only at federal but at provincial and district levels also.

POLICE REFORMS

SITUATION ANALYSIS

72. Police is one of departments which is highly relevant for the day to day lives of the ordinary citizens of this country. To improve the working of the Police department, public redressal system and checks and balances on the discretionary powers of the officials have to be introduced. The police reforms being proposed are a step in this direction.

73. The Police Order, 2002 had been framed keeping in view the following parameters:

- a) Make police politically neutral;
- b) Make police better accountable to independent citizen commissions;
- c) Organize police on functional basis;
- d) Operational and administrative autonomy;
- e) Effective internal accountability by police command.

74. However, the political government installed later that year, demanded amendments before implementing the law. The changes in Police Order have completely altered the original parameters. Indeed, the law has now made police legally subservient to elected political functionaries, both at provincial and district levels. It has also affected the autonomy that was originally envisaged for the PPO. He is now “subject to the policy, oversight and guidance given by the Chief Minister, through the Chief Secretary and the Provincial Home Department”. The DPO is in a very awkward position. He is answerable to the Nazim who writes his ACR. He is answerable to a politically biased District Public Safety and Complaints Commission. Finally, he is answerable to the Chief Minister who appoints him.

75. Despite the amendments, the law has still not been implemented. The reasons for not implementing the Police Order are:

- (a) Lack of political will;
- (b) Lack of understanding regarding reorganization of police on functional basis;
- (c) Resistance to change by political governments, bureaucracy as well as the police.

GUIDING PRINCIPLES

76. There was a general consensus among the police officers that the amendments have virtually altered the original intent and purpose of the Police Order. The amendments take away the operational autonomy conferred by the Police Order to the police. There is a need to consider the following guiding principles, while making recommendations to achieve expertise in the various functions that Police is required to perform and in the long run, improve its efficiency:-

- Reconstruct police on the lines given in the Police Order.
- All officers at Region/ Range and District level to be organized in accordance with the tasks to be performed.
- Reorganization of Investigation branch.
- Reconstructing the Police Station.
- Traffic Police to be restructured on the lines of Motorway Police Model.
- Police training to be categorized.
- Nazim DPO relationship to be defined for smooth functioning.

NCGR RECOMMENDATIONS

Reorganization of Police Offices

77. The law clearly stipulates that police shall be organized on functional basis. This means that all police offices are to be organized in this manner. Offices which belong to a functional group are also to be organized in accordance with functions it is required to perform. It is, therefore, of utmost importance, that as a first step the office of the PPO should be organized on functional basis. The organizational design of the office of PPO is given in Appendix I. All offices at Region/Range and District level need to be organized according to the design set down for the office of PPO. Other functional groups should be organized in accordance with the tasks required to be performed, each task having a separate officer heading it. Organization charts of various branches are attached.

Delegation of Powers

78. The Police Order envisages devolution of powers to senior police officers working in key positions. The CCPO has been devolved these powers by the law itself. But powers have not yet been delegated to RPOs and the DPOs. Only Sindh has delegated powers to the RPOs and DIGs in the two regions of Sindh. There is a need to delegate powers in other Provinces, as has been done in Sindh. Furthermore, there is

need to delegate enhanced powers in financial and administrative matters to the DPOs. In the case of Inspectors, the DPO should now be made an authority in disciplinary matters, in accordance with the Police Order.

Investigation Branch

79. The Police Order clearly stipulates, that the Investigation Branch shall be a separate branch for the entire province, headed by an Addl. I.G. However, the Standing Orders framed by the PPOs do not strictly follow the law. The investigation branch hierarchy ends at the District or Region/Range level. The Addl.I.G/Investigations performs staff functions and is a custodian of criminal records. As far as investigations are concerned, these are conducted at district level. At the Region/Range or Provincial level, only those investigations are conducted which have been transferred from the districts under Article 8(6) of the Police Order. There seems to be some reluctance to create a completely separate branch, dealing with all aspects of investigations.

80. The manner in which the investigation branch has been separated, gives more importance to the Ops functions and completely paralyses the investigation branch. The public is extremely concerned. There are the following causes of concern:

- a) The FIR is registered by Ops Branch and the case is then handed over to the investigation branch. Having to deal with two branches is of grave concern for citizens.
- b) The standard of investigators is poor and citizens have no faith in them.

81. There is a need to give due importance to the Investigation Branch. It not only needs to be strengthened by good quality officers and men, it also requires a boost in resource and prestige. This can be achieved by distributing the police station registers between the investigation branch and the operations branch as given below:

- a) Ops Branch: Registers No: 6, 10, 11, 16, 17, 18 and 24
- b) Inv Branch: Registers No: 1, 2, 4, 9, 12, 19 and 22
- c) The following registers should be maintained by both branches separately: 3, 5, 13, 14, 20, 21, 22 and 23.

The above option would eliminate the two window operation and address the citizen's concern effectively. At the same time, it would separate the two branches at the police station and therefore, fulfill the requirements of the Police Order.

82. The organization of the Investigation Branch should be as envisaged by the law. It should have a separate hierarchy. However, the DIG/SP of the investigation branch, should be located at the Region/Range office for the administration of the Investigation Branch. The Addl IG/Inv should have administrative control over DIG/SP in the

Region/Range. The organization of the Investigation Branch can be seen in Appendix II. The above measures would redress the citizen concern by which they are put through an insidious two window operation. The matter of poor quality investigators would also be suitably addressed. Above all, the organization design would be in compliance with the Police Order.

83. The Punjab province introduced the concept of Supervisory Police Officer in police stations of five cities. The remaining districts continue as before. The sugar coating is that the SPO is given special allowances, which are more than double the salary. The salary of the SHO is similarly increased. However, nothing like this has been given to the SIO (and it is the Investigation Branch which is required to be established and improved!). A further travesty is the fact that the posts for SPO have been transferred from the Investigation Branch, weakening it further. The PPO is of the view that this model would not be in conflict with the Police Order. This concept has now been reviewed and the SPO now has jurisdiction over two police stations and works like an SDPO. The Punjab has also introduced reporting centers in the office of each DPO, to ensure registration of cases. It is felt that this measure would merely add another window, but not solve the problem. What is required is a will to register cases.

Amendments in Law

84. The Police Order has given police new responsibilities to prevent crime in villages and to protect life, property and liberty. However, the CrPC does not allow the police to perform these duties. This is done through Chapter XIV of the CrPC which deals with investigations. Sec.155 prescribes that police shall not investigate any non-cognizable case, unless directed by a magistrate. In Karachi every year since the last ten years over 6000 reports are made to police. Not a single case has been referred to police by a magistrate for investigation. The victim has not got any redress. Moreover, this provision gives police a lot of discretion, whether to register a case or not. This leads to all the ills relating to non-registration of cases.

85. This discretion that lies with the police regarding the FIR, because of the distinction between cognizable and non-cognizable, is a cause of major concern. It has led to:

- a) Burking
- b) Minimizing offences
- c) Registering false cases
- d) Sanctifying FIR
- e) Corruption

f) Citizen dissatisfaction

86. Thus, there are two reasons why an amendment needs to be made in the CrPC:

- i) Allow police to perform the new duties given to it by the Police Order and
- ii) Eliminate the discretionary power of police

In view of above Sec 155 of CrPC requires to be deleted. A new section may be added in its place, stating that police shall investigate non cognizable cases in the same manner as cognizable cases, *except that arrest shall only be made after obtaining a warrant of arrest from the magistrate*. A second amendment is even more essential in order to enable both the investigation branch and the watch and ward (Operations) and striking forces to function independently as separate branches. To achieve this, the word 'SHO', wherever it occurs in Chapter IX and XIV of the CrPC should be replaced with the word 'Police Officer'. This amendment would enable all the functional branches to work and function independently.

Appointments / Transfers

87. Appointments are being made on discretion and not according to criteria and merit. Indeed, in the case of senior officers, many appointments are being made in violation of the Police Order. While this would require political will to rectify, in other cases there is a need to draw up criteria for various appointments within the districts and within functional groups, in order to bring the process of appointments in consonance with the spirit of the Police Order.

Internal Accountability

88. Presently accountability is based on a system of punitive measures, but this has failed to show any improvement. As far as senior ranks are concerned, they need to be brought into the ambit of Police Efficiency and Discipline Rules, as they are now police officers as defined in the Police Order. As a first step, the disciplinary rules need to be reframed. The second step which is of greater concern, is to put in place a system for the accountability of senior ranks. The Police Order has set down a procedure for the accountability of the PPO and DPO. This is done through the concept of policing plans. The Order only requires the PPO and the DPO to make such plans. This is an extremely good tool for accountability of senior officers. A similar accountability process should be made mandatory for evaluating the performance of all officers in senior ranks (DSP and above). The performance of senior officers should be gauged according to policing

plans framed by them. The PPO should approve the policing plans of functional heads and Regional Police Officers and monitor them on quarterly basis.

Nazim – DPO Relationship

89. It was generally felt that the Nazim - DPO relationship has not emerged as the law envisioned it. Either there is collusion or there is complete non- cooperation. One case was pointed out where the bad relationship led to considerable violence and peace in the area was disturbed. Then there are districts where the collusion between the two has led to citizen suffering. There was a general consensus that, although this relationship would depend on personalities and politics, some measure of sanity could be brought about through the system of District Public Safety Commissions. Some worries were expressed about the new design and constitution of the DPSC through the amendments made in the Police Order. However, it was a general consensus that the DPSC could be effective in mitigating the situation.

Village Police

90. The Police Order has given police the responsibility for policing villages. Therefore, it is necessary that police should extend to villages. This is urgent for another reason also. The village communities are no longer in a position to resolve disputes. This has come to a pass for two reasons:

- a) Villages are no longer static communities. They are dynamic with many men working away from home. If they come home it is for small durations and disputes may not get settled in such short visits and
- b) Every village community has a large number of arms licensees. In this scenario disputes tend to be settled by the gun.

Traffic Police

91. As regards traffic there is a need to adopt the Motorway Police model, which has been acclaimed by everyone. The Islamabad Police has recently adopted this model and it is being praised for the change it has brought about in traffic policing.

92. In order to ensure that traffic law enforcement is given due importance, there is a need to establish a separate course in the Police Academy for supervisory and management level officers. The trainers can be obtained from the Motorway Police. The system of vehicle fitness certificates is a huge failure and extremely corrupt, no matter whether the inspector is in the Transport Department, as in Punjab or in the Police Department as in other provinces. There is a need to privatize this system, for which a provision exists in the Motor Vehicle Ordinance [MVR 35 (Gazette W.P.Extra,

2nd June, 1970)]. The traffic police must deal with traffic accidents. The present practice of dealing with traffic accidents under the Penal Code is too time consuming. A study in Karachi revealed that it took more than 36 months to decide an accident case. The maximum punishment awarded was fine of five hundred rupees. However, the most important reason why traffic police should deal with accident cases is that the traffic police would understand the causes of traffic accidents and would be able to design accident prevention strategies.

Reconstructing the Police Station

93. The remedy for the remaining matters lies in improving the working of the police station. The present police station is based on the concepts laid down in the old Police Act, 1861. The Police Order and the situation indicated by the Temporary Investigation (TI) report necessitate new initiatives in improving the working of police in a police station. The new concept should envisage a police station capable to run its affairs in an efficient manner, keeping in view the functions it is required to perform. It should functions as given below:

- a) Financial:
The budget should be comprehensive with all heads as provided to a DDO including salary.
- b) Personnel:
The bulk of the force in the police station should comprise of officers of the rank of ASI and above.
- c) Administration:
An effective unit for administration would be required, which should include accountants, computer operators, criminal record unit and other necessary units to properly run the police station.

94. The officers for police station duty should be selected according to measurable criteria. They should also be given enhanced salary as has been done for Motorway Police. At present the police station, in consonance with the Police Act of 1861, is a very small unit. A police station should be large enough to make it a viable, cost effective unit. This is the concept that prevails worldwide. In Cairo a police officer of the rank of a Colonel commands a police station. In London a Chief Inspector heads the police station. There is a need to raise the level of officer to head a police station, in order to improve police efficiency, where it is most needed. For a start this should be done in cities and towns having more than one police station. Two or more police stations should be combined to make one police station. An ASP/DSP should be made

the SHO and he should be given the powers of DDO with a budget placed at his disposal.

95. In Karachi there are 101 police stations. Only 50 police stations are located in a government building. The remaining are located in other government buildings or set up on self help basis. The police stations can easily be reduced to 34. The remaining police stations should be converted to function as police posts, under one of the police stations, so that the police can continue to be as close to the community as possible. ASPs/DSPs are available to head the reduced number of police stations.

96. In the rural areas, a thorough reassessment should be made to reduce the number of police stations, with outposts covering the areas to provide access to citizens. In large towns with one police station, the posting of an ASP/DSP should be considered. A rural police station has on an average 70 villages in its jurisdiction, thus raising the police station strength and its role in policing villages. It would therefore be quite feasible to reduce the number of police stations and place them under the command of an ASP/DSP. Once this is done there would be no need to have an SDPO.

97. As regards release from false arrest, there is a need to draw up new procedures, authority should be invoked to make it mandatory before making any arrest, to obtain permission from a senior officer. The establishment of an independent Prosecution Service should also put a stop to this practice. The police should immediately do away with the practice of permanent check posts for checking commuters. This is a practice which should be condemned.

98. Misuse of police in activities which need to be regulated as businesses under laws pertaining to those businesses, should also be prohibited. One example is the business of 'reti-bajri' in Karachi. Instead of regulating it through an appropriate law, the police have been assigned the task of enforcing the proclamation under Section 144 CrPC, that prohibits the lifting of 'reti-bajri' from the Malir river bed. The application of this law is illegal, because Section 144 CrPC cannot be applied for this purpose. All that it does is give police an extremely bad image.

