

# INSTITUTIONAL REFORMS

Progress on Reforms Agenda

December 2020

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## **Update on Reform Agenda**

The Institutional Reforms Cell under the leadership of Dr Ishrat Husain, Advisor to Prime Minister (APM), has been working on multiple reform areas, some of which have seen approvals from the Federal Cabinet and are at implementation stage, while others are at various level of progress. Broadly, these reforms can be categorized into four different streams, including organizational reorganization of the federal government, institutional restructuring, civil service reforms and business process reorganizations.

### **1. REORGANIZATION OF THE FEDERAL GOVERNMENT**

The Prime Minister had constituted the following two Task Forces headed by Dr. Ishrat Hussain, APM in September, 2018: -

- a) Task Force on Civil Service Reforms.
- b) Task Force on Austerity and Restructuring of the 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 on July 2<sup>nd</sup>, 2020, which is to spearhead the institutional reform efforts of the government. 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 2021, 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 Miniseries 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, would be completed by 15<sup>th</sup> 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 22<sup>nd</sup> June 2020.

A Cabinet Committee has been formed to review 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. 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. The Railway will be divided into five companies, 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 automations and technology. Some of the operations will be outsourced to private sectors and an active campaign will be initiated to clear the real estate of PR from encroachments. PR has also 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.

The above plan is in effect and being vigorously pursued. For better HR management, Rotation Policy of the employees has been finalized. Procurement of face-recognition software is underway. Hiring of an HR Advisor from the private sector has also been finalized. Railways has recently invigorated Karachi Circular Railway after a hiatus of 20 years. 4 freight trains are already running whereas tender for 8 more freight trains has been floated. On the automation side, Railways Planning Portal has been installed to manage development projects. An HR MIS software is being developed in consultation with PITB. App for automated bookings will also be launched shortly for which tender is being finalized.

ML-1 plan has been approved and implementation on its phase-1 is underway.

## **2.2 Pakistan International Airlines**

PIA has been running into losses since 2008 and now its accumulated liabilities have reached to the tune of Rs.450 billion. In this regard, a comprehensive organizational restructuring plan is being pursued by the new management. The 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 Transaction Committee has met on 10<sup>th</sup> December 2020 and has deliberated various aspects of the proposal including assets, liabilities and shareholdings 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**

Reforms in FBR can be categorised into three areas, which are human resource management, automation and organizational restructuring. CIO, FBR and CEO,

PRAL has been appointed to boost the automation in FBR. Tax Refunds of more than Rs. 250 billion has been paid to exporters by using technology, without human interface. An MoU has been signed with NADRA and similar arrangements are being extended to other agencies for 3<sup>rd</sup> party data integration. Maloomat Tax-Ray app has been launched to provide information to taxpayers about their assets and withholding deductions. The number of Board Members has also been approved for reduction in a recent meeting of Policy Board.

### **2.5 Capital Development Authority**

Dr Ishrat Husain, Adviser to the Prime Minister on IRA has prepared and submitted a report on the restructuring of the CDA to federal Cabinet. The Report of APM on IRA regarding the restructuring of CDA was approved by the 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. Ministry of Finance and AGP office are working on the Reforms of the AGP office and the case will be presented before the Cabinet, shortly.

## **3. CIVIL SERVICE REFORMS**

### **3.1.1 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 is in under discussion in Cabinet Committee on Institutional Reforms

### 3.1.2 Training

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.

### 3.1.3 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.

### 3.1.4 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).

## **3.2 Performance Management**

### 3.2.1 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 submitted to Prime Minister Office. 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.

### 3.2.2 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.

### 3.2.3 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.

### 3.2.4 PER Cycle

Regarding the shifting of the PERs cycle from calendar year to financial year for FY 2021-2022, Establishment Division has sought views and comments from all the Ministries/Divisions and Provincial Governments. The final outcome will be based upon the consensus of all stakeholders (Federal and Provincial Governments)

## **3.3 Promotion Rules**

Civil Servants Promotion, (BPS-18 to BPS-21) Rules, 2019 have been notified and Establishment Division has conducted CSB on the basis of these rules in January 2020. These Rules have equitably distributed the evaluation criteria among Performance Evaluation Reports, Training Evaluation Reports and with

the Central Selection Board. The rules are available on the website of Establishment Division and Institutional Reforms Cell

### **3.4 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. The rules are available on the website of Establishment Division and Institutional Reforms Cell.

### **3.5 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. The rules are available on the website of Establishment Division and Institutional Reforms Cell

### **3.6 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. The O.M is available on the website of Establishment Division and Institutional Reforms Cell.

### **3.7 Career Planning and Progression**

Career planning and progression is an important ingredient of professional service. Establishment Division submitted a summary on career planning and progression which has been approved. The Rotation of PAS and PSP part has already been notified by Establishment Division (also available on the website of Institutional Reforms Cell). The other segments of the summary will be notified by Establishment Division

### **3.8 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

### **3.9 National Executive Service (NES)**

Institutional Reforms Cell prepared a working paper on National Executive Service which was also considered by Secretaries' Committee and sub-committee. The proposal on NES and suggestions of the Secretaries' Committee will be discussed in Cabinet Committee on Institutional Reforms. Once finalized, the approval of the Cabinet will be sought to implement it. The working paper on NES is available on the website of IRC

### **3.10 Federal Service Tribunal Amendment Bill 2019**

Task Forces on Civil Service Reforms and Austerity and Government Restructuring suggested important amendments in the Federal Service Tribunal Amendment Bill 2019 to make it more effective and expedient. The proposals are under process and will take some shape in due course of time

### **3.11 Ease of Recruitment**

The subject was discussed in the Cabinet Committee on Institutional Reforms on 29<sup>th</sup> October 2020. Establishment division has been directed to initiate the summary for the consideration of CCIR and future course of action.

## **4. BUSINESS PROCESS RE-ENGINEERING**

### **4.1 Amendments in Rules of Business**

Proposals of the Task Force of Austerity & Restructuring of Government have been finalised and submitted for Cabinet approval. The subject is currently with the Law Division to solicit its opinion on the matter after which further action can be taken.

Law and Justice Division has been advised to make a presentation to CCIR on this subject in its meeting. Some amendments relate to reorganizations of the Federal Government, which include definitions of the Autonomous Bodies,

Executive Department and Constitutional Body. An online portal is being established by Law and Justice Division, which will act as 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 IRC has requested the Establishment Division to complete the exercise of updating the ESTACODE by the end of 2020.

#### **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. This matter is currently under consideration by the IRC and Establishment Division.

#### **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 business ranking of 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.

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