

INSTITUTIONAL REFORMS

Progress on Reforms Agenda

December 2020

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Update on Reform Agenda

Broadly, institutional reforms can be categorized into four different streams, (a) organizational reorganization of the federal government, (b) restructuring of key institutions, (c) civil service reforms and (d) business process re-engineering.

1. REORGANIZATION OF THE FEDERAL GOVERNMENT

The **Report on the Reorganization of the Federal Government** was approved by the Federal Cabinet in July 2019 following which the Cabinet notified an Implementation Committee to oversee the implementation of the reports proposals. In total the Committee has held 37 meetings, in which it has regularly coordinated with ministries/ divisions on the configuration of their subordinate entities. This effort has reduced federal government entities from 441 in total to 324 and reduced the configuration of entities from 16 different kinds to three i.e. Executive Departments, Autonomous Bodies and Constitutional Bodies in order to streamline the functions and powers of organizational entities.

Consequently, with the approval of the Federal Cabinet, 204 Autonomous Bodies and 84 Executive Departments have been notified. Presently, IRC is reaching out to various ministries / Divisions to prepare a framework for the working of these Autonomous Bodies. This would include their human resource policies, financial and legal matters.

The Cabinet Implementation Committee was upgraded to the Cabinet Committee on Institutional Reforms which is to spearhead the institutional reform efforts of the government on July 2nd, 2020. The Cabinet Committee on Institutional Reforms (CCIR) has so far held six meetings and continues to meet on a regular basis. All issues relating to institutional reform are now presented before the Cabinet Committee on Institutional Reforms for deliberation and further action.

1.1 E-governance

With the effort of the current government, all Ministries have achieved level-2 of the automation and by January 2020, all Ministries will reach at level 4, which means that use of paper will be eliminated. Also, all inter-ministerial correspondence will take place through E-Office. NITB has acquired new E-suite and this will be installed in Ministries in January 2020. Decision management system for Federal Cabinet has been prepared for electronic submission of Summaries for the Prime Minister, Cabinet and its Committees.

1.2 Upgradation of Websites/ Web portals

All Ministries have been advised to upgrade and standardize their websites and portals are per 3G templates containing rules, regulations, policies for the information of the public. 33 Ministries have achieved this landmark and remaining are being assisted by NITB to achieve it.

In a recent meeting of the Cabinet Committee on Institutional Reforms (CCIR), CEO, National Information Technology Board informed that the task in hand, should be completed by 15th January 2020.

1.3 Management Position Scales Policy

A new MP Scales Policy has been notified in order to attract the best talent and most competent individuals from the private sector for senior leadership positions in the Federal Government. The Policy was notified on 22nd June 2020.

A Cabinet Committee has been formed to revise and convert erstwhile existing BPS posts into MP and SPP Scales Posts. The Committee has been meeting regularly to consider the requests of various ministries and has approved a conversion of 9 seats. All ministries/divisions are making use of this option and keep submitting their requests to IRC seeking such conversions. Some of these have come up with the abolition of the existing posts, which is a mandatory condition for such conversion. Ministry of Railway has abolished 75 existing posts in lieu of four posts of MP scale. In short, all federal government entities are being welcomed to make use of this opportunity for attracting fresh blood and talent in the public sector.

1.4 Public Financial Management (PFM) Law

Public Financial Management Law has been enacted in 2019 to ease out the processes and inculcate efficiency in the financial processes. Salient features, which are being implemented by Ministry of Finance are as following: -

1.4.1 Delegation of financial powers to the line ministries including two-line budget

In compliance with PFM Act, 2019 the system of delegation of financial powers to the line Ministries/Divisions has been introduced w.e.f CFY. An Issuance of a one-line indicative budget ceiling to each Principal Accounting Officer (PAO) has also been established. The requirement of methods of clearance by the Budget Wing of the Finance Division has been eliminated. The revised system of Assignment Account procedure has been introduced. PAO has been empowered to approve Assignment Accounts for various projects/entities under his control.

1.4.2 Abolition of FA organization and transitional arrangements of additional expenditure

The FA organization has been abolished since the introduction of the PFM Act, 2019. A makeshift arrangement has been introduced till the finalization of introduction of a CFAO system. The Budget Wing is finalizing arrangements in accordance with the PFM Act.