Training

99. Police training can be placed into three categories:

- a) Initial training for Constable, ASI and ASP
- b) Promotion courses
- c) Capacity building courses

100. As far as initial training is concerned, the courses have been redesigned. As regards Promotion Courses there are three courses for junior ranks. These courses need to be redesigned and improved. The ASP/DSP should therefore be required to undergo at least two capacity building courses and one certification course, before promotion as SP.

101. The Police Academy has developed a course called the District Command Course, which is meant for SPs (BS-18) who are to be promoted to the rank of SSP (BS-19). This should be compulsory for all SPs before promotion to the next rank. A number of capacity building courses are being run by the Police Academy, which cater to policing, investigation and administration functions.

102. The Provincial Police Officers would also need to design capacity building courses and certification courses for junior ranks. There is a dire need to put enhanced resources into training, especially at the provincial level. The National Police Academy should also assist in preparing training manuals for all the courses.

Other Recommendations

103. The promotion criteria for police officers in all ranks will need to be revised, since the Police Order stipulates specialization and creation of various functional branches. The following recommendations to improve recruitment, the quality of recruits, police budget, computerization and community policing are made:

- i) Constables should be recruited through a Board, headed by an officer not below the rank of a DIG. Experts should be hired for recruitment process.
- ii) There should be no ban on police recruitments. This badly affects the training schedules and career planning of the officers.
- iii) The salary structure of the police needs a review on scientific lines.
- iv) The police budget needs to be reviewed with respect to the salary/non-salary items.
- v) The production of under trial prisoners in the courts, should be a function of the jail department and not the police.
- vi) The Federal Government should be requested to expedite its projects dealing with computerization.
- vii) The 15 system of community assistance should be introduced in all cities.

104. The method of selection for appointment of PPO as contained in the unammended Police Order should be reintroduced, as it is a more transparent method of appointment.

CONCLUSION

105. Although the Police Order has been seriously affected by the amendments made in 2004, yet there are measures that can be taken to make some fundamental changes. The first is the reorganization of the police on functional lines. This should bring about specialization and create experts. The second is to design a system to make appointments according to merit, by establishing criteria and a selection process. Third, the investigation branch needs not only to be established according to law, but also strengthened. Fourth, the system of internal accountability, needs to be redesigned. Fifth, the police station image needs to be improved. For all these matters recommendations have been given.

106. Reconstructing an organization is not an easy matter. It requires constant monitoring and evaluation. None of the police departments have created a meaningful system which could perform this task. It is, therefore, proposed that a **Project Director** should be established in each province, with good secretarial and manpower resource. It should be his task to ensure that the police department is constructed in accordance with the provisions of the Police Order. The police departments can easily establish this from within their own resources. Other related matters which are of importance, are the establishment of an independent Prosecution Service and the District and Provincial Safety Commissions. The provinces need to do this on priority basis.

107. A considerable amount of energy has gone into the framing of Police Rules in accordance with the Police Order. All the PPOs have these Rules, on which a fair amount of consensus was obtained. They need to refer these rules to the Provinces for adoption.

108. It may be mentioned in conclusion, that the amendments to the Police Order, 2002 made in 2004 and 2005, basically alter those Articles which were meant to give police operational autonomy. These amendments would be a big hurdle in improving police, because political considerations would override operational autonomy.

SUMMARY OF RECOMMENDATIONS

1. Implement Police Order
2. Reconstruct police on functional lines
3. Activate Safety Commissions
4. Delegate/devolve powers to RPO and DPO in the spirit of Police Order. Amend Art.7(5) to enable this
5. The police station should be upgraded and placed under an ASP/DSP
6. Establish investigation Branch as envisaged by law
7. Distribute registers between Investigation and Ops Branch in Police Station
8. Appointments should be made on merit and in a transparent manner
9. Accountability of senior ranks should be made through policing plans
10. Disciplinary Rules should be revised
11. Traffic police should be organized on the model of the Motorway Police
12. The Police Academy should design and run a traffic law enforcement course for senior officers. The Japanese or British governments should be asked for help for this
13. Promotion courses for Inspector to DSP and SP to SSP are required. In addition capacity building courses and certification courses are needed both for senior and junior ranks, specially for Investigation and Traffic
14. Section 155 CrPC should be amended to read “in Non-cognizable cases police shall investigate in accordance with the same procedures except that arrest shall not be made without a warrant”
15. Amendments are also required in Chapters IX and XIV of CrPC to enable the concept of functional divisions
16. New arrest procedures should be drawn up to bring in due diligence so that false arrests are not possible
17. Permanent check posts for snap checking should be abolished
18. Vehicle fitness should be given to pre-qualified workshops
19. Section 144CrPC should not be invoked to regulate business like ‘reti-bajri’ in Karachi
20. Constable should be recruited through a board. Experts should be hired for recruitment process. There should be no ban on police recruitments
21. Production of UTPs should be the function of the jail department not the police
22. The 15 system should be introduced in all cities

LAND REVENUE ADMINISTRATION REFORMS

109. Land Revenue Administration was selected as one of the area for reforms, as the interaction between the administrative machinery and the ordinary citizen is most intense, in this area.

SITUATION ANALYSIS

110. Improvement of governance in land administration by the Provincial and District Governments, is an area that has not received much attention over many decades. Whenever the area has received attention, it has generally been in the context of land reforms, focusing on more equitable distribution of land. The underlying systems of maintaining land records, ensuring transparency in transfer transactions, improving title security, reducing rent seeking by government officials and improving efficiency of service delivery, has received limited attention of the policy makers over the decades.

GUIDING PRINCIPLES

111. The Commission has prepared its recommendations with a view to facilitate the common citizens, in matters dealing with Land Revenue Administration, keeping in view the following guiding principles:-

- i) Strengthen, upgrade and enhance the capacity of land revenue administration, by upgrading the personnel and introducing modern systems and procedures.
- ii) Registration system of urban property be made transparent and accessible in the public domain.
- iii) Review the existing laws, policies, rules, regulations, administration and procedures of state land disposal and utilization.
- iv) Streamlining and improvement in the existing division of responsibilities between the Provincial & District Governments.
- v) Setting up of a proper system of periodic surveys and settlement of land and urban property.
- vi) Promote computerization of land record system.

NCGR RECOMMENDATIONS

112. The following recommendations have been prepared on the basis of the Commission's input, gathered through various sources:-

- a. The provincial governments should carry out detailed studies to analyze the improvement or deterioration of service delivery in the following areas:-
 - Land Revenue assessment and collection
 - Adjudication and dispute resolution
 - Maintenance and update of land records
 - Other functions of Revenue DepartmentSuch studies should form the basis of strategic interventions, to streamline the relationships of Provincial and District Governments, in respect of these functions.
- b. Revenue Department should work under the control of Board of Revenue, instead of the Nazim.
- c. Assistants and other officials - BS-11 & above, be recruited through Provincial Public Service Commission.
- d. It is recommended that the provincial governments may review the Colonization of Government Lands Act, 1912 with the specific purpose of:
 - Defining public purposes for which state land can be granted and incorporating such definition in the law.
 - Ensuring that no government land is granted for a commercial/industrial purpose, unless it is in accordance with the master plans developed by the district government.
 - Ensuring that appropriate price is paid for every grant. For the purpose of determining appropriate price, the provincial governments may legislate for conduct of regular Sales assessment Ratio Studies.
 - Subjecting each land grant to the review of a select committee of the provincial legislature, whose purview may be to ensure that the grant is for a public purpose, zoning regulations are not being violated and appropriate price is being recovered.
- e. A province wide digital data base of land records should be set up in the short term as a necessary first step for the reform of the system. This will have to be accompanied with necessary reengineering of the business process, to provide legal status to the digital data bases and facilitate delivery of services to the public.
- f. The post of Patwari be renamed as Land Revenue Assistant and be upgraded to BS-11. Selection to the post be made through Provincial Public Service Commission. This particular official be made incharge of 2 existing Patwar Circles and responsible for all revenue functions. A junior official of BS-5 be placed under him to assist in his work.
- g. An Assistant Revenue Officer in BS-16, selected through Public Service Commission or promoted from Revenue Assistant, be made incharge of 2 or more Revenue Assistants.
- h. Post of Tehsildar be upgraded to BS-17 and renamed as Land Revenue Officer.

- i. Post of Deputy District Officer (Revenue) be dispensed with. The Tehsildars be made directly answerable to District Officer (Revenue).
- j. All cadres of the Revenue Departments in the provinces and districts be trained, not only in new business processes and for their required interactions with the digital systems, but also in the service delivery paradigm. Moreover, training of the managerial cadres in ensuring appropriate maintenance of records and timely and proper delivery of service be ensured.
- k. The option of outsourcing parts of the revenue functions, particularly measurements and maintenance of maps, be seriously considered. Simultaneously projects for setting up Geographical Information System, need to be designed and implemented.
- l. Effective business models to involve the private sector in managing the public interfaces of the system or providing title insurance and escrow services be developed.
- m. Field revenue officials be relieved of the burden of general / protocol duties.
- n. A data base of titles in the urban areas may be developed, with help from the records of the urban properties, which exist with the Excise and Taxation Department in their Property Tax Registers.
- o. Legal amendments need to be made, to ensure that even if the registration of certain kinds of transfers which are not captured by deed registration system, is not made compulsory, recording them in the system is made compulsory, to ensure that the records of rights remain updated.
- p. Since the load of work in the Sub-Registrar's offices has increased tremendously on account of rapid urbanization, computerization of work in these offices and establishing a system of archiving digital copies of deeds is essential. Such systems are now well established in multiple counties in the United States and can be easily replicated.
- q. To improve the essential process of identification of parties to a transaction, the registration process must be integrated with the NADRA data base, to ensure better identification and controls.
- r. Public interfaces of the registration process need to be improved. Workable business models to involve private sector in service delivery must be developed, keeping in view alternate approaches which have been tried successfully elsewhere in South Asia.
- s. A website of Revenue Administration be developed.
- t. Computerization cannot be implemented without corresponding improvements in the procedures of various functions of the Revenue Administration.

CONCLUSION

113. The implementation of the above recommendations would lead to a better organization of our land revenue administration, on modern and technical lines. This would further lead to a check on corruption, proper maintenance of land records,

transparency in transfer transactions, improvement in title security and efficiency of service delivery.

UPDATING OF MANUALS

114. The NCGR undertook the task of preparing a concise, updated Establishment Manual by weeding out and purging all outdated contents. The Manual has been finalized and is currently under review by the Establishment Division. It is expected that the Manual will be released to the public by June 30, 2008.

115. Similarly, the NCGR in close collaboration with the Finance Division initiated the task of preparing an updated Finance Manual. The Finance Division has outsourced this work and it is expected that the Finance Manual would be ready by December 31, 2008.

116. The Auditor General of Pakistan has reviewed revised and updated a large number of audit and financial control manuals as part of the Project to Improve Financial Reporting and Auditing (PIFRA). A list of these revised manuals is included in Volume-II of this report.

CHAPTER – 9

REFORMS OF SELECTED KEY INSTITUTIONS

- **Federal Board of Revenue**
- **Pakistan Agriculture
Research Council**
- **Supreme Audit Institution**
- **Civil Aviation Authority**

AN OVERVIEW OF TAX ADMINISTRATION

REFORMS IN FBR

BACKGROUND

The goal of tax administration is to keep pace with the economy and generate sufficient resources for the smooth functioning of the economy. Macroeconomic imbalances like, trade and budget deficit can be effectively tackled through an efficient, equitable and transparent tax system prevalent in the country. Secondly, flow of investment, particularly foreign direct investment is linked with tax policy and tax administration persuasion. The stakeholders are not only concerned with effective and marginal taxation between various sectors of the economy, but also how the taxation policy is administered. A revenue administration that is perceived to be arbitrary or predatory discourages investment. Similarly, the efficiency of the customs administration in clearing cargo, figures prominently in investment decision, especially of multinational companies. Thirdly, corrupt and inefficient tax administration system encourages tax evasion and avoidance as the delinquency goes unpunished. This also discourages the honest taxpayers to honour their tax obligations. Finally, an efficient tax administration working on modern lines is necessary to deal with large taxpayers who have access to professionally sound intermediaries. In this scenario, tax departments relying on manual business processes, complicated and cumbersome procedures have little capacity to mobilize resources by competing with knowledgeable stakeholders.

Pre-Reform Position and Stakeholders' Perception

2. Until recently, the tax machinery in Pakistan was regarded as inefficient and untrustworthy. The general perception about the department was highly adverse, especially on matters of governance. This situation was further complicated by inadequate resource mobilization, failure to meet revenue targets, disappointingly low tax effort, as reflected by Tax/GDP ratio and low level of voluntary compliance. Even though the anecdotal evidence was quite clear, but CBR (now FBR) decided to have stakeholders' feedback through a perception survey in 1999 to serve as benchmark. The results of this exercise confirmed the prevalent apprehensions. The respondents reconfirmed that the laws were complicated, rules and regulations stringent, tax machinery was inefficient that failed to understand and respond to the dynamics of

fiscal and commercial environment. It further revealed that the FBR and its allied departments were not fair in their professional dealings. Consequently, the organization was ranked very high on the corruption index by the respondents.

3. The detailed perception gathering initiative was completed in 2000, under the Shahid Hussain Committee Tax Reform project. The results of this survey were not too different than the earlier report. While elaborating on the reasons for this malaise, the present study indicated below-subsistence level of wages, absence of proper career management policy, and the lack of job protection for employees, as leading HR-related factors. Similarly, lack of adequate infrastructure and manual handling of business processes were also inhibiting smooth tax administration. Thus, to ensure transparency in the working of FBR, generate potential revenues, transform the environment from complete coercion to facilitation, and to minimize the adversarial relationship between the tax collector and taxpayers, it was necessary to undertake wide-ranging tax policy and administrative reforms.

