

MINUTES OF THE MEETING
JOINT MEETING OF THE TASK FORCES ON
CIVIL SERVICE REFORMS AND AUSTERITY & RESTRUCTURING OF GOVERNMENT

Date: **Friday, 19th July, 2019**
Time: **10:00 am to 5:00 pm**
Venue: **Prime Minister's Office, Islamabad**

The **13th meeting** of the ***Task Forces on Civil Service Reforms and Austerity & Restructuring of Government*** was jointly held at the Prime Minister's Office, Islamabad under the chair of Dr. Ishrat Husain. Following is a re-cap of the key areas of discussion and decisions.

AGENDA ITEMS	DISCUSSION	DECISIONS
<p>Update on Key Proposals & Initial Discussion</p>	<p>The Chair apprised the members of the Task Forces on the progress since the preceding meeting on the subject of restructuring of the federal government. He stated that the efforts of the Task Forces to re-organize the federal government on a comprehensive basis have borne fruit as the plan has been approved by the Federal Cabinet in its most recent meeting. The approval was preceded by an extensive exercise in which the ministers and secretaries of every ministry/division were consulted and this prior consultation proved useful as the proposals contained in the summary were approved in principle by the Cabinet. With the passage of the summary, the Prime Minister directed for constitution of an Implementation Committee which is to oversee the reorganization effort over the next six months.</p> <p>The Advisor stated that the Prime Minister is taking personal interest in the reform of the FBR which he believes is a pre-requisite if the government is to meet its tax revenue target for this fiscal year. To improve performance the PM is open to bringing people from outside of government to lead institutions such as the FBR which is today led by a tax expert considered to be among the best in his field within Pakistan. The Advisor also informed the members that the Cabinet has also asked him to consider ways to strengthen the AGP and reform it to create an effective and professional apex audit organisation.</p>	<ul style="list-style-type: none"> • Provincial task forces to provide an update on the work done by them at the provincial level and also apprise about potential areas of reform

Similar interest was expressed in the reform of public institutions such as the CDA and CAA. With regards to CDA, it was stated that the organization had taken on the role of maintenance; not among its outlined duties while neglecting its role as an urban regulator responsible for implementing Islamabad's development according to the master plan. The role of the organization needs to be streamlined and other non-core functions assigned to it should be managed otherwise. A member remarked that the CDA was unable to control encroachment on the Margalla Hills and as such required drastic reforms.

The Chair remarked that the PM has also expressed concern over the multiple layers of screening that passengers have to face at airports, directing that these layers be reduced while maintaining the necessary checks. It was decided to separate the regulatory functions of CAA from airport development and services. An Airport Authority would engage in exploring possibilities of joint ventures responsible for carrying out core functions at the Islamabad, Karachi and Lahore airports similar to those in other countries. These JV companies would expand commercial outlets within airports as a way to increase airport revenue.

The Chair also updated the participants on the agenda items for the meeting. He congratulated the Task Force and the government on the passage of the PFM law by the Parliament. The legal framework for the law has been approved and is now ready for implementation.

The Chair also apprised the participants that the Establishment Division had requested that they be allowed to present their proposals on performance management at the upcoming meeting of the Task Forces. In the meanwhile, there can be a discussion on the matter within the Task Forces. The Chair stated that the PM himself is interested in performance management reforms and would like to see them done promptly and properly. He stated that Establishment Division ought to take all stakeholders along in this process and while they may take time, it is important that these reforms are done properly.

A member inquired about the work being done on the E-Government reforms and was informed by the Chair that the Ministry of IT now had a full time Secretary along with a professional Executive Director at NITB who will now be spearheading the E-Government reform agenda. The member also inquired about the rotation policy, the creation of an HRM division and the status of State Owned Enterprises (SOEs) reform and Sarmaya Pakistan. The Chair stated that a revised rotation policy will be made once reforms on recruitment, promotion and performance management are finalized. On making the Establishment Division a proper HRM division, the Chair apprised the member on the efforts already under way in this regard. These reforms aim to empower the existing Establishment Division and create a division that thoroughly caters to all the different aspects of HRM for federal civil servants. On the inquiry about SOEs and Sarmaya Pakistan, the Chair stated that Sarmaya Pakistan was created when former Finance Minister Asad Umar was part of Cabinet and now input would be solicited from

Mr. Hafeez Shaikh, Advisor on Finance. Reforms related to SOEs are a particularly difficult task that has to be undertaken carefully. The sector most affected will be that of energy. Reforms related to the functioning of DISCOs are already underway and are being spearheaded by the task force on energy. The task force and ministry concerned are considering operational reforms to create more efficiently run institutions.