1.4.3 TORs (MTBF, Annual Budgeting, Expenditure planning & monitoring)

Medium term budgetary strategy paper is being presented to the Cabinet which provides a basis for preparation of next year budget estimates. Quarter wise release policy is being issued for current and development expenditure for facility of each PAO. Introduction of midyear budgetary review report to be laid before National Assembly by the end of February each year.

1.4.4 Appointment of CFAOs

Budget Wing has drafted roles and functions of office of CFAOs in pursuance of Section 28 of Public Finance Management Act, 2019. It is pertinent to mention here that 24 posts of CFAOs are already available in different Ministries/Divisions and CFAOs are working on most of them.

1.4.5 Revision of system of financial controls and budgeting

Section 42 of PFM Act, 2019 dictates that all existing instruments and rules made there under have to be reviewed and made consistent with the provisions of the PFM Act, including a Revised System of Financial Control and Budgeting which is an OM of Finance Division. Process of revision has been initiated, with technical assistance of EU.

2. Restructuring of the Organization

2.1 Pakistan Railway

A comprehensive restructuring plan of Pakistan Railways has been approved by the Federal Cabinet in October, 2020. Regulatory functions would be carved out from the present PR into an independent body like other regulatory bodies. The Railway will be divided into four companies, for infrastructure, freight, passenger and ML-1. Private sector would be invited to operate freight and passenger trains while the PR would own and maintain the infrastructure company and recover wheeling charges from private operators. 4 freight trains are already running whereas tender for 8 more freight trains has been floated, 6 passenger trains are already being operated by the private companies and this number would gradually be increased. The management of the Pakistan Railway has been insulated from the Ministry with a clear-cut delineation of the responsibilities. Freight services shall

be given preference with the use of automation and technology. An active campaign will be initiated to clear the real estate of PR from encroachments.

For better HR management, hiring of an HR Advisor from the private sector has also been finalized while the other adviser positions are in the process of filling in . Rotation Policy of the employees has been finalized. Procurement of face-recognition software is underway. PR is facing excessive burden on its financials due to the pension bill. It has therefore initiated a process to hire consultants for establishing a Pension Fund for its pensioners. The number of pensioners in PR is 120,000 with an annual expenditure of Rs. 30 billion.

Railways has recently invigorated Karachi Circular Railway after a hiatus of 20 years. ML-1 plan has been approved and implementation on its phase-1 would soon be initiated.

On the automation side, Railways Planning Portal has been installed to manage development projects. An HR MIS software and ERP are being developed in consultation with PITB. App for automated bookings will also be launched shortly for which tender is being finalized.

2.2 Pakistan International Airlines

A comprehensive restructuring plan is being pursued by the new management. The organizational restructuring plan includes aspects like HR rationalization, shedding-off of non-core activities in order to focus on core business, routes rationalization, network expansions through code sharing, fleet modernization, corporate collaborations, cost cuttings in various heads and continued automation etc. Progress is being made on all these initiatives and some significant achievements have been shown by the management over the last two years.

Apart from organizational restructuring, a proposal for balance sheet restructuring is also being finalized without which sustainable revival of PIA will be difficult. The Committee set up for the purpose has met 6 times so far and broad contours of the proposal have already been finalized. The financial restructuring proposal will be shortly submitted before ECC and finally Cabinet for approval.

2.3 Pakistan Steel Mill

The government is planning the revival of Pakistan Steel Mill without the transfer of full ownership. As per proposal, core operating assets of the Mill will be transferred to a wholly owned subsidiary under the Scheme of Arrangement in which partnership of a Private Strategic Investor will be invited. In this regard, Cabinet Committee on Privatization has constituted a Committee to examine the

proposal in a holistic manner. The said Committee has approved the transaction structure that would now be considered by the CCOP. Financial advisers are already working on various aspects of the proposal including assets, liabilities and shareholdings planned to be offered etc. Privatization Commission has been directed to consult some prospective investors as well and share findings with Committee so that a marketable transaction structure is finalized.