4. Tax Administration Reform Program (TARP) initiatives in a chronological order

- May 2001: Syed Shahid Hussain's Committee Report
- Aug 2001: IMF Mission Report
- Nov 2001: The Strategy Document on Tax Reform
- Dec 2001: Approval of the Strategy Document
- Feb 2002: Establishment of Supervisory Council
- Mar 2002: Ground Work for TARP & Pilot Projects under Bridge Financing/ PSCB Project
- Apr 2005: TARP Initiated

5. The major thrust of the TARP can be summarized in the following three-prong strategy:

- Re-organization of Headquarter and Field Formations on functional lines; ensuring separate streams for internal and external taxes; and offering special treatment to large taxpayers;
 - Attaining the objectives of reforms initiatives through a completely automated setup for the four federal taxes;
- and
- Stronger emphasis on human resource management through complete workforce analysis, training needs, induction, promotion and remuneration strategies.

6. The broad objectives of the Tax Administration Reform Project (TARP) are:

1. Undertake extensive Business Process Re-engineering, simplify procedures and reap the benefits of efficiency gains
 2. Facilitate and promote voluntary compliance;
 3. Increase overall revenue collection and contribute to the achievement of fiscal targets;
 4. Increase in tax to GDP ratio;
 5. Guarantee fairer and more equitable application of tax laws; Increase in transparency and integrity;
 6. Broaden the tax base;
 7. Improve effectiveness, responsiveness and efficiency;
 8. Provide transparent and high quality tax services;
- and
9. Strengthen audit and enforcement procedures.

7. The funding for the Project came from the World Bank, DFID, and Government of Pakistan. The details of the funding by projects-heads are as follows.

S. No.	Description of TARP Heads	Total Budget (Rs. Million)	Share (%)	GOP Component (Rs. Million)	Share (%)	World Bank DFID Component (Rs. Million)	Share (%)
1	Technical Assistance	938.93	9.9	112.67	4.9	826.25	11.5
2	Customized Software	3,177.60	33.4	381.31	16.5	2,796.29	38.9
3	Hardware and Allied Equipment	2,059.17	21.7	411.84	17.8	1,647.34	22.9
4	Infrastructure Development	1,406.04	14.8	351.51	15.2	1,054.53	14.7
5	Automobiles	175.5	1.8	35.1	1.5	140.4	2.0
6	Training	585.15	6.2	-		585.15	8.1
7	Program Management	178.85	1.9	35.77	1.6	143.08	2.0
Sub-Total		8,521.24	89.7	1,328.20	57.6	7,193.04	100.0
8	Cost Escalation	979.38	10.3	979.38	42.4	0	0.0
Total		9,500.62	100.0	2,307.58	100.0	7,193.04	100.0

8. At the start of the Project, Vision, Mission and Value statements were developed and adopted by the revenue organization and a strategy document for reform was prepared. To ensure timely completion of reform initiatives, a Project Implementation Plan (PIP) was also prepared. Finally to ensure proper monitoring of the project, a comprehensive list of performance indicators was prepared and enforced.

VISION

9. To be a modern, progressive, effective, autonomous and credible organization for optimizing revenue by providing quality service and promoting compliance with tax and related laws

MISSION

10. Enhance the capability of the tax system to collect due taxes through application of modern techniques, providing taxpayer assistance and by creating a motivated, satisfied, dedicated and professional workforce.

VALUES

11. These include: Integrity, Professionalism, Teamwork, Courtesy, Fairness, Transparency, and Responsiveness.

Tax Administration Reforms Initiatives **Restructuring of FBR headquarters**

12. At the FBR Headquarters level re-structuring has been carried out. Currently there are three line members for Direct Taxes (DT), Sales Tax & Federal Excise (ST&FE), and Customs, five functional members namely Fiscal Research & Statistics (FR&S), Information Management System (IMS), Human Resource Management (HRM), Audit, and Facilitation and Taxpayers Education (FATE) and three support members related to Tax Policy and Reform (TP&R), Legal, and Administration & Coordination. All business processes are switched from conventional set up to functional basis.

REVENUE OPERATIONS

13. The old and primitive field structure in tax collection has equally contributed in the inefficiency of taxation system. The experiment of establishing Large Taxpayer Units (LTUs) and Medium Taxpayers Units (MTUs) has been a success on the basis of a number of indicators, including revenue collection, joint audits by income and sales tax teams, enforcement, provision of modern facilities, and facilitation of the taxpayers. The integration of domestic taxes into thirteen (13) Regional Tax Offices (RTOs) and the establishment of eleven (11) Model Customs Collectorate's (MCCs) have further improved the efficiency of the system. Some of the steps envisioned for future are given below:

- Merging of as many support services as possible in the long run for all Revenue Administrations, including Customs, even though the Customs operations will always be maintained as a separate wing;
- Creating an integrated tax information system, including a taxpayer account for each taxpayer and a taxpayer accounting system, governed by the unique taxpayer identification-number system;
- Designing and implementing modern risk-management systems based on mathematical ratios, taxpayer profiles, and industry standards, etc., to support compliance-enforcement programs.
- Designing vigorous enforcement programs to target taxpayers who choose not to comply voluntarily; and
- Introducing amendments/ additions to the Tax and Customs Laws that will support and enable the envisioned reforms and transformation

ENFORCEMENT

14. Enforcement is an important area of reform in view of the weak tax compliance. It is envisaged that the tax policy and administrative reforms should lead to better enforcement, as complete tax profiles of target population will be available to the tax administrators.

Human Resources Development: The level of training and skill of the personnel was not considered upto the required standards for working on professional lines. To introduce professionalism and acquaint FBR staff with the modern management techniques, a comprehensive program of training and capacity building was envisioned. The focus of the HRM strategy is on capacity building of employees, up-gradation of the work environment through provision of better facilities, and improved induction, promotion and remuneration packages. (HR initiatives of FBR is at **Annex-I**)

Audit: Audit has taken a key position in the working of FBR after the introduction of self-assessment scheme. The effective audit can result in the reduction of tax evasion and is helpful in increasing compliance. Due to audit, non-filing of return can also be checked. Some of the initiatives are:

- Establishment of specialized internal audit functions in FBR;
- Setting up of an internal audit office for planning, program direction, procedures, training and evaluation of the internal audit program throughout the FBR
- Annual Audit Plans for Direct and Sales Taxes which cover available resources and projected case audits at the various jurisdictions;

- Programs and procedures for detection of potential fraud/evasion for referral to the Customs & Tax Fraud function; and
- Post Clearance Audit in Customs.

Information Technology/Automation

15. The usage and efficient management of information technology was the main challenges to reform tax administrations. The usage of IT in FBR and its allied departments was adhoc based and lacked co-ordination. There was duplication of data entry across different departments, the benefits of IT have not been achieved as computerization has been used to automate or partially automate manual processes rather than to re-engineer the processes; and information was frequently collected under the auspices of a single circle or Collectorate, which then considers it to be the owner of the data. In order to move from a highly manual to an automated organization in which computers are used to carry out decisions made by various functional and technical teams/ authorities and ensuring availability of all the information at all strategic points within the organization, following goals have been setup to:

- Improve the data management control as per best international practice being carried out in the industrialized countries
- Automate entire business process across taxes
- Increase transparency of the tax administration;
- Reduce interface between the taxpayers and tax administration in day-to-operation;
- Managing Information in a manner to enhance the tax-net, increase revenue, and facilitate import and export trade;
- Identify international best-practices, and getting help adopt these accordingly;

16. The reforms initiatives started with extensive Business Process Re-engineering (BPR), the details are as follows:

- **BPR in Income Tax:** Income tax administration has undergoing a strategic organizational shift from a cylindrical to a functional one. Furthermore, its processes that were traditionally geared towards a dispersed and large number of small offices (731 in total) have been overhauled. The whole range of functions such as registration, taxpayer education and facilitation, audit, enforcement, Human Resource Management (HRM), Information Technology (IT), internal audit and data processing has been separated and fully functional. The core processes identified in terms of major impact are tax collection, audit selection and demand enforcement. Extensive use of information technology is the major driving force in the design of these processors.

- **BPR in Sales Tax:** BPR is intended to fine-tune the existing processes to eliminate wastages, provide timely and accurate information within and outside the organization and deliver quality service to taxpayers. In this regard, the redesigned refund process titled Sales Tax Automated Refund Repository (STARR) is a major milestone. It is an integrated on-line system. A typical and completely documented refund case is processed within a few days, which previously used to take weeks. Further refinements in the form of risk-based management module are in the offing. Moreover, re-organization process of registration for capturing relevant taxpayer data, re-design the audit function to significantly enhance audit capability and control have been completed.

- **BPR in Customs:** Customs processes were characterized by complex and cumbersome procedures and extensive interaction between taxpayers and tax collectors. This was causing heavy losses to the importers and manufacturers due to delays in cargo clearances. A customs re-engineering team had conceived and developed the Customs Automated Reform Project (CARE) and implemented. This project addresses some of the key processes including cargo clearance using profiling, selectivity and risk management, transshipment and auction management. The re-configured cargo clearance procedure has reduced clearance time from the present 8+ days to four hours. Similarly automated transshipment procedure has expedited approval at the port of arrival. CARE has been taken to re-engineer the procedures to conform to international best practices recommended by the World Customs Organization (WCO) and other international trade conventions/ treaties. Pakistan Customs Computerized System (PaCCs) - an end to end automated system of Customs clearance was introduced as pilot project at Karachi International Container Terminal (KICT) and with its success, it has been rolled over at two additional container terminals, i.e., Preventive International Container Terminal (PICT) and Qasim International Container Terminal (QICT). After that it will be adopted by all the Model Customs Collectorate (MCCs) throughout the country. (IT progress review is at Annex-II)

Appeals and Dispute Resolution

17. Often ignored in the past is the area of Appeals and Adjudication. The reform program projects that the burden of litigation at various appellate fora would be

reduced greatly to reduce elaborate human resource involvement in the entire process, which incidentally has generated only meager revenues for the government but at the expense of great hassle for the taxpayers. A complete overhauling of this important area has been initiated, which are highlighted as follows:

- Continuation with Alternate Dispute Resolution (ADR) mechanism
- Alignment of tax laws;
- Training and tenure posting of adjudicating officers with suitable infrastructure and facilities;
- Protection of staff from extraneous influences and investigating agencies;
- Countrywide computerization of Adjudication Collectorates; and
- On-line access of the adjudicating officers to data on valuation, imports-exports, local production of goods, information/profiles of taxpayers, case laws, latest ruling / judgments of superior courts; and computer-generated adjudication orders.

Facilitation and Taxpayer Education

18. Proper education of taxpayer is essential for efficient enforcement of tax policies and compliance. The FBR has already taken a number of steps for education and facilitation like the introduction of help-line, web facility, printed material and establishment of facilitation center etc. Furthermore, the taxpayers are being facilitated through media campaigns to improve compliance. Taxpayers are also being educated on such basic things as: how to fill the returns, revisions in the existing rate structure, time-to-time changes in rules and procedures etc. FBR is also working on broadening of tax base and proper registration and maintaining national tax number (NTN).

Infrastructure Development

19. One of the emphases of the tax administration reform was enhancing the level of taxpayers' facilitation and creating a hassle free tax environment for the taxpayers, FBR has made considerable efforts to develop the dilapidated infrastructure at the field level and to create a congenial working environment both for the taxpayer and tax administration. The establishment of dedicated tax units Large Taxpayers Units (LTUs) and Medium Taxpayers Units (MTUs) at Karachi and Lahore as a pilot test project was a successful experiment for the FBR. During the last five years the entire structure of the field offices has been overhauled and the domestic taxes like direct taxes, federal excise and sales tax domestic have been collected in the newly established thirteen (13) Regional Tax Offices (RTOs) in the major cities of the country. Similarly, the Customs collectorates have been re-structured and converted into eleven (11) Model Customs

Collectorate's (MCCs) besides setting up 66 Taxpayers Facilitation Centers (TFCs)/ Trade and Passengers Facilitation Centers (TPFCs) at important places in the country.

Tax Policy Reforms

20. In order to attain efficiency and equity in the taxation system, promote investment opportunities both for domestic and international investors and encourage exports which was seriously hampered due to high tax and tariff rates, following measures have been introduced in the taxation system of Pakistan:

Tariff Rationalization:

21. The first step in the tax policy reform initiatives was the initiation of tariff rationalization in 1988-89, when the maximum tariff was reduced from 150% to 125%. Since then, this process continued at an accelerated pace, the maximum rate of duty has gradually been reduced to 25% in 2005-06 and in vogue till to-date.

22. Introduction of General Sales Tax (GST): The other significant improvement at the early stages of tax policy reforms was the introduction of General Sales Tax (GST). The rationale behind this initiative was the existence of a combination of tax rates applicable for sales tax collection like, higher rate of 20% on certain commodities and also the further tax @ 3% applicable to non-registered persons. These distortions have been abolished in 2004-05 and a uniformed rate of 15% has been fixed both at import and domestic stages. Similarly the concept of zero-rating has been introduced for the entire chain of export-oriented industries as a short term arrangement to improve cash-flow situation of the investors, and to avoid the legacy cumbersome system of refunds and rebates. Once transparent system of refund/rebate payments is setup the zero rating concepts will be done away with.

Changes in Income and Corporate Taxes: The income and corporate tax structure has also gone through substantial changes and improvements in recent years. These include enhancement in basic threshold of exempt income over the years, change in the advance tax regime, and continuous reduction in corporate rates to promote corporate culture. The corporate rates were at their peak in 1993, where Banking companies were charged @ 66%, Public companies @ 44% and for Private companies @ 55%. These rates have been gradually reduced and parity of 35% amongst the companies has been attained in 2007. Another important development in the income tax structure has been the introduction of the concept of self-assessment.