A member stated that the Task Forces members were not aware of the changes made to the summary on Induction, to which the Chair informed that certain queries had been raised by the Prime Minister's Office which are currently being addressed by FPSC, and that no significant changes had been made to the proposals.

AGENDA ITEMS	DISCUSSION	DECISIONS
<p>Update on PFM Law, Cash Management Policy and Accounting Framework</p>	<p>Mr. Arshad Mehmood, Additional Secretary, Finance presented on the newly approved Public Financial Management Law and its allied subjects. The presentation was aimed at explaining the primary outcomes that the government wants from this law. The agenda of the presentation was firstly, to offer an update on the committee formed to oversee PFM reforms and secondly, to give an update on the PFM Act itself including the status of the law, its oversight mechanism and the implementation responsibilities and issues matrix.</p> <p>The Additional Secretary informed that an oversight Committee headed by the Special Secretary Finance has been formed and it includes Additional Secretaries for Corporate Finance, Expenditure and Budget. The Committee will be responsible for overseeing the implementation of the PFM law and the PFM Reform Strategy. So far, the law has been enacted and the Reform Strategy has been defined, however, the latter is not yet available to the public. The committee will also devise a plan for improvement in PIFRA/ FABS to fill in the missing modules and gaps from the original design (A steering committee under the Chairmanship of Secretary Finance will oversee the creation of corporatized model for FABS). Additionally, the oversight committee will devise a plan for consolidation of accounts and phasing in of Treasury Single Accounts. With regards to the latter a policy has been approved on the basis of internal consensus and detailed engagements with the State Bank. The rules of engagement on this are being finalized. Additionally, an IT link between FABS</p>	<ul style="list-style-type: none"> • The oversight committee is to oversee reform in the following areas: <ul style="list-style-type: none"> ○ SAP system update after identification of gaps ○ Phasing in of TSA across all federal ministries ○ Maintaining Asset Inventory ○ Enhancing payroll management ○ Devolution of pre-audit functions to individual ministries ○ Introduction of commitment accounting ○ Creation of an accrual accounting implementation plan ○ Development of E-procurement solutions