2.4 Federal Board of Revenue

A comprehensive agenda of reforms is being pursued to restructure FBR which is broadly focused on three areas namely a) end-to-end automation of business processes b) functional and organizational restructuring, and c) better human resource management. Implementation of the initiatives identified in these areas is being regularly monitored against timelines. A list of initiatives completed so far is as follows:

- New appointments have been made against Chief Information Officer, FBR and CEO, PRAL to lead the automation process in Bureau.
- An MoU has been signed with NADRA and similar arrangements are being extended to other agencies for 3rd party data integration.
- Automation of Export Duty Drawback payments has been implemented. Tax Refunds of more than Rs. 250 billion has been paid to exporters by using technology, without human interface
- Maloomat Tax-Ray app has been launched to provide information to taxpayers about their assets and withholding deductions.
- ICT based survey for Sales Tax Registration has been launched.
- Online taxpayer's complaint and feedback system has been implemented.
- Simplification of Income Tax Return for salaried persons and small retailers (SMEs) has been completed.
- Online duty import calculator has been introduced.
- E-office software has been introduced in organization.
- The automation of Approvals system under Export Promotion Scheme has been completed w.e.f 16th December 2020.
- Authorized Economic Operator Program to facilitate trusted trade partners has been implemented.
- TIR Multi Modal Automation has been developed and deployed w.e.f 12th December 2020.
- Importers access to Transit Trade Portal via website has been implemented.
- Online Anti-Smuggling and Confiscation of goods portal has been introduced w.e.f 16th December 2020.
- Integrity Management Cell has been established w.e.f 11-9-2020.
- Number of Board Members has been approved for reduction from 14 to 11 w.e.f 1st January 2021.

- Restructuring exercise of field formations is underway. Initiatives completed so far include:
 - Large Taxpayers' Office (LTO), Corporate Tax Office (CTO) & Medium Taxpayer's Office (MTO) have been re-organized on functional basis.
 - Two new field formations have been established namely LTO – Multan and CTO – Multan.

2.5 Capital Development Authority

A report on the restructuring of the CDA was presented and approved by the Federal Cabinet. The cabinet gave two months' time to Ministry of Interior and CDA for its implementation.

However, before its implementation, the case went into litigation. On the commitment from the CDA lawyer, IHC decided that necessary change in the CDA ordinance may be materialised. Ministry of **Interior is reviewing the entire scheme for its implementation.**

2.6 Strengthening of the AGP office

Multiple consultative meetings have been held with the AGP office on ways to strengthen the functioning of this vital office of the state and a report has been prepared with proposals delineated. The Ministry of Finance in consultation with the Auditor General of Pakistan has finalized a six-pronged reform program on the basis of a report prepared by the Adviser in collaboration with the AGP staff and Finance Secretary. A draft law amending the old Act has been vetted by the Law Division and would be presented to the Cabinet for its consideration and approval.

2.7 Competition Commission of Pakistan

Report on strengthening and restructuring of Competition Commission of Pakistan was submitted to the Cabinet in March, 2020. Composition of the Commission was completed in July 2020 after the notification of Chairperson and two members. However, the seat of one member remained vacant due to non-joining by one of the two newly notified members. Process for filling up the vacancy is underway.

Court cases against CCP are being vigorously pursued and Lahore High Court has recently vacated stays in number of such cases in favour of CCP. SRO regarding payment of defined revenue share by other regulatory authorities to CCP has also been issued on 27th November 2020 which will help solve the financial issues of the Commission.

2.8 Securities and Exchange Commission of Pakistan

Policy Board of SECP has been revamped. It is now chaired by a private sector expert rather than the Finance Secretary and includes eminent members. SECP

has taken a number of initiatives for financial inclusion, automation, enabling business environment and market development. Examples include:

- Introduction of the framework for fully automated Secured Transaction Registry (STR) for unincorporated entities
- Digitalization of IPO processes
- Introduction of growth Enterprise Market (GEM) at Pakistan's Stock Exchange
- Introduction of the concept of Regulatory Sandbox in insurance sector, non-banking finance companies, capital market and corporate sector, in line with global best practices.
- Incorporation and licensing of the first ever corporate restructuring company, and
- Launching of two Exchange Traded Funds at Pakistan's Stock Exchange for the first time.