Outcomes of Reforms

23. The wide-ranging tax and tariff reforms, as well as reforms in tax administration, during the past five years, have been helpful in improving tax collection in the country. FBR has been successful in achieving average annual growth of 16 percent during this period which is consistent with the growth of the national economy, particularly, the fiscal years 2005-06 and 2006-07, have recorded 20.8 percent and 18.8 percent higher growth in revenue collection respectively. The fiscal year 2006-07 has generated alone an additional amount of Rs 133.8 billion. Similarly, FBR has also been able to surpass start-of-the-year revenue targets consecutively for the past five years, resultantly; FBR has been able to maintain 0.3% increase per annum in the Tax/GDP, which is consistent with the ten-year revenue vision of the Organization.

24. On the broadening of tax base front, one of the objectives of tax policy and administration reforms was broadening of tax base. This objective has been achieved when the return filers that were only 1 million in 2003-04, has increased to 1.23 million in 2004-05, and further jumped to 1.49 million in FY 2005-06. The number of filers has reached 1.81 million in 2006-07. The growth has been around 21.5% over 2005-06. Similarly, the number of registered persons with sales tax department has increased from 101,851 in 2003-04 to 115,702 in 2004-05. It has further enhanced to 116,686 in 2005 - 06. Now in FY: 2006-07 the registered persons has reached to 128,210 indicating a growth of 10%

25 Effective resolution of pending appeals both of direct and indirect taxes has been a land marked achievement of the Government during the last three years. Excluding cases filed at Supreme and High Courts and Appellate forums, 78,000 cases were pending in July 1, 2004. All these pending appeals have been disposed of during FY: two years. The FY: 2005-06 started with a new dispute resolution strategy, deciding all new appeals and adjudication cases within 90 days of their filing as per law. This policy has been actively pursued to provide relief to the taxpayers. All the appeals and adjudication cases filed in FY:2005-06 and FY:2006-07 have been decided. Simultaneously, hectic efforts have also been made for quick disposal of cases at the higher legal fora. There were about 1950 cases, pending with Apex court, out of which about 1600 cases, some of these were over a decade old, were decided by the Apex Court. Similarly, in high courts about 13000 cases were awaiting decisions. With FBR best efforts, about 9000 cases have been decided by the High Courts.

26. All this efforts have considerably reduced the litigation burden on taxpayers. As a result, not only the cost of doing business has reduced, a hassle- free environment has also been created.

Future Strategy

27. FBR main focus is now on the following three major areas of reform in the near future:

Training and Development: The important goal of FBR is to ensure that existing staff receive training in the new systems and procedures and also training of existing staff must be combined with effective recruitment systems to ensure that the right candidates are selected to fill any vacancies, which arise. Similarly, FBR managers will need to be trained in the management skills, which will enable them to manage their assignments more effectively. For this purpose the training strategy will include allocation of proper workloads, the setting of appropriate performance targets, and monitoring or tutoring their staff to ensure that they meet their targets need to be added in

28. **Full automation:** The vision of FBR provides for a functionally integrated tax administration. The integration will provide taxpayers with a single point of access, enabling them to easily obtain all the information required to assess their tax liabilities. Moreover, streamlined training and capacity building will allow the FBR to deploy staff in a more flexible manner. Currently, the BPR of the individual taxes has been successfully in operation, but Integrated Tax Management System (ITMS) is the ultimate goal of FBR to bring the organization as per best international practice. The implementation strategy of ITMS is in progress.

Workforce Rationalization: Once the FBR is fully automated and manned by trained and professional manpower, the second stage of human resource policy would be staff rationalization. For this purpose a workforce rationalization strategy will be devised in consultation with the establishment Division and align with the government labour policy. Consultation will also be needed with the World Bank in designing the rationalization policy so that the strategy is devised with best international practice.

HR INITIATIVES OF FBR

I. INTRODUCTION

The purpose of this paper is to highlight the challenges to develop and facilitate implementation of change and reform process at FBR. The aim is to fundamentally reform the FBR into a more efficient and effective revenue administration system. Human Resource is the most valuable asset of an organization and the HR strategy focuses on restructuring of the organization, re-engineering of the business processes, communication with stakeholders, workforce planning and rationalization, performance management with the related compensation structure, career planning and training of the entire workforce to build their capacity to work in changing environment through better skills sets and a proper mindset. HRM has worked out a strategy of setting up a worldclass human resource management system in FBR, brief sketch of which is presented as follows.

II. EXECUTIVE SUMMARY

The strategy has been laid out in a manner that will roll out the blueprint for action in specific areas of intervention to facilitate the entire reform process through creating an enabling environment. Special emphasis has been laid on systems and procedures that foster a robust working environment that motivates employees to perform better on the job and reward them in a manner that is transparent and based on objective evaluation of their performance. HRM Wing feels that it is not only the physical restructuring of an organization that matters but more importantly it is the recasting of Values and attitudes of employees that contributes significantly to the overall success of the reforms process. Some strategic work has already been completed by HR Wing which includes Job Descriptions emphasizing the skills sets and qualities and attribute required under the reforms program. The initial training of the employees has already been done. The proposed strategy focuses on the future requirements that will build on the infrastructure of Job Descriptions and Training Needs Assessment already conducted initially.

A. A transparent and objective selection system that includes an Assessment and Development Center has also been approved by the FBR Board in Council for the selection of employees in the reformed units. The concept of Assessment Center is based on the competencies and attitudes of employees for selection, promotion and

future development. This also closely ties in with the proposed Performance Management System. The strategy covers the following main areas of HR interventions to manage the reforms process more effectively:

1. Communication Plan
2. Workforce Planning
3. Selection Process
4. Performance Management
5. Organization Structure
6. Integrity Management
7. Training Plan
8. Human Resource Information System
9. Workforce Rationalization

- B. The strategy sets out broad parameters for each of the above interventions with specific milestones in some cases to enable impact evaluation at regular intervals. The continuous evaluation process will enable the HR team to amend, modify, adapt and change, if required, to address specific situations as a damage control process instead of plunging into unforeseen circumstances and then being unable to withdraw in better interest of the organization.
- C. It has specially been considered important to seek employee feedback at regular intervals during the reforms process. This would enable the HR Wing to design and develop specific interventions focused at issues that are considered relevant and important by the employees. This would also create a sense of ownership of the reforms process among the employees. With this end in view the process of employee perception survey is being institutionalized.
- D. The matter of workforce deployment and redundancy is extremely sensitive and important in a change management program. The issue was discussed in great details in a recent Board in Council meeting of FBR and the salient features of this program have been discussed at the end of this strategy paper. The strategy outlines some options available and the *modus operandi*. The results of the first round of workforce planning (Direct Tax) have been indicative of the future course of action. The second round of workforce planning relating to Customs has also been completed. The combined results provide a more accurate assessment of the magnitude of the rationalization program and its implications both financially and politically.
- E. The main objective of the reform program is to build a modern tax system that facilitates and improves voluntary compliance with tax laws. More specifically, the program seeks to increase tax revenues by improving the effectiveness,

responsiveness and efficiency of the tax administration through institutional and procedural reforms; improving transparency and integrity of tax services; HR reforms to introduce performance and merit-based systems; strengthening collection, audit and enforcement procedures and improving tax payer services. The FBR's comprehensive human resources strategy will support and enhance the broader Tax Reform strategy by driving:

- A major transformation of the organization's culture & ethos;
- The development of sound people-management processes;
- Ongoing strategic changes within the FBR's organizational structure.

III. COMMUNICATION PLAN

FBR will continue implementation the culture management input begun over the short / medium term. One of the most important and effective ways to shift culture is to keep the workforce informed of what is happening and why and to seek their feedback on specific reforms processes that are going to change their ways of working and their lives. A workforce that understands why it is being asked to change will comply much more readily and effectively to the entire process. The communication strategy includes the following tools:

A. Employee Perception Survey

The employee perception survey is going to be a corner stone of FBR's communication plan. The survey will provide an opportunity to the employees to express their opinion on various aspects of the reforms process. The employee feedback will not only provide FBR management with specific areas to focus their attention but it will also go a long way in building employee trust and ownership to the entire process. The first survey instrument has been developed and is attached with this document. The subjects covered in the instrument are as follows:

1. Overall Reforms Strategy
2. Organization Culture
3. Compensation
4. Performance Appraisal
5. Integrity Management

It is proposed to administer the survey every year in order to regularly keep up to date with the employees' perception about the reforms process.

B. Line Management buy-in:

One of the hallmarks of HR communication strategy is to continuously seek the buy-in of the line management for each intervention. There are a variety of different ways to achieve this objective, the most effective being a participative management style where line management's feedback is solicited for specific assignments. One classic example of this aspect has been the workforce planning process where HR team worked closely with the line management teams from Income Tax, Sales Tax and Customs and was able to achieve a consensus workload formula to arrive at a rational workforce plan.

This aspect has already sent positive signals within the organization and the line management are now interacting more frequently in order to achieve organizational goals and objectives thus deviating from the age old bureaucratic style

HR wing firmly believes in participative management style and would continue to do so through out the reforms process in order to bring about change in the organization culture.

D. Newsletter

1. FBR's quarterly newsletter namely Revenews has now been established as an important tool to communicate with employees with regard to the reform programs and the new initiatives being undertaken.
2. It is brief, simply produced; distributed promptly at FBR (Hq.) and field formations respectively.
3. The newsletter is planned to be a communication tool between the FBR management and the employees working in all geographical areas of the country.
4. It is intended to be the major channel of communication and interaction with employees of FBR all over the country. It can provide a medium through which innovative ways of handling the tricky problems of reforms can be exchanged and thus employees will get a feeling of participation and ownership of the reform process.
5. The significance of news letter can be summarized as follows:-
 - (a) It encourages a team based approach i.e. participative leadership.
 - (b) It will help us to develop HR strategies aligned with ground realities.

- (c) By providing view point of employees it will help us in analyzing issues constraints and limitations. We will be able to explore viable options in view of feedback.
- (d) In short it will help us in getting buy-in from field formations for change management.

IV WORKFORCE PLANNING

A. Functional organization

Progressive organizations view their human resource as human capital. In an era of rapid technological change, business process re-engineering is aimed at deployment of optimum human resources by adding value to different positions, de-layering & de-banding of jobs in order to achieve a flatter organization structure and defining the various levels of responsibilities. Taking cognizance of the above, FBR has embarked on an ambitious program for workforce planning in order to arrive at a more of a functional structure. The components of this functional structure are as follows:

1. Taxpayer Facilitation
2. Information Processing
3. Audit Division
4. Enforcement/Refund Division
5. Legal/ Investigation Division
6. Headquarters.
7. Hub

B. RTOs/MCCs

To achieve this objective, fourteen Regional Tax Offices (RTOs) are being made all over the country for the purpose of the collection of domestic taxes like Income Tax and Sales Tax. Further down the line the reform program envisages making of Model Custom Collectorates (MCCs). A template has been created indigenously for the calculation of workload and workforce.

C. Workload Analysis

For both Income Tax and Sales Tax., the following assumptions were made:

1. Workforce planning was done on the basis of actual workload; i.e. actual number of audits conducted per year and its realistic projected estimates for the coming years taking into account the increases in line with ambitious revenue targets.
2. Criteria for selection of audit for Income Tax was 20% for corporate & non-corporate cases. For Sales Tax, it ranged between 10% and 20% for various sub-types of audit.
3. For Income Tax, each auditor was assigned 150 audits per year to arrive at the number of auditors. For sales Tax, each auditor was assigned 50 audits per year and based on the estimated number of audits, the total number of auditors required was determined.

D. Workforce Requirement

1. Once the number of auditors required was known, number of senior officers assigned supervision of them was arrived at keeping in view the workforce requirements of the Commissionerate / Collectorates. An emphasis was made on the increased number of operational staff as compared to support staff and effort was made to keep the officer to staff as compared to support staff and effort was made to keep the officer to staff ratio to 1 :2.5 at the point of arrival workforce planning.
2. On similar lines, a transitional plan was made for both the Income Tax and Sales Tax keeping in view the interim phase of reform when pendency from previous years would be liquidated. Thus in order to arrive at officers to staff ratio of 1 :2.5 at the point of arrival, interim phase of reform would not cut the workforce drastically but there would be a smooth transition in reduction of workforce by natural attrition.
3. On the basis of the above assumptions, templates were prepared for the workforce projections in which just y entering the workload in number of audits, workforce projections could be achieved instantaneously in MSExcel sheets. These templates were a major breakthrough in the workforce planning since now the effort could be concentrated on the diversification of the types of audits to be conducted in both of the taxes.

E. Consensus Building

1. Workforce planning for the planned TRO has been done on the basis of certain assumptions which were arrived at after a series of tedious and continuous meetings with the officers of Income Tax and Sales Tax in FBR. The field offices of Income Tax / Sales Tax, Rawalpindi were also visited and the template prepared was handed over to them and their inputs were received in order to achieve consensus on the issue.
2. Another big achievement in this whole process was the arrival of consensus among the HR Wing, TP&R Wing and respective Income Tax and Sales Tax Wings through series of meetings which deliberated on the reform strategy making this whole process a success.

V SELECTION PROCESS

A. Internal Job Posting

The HR wing has worked closely with line management to develop a transparent, fair and competency based selection policy known as UP (internal job posting) in order to select the most suitable candidates for positions in the reformed units that attracted an additional pay @ 100% allowances. The salient features of the Policy and process of UP are as follows.

1. In consonance with the modernization and automation of various HR processes, the Internal Job Posting process was shifted over to the FBR website for a futuristic approach towards online applications, short-listing and processing etc. All postings are advertised along with the details of the positions through the FBR's website www.fbr.gov.pk.
2. The Board-in-Council in its meeting dated 18-11-2005 again deliberated on UP policy and processes. The weight-age for selection against special position was revised as under:

- a. Performance Evaluation Report (for the last five years) 30%
- b. Interview 30%
- c. Assessment Centre 30%
- d. Training 10%

3. It was also decided that the policy of conducting interviews through a crossfunctional interview panel would continue. The interview panels for different levels were approved as follows:

BS of candidate	BS of panel
5-16	17/18
17-18	19/20
19-20	21

4. The concept of Assessment Centre, which provides a methodology for assessing employees in a more comprehensive and objective manner based on multiple inputs, was also approved by the Board-in-Council.
5. Integrity is the over-riding factor in selection of officers for special pay positions. Accordingly, internal and external integrity checks have been incorporated/institutionalized in the process of Internal Job Postings. The officers who have been awarded penalties during

the last five years or against whom disciplinary proceedings are pending will not be eligible/considered for UP.