	<p>and SBP has been established whereas work is being done to form procedural linkages between the two as well. A Technical Assistance request with international donors for cash and treasury management is also currently under process.</p> <p>In line with the recommendations of the Task Forces pre-audit functions would be devolved to line Ministries. For this to be implemented, it is imperative that a clear value chain among pre-audit – payment – booking of expenditure and account reconciliation be created. Deliberation on this will take place with multiple stakeholders. As a point of reference, the logistical requirements associated with this change were elucidated. These would include proper HR, workstations, cheque-printers space, LAN, SAP portal licenses and WAN etc.</p> <p>Other options that the committee is considering include bringing self-accounting entities to SAP-ERP. Software is being developed by FABS to pull data from non – SAP systems. These steps will require detailed stakeholder coordination. The Additional Secretary expressed that the system currently fails to account for non-financial assets fully. The debit from state funds is recorded but assets acquired with said finances are not fully reflected in records. To correct for this there is a need to create an Asset Inventory. The CFAOs scheme is also likely to enable proper asset recording at Ministries. Additionally, project and program accounting as well as upscaling of payroll management within the SAP system is required as the established system often fails to account for those officially on the pay roll of</p>	<ul style="list-style-type: none"> ○ Upgrading the reporting of fiscal deficits – work to be done to make daily reporting possible ● A team consisting of officers from Finance Division, AGP and CGA to go to Ministries/ Divisions/ Institutions to brief on the newly approved PFM Act ● Secretaries Committee ought to be brought up to date on the work done by FD on PFM Reform ● Timelines to be provided for the tasks listed in the responsibility matrix ● Distribution of approach paper on the status of CFAO, FAO and Internal Auditors by the Finance Division ● Abolition of FA Organization to be notified and widely disseminated
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	<p>different government programs creating unnecessary discrepancies and incomplete report generation. In this regard, FABS will also create a dashboard for Principal Accounting Officers to provide real time information on payroll and other expenditure heads.</p> <p>The oversight committee will also work towards introducing commitment accounting and recording of other contingent liabilities. A team is already working in this regard at the AGP for devising a road map for accrual accounting. Furthermore, bidding documents are being finalized for the hiring of a firm for NAM update and laying down an accrual accounting implementation plan at AGP office. E-procurement solutions are currently under development. An important point highlighted was that the Finance Division currently lacks daily reporting of fiscal deficit as well as an integrated system for consistently monitoring domestic and external debt. To make possible these innovations within the existing system, there is a need for coordination and cooperation between different government agencies. Only then can such a scheme be successful.</p> <p>The AS also provided an update on empowering PAOs through appropriate devolution of the powers of the Finance Division. In the interest of autonomy and efficiency, PAOs have been provided with maximum leverage over the current two-line budget disbursement (apart from development and subsidies). An approach paper on the status of CFAO, FAO, Internal Auditors and Internal Control is being developed and will be distributed in the coming weeks. The</p>	<ul style="list-style-type: none"> • 61 amendments in respective rules to be notified – (Action: Ministry of Finance, AGP & CGA) • Implementation Matrix of PFM Law: <ol style="list-style-type: none"> 1. Update of rules, regulations relating to GFR, treasury rules and accounting models etc. 2. Revised Budget Manual 3. Circular clarifying delegation of financial powers and maintaining internal controls 4. Implementation of TSA policy and material of TSA rules 5. Digitization from budgeting to financial reporting – (Action: Ministry of Finance & CGA) • CGA and Auditor General office to review staffing requirements in the provinces and distribute work load in a way that backlog is not
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	<p>Financial Adviser Organization has already been disbanded under the new PFM law. There are a total of 61 amendments in respective rules that are to be made to harmonize this transition. It was stated that within the next two to three weeks an implementation plan is to be finalized in consultation with the Secretaries Committee on devolution of pre-audit functions to ministries. A participant added that provincial finance secretaries should also be called to the Secretaries Committee meeting for purposes of awareness.</p> <p>The presentation included a second agenda on the update of the status of the PFM Act. The Act was part of the Finance Bill 2019 and upon its approval has come into force. The Finance Division will email and send hard copies of the Act to all institutions and upload the law onto its website. The salient features of the Act will also be presented to the Secretaries Committee. Additionally, a presentation to Ministers and Parliamentarians was recommended to apprise them with the key provisions of the Act. The oversight committee will provide a quarterly update to FM/Advisor, ECC/Cabinet. Five areas of implementation for the committee were outlined as:</p> <ol style="list-style-type: none"> 1. Update of rules and regulations relating to GFR, treasury rules, accounting models, system of financial controls and budgeting etc. This process has been initiated and is likely to take up to 4 months for completion. 	<p>accumulated – (Action: AGP office and CGA)</p>
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2. **Definition of budget manual** to act as a guide on budget making, presentation, reporting and monitoring procedures etc
3. **Development of approach paper to clarify delegation vs financial control modalities**
4. **Restructuring within Finance Division** – strengthening of budget and expenditure wings
5. **Implementation of TSA policy**

Lastly, an implementation matrix was provided to map the description of responsibilities, requirements for implementation and the division/department/ministry responsible for ensuring the implementation of the relevant rule. It was advised by the Chair that the matrix must also include a delineation of the timelines for each task which ought to be adhered to strictly. It was also proposed that a team of officers from the Finance Division as well as officers from the AGP and CGA could be formed to brief individual ministries on the application of the new law. This team may also report to the Task Forces to keep members updated on the progress on this matter.

In the discussion that followed, participants urged that it would be of utmost importance to introduce international standards so that all agencies are bound to comply with the requirements of the Act. There is a need for a balance between offering public sector enterprises operational autonomy to freely conduct their business while simultaneously ensuring legal compliance by not allowing any

excessive discretionary powers. Members also stressed that this guidelines / manuals should be made simpler as most of our laws are written in complex language and not fully understood by those who have to implement them.