Complete end-to-end digitalization of business processes is underway at SECP for which the contract has been awarded in May 2020. First phase of this process will be completed by December 2021, whereas complete automation is expected to be achieved by December 2022.

2.9 Pakistan Post Performance

Previously, Pakistan Post's deficit had been increasing coupled with stagnant revenues. Therefore, an extensive list of plans has been put together to revamp the Pakistan Post and replace its current mechanisms with reliable, digitized postal and financial services for its customers. Previously, PPOD was unable to attract new customers due to its redundant product-lines and manual operations.

The key objectives underpinning the vision to restructure PPOD include elimination of the deficit, conversion of manual processes into digital operations with an emphasis on quality assurance, the elimination of wasteful expenditure and the introduction of new products and initiatives that are aligned with customer needs.

These initiatives include:

- Same Day Deliver
- Mobile APP – Track & Trace System
- Introduction of Packaging Material
- Pick Up Service for bulk mail
- e-Commerce Initiative
- EMS Plus for delivery of parcel and packets at major overseas destinations in 72 hours.
- Electronic Money Order (EMO) (Doorstep Delivery)

- Opening of Postal Rest Houses for general public
- Plantation of 100,000 trees in the country as per assigned number
- Plan of expansion of postal footprint through 125000 Franchise Post Office
 - NADRA 15000 e-Sahulat Kiosks
 - Establishment of Digital Franchise Post Offices
- Foreign Remittance Initiative in collaboration with NBP at 500 locations

Initiatives have also been undertaken to digitize financial services offered by PPOD through an alliance with HBL. Furthermore, digitization of Electronic Money Order (EMO) will allow for 15,000 NADRA e-Sahulat Kiosks and 12,000 Postal Outlets to compete with Easy Paisa, Jazz Cash etc.

These initiatives have reversed increasing trend in deficit experienced by PPOD for the first time in 10 years. These initiatives were operationalized without any additional budgetary support, and revenue has increased from Rs. 11.4 bn to Rs. 16.00 bn with Rs. 4.0 bn as receivable (F/Y 2019-20).

These new initiatives have been publicized on National Print Media, Television campaigns, Live Media coverage, and through social media to raise awareness among the general public of the new services PPOD has to offer.

Lastly, the Post Office Act, 1898 has been revised and currently placed before the Senate Select Committee

3. CIVIL SERVICE REFORMS

3.1 Induction and Recruitment

Thorough deliberations and meetings on the subject of induction and recruitment were held with the participation of Federal Public Service Commission, Establishment Division, Institutional Reforms Cell and other stake holders. Resultantly, it was suggested that the mode of Central Superior Services (CSS) examinations will be modified by including the following:

- Screening test
- Written Examination
 - Common exam of compulsory subjects for all candidates
 - Domain based exam of service specific elective subjects for specific occupational group
 - Optional exam of optional subjects for all candidates
- Psychological and psychometric assessment and computer literacy test

- Medical Examination
- Occupational group based semi structured viva voce

A summary, in this regard, was sent by Establishment Division to the Prime Minister Office. The summary would come up for discussion in Cabinet Committee on Institutional Reforms.

3.2 Training

3.2.1 Training at NSPP

National School of Public Policy (NSPP) will be made an apex body tasked with standard setting, monitoring and quality assistance of trainings. The selection of participants, design, content and delivery of courses is to be devolved to the respective training institution. To attract officers with high calibre, integrity, professionalism and competence, the selection method of the faculty, directing staff and the incentive structure of proposed Specialized Training Institutes will be brought at par with that of NSPP. Additionally, all the training institutes will be made autonomous with their own Boards of Governors drawn from the academia, policy practitioners, retired civil servants etc. Linkages with leading universities and research organizations shall also be established. This programme is currently in process.

3.2.2 Training for non and ex-cadre officials

Out of 29,000 officers, the government imparts mandatory training to over 6,000 officers who are mostly from various cadres/occupational groups. The non and ex-cadre officers were often neglected in training, career planning and promotion. Hence, the Federal Cabinet decided that non and ex-cadre officers of federal government will undergo mandatory trainings for career development and grooming. In the first phase, the government earmarked 9 ministries/divisions with directions to start trainings for its non and ex-cadre officers. In this regard, some ministries/divisions started the trainings but due to Covid-19, the implementation has been affected. In the next phase, more ministries will be earmarked for expansion of the training program.