C. Integrity Check

1. Since integrity is an overriding factor, external/internal integrity check is conducted.
2. Subsequently the names are submitted to the Chairman FBR for final approval.
3. After the approval from Chairman FBR, the list of successful candidates is displayed on FBR website as well as communicated through circulars to the field formation.
4. At the same time, Admin is requested to issue formal notification of posting.
5. Once an officer is selected for a post through the process of UP, he/she shall not be entitled to apply for another UP advertised post for a period of at least one year from the date of earlier selection order.
6. No applications shall be accepted for UP posting after the closing date as advertised on FBR website.
7. The evaluation of an officer under UP for reform position is also applicable for any other reform position (s) requiring similar competencies.
8. The backup candidate is considered for selection if the selected candidate is not approved or is unable to join the new posting for any unavoidable reason.
9. Selection results will remain valid for a period of six months.

VI TRAINING

HRM wing has drawn a program to train all the employees through internal and external resources and to enhance the capability of the two training directorates (DT & Customs). Some important interventions are as follows.

Entry Level:

- MBA Tax Management
 1. Junior Level (BS 17-18)
- Capacity building programs by IBA
 2. Senior (BS 20-21)
 - Leadership and Strategic Change Management by LUMS
 3. Mid Level (BS 19)
 - Change Management program by LUMS

4. Specific Functional Training for RTOs
 - TMS and Train the Trainer
 - Audit Techniques and Financial Accounting
 - Functional Management
5. Training for Staff (BS 1-16)
 - Pakistan Computer Bureau
6. Foreign Training
 - Management Training
 - Technical (Jb Specific) Training

VII PERFORMANCE MANAGEMENT

A. Introduction

FBR's objective for its performance management systems is to ensure the continual development of its staff in the role they perform, acknowledge their contribution, assess future potential and development needs (professional and personal), create a shared understanding of mutual accountability and thereby create a member of staff who can contribute positively to the organization achievement and its overall environment. Performance development is a continuous process and should not be treated as an event and should form a core responsibility of line managers.

Though each function will adapt the instrument suitable for its own situation, an objective based competency model is recommended as it meets the requirements of rapidly changing work environment under the Reforms Program.

B. Guidelines

1. Performance reviews will be conducted annually with follow up mechanism to track progress. All reviews should be formally documented by the line manager with any needed support from the FBR HR team.
2. Ensuring development of and managing performance of their staff is an integral and important component of the responsibilities of line manager. Therefore, it is most essential that all line managers who conduct performance assessments are competent to handle such reviews. Training programs will be conducted to train line managers in this regard.
3. All Officers should be given proper orientation by the FBR HR team with the help of respective HR Representatives in the field formations and the

line managers on the expectations of the job and how the internal systems work.

4. Line managers and the officers working under them will mutually negotiate performance targets both qualitative and quantitative and mutual accountability aligned to appropriate strategies and plans.
5. Performance reviews take stock of the achievement of core demands of the role as stated in the staff Job Descriptions though staff are not encouraged to remain within the confines of the given role.
6. An objective/goal oriented and competency based system is advocated and feedback sourcing is based on principles of downward accountability in relation to job competency, values, attitude and behavior.
7. It is important to emphasize critical reflections and learning from failures and successes.
8. Merit increments are proposed to be linked with performance reviews so that the system is not only used as a staff development tool but also provides incentives and rewards better performers.

C. Implementation:

1. Implementing effective performance system in a given location requires a close collaboration between the line manager and the HRM function. HR Representatives in each location are responsible to coordinate the performance review system that fits with FBR's mission, work approach and value aspirations through participatory consultative processes. Innovative non- monetary reward and recognition mechanisms will be designed by the FBR HRM function to recognize individuals and teams. Such systems will be fair and the criteria used for assessment transparent and understandable to everyone.
2. The HRM function will be responsible to keep the performance management system operational, keep performance review records, organize capacity enhancing events for performance reviewers, review and constantly keep an updated system. An important joint responsibility of the HR/OD function and the senior management team at the FBR Headquarters is to help create and maintain an environment where open feedback is given and received without fear of retaliation.

D. Unacceptable standards of performance

These will be discussed directly between line manager and subordinates after an observation for a given length of time. Feedback support, coaching and training support will be provided to such staff along with future actions. Consistent bad performance may mean the lack of interest or ability on the part of the staff and may imply a case for stronger action. However, in such cases stronger action should be well rationalized with appropriate documentation over a period of time. Such documentation should give space to staff to give reasonable explanation and responses. Dismissal may be considered when clearly all means have not been successful and should be seen as an ultimate step.

VIII Organization Structure

A. Functional Structure

The FBR's organization structure has been drawn on functional lines that has been finally approved by the Board and council in February 2006. The main functions of FBR have been categorized in the following components:

1. Revenue Operations

- (a) Member Inland Revenue
- (b) Member Customs

2. Revenue Services

- (a) Revenue Investigation
- (b) Collection & Enforcement
- (c) Facilitation & tax payers' Education
- (d) Revenue Accounting
- (e) Taxpayer audit

3. Management Services

- (a) Human resources
- (b) Information Management & User Support
- (c) Financial Management & Administration
- (d) Legal affairs

4. Policy & Reforms

- (a) Policy Research
- (b) Reforms Project Management
- (c) International Relations

5. Internal Audit

- (a) Vigilance

(b) Internal Affairs

(c) Internal Audit

F. CAREER PLANNING

A detailed comprehensive career planning strategy is under preparation. The plan is to link promotion and career progression to the new Performance Management System. However, departure from the existing system of ACRs would be obtained in stages as a result of feedback received from the field offices on the implementation of the new system of appraisal as follows:

1. A total change in system was opposed due to its ramifications for the lateral and horizontal mobility of FBR officers vis-a.-vis officers of other occupational groups
2. A gradual shift to a performance management system was agreed to by most officers as it would take into account the futuristic dynamics of change
3. Give time for adjustments while officers are being trained in the application of the new system

G. MANAGEMENT STYLE

HRM Wing firmly believes that in order for the Reforms Process to be successful, the top management of FBR should lead by example. The traditional bureaucratic style has to be done away with and a more team based approach has to be adopted. The leadership style of FBR top management should reflect some of the following important considerations:

1. Empowerment & Delegation
2. Teamwork & Communication
3. Strategic Leadership
4. General Management
5. Results Orientation

HR Wing intends to arrange extensive training for the top management through internal and international courses including the Advanced Management Program at Harvard and other business schools of repute. This kind of training also becomes important in the wake of the fact they have to handle and deal with the middle management who would have been exposed to these trainings extensively.

PAKISTAN AGRICULTURAL RESEARCH COUNCIL

A. Background and Context

29. Pakistan Agricultural Research Council (PARC), established in 1981, is an apex body of the National Agricultural Research System (NARS) in Pakistan. Its mandate is to undertake, aid, promote and coordinate agricultural research; arrange expeditious utilization of research results; and develop scientific manpower. It comprises a staff complement of 2400 of whom 650 are scientists.

30. During the 1980s, PARC with support from US-AID and World Bank, established a state-of the art infrastructure for research in crop sciences, animal sciences, natural resources and social sciences for science-based agricultural development in Pakistan. It also implemented several human resources development programs culminating in a team of highly qualified 650 scientists, of whom 150 were Ph. Ds and remaining M.Sc./M.Phil degree holders from renowned universities of the world.

31. PARC's achievements in the development and dissemination of Green Revolution technologies, in collaboration with provincial agricultural research systems, have been widely recognized nationally and globally. These technologies, in combination with investment in rural infrastructure and sound agricultural policies in the seventies and eighties, led to more than doubling of rice and wheat yields per acre, achieving food security, reducing poverty and improving quality of life in rural Pakistan. To sustain these developments, PARC, in collaboration with the CGIAR research centers (e.g. CIMMYT, ICARDA, IFPRI, ILRI, IRRI, IWMI, etc.) and the NARS continued its research activities enabling agriculture sector to achieve an average growth rate of 4 per cent per annum over the past four decades.

32. Notwithstanding these impressive achievements, PARC's research output has been experiencing qualitative decline since early 2000 and its scientists facing problems of career stagnation, pay and pension fixation and budgetary constraints leading to low staff morale and brain drain to other institutions within the country and abroad.

33. At the same time, NARS led by PARC were asked to address an increasingly challenging national research agenda relating to food security, rural poverty, export

competitiveness, climate change and environment degradation. This necessitated major reforms in the service structure of PARC/ NARS to provide enabling environment for innovative research and attract and retain highly qualified and experienced scientists, and mobilize adequate resources. It was in this context, that PARC took the initiative to develop a comprehensive reform program to reposition itself and NARS to address the challenges of 21st Century.

B Restructuring of PARC

34. In August 2006, the Prime Minister approved a comprehensive reform agenda to restructure PARC on the pattern of International Research Centres (CGIAR Centre) based on the recommendations of a comprehensive study on Organization and Management of PARC undertaken by PARC/ MINFAL. The major elements of the reform package included the following measures (see Annex-I for details):

- Prioritization of research agenda in line with the current and emerging challenges of the agriculture sector;
- Introduction of special pay scales on the pattern of PAEC;
- Resources mobilization to secure adequate funding for sustained implementation of priority research agenda;
- Administrative and financial reforms with focus on providing enabling environment for high quality research through improved governance structure, service structure, and efficient financial management system;
- Human resources development through merit based recruitment, training and promotion system including re-tooling of staff skills to meet the needs of new research paradigms;
- Forging stronger partnership with the national and international agriculture research systems and other stakeholders including farmers, NGOs, agro-industry;
- Establishing research product marketing company to commercialize research products, services and other innovative technologies;
- Upgrading the National Agricultural Research Centre of PARC to a degree-awarding institute with focus on emerging sciences.

35. The formulation of PARC reform agenda was the single most important activity during 2006 followed by resource mobilization to secure funding of Rs.3.0 billion (US \$ 50 million) for a five year period (2007-2011). The agenda was internally driven and prepared through a participatory process. It was intensively reviewed and discussed by the Ministry of Agriculture, Planning Commission, the Economic Coordination Council of the Cabinet chaired by the Prime Minister, the Chairman of National Commission for Government Reforms, the Ministry of Finance and the Establishment Division

before being formally approved by the Prime Minister for implementation in September 2007.

36. The implementation of reforms has been proceeding at a fast pace since its approval in September 2007. Some important reform measures have already been completed. These include:

- Introduction of special pay scales bringing PARC scientists and staff salaries at par with the highest paid scientists and staff of Pakistan Atomic Energy Commission;
- Restructuring of BoG from 25 members to 15;
- Establishment of inter-provincial Coordination Committee and Technical Committees for Plant, Animal and Social Sciences;
- Government's endorsement of the concept paper for the establishment of the National Agricultural Institute for award of graduate degree programs in emerging sciences;
- Grant of Rs.3.0 billion development budget for upgradation of research infrastructure including equipment, laboratories, green house facilities, and operational funds for high priority research programs/ projects, and
- Establishment of National Institute of Genomics.

The other items of the Reform Agenda which are still under processing include:

- a. Empowerment of BoG for all administrative and financial matters;
- b. Introduction of tenure track system allowing PARC to recruit outstanding scientists on renewable contract basis from within or outside the country; and
- c. Modernization of the financial management system (accounting, budgeting, auditing) which is sine qua non for effective and timely delivery of research products and services.

C. Linkages with the National & International Agriculture Research System

37. The strengthening of linkages with the national and international research systems was yet another important component of the Reforms Agenda. At the national level, coordination with the provincial research system was strengthened through the PARC funded national coordinated programs for all major corps. At present 14 such programmes are under implementation.

38. In addition, PARC is implementing 5-year program of capacity-building of Balochistan Agriculture Research System which involve upgradation of five existing and construction of four new research centers in Balochistan at a cost of Rs.723 million and training of more than 100 scientists in various disciplines of agriculture with M.S & Ph. D. degrees.

39. Concurrently research collaboration was strengthened with the international research centers (CIMMYT, FAO, ICARDA, ICIMOD, ILRI and IIRI) and bilateral cooperation was forged with key countries including Australia, Bangladesh, China, Egypt, Germany, India, Iran, Nepal, Sri Lanka, UK, USA, Uzbekistan among others. These linkages have provided opportunities for sharing germplasm, networking, participation in international seminars, symposia, conferences to our scientists, and collaborative research programs in high tech areas of agricultural development such as biotechnology, molecular biology, bioinformatics, genomic studies, climate change, and resource conservation technologies.

40. In the coming years, PARC will continue implementation of the reforms with focus on improvement in service structure, financial management system, and general services to improve enabling environment for agriculture research. It would establish PARC Agro-Tech Ltd. to patent and commercialize various research awarding institutes. The research in social sciences will be oriented to assess the impact of investments in agriculture research on poverty reduction, food security, improved competitiveness of agriculture in international trade, and WTO compliance.

D. Impact of Reforms

1. The approval of Research Strategy and high priority research agenda by ECC lead to the preparation of PC-I for “Research for Agricultural Development Program (2007-2012) for Rs.2.9 billion to implement the research agenda and upgrade the research infrastructure and capacity which was either outdated or eroded overtime.
2. With the approval of special pay scales, the staff morale has improved and the brain drain from PARC to other institutions both within and outside Pakistan came to a halt. In fact, some of the staff who had moved to Universities and other R & D institutions showed interest to return to their parent organization (PARC).
3. The provision of adequate research funds helped to expand research initiatives into advanced biotechnology, climate change, resource conservation technologies in collaboration with international research centers under the auspices of CGIAR.