A member noted that business as usual may not allow for the implementation of this law and it was imperative to ensure continuity of the people put in charge of implementation. Frequent transfers will pose a risk to making the application of this law a reality. Conversely, a member was of the opinion that continuity of postings should not be taken too far, as continuity has to be provided by the system and not individuals, hence, a holistic system supporting reform needed to be put in place. Additionally, it was agreed that with the introduction of this law, there will be a need for the digitization of PFM from budgeting to financial reporting. Every individual ministry should be made comfortable with the operations of SAP and should report their financial expenditure and allocation on the software. The Chair stated that the Ministry of Finance should be the one setting the standards on digitization for the rest of the federal government.

It was urged that once this is made possible at the federal level, similar changes should be encouraged at the provincial level. Representatives of the provincial governments stated that there is a need to invest in provincial governments to increase their capacity and provide them with appropriate HR for this purpose. Furthermore, there was an agreement by all provincial representatives that audit officials at their level are inaccessible and short in number, hurting the efficiency

<p>of the government on a daily basis. Punjab in particular lamented that there are close to 100,000 different audit paras making it a herculean task to maneuver through the complexities of the financial management codes. The province's representative also argued that when audit officials are requested to provide time for meetings, they are frequently unavailable. It was agreed by the members that there is a need to weed out unnecessary audit paras in all provinces and make audit officials more responsible in their coordination with provincial governments.</p>	
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AGENDA ITEMS	DISCUSSION	DECISIONS
<p>Presentation on Corruption Sniffing Artificial Intelligence (AI) Bots</p>	<p>Mr. Burhan Rasool, GM (IT), Punjab Information Technology Board presented on the possibility of introducing Corruption Sniffing AI Bots to check graft within government circles. He stated that the degree of corruption currently happening in corridors of power has a debilitating effect on the progress of the country in general and without minimizing it through the appropriate channels it will continue to hurt the country at large. He urged that technological advances have made possible the use of sophisticated software and machinery to record and spot discrepancies in financial reporting. Artificial Intelligence (AI) bots are a possible innovation that can be employed in this regard within Pakistan.</p> <p>He elaborated that to optimize the use of these bots it is important to have the correct information of those concerned. In this regard, the pay roll data of all government officials currently stored in the SAP based PIFRA system should be recorded against CNIC based account numbers. Any income other than the government salary should be clearly stated and recorded. Furthermore, CNIC based data of all dependents of these government officials should be recorded as well after verification from NADRA. The complete service history of individuals ought to be maintained and data on take home salary amounts stored. Filing of income tax returns should be mandatory on all civil servants and the Assets and Wealth Statement should be provided every year and compared against the previous years declaration. Data from SBP's Financial</p>	<ul style="list-style-type: none"> • The proposals to be revisited after the existing internal accountability systems have been enhanced, various databases are developed and digitized and parallel systems such as the FBR database are integrated • CGA would explore the possibility of payroll data of government officials in the SAP to be recorded against CNIC based account numbers – (Action: CGA)

Monitoring Unit should be pulled every month to check the bank account balance of every government official. Similarly, data should be retrieved from the Land Revenue Management Information System (LRMIS) along with the Tenants Registration System to check the sale or purchase of any property by a government official/dependent and the rent of any property by an official or a dependent. Data from the Excise and Taxation Department should be made available to scrutinize the purchase of vehicles and travel histories should be retrieved from the FIA to check for travel overseas by government officials and dependents. Data of credit card bills should be used to check for any discrepancies against declared bank accounts etc. Information on the place of residence of all government officers should be maintained along with data of those paying utility bills etc. Lastly, the member stated that a 'whistle blower' program within government offices should be introduced to uncover acts of corruption. This program ought to be backed by a system of tracking and registry to identify and tag possible culprits. The member also presented visual aids to explain the use of information from different sources to be provided to the AI bots to store and point out discrepancies. Information can be taken from different databases as well as whistle blowers. An eye-balling technique can be used to sort this data to decide if those concerned are possibly corrupt or clean. Those who are found to be possibly corrupt should be given a chance to provide a response and subsequently the response should be evaluated. If corruption is suspected, an inquiry ought to be initiated. For those whose responses check out, their information should be sent back into the system for future perusal.