3.2.3 Splitting of MCMC and NMC Training

In order to create a right balance of generic and domain-based knowledge and skill sets, the cabinet has approved the splitting of tenure of MCMC and NMC trainings into two parts. The general/administrative part of the training will be conducted by National Institute of Management (NIMs) whereas the specialized part will be handled by the respective Specialized Training Institutes (STIs).

3.3 Performance Management

3.3.1 Performance Contracts

Performance Management is an important area of Governance and service delivery. To evaluate the performance of ministers against the agreed goals and

objectives of ministries/divisions, the Prime Minister will enter into an Annual Agreement (Performance contracts) with his ministers. In this regard, Peer Review Committee reviewed performance contracts of 40 ministries/divisions which were approved by the Prime Minister. Under this scheme, the entire process of performance management will trickle down from Prime Minister to officers of the federal government in ministries/divisions and vice versa.

3.3.2 Revised Performance Evaluation Report (PER)

The performance goals of the federal government officers working under each ministry will be aligned to and derived from these performance contracts. Performance evaluation would be driven by a set of objectives / targets agreed between the officer and supervisor for the year. Key performance indicators, measurable and verifiable would be used to determine whether the agreed goals have been achieved or not. Job Description and Key performance indicators have been developed by the Ministries/Divisions in consultation with the Establishment Division. The Establishment Division is expected to incorporate the same indicators in the revised PERs along with areas for development and Training Needs Assessment of the officer. A Guide to the Performance Report, 2004 is also being revised by Establishment Division to bring about the necessary modifications.

3.3.3 Forced Ranking

Regarding the ranking of officers at the time of evaluation, each division will have the right to rank 20% officers as 'Outstanding', 30% as 'Very good', 30% as 'Good', and 10% each as 'Average' and 'Below Average'. Those placed in the outstanding category will receive twice as much in the form of annual merit increase as compared to those placed in other categories. Officers falling below average will receive no merit increase. In the allocation of government housing, priority would be given to the top 10%. In this regard, Establishment Division submitted a summary which was approved. Establishment division has been tasked to implement it in letter and spirit.

3.4 Promotion Policy and Rules

3.4.1 Civil Servants Promotion Rules

Civil Servants Promotion, (BPS-18 to BPS-21) Rules, 2019 have been notified and the Central Selection Board (CSB) has followed the rules in promoting officers to Grade 20 to 21 on the basis of these rules in January 2020. The promotions were challenged in Islamabad High Court, which has upheld decisions taken by the CSB and concluded that that promotion is not a right and the judiciary has no grounds to interfere, if the process has been followed faithfully. These Rules have equitably distributed the evaluation criteria among Performance Evaluation Reports, Training Evaluation Reports and with the Central Selection Board.

3.5 Efficiency and Discipline Rules

The Prime Minister has approved some important amendments in the Civil Servants (Efficiency and Discipline) Rules, 2020. In order to stop the lingering of the inquiry process, changes have been made to complete the process within stipulated timeframes. One tier of Authorised Officer from the process has been eliminated as well. For the first time, plea bargain and voluntary return have been included in the definition of misconduct and now such civil servants can be proceeded against. Establishment Division will notify the rules.

3.6 Retirement Rules

Civil Servants (Directory Retirement from Service) Rules, 2020 have been notified which will enable the government to evaluate the performance of officers on set of principles. According to the rules, those officers who have completed 20 years' service but whose performance has consistently been not satisfactory over a considerable period of time or they are found guilty of corruption or are superseded by the Promotion Boards or Committee or have unbecoming conduct, will be retired. These rules would allow the Government to retain only the best performing officers of integrity and weed out the nonperforming and corrupt ones.