4. The introduction of Annual Work Program and Performance Evaluation System is expected to lead to greater accountability of scientists and improved productivity and efficiency.

E. Problems/ Constraints still to be Addressed

41. The biggest problem is to change the mind set of some scientists and administrative and finance officers and staff who continue to pose hurdles in the smooth implementation of reforms. Many of these issues are being addressed under the implementation of administrative and financial reforms which are currently underway.

SUPREME AUDIT INSTITUTION

INTRODUCTION

42 With an institutional history of nearly 147 years, Office of the **Auditor General of Pakistan** (OAGP) is the primary National Institutions that partners both executive and legislature in promoting accountability and good governance in public sector management. Our role is to support Parliamentary oversight of the management and use of public resources through our independent and objective reports placed before the **Public Accounts Committee** (PAC) of the National Assembly. OAGP also provide independent assurance on the overall performance and accountability of the public sector in delivering the government's programs and services and in implementing effectively a wide range of public sector reforms. **Auditor General of Pakistan** (AGP) fulfills its constitutional mandate with the help of 5,394 personnel including 1,102 Officers, 941 Assistant Audit Officers (AAO) and 3,351 staff. Presently office of the Auditor General comprises of twenty one Field Audit Offices located all over Pakistan.

43. OAGP has always pursued excellence in its work with a view to enhance national accountability profile. The financial benefits to the nation include recoveries pointed out by the audit and actual recoveries deposited in the government treasury. During the last four years OAGP work has resulted in direct financial benefit amounting to Rs. 20 billion to the government in the form of actual recoveries deposited in the government treasury whereas during the same period the expenditure of OAGP was Rs. 3 billion. This shows that for every rupee spent on us, we returned seven rupees to the government. The cost benefit ratio of SAI Pakistan is among the highest not only in the region but in the world, for instance the recovery ratio of SAI India to audit cost is only 2 as compared to 7 of SAI Pakistan. Our work also results in efficiency gains to government where we identify risks, wastes and abuses and suggest mitigation measures.

44. OAGP is a significant and an active member of International community. The department is an effective member of International Organization of Supreme Audit Institutions (INOTSAI) and is currently serving as the Secretary General of Economic Cooperation Organization Supreme Audit Institutions (ECOSAI).

We are also a member of the Governing Board of Asian Organization of Supreme Audit Institutions (ASOSAI) and OAGP will become the president of ASOSAI in 2009. OAGP has been a member of various professional committees of INTOSAI and ASOSAI where we contributed by continued research and currently we are a member of INTOSAI committee developing financial guidelines for Supreme Audit Institutions. SAI Pakistan at present is external auditor of international organizations like Organization for Prohibition of Chemical Weapons (OPCW) and United Nations Industrial Development Organization (UNIDO).

45. As one of the main stakeholders in GoP Financial Reform Agenda, OAGP remained strategically committed to the reform process and assumed a leadership role by implementing major reforms under Project to Improve Financial Reporting and Auditing (PIFRA) which includes; reorganizing the governance structure through separation of audit and accounts, harmonization of National Accounting System replacing an archaic government accounting system, implementation of Integrated Financial Information System based on SAP R/3 and development of Risk Based Audit methodology complied with internationally accepted auditing standards.

46. Since the independence of the country, OAGP has the constitutional status that ensures continuity of its operations for promoting transparency in governmental operations. Twenty first century has brought new challenges for the department, where the government is implementing major reforms, technological landscape of GoP has also been rapidly changing, budget outlays have increased manifold, devolution has expanded the workload of audit and there is also increased demand for conformance with international best practices. The role of Supreme Audit Institutions worldwide is now constantly moving towards enhancing public value, by providing the legislature and the executive with an insight into the current practices, foresight of emerging challenges and recommendations for further improvements.

47. Thus the department has continued to make progress and a lot of good solid work has already been done. Much more, however needs to be done. We need not only to implement the conceptual frame work developed under PIFRA, we need to be more focused, more issue oriented, outcome driven and forward looking in our approach. We need to take into account emerging

challenges and to prepare for them. The real challenges are not just ideas or plans, but seamless implementation and targeted outcomes.



48. Given the needs identified above, the OAPG has developed a futuristic reform agenda. But reforms by edict are neither desirable nor sustainable. Stakeholders' input is crucial. As a first step, therefore, major stakeholders were asked to give their views on what issues needed to be addressed. This was followed by a comprehensive three days DGs conference of all Field Audit Offices chaired by the Auditor General. These consultations have served as a useful forum to formulate vision, mission, strategic goals and core values that will provide the frame work for all our activities, operations and processes.

49. Our core values are the driving force of the entire reform process. We will embed our core values; Integrity, Quality and Partnership in every facet of our work, processes, guidelines, standards and all our outputs. For which a comprehensive strategy has been developed with the consensus among OAGP's strategic and tactical management about the scope, nature and implementation scheme of the reform process. Essentially the reforms across OAGP are based on the following integrated building blocks:

- Restructuring the OAGP into a modem SAI supporting parliamentary oversight of the use of national resources.

- Increased use of information technology and systems.
- Improving core competencies of OAGP staff and management through comprehensive Human Resource Development to substantially raise staffing qualities, levels and integrity inline with international standards through rigorous training, performance management, restructuring and redeployment.

50. The department is fully geared up toward the reform agenda which will transit 27 months. From a strategic perspective the principal reforms envisaged are divided into three phases;

- | | |
|--------------------------------|-------------|
| ➤ Short Term (1- 9 months) | 31 Dec 2008 |
| ➤ Medium Term (10 – 18 months) | 30 Sep 2009 |
| ➤ Long Term (19 – 27 months) | 30 Jun 2010 |

51. The reform agenda of OAGP is aimed towards achieving excellence which will lead to establish OAGP as a Model Supreme Audit Institution. Targeted outcomes of the reforms will be;

- a. Strategic risk based audits
- b. Partnership with Auditees that help them achieve their strategic objectives
- c. efficiently, economically and effectively.
- d. Focused timely reports conforming to international quality and auditing standards
- e. Increased audit assurance through comprehensive audit covering systemic issues
- f. Greater focus on value for money auditing
- g. Producing sectoral reports
- h. Timely accountability
- i. A cost effective, lean, model SAI

CHALLENGES

52. There are several internal and external challenges which need to be addressed for smooth implementation of the reform agenda. Challenges internal to the department will be taken care off. But external challenges require decisions to be taken by the government. Some of the major constraints are clerical based audit party, pendency, disconnect in training, increased government spending, devolution and incentivize change.

53. **Clerical Based Audit Party:** Presently our audit teams predominantly consist of clerical staff. Out of total of 464 audit teams, only six are headed by Assistant Directors and ten are headed by Deputy Directors. Twenty five percent of our audit teams are headed by Grade 16, Assistant Audit Officers (AAO). Sixty three percent of members of audit teams belong to Grade 14. The low level composition results in poor quality reports which cannot be recast to desirable standards. No amount of change in guidelines, processes and standards can upgrade audit reports unless this basic structure is changed.

54. **Pendency:** The years of audit reports that are pending before the federal and provincial PACs are alarming. In total there are 56 years of audit reports that have yet to be reviewed. This has several implications. First of all the entire efforts for ensuring accountability and transparency through parliamentary oversight have been rendered fruitless and futile. The relevant Constitutional process has become clogged. Finally, while arrears need to be cleared, we must remain current and also remain relevant. The reforms make several proposals to address this issue.

55. **Training Disconnect:** Our training has a disconnect. It is segmented and imbalanced and needs to be revamped. To accomplish the reform agenda OAGP needs a workforce with sound professional knowledge, first rate technical skills, equipped with modern tools and reflects OAGP's core value in its performance and conduct. This will require a total revamping of Human Resource Management.

56. **Increased Government Spending:** Revenue and expenditure of the Government of Pakistan has more than doubled in last five years and there has been more than 400% increase in development expenditures. The increase in budget outlay has also increased the responsibilities of OAGP, as we are

required to give an assurance that all expenditures are spent economically, efficiently and effectively and that all receipts due to the Government are realized fully and timely.

57. **Devolution:** Through devolution major chunk of GoP development expenditure has devolved to district level. Section 115 of Local Government Ordinance, 2001 confers the responsibility of district governments audit to the Auditor General of Pakistan where now AGP has to conduct audit of 109 district governments and express opinion on their financial statements.

58. **Incentivize Change:** Targeted and cost effective incentive to transform and sustain change is necessary. Implementation of reforms and new audit methodology require higher levels of expertise for delivery and supervision. Retaining qualified personnel is also a big challenge. Performance based incentives are essential to accelerate and sustain the reform process.

STRATEGY

59. OAGP has developed a comprehensive strategy to bring major change in work procedures, standards, and way of doing business through training and change management. Plan Implementation and timelines will be closely monitored.

60. **Strategic Guidance:** AGP has formed a Policy Board comprising of strategic management of OAGP and 2 experienced professionals from public and private sector are also co-opted as members of the policy board. The policy board will steer the reform process and provide strategic guidance and will be supported by a full time secretariat/ knowledge pool. OAGP will launch its three year corporate plan and central audit plan in June 2008. We are implementing a web based Audit Management Information System for effective management for which a leading consulting firm has been engaged who is also conducting Business Process Reengineering/ Re-organization Study.

61. **Institutionalizing Human Resource Development:** Human Resource Management and Development is at the top of the reform agenda. This includes Training, skill match and transfer of knowledge through communication strategy informing, educating and training our personnel and clients. HRM and HRD activities will now specifically be headed by a BS 21 officer.

62. Globalization is bringing about rapid changes in accounting, auditing, financial management and ethics. Good governance is now being regarded as an integral component of a good financial management system. SAI of Pakistan has to align itself with the changing environment at the global level and upgrade the knowledge, skills, expertise and experience of its human resources to cope with the challenges of the 21st century as old tools are no longer relevant to address the problems of today.

63. Focused training has been envisioned as an ongoing and systematic process which will create and help maintain an effective workforce, capable of delivering beyond the expectations of all the stakeholders. It is through this learning process that OAGP will facilitate and coach their employees to learn different tasks, man management, cross functional skills and other administrative sciences.

64. Currently, probationers of Pakistan Audit and Accounts Service (P A&AS) are provided specialized training at Audit & Accounts Training Institute Lahore. OAGP intends to transform Audit & Accounts Training Institute into a centre of excellence as the National Institute of Public Finance Audit and Accounts (NIPF AA) which would also address the training needs of other Federal/Provincial and District governments in the areas of accounting, auditing and public finance

65. A holistic training strategy is being developed. Individual training programs will be developed to tailor to meet specific needs of organization. Quality, Integrity and Partnership will be the basic theme of our training programs. Through training there will be repeated exposure of auditors to auditing standards and guidelines. We will meet gaps in employee skill through the market by creating a pool of specialized expertise. We will also outsource where it is cost effective, desirable in terms of outcomes and consistent with the AGP's mandate.

66. Strengthening Audit Party Structure: The supervisory level of field audit is being augmented. Profile of field audit teams are in the process of improvement by involving appropriate number of Grade 18 and some Grade 19 officers. Officers of BS 17 will head the audit party whereas a larger number of the team leaders will be in BS-18 and in some cases even in BS-19, where the

nature and importance of the work program are important enough. Skill set and profile of audit teams will be improved by large scale conversion programme of Senior Auditors (Basic Pay Scale - 14) to Assistant Audit Officers through professional training. Through this conversion programme, a large number of Senior Auditors will be promoted to Assistant Audit Officers. There will be no layoffs. It is important to note, that at the end of the transformation, total sanctioned strength of the department will go down from 5,394 to 3,624 i.e. reduction of 33% in posts.

67. **Ethics and Institutional Integrity:** Auditor General's Office has adopted INTOSAI code of ethics. Embedding ethics and integrity in our organizational culture is the key pillar of the reform agenda. Propriety, ethics and integrity are the essential qualities of the auditor. Deputy Auditor General Ethics and Institutional Integrity (BS 21) is made responsible for ensuring compliance with the code of ethics. The department recognizes that to create awareness, understanding and implementation of ethical practices, ethics and institutional integrity wing needs to be strengthened. Ethics and Institutional Integrity wing will be strengthened and two DGs, (i) DG Inspection and (ii) DG Ethics Compliance will assist the DAG.

68. **Strengthening District Audit:** At present, OAGP audits 109 district governments, where the Auditor General of Pakistan certifies the financial statements and also issues audit reports highlighting weak internal controls, risks relating to govt. operations and instance of non compliance for each district. The audited financial statements and audit reports are presented to the Zila Accounts Committees through the Governor of the Province. Quality assurance and oversight function at district level needs to be strengthened. Currently the Provincial and District Audit Wing is providing quality assurance and oversight to Field Audit Offices at Provincial and District levels. This is unmanageable. DAG Provincial and District Audit at present is managing 11 Directorate Generals which entails quality assurance of more than 100 audit reports and audited financial statements. OAGP's goal is to provide timely, quality reports to the government and the legislature and to achieve this at the district level for which OAGP plans to establish a separate District Audit Wing headed by a DAG for better management and quality assurance of district audit operations.

69. **Strengthening Audit Policy:** For streamlining its processes, work and outputs and bringing about maximum conformance to standards, OAGP intends to develop detailed guidelines in all areas of its operations. OAGP intends to establish four primary products that will be clearly defined in terms of features, objectives, methodology, and output. The four basic audit products shall be Financial Audit, Information System Audit, Performance Audit and Program/Project Evaluation. In addition special reports will be provided in areas of public interest.

70. Presently OAGP's primary product is regularity audit where the focus is on reporting historical anomalies and non compliance with rules. In addition, financial statements of the federal, provincial and district governments, self accounting entities and foreign aided projects are also certified. Through PIFRA initiative, New Audit Methodology comprising Financial Audit Manual and Computer Assisted Audit Techniques and Tools (CAATs) had been developed. New Audit Methodology integrates certification and regularity audit into financial audit, which is being implemented across OAGP. Detailed policy guidance is required to the audit offices to implement New Audit Methodology for which Financial Audit Policy Wing will be setup.