<p>The surveillance systems of different countries to rein in corruption were also discussed. It was agreed that the major issue facing the country was non-digitization with regard to incorporation of anti-bribery mechanisms. A member pointed out that the automated system of corruption detection should not only cover civil servants, but also keep record of all citizens. Another participant was of the opinion that monitoring mechanisms of an artificial intelligence-based system should be designed in a manner that they do not preclude a civil servant from being a free citizen of Pakistan. The general agreement was that the proposal was somewhat premature at this point in time and allied systems needed to be strengthened first before such a system could be deployed.</p>	
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AGENDA ITEMS	DISCUSSION	DECISIONS
<p>Strengthening of Internal Accountability / Proposed Amendments to Government Servants (Efficiency & Discipline) Rules, 1973</p>	<p>In light of the discussion and decisions taken in the previous meetings of the Task Forces on Efficiency & Discipline Rules, Mr. Salman Akram Raja put forward associated amendments to the NAB legislation.</p> <p>It was proposed that no investigation or reference would be initiated or no arrest would be made of a person unless NAB has placed the prima facie cause before a Supervisory Committee, for its approval to proceed with the reference, investigation or arrest. As such the Supervisory Committee would assist NAB in filtering out the investigation process by deciding whether there was sufficient prima facie evidence to proceed with investigation or arrest by NAB.</p> <p>A person being proceeded against would include anyone who is or has been in the service of the State, which would include contractual or ex officio appointments. In order to bring out clarity, the definition of “person” was elaborated upon. It was agreed that this definition would only cover government servants and not include political public office holders.</p> <p>The Supervisory Committees would consist of:</p> <p>a. a retired judge of a High Court</p>	<ul style="list-style-type: none"> • There shall be one or more Supervisory Committees at the federal as well as provincial levels / Gilgit Baltistan • Before NAB proceeds with a reference, investigation or arrest of a government servant, approval of the Supervisory Committee will have to be sought • The Government to provide a panel of 3 names for each category of members in the Supervisory Committees in order for the Parliamentary Committee to select one member from each category • Establishment Division to provide secretarial support to the Parliamentary Committee

	<p>b. three persons who have served as secretary to the federal government or at an equivalent position and whose retirement from service occurred at least two years prior to the date of appointment to the Supervisory Committee,</p> <p>c. a senior chartered accountant,</p> <p>d. a senior banker, and</p> <p>e. a senior civil engineer</p> <p>f. a domain specialist who can be co-opted</p> <p>Mr. Salman Akram Raja put forward the proposal that a fifteen-member Parliamentary Committee would choose the members of the Supervisory Committees through a majority vote. Members of the Parliamentary Committee would be nominated by the heads of the parliamentary parties having more than ten members in parliament.</p> <p>Members of the Task Forces suggested that in order for the Parliamentary Committee to practice due diligence, it was necessary to have a larger pool of candidates, where at least 3 names for each category of members in the Supervisory Committee should be presented before the Parliamentary Committee.</p>	<ul style="list-style-type: none"> • The Parliamentary Committee will be empowered to either select the members of the Supervisory Committee from the panel provided or propose or seek new names • The members of the Supervisory Committees shall serve for a single term of four years • The terms and conditions of service of the members of the Supervisory Committees shall be the identical to the terms and conditions of service in force from time to time for the members of the Federal Public Service Commission • Action: Establishment Division and Law Division to review and examine these proposals in the context of Efficiency and Conduct rules
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In order for the process to be made transparent, it was also proposed that the Parliamentary Committee could reject the panel proposed by the Government and propose or seek new names.

Participants were of the opinion that the Supervisory Committee ought to strike a balance and be able to convey a sense to the government servants that there are adequate safeguards in place before a reference is moved against them and at the same time pave the way to strengthen internal accountability and provide assistance to NAB if an offence is discovered.

AGENDA ITEMS	DISCUSSION	DECISIONS
1. Performance Management System 2. Performance Contracts 3. Draft Service Tribunals (Amendment) Bill, 2019	Discussion on these agenda items was deferred to subsequent meetings.	