3.7 Rotation Policy

The Rotation Policy of PAS & PSP officers which was introduced in 2000 has been replaced with the Rotation Policy, 2020 under the Civil Servants Act, 1973. The amendments aim to ensure that all officers are provided opportunities to serve across the federating units, before they attain the highest levels in government. The Establishment Division has issued a notification regarding the Rotation Policy, 2020 and it has been finalized after consultation with all the concerned governing entities.

3.8 Technical Advisors (TAs)

To assist the Ministers In-charge of technical ministries with technical and specialist expertise, the Federal Government approved posts of the Technical Advisors in various Divisions in MP Scales. Out of 17, two posts of Technical Advisors have been filled including Ministry of Federal Education and Professional Training and Establishment Division. The hiring process is going on and expected to complete in due course of time.

3.9 Compensation and Benefits:

To review the compensation and pension of the civil servants of Federal Government, **Pay and Pension Commission** was constituted by Government in April 2020 under the chairmanship of Mr. Wajid Rana (Ex-Finance Secretary). The Commission could not present its report/proposals as its chairman resigned. Now, Ms. Nargis Sethi (Ex-Federal Secretary) has been assigned the Chairmanship of the Commission to review and rationalize the compensation structure of civil servants and devise mechanism for pension contributions and benefits. The

Commission will prepare its report within six months. The notification of the revised Pay and Pension Commission is available on the website of Finance Division

4. BUSINESS PROCESS RE-ENGINEERING

4.1 Amendments in Rules of Business

Law and Justice Division has given its views on the proposed amendments in the Rules of Business (ROB). These proposals would now be discussed by CCIR. Some amendments relate to reorganizations of the Federal Government, which include definitions. And the scope of the Autonomous Bodies, Executive Department and Constitutional Body. A schedule listing all autonomous bodies would be inserted in the ROB. An online portal is being established by Law and Justice Division, which will act as a database of the existing legislation in the country, and the extensive reforms agenda is expected to be completed by the end of 2022.

4.2 Appointment of Dual Nationals

The proposals of the Task Force on Austerity & Restructuring of Government have been submitted for Cabinet approval and are currently with the Law Division. Once the division provides its feedback, further action may be taken on the matter.

4.3 Updating of ESTACODE

The Civil Establishment Code (ESTACODE) which deals with matters of posting, transfer and tenure of Civil Servants is revised occasionally but the rules remain un-implemented and are non-specific on a number of important subjects.

The Establishment Division would complete the exercise of updating the ESTACODE by the end of 2020 and a separate Establishment manual would also be issued.

4.4 Upgradation of Establishment Division into an HRM Division

There is a need to upgrade the existing Establishment Division into a Human Resource Management Division for the entire federal government to collectively serve and regulate the practices relevant to all federal civil servants. The Punjab IT Board is assisting the Establishment Division in digitization of the service records of all officers under the purview of the Division. This exercise would then be extended to either other occupational groups.

4.5 Regulatory Framework / Guillotine / Ease of Doing Business

A Committee headed by Adviser to the Prime Minister on Commerce and Investment is working on regulatory guillotine for "Ease of Doing Business". The Committee is looking at various laws and processes, rules and regulations to

improve the ease and cost of doing business in Pakistan. On the recommendation of the Committee, various reforms have been initiated and some of these include amendments in Petroleum Rules, 2013 to simplify procedures & standardize zoning regulations. This amendment took place in January 2020. The Council of Common Interests (CCI) made a decision for Single National Food Standards in January 2020. Furthermore, the establishment of a Secured Transaction Registry to improve the access of credit to SMEs was also done in January 2020. This was followed by the simplification of the Commercial Electricity Connection in March 2020. The simplification of Company registration by the SECP also took place in April 2020. The elimination of a license fee for SMEs was finalized by the local governments of Khyber Pakhtunkhwa in July 2020 and in Punjab in October 2020. Additionally, many initiatives to provide e-governance through online services have been in process throughout the year. Lastly, much work has been done with the private sector to simplify government regulations.

4.6 Reforms in PSDP allocation and releases

Planning and Development Division has introduced a number of changes to simplify the processing, approval and implementation of development schemes. The secretaries of the Ministries/ Divisions have been empowered in expenditure approvals and process has been simplified. No unapproved scheme is included in the PSDP Budget allocation by Planning and Development Division.