71. Information Technology initiatives are underway across the government and technological landscape of GoP is rapidly changing. We are integrating our accounting and budgeting system through IT interventions. Impressive work has been done in automation of taxes, National ID cards and passports. Banks have embarked upon automating the system, e-government is implemented in ministry of IT and is likely to be replicated to all federal government ministries even the centuries old "Latha" maintained by patwaries is in the process of automation in the government of Punjab. With such rapidly changing technological landscape, the executive and legislature expect OAGP to provide assurance on the information system as a part of audit. Information system audit is a new and specialized area. OAGP intends to address the challenge by setting up an IT Audit Policy section to prepare guidelines and render policy advice to the audit offices for information system audit.

72. In 1985, AGP pioneered the work Performance Audit/ Value for Money Audit and successfully developed 35 performance audit guidelines which were universally acknowledged by major international audit institutions. However, at present the number of Performance/ Value for Money Audits is still not large. Value for Money Audits are critical in providing assurance on all kinds of expenditures. OAPG will set up Performance Audit Cells in all Field Audit Offices. Performance Audit Wing will be revived and established as a policy section for providing policy advice on performance auditing. In addition, OAGP is working with the multilateral donors who will provide training to OAGP staff in program/ project evaluation and a policy section for providing program/project evaluation guidance will be established.

73. **Audit Management Information System:** Innovative use of technology and efficient Management of information are critical for effective utilization of resources and increased productivity. Strategic centrally led auditing is largely dependent on technology. OAGP is implementing Audit Management Information System (AMIS) to facilitate top down control, macro level planning, standardization of work and information management. Comprehensive information base of AMIS will include complete database of Auditees, information relating to federal, provincial and district accounts, cumulative information about audit plans and audit reports, previous audit history of organizations, PAC decisions and follow-up and most importantly human resource and training information.

74. **Sectoral Reports:** Role of Supreme Audit Institutions (SAIs) worldwide has changed. Legislatures and the governments expect an insight into the current practices, emerging challenges and recommendations for further improvements. Respond to the Emerging Challenges is a strategic goal of OAGP and the department is committed to provide reports relating to the emerging challenges and specialized sectors and also produce sectoral reports which provide a macro view. The sectoral reports will highlight overall performance of the sectors with reference to budgetary outlays, areas of vulnerability in the sectors and the results of government operations in specific programs and projects of the sectors.

74. OAGP's ultimate objective is to be an SAI organized in sectoral groups and having expertise in specialized areas. Starting point would be to establish Special Sector Wing to develop capabilities in the emerging areas. A new Directorate General Energy Audit will be established to carry out audit of clients in the energy sector. Our target is to issue a sectoral report on Energy Sector and Poverty Alleviation by 30 June 2009.

76. **Pendency Sections:** 56 years of audit reports at the federal and provincial level are pending before the Public Accounts Committees (PAC). 12 years of audit reports with Federal, 16 years of audit reports with Sindh, 13 years with NWFP, 12 years of audit reports with Baluchistan and 3 years of audit reports submitted by the Auditor General of Pakistan are lying with the respective PACs for discussion. Accountability delayed is accountability denied. Audit reports will lose their utility if they are not timely discussed.

77. OAGP intends to establish pendency sections in field audit offices which will follow-up the pending reports with the concerned organizations through Departmental Accounts Committee (DAC). Officers of OAGP will assist the auditee organizations in addressing the issues highlighted in the audit reports and taking corrective actions and improving internal controls. Pendency sections will not only help reducing pendency and improving public sector management but also develop Partnership between OAGP and the Auditee organizations which will create value for the Government.

78. **Effective Monitoring through DAG Offices:** DAGs are a part of the strategic management team of AGP. They will provide input for development of corporate plan and they will be responsible for clearly communicating the plan to the Field Audit Offices. Ensuring that quality control mechanism for audit planning, execution and reporting in the F AOs will be the responsibility of DAGs.

79. DAGs as quality control managers will have an important role to ensure that audit work is conducted inline with the strategic plan of the OAGP and in conformity with the approved policies and procedures. To ensure that appropriate standard of work is maintained each DAG Office should undertake quality assurance programmes for each FAO on annual basis. FAM provides the guidelines, policies and procedures for conducting certification, compliance and

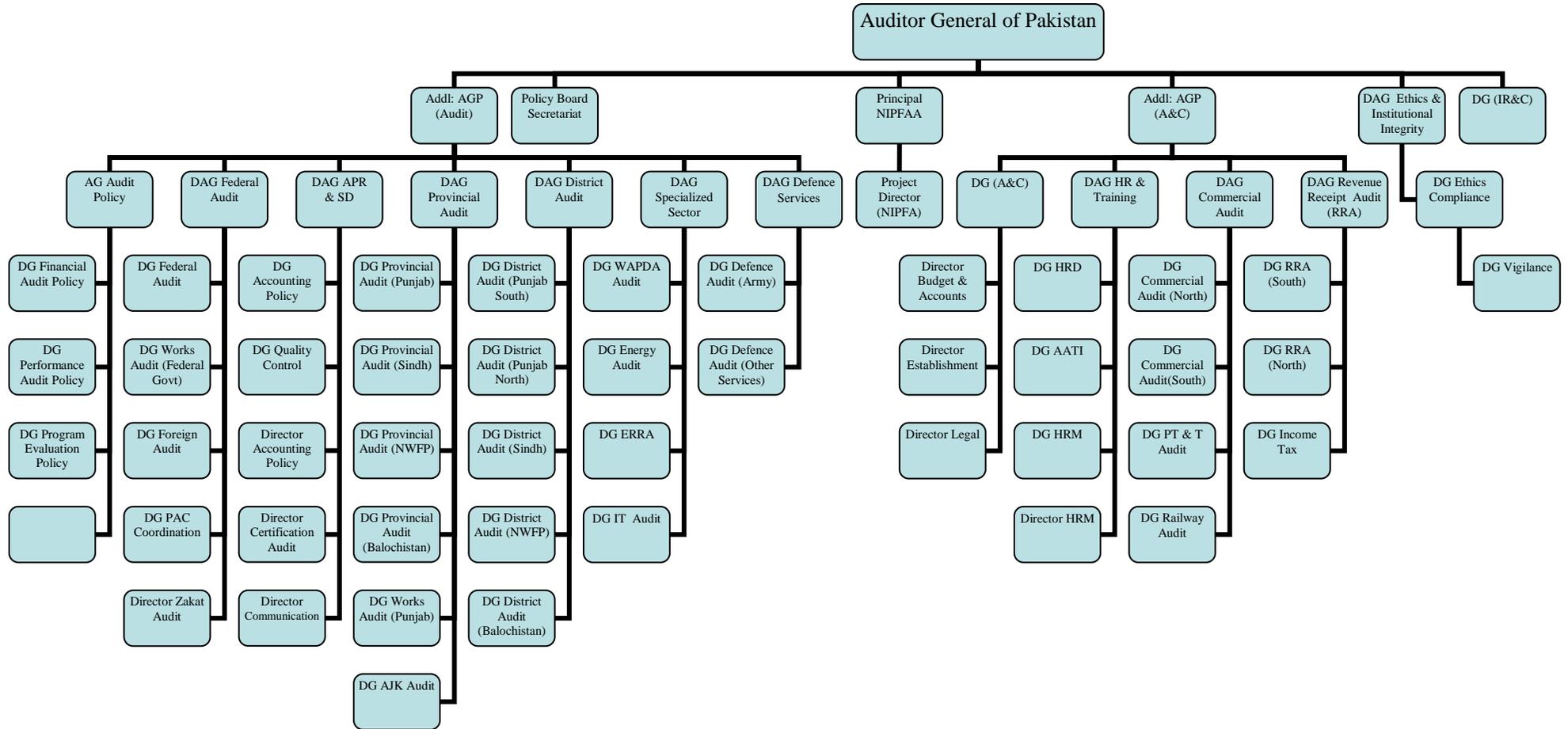
regularity audits. A quality assurance programme will be prepared by the DAG office inline with the quality assurance guidelines and in consultation with central quality control team of OAGP. Quality assurance reviews should be conducted on a basis to ensure and each office should be rated.

CONCLUSION

80. OAGP's reform agenda is cost effective and will also bring efficiency gains through upgraded human resources, improved business processes and effective use of technology in the field of public financial management. OAGP will utilize its own resources to the maximum to implement the reform agenda but requires necessary government support in the process. A continued and sustained effort is required to maintain the momentum of reforms and following decisions are required from the government.

- a. Creation of following additional posts to accelerate reform process.
 - BS 22 / MP-I (Rector NIPFAA) 1
 - BS 21 4
 - B~W 9
- b. Upgrade AGs NWFP and Baluchistan to BS 21.
- c. AGP to have the power to award performance based incentives.
- d. Empowering AGP to hire expert/professional on market based salary.
- e. Encadrement of specified posts of Member Finance/Director Finance in State Owned Enterprises and Authorities.
- f. Resolution of the DTL issue in a manner that takes in to account both the demand for the services of officers of PAAS and the need to fill in physical vacancies in the sanctioned cadre.
- g. Need to expand and strengthen the institution of CF AO.
- h. Address the OAGP financial resource constraint issue

Proposed Organizational Structure



CIVIL AVIATION AUTHORITY

SUMMARY OF REFORMS PROCESS

INTRODUCTION

- Civil Aviation Authority (CAA) of Pakistan is a public sector autonomous body working under the control of Federal Government of Pakistan through the Ministry of Defence
- In November, 2006, the CM decided to re-structure the organization in order to satisfactorily meet the present and future challenges

CAA Pakistan - Prior to Restructuring

Background

- Established on 7th December, 1982 as an autonomous body.
- Works under the Federal Government of Pakistan through its Ministry of Defence
- There had been a constant decline in the working of the organization, which prompted the Government to look for ways to bring in necessary improvements
- Core functions being neglected and support functions preferred
- Minimal customer / stakeholder focus
- Too many people reporting to DGCAA
- Lack of focus on HR practices
- Bureaucratic culture
- Absence of an effective management and control
- Excessive centralization of work

Restructuring process

- A Talent inventory of dynamic officers of the organization was prepared.
- A team composed of selected officers from this talent inventory was created and was named the "Restructuring Management Team - RMT"
- Pakistan's number one Management Institute (Lahore University of Management Sciences - LUMS) was selected as external facilitators for developing a strategy in coordination with RMT to carry out the restructuring. LUMS nominated the most senior members of their faculty for the assignment.
- LUMS only accepted the offer after getting the confirmation regarding the commitment of the Director General for the transformation process after a series of meetings with him and the CAA's top management.
- The strategy for carrying out the restructuring was finalized which was divided into four tracks namely Culture track, Skills track, Structure track, Reward system track. Necessary deliverables were also identified which started with a

- preliminary assessment of the working environment of the organization through interviews.
- Gap analysis was also carried out in each of the four tracks.
 - A three day workshop was held in Karachi attended by about 60 officers comprising of the top management and talent inventory officers.
 - During these three days of the workshop, the Vision, Mission, and Core values of CAA were developed through a consultative process.
 - The new fundamental organizational structure was developed which identified three core areas namely Regulatory, Air Navigations Services, and Airport Services.
 - The new organizational structure was finalized.
 - Wide-angle buy-in process was undertaken by CM senior management and RMT with staff and lower levels for bridging communication gaps between different hierarchical levels of the organization.
 - A Communication strategy was finalized.
 - Job analysis was carried out on the positions identified on the new organizational structure. Based on the job analysis, job descriptions and job specifications of each and every post were developed by RMT in consultation with LUMS through a totally interactive process of involvement of every Directorate, Branch, etc. of the organization.
 - Performance Management system was developed and the old system of Annual Confidential Report was dispensed with.
 - were developed by the Director General himself. Thereafter, each and every officer of the organization prepared individual tasks and targets. The senior level tasks and targets were finalized and approved by DGCAA during lengthy sessions. Tasks and targets are now the basis of assessing performance.
 - The difficult task for placement of the right person for the right job was taken up.
 - Introduction and initiation of Occupational Health, safety and environment as well as Enterprise Resource Planning (ERP) in the organization.
 - Review of the existing delegation of financial and administrative powers as well as the rules of business was carried out.
 - Revamping of the existing CM service rules and regulations is in process.

Summary of "Restructuring results" achieved so far

- More focus on the core functions of CM has been ensured.
- Talent and deadwood of the organization are being identified. Focus on Human Resource Development is taking place.
- The Regulatory role of the organization has been strengthened by induction of high caliber people and improved focus and induction of new systems and standards in Airworthiness, Flight Standards and Licensing.
- Profits of CAA witnessed an increase of revenue from Rs. 4.8 billion in Financial Year 2005-2006 to Rs. 6.3 billion in the last Financial Year 2006-2007 indicating an increase of over 30 %.

- Cash and Bank balance as on 31st December, 2007 stood at Rs. 11.091 billion from the figure of Rs. 4.425 billion on 1st July, 2006.
- Development of Business Plan 2008-2012 for the first time in the history of CAA which envisages tremendous rise in revenues from Rs. 11.626 Billion in 2007 to Rs. 30.83 Billion in 2012 affecting an increase of 165 % as well as an increase in air traffic from 17 million passengers /annum to 33 million passengers / annum, an increase of 94%.
- The expenditure of the organization has been reduced by over 13 %
- Staff morale, productivity, and efficiency is showing visible signs of improvements
- New Aviation policy has been developed liberalizing and creating a level playing field for airlines to use Pakistan airspace and enhance traffic at its airports. Additional airlines have entered the market or in process on increasing their frequencies such as Lufthansa, British Airways, GMG (2nd carrier of Bangladesh), etc. (details are provided in the presentation).
- Ability of the organization to provide services on Radar and navigational aids calibration has been developed to now cover seven states of South Asia and 15 countries of Middle East and North east Africa which is likely to generate income of \$5 million per annum as additional income stream.
- Tasks and targets are now the basis of assessing the performance of employees.
- Delegation of Authority down the line to the people has been issued / implemented under a manual.
- CM Service Regulations are in process of being revamped.
- ADP expenditure restricted to Rs. 500 - Rs. 800 million per annum due to lengthy procedures and bottlenecks in the system has been redesigned and for the current Financial Year 2007-2008, Rs. 5.5 billion has already been spent out of the target of Rs.9.0 billion.
- Modernization / up-gradation of facilities is in hand. Projects such as the New Islamabad International Airport which had stalled for the last 16 years has started. Similarly, New Gwadar International airport, new airport building at Peshawar and Multan airports are in hand.
- Radar up-gradation, air traffic management system, voice communication & control systems, Instrument landing systems at Quetta and Peshawar, replacement of fire vehicles, ambulances, water bowzers, etc. is taking place on a fast track.
- Office work environment is being changed to international standards and where completed, is now no different from any multi-national company.
- Enterprise Resource Planning (ERP) system to fully integrate the work processes is in hand and is expected to be completed in the next 18 months. Its modules are Finance, billing, Supply Chain Management, and Human Resource.
- Cargo handling is being moved from the third party basis to PRAL system which is expected to enhance the income by Rs. One billion per annum without levy of additional charges.
- Mega airport cities at Karachi, Lahore, and the New Islamabad International Airport are in master planning stages and would be implemented progressively in the next three year period.

CHAPTER – 10

THE WAY FORWARD

THE WAY FORWARD

The National Commission for Government Reforms, (NCGR) during the last two years of its existence has prepared a comprehensive agenda for governance reforms, in active consultation with the relevant stakeholders. The Commission has finalized its recommendations on (a) Reorganization of the Federal Government (b) Strengthening of the District Government (c) Restructuring the Civil Services (d) Improving the Human Resource polices (e) Simplifying Rules, processes, procedures (f) Delivery of essential public services. In addition, the Commission has presented four case studies of successful reforms by key institutions that are under implementation.

2. Till the time the report was finalized the Provincial governments had not completed the plans for their reorganization. This exercise is absolutely essential as the Commission's proposals for reorganization of the Federal Government, specifically recommend transferring most of the functions of (a) Education (except Higher Education) (b) Health (c) Food and Agriculture (d) Labour (e) Local Government and Rural Development (f) Social Welfare and Special Education Ministries to the Provincial governments. At the same time the Provincial governments have devolved 12 departments to the District governments in 2001. But the current organizational structures of the Provincial Governments do not reflect, either the changes introduced by devolution or the enhanced capacity to absorb the functions that are to be transferred by the Federal Government. From the mode of execution and direct implementation, the Provincial departments have to assume a completely different role in case of the functions devolved to the districts. For taking over the functions from the Federal government, the size, configuration, skill mix, the structure and business process of each department absorbing these function, have to be reengineered.

3. The major task of the District Government, where most of the interaction between the citizen and the government takes place, is to upgrade the quality of the interface by appointing young, directly recruited officers in Police, Revenue, Tehsil Administration, instead of the present lot consisting of SHOs, Patwaries, and TMOs. There are other reforms proposed for improving Education and Health services at the local level. The report has also made recommendations to fill in the gaps, weaknesses and deficiencies that have surfaced during the implementation of the devolution

reforms since 2001. In addition, the Commission believes that the Freedom of Information Act should be further liberalized, to allow access to information to the citizens, the media and the civil society watchdog groups. The service standards and timelines for citizens' requests need to be developed and publicized. The Right to Information Act is doing a lot of good in India in altering the attitude, behavior and responsiveness of the Government functionaries. This experience ought to be studied and adapted to Pakistan, as the administrative culture, ethos and heritage in the two countries are quite similar.

4. E-Government offers a powerful tool for achieving transparency, accountability, efficiency and ensuring convenience for citizens. Some pilot experiments have been initiated in various parts of the government to take advantage of this tool, but the efforts so far have been sporadic, uncoordinated and uninspiring. There is a need to develop a time-bound master action plan with milestones, responsibilities assigned, continuous monitoring and involvement of highest decision makers, if the full potential of E-Government is to be exploited. The popular use of E-Government is a precursor to reduced hierarchy and a quick turnaround time in the government decision making process. In the first instance, the E-office suite and the Data Warehouse Projects should be taken up and implemented in the Federal Secretariat. NADRA Kiosks could be used for downloading and uploading the various forms and documents required by the citizens.

5. The Commission was successful in updating and producing an Establishment Manual, that incorporates all the laws updated and applicable rules, regulations and policies concerning human resource management and development at the Federal Government. The final draft of the Establishment Manual is with the M.S Wing of the Establishment Division for review, which is due for completed by June 30, 2008. Work has been outsourced for completion of a Finance Manual, that will bring up to date all the financial rules in effect at one place. Other Ministries/ Agencies and the Provincial Governments have been advised to undertake a similar exercise, in order to update their manuals and post them on their websites, so that they are accessible both to government functionaries for ready reference and to the common citizens to ascertain their rights and obligations.

6. The Establishment Division has started the process of preparing job descriptions for each position in the Federal Secretariat. This exercise is absolutely necessary in

order to prepare recruitment rules, requisitions sent to the Public Service Commission, performance evaluation, promotion and career progression. These job descriptions and job content analyses should be carried out in all the attached departments and the Provincial Governments and should be updated from time to time as new requirements crop up.

7. Proposals to revise the Rules of Business and Delegation of powers in this report are only partial in nature, but these must to be examined more rigorously by the Federal, Provincial and District governments, to align them with other reforms that are accepted and implemented.

8. A major set back suffered by the NCGR in its work was the non-fulfillment of the goal, that its recommendations would be approved on a regular periodic basis by the high powered Steering Committee. An innovative mechanism was adopted to ensure that the Commission's recommendations were considered and approved on a continual cyclical basis and implementation status was kept under vigilance. However, due to unforeseen circumstances, the Steering Committee was only able to meet twice during the tenure of the present Commission. The legal cover to authenticate the decisions approved by the Steering Committee was never put in place, as none of the provincial assemblies passed the resolutions, authorizing the Federal Government to legislate the law establishing the NCGR. The modalities of implementation could not be sorted out in absence of this legal cover. The Commission, therefore was forced to deviate from this innovative mechanism and had to resort to the past practice of preparing its report and submit it to the Government, at the end of its tenure. This practice has not been successful in the past, as there is no champion within the Government to steer and guide the process of implementation. As stated earlier, the present Report is quite comprehensive and has the added advantage that it has been widely discussed and endorsed by the Federal Secretaries Committee and the Provincial governments after consultations and deliberations. The Government should therefore accord the National Commission for Government Reforms (NCGR) a permanent status, while rotating the Chairman and non-official members at regular intervals. The present Management Services Wing of the Establishment Division after strengthening of skills and induction of quality professionals, should serve as the Secretariat of the Commission. It is also suggested that the provincial governments should be consulted and requested to provide

the needed authority to the Federal Government, to issue the necessary legislation that will underpin the Commission's work.

9. International experience of Government reforms during the last few decades shows a contrast between a "Comprehensive" approach versus "an incrementalist" one adopted by various countries. There are positive and negative aspects of both these approaches. Whichever approach is adopted, there is overwhelming evidence on one point. De-politicization of civil services and creating space for the ministries and departments to manage their business, while the politicians exercise general oversight and hold the civil servants accountable for the results, is the main lesson learnt from country studies. In Pakistan this would require a major cultural and attitudinal change from both politicians and the civil servants, rather than any change in the rules of business. The proposed Institute for the legislators and the management courses organized by the National School of Public Policy (NSPP), National Defence University (NDU), the Provincial Management Academies, can play a pivotal role in bringing about these cultural and attitudinal changes.

10. This report, benefits from international experience and Pakistan's own historical record of reforms it has adopted a hybrid approach, whereby a comprehensive long term plan for reform requiring 10-15 years of steady, patient and flexible support from the political leadership has been drawn up. The implementation of these reforms would proceed in a phased, incremental manner with proper sequencing. It is also accepted that the synergies gained from simultaneous reforms can boost overall performance. However, this approach has the weakness that it can strain the capacity of the bureaucracy and create stress in the system, most governments cannot deal with a simultaneous overload of strategies, plans, targets, and indicators all at the same time. The real 'drivers of change' will revolve around with the ability and willingness of the civil servants themselves to fully participate in this change. The Federal Secretaries Committee and the Provincial Secretaries Committees have actively participated and influenced the formulation of the proposals contained in this Report. It would be fair to assume that the stress test has been undertaken in this case, as the approach adopted in this report has been endorsed by the main drivers of change.

11. Comparisons are often made in Pakistan with the Indian Civil Service and India's democratic underpinnings. These comparisons are quite valid because of the common legacy of the Civil Service and the administrative structures of the two

countries. No doubt while India's democratic credentials are impeccable, the performance of Indian Civil Service in delivering public goods and services in an equitable and efficient manner has not been stellar.

12. One of the leading commentators of the Indian political scene, M.J.Akbar has recently made a very pertinent observation that should be of interest to our political leaders. According to him "Those who believe that they can hustle voters with large lollipops, underestimate the maturity of the Indian electorate. The Indian voter can be persuaded with honesty and good governance, he cannot be purchased with handouts or fiscal tricks" (Double play, Asian Age March 9th 2009).

13. The Economist magazine in its cover story on India in its issue of March 8th 2008, has held the Indian Civil Service responsible for holding India back. "India's 10 million-strong Civil Service is the size of a small country, and its unreformed public sector is a huge barrier to two things a growing population needs. The first is a faster rate of sustainable growth. The government's debts and its infrastructure failings set a lower –than- necessary speed limit for the economy. The second is to spread the fruits of a growing economy to India's poor..... Indeed all India's administration is inefficient. According to the Congress-led government's own estimate, most development spending fails to reach its intended recipients. Indeed, it is sponged up, or siphoned off, by a vast, timorous bureaucracy".

14. Therefore those who take the plea that there is no need for reforms of Civil Services and the administrative structures, because India hasn't done so, should look at these assessments by both Indians as well as outsiders.

15. The implementation of the proposals contained in this report will take place over a long period of time and therefore phasing is absolutely critical in ensuring the success of these reforms. Transition planning is essential and unless these plans are carefully designed and executed, it is quite plausible that these reforms may never take off. The confidence of the stakeholders, including both the public and the civil servants, will be reinforced only if these transition plans are implemented well.

16. The other important fact that should be considered is proper sequencing of these reforms. Adequate compensation and benefits package for the officer class and the professionals to provide them a decent living wage, is the main driver of all the remaining human management and development policies. The Commission is also fully

cognizant of the fact, that budgetary deficits have to be contained and the salary bill of the Government has to be managed within the budgetary ceilings. However, it must also be realized that the reforms for recruitment, training, promotion, placements and postings, performance management as proposed in this report would not take off only if the issue of adequate compensation is resolved. A solution must be found that ensures the integrity of the budget, but at the same time raises the compensation of those adversely affected by the present salary structure. The Government has raised salaries of all civil servants from time to time. But these adhoc, half baked measures for raising salaries across the board, for all classes of civil servants are counterproductive. They create an enormous financial burden on the exchequer, but do not create any pressures for efficiency and better performance on the job on the incumbents. Nor do these salary increases provide a signal to the potential talented candidates to consider opting for government service as a career. In India, the Government has put in a hiring freeze on two-thirds of the vacant posts in Civil Services. As a result around 750,000 jobs have not been filled and remain vacant since 2001. The savings from this freeze are being applied to raise the salaries of the remaining incumbent civil servants. Such an experiment has also been successful in the State Bank of Pakistan, (SBP) where the posts in the non-officer cadres vacated through attrition i.e retirement, resignation, removal etc. have been abolished. Some of the assistants, clerks and even messengers, who had acquired the requisite qualifications, successfully competed and were inducted into the officer's cadre through an open, merit based system. The officers recruited now, earn four times the salaries that prevailed in 1997.

17. The freezing of lower staff positions upon attrition, with immediate effect will have two advantages. First, it will gradually free up budgetary resources within the existing pay and allowances head, that can be diverted to finance the incremental costs of the higher salaries for the small officer cadre. Second, there will be no involuntary job losses for any civil servant. In a country such as ours where productive unemployment is quite high, it is neither desirable nor politically feasible to get rid of people who are already employed. Therefore, we do not recommend any compulsory retirement plans in this report.

18. Should the decision makers decide to pick and choose some of the reform proposals, while ignoring others, the objective of these reforms will not be attained, as these are all interlinked. The spill over effects of the various components in the human

resource management value chain are quite strong and the sum of the parts is greater than the parts. A well phased out, properly sequenced plan of implementing the whole package, with adequate transitional planning and safeguards to protect the terms and conditions of the existing incumbents, is the only way that will produce maximum impact. Past episodes of government reforms have demonstrated that partial and uncoordinated efforts, accomplish little.

20. Ultimately, it must be emphasized that the Governance reforms proposed in this report should not be considered as a technocratic exercise. Reform is essentially an evolving political process, that takes into account the existing powerful relationships in which the polity is rooted. The balancing of diverse interests of various stakeholders, involves many politically tough choices which cannot be made by technocrats. The political parties should review, examine and adapt these proposals in light of their own understanding of the feasibility, acceptance, costs and benefits of these reforms to the economy, the society and particularly the poor and the marginalized sections of the population. The criticism that economic policies and high growth rates have not translated into gains for the less well-to-do, is quite valid, but the key to spreading these benefits equitably, lies in improving the institutions of governance. They have faltered and fumbled for quite some time, but there is no other short cut but to strengthen them and make them more responsive to the requirements of all sections of the population. The present Report makes a modest contribution in moving towards this goal.