

AN APPROACH
TO
RE-ORGANIZING THE FEDERAL GOVERNMENT

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. There is no institutionalized mechanism whereby entities can be created, modified or wound up.

3. 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.

4 The organizing principles that we propose 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 and 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.

5. 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. Our 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.

6. This paper, therefore, extends that underlying principle to all the Divisions/ Ministries of the Federal Government, further clarifies the concepts of attached departments and autonomous bodies as the two organizational units and defines their relationships with the Division/ Ministry, groups the different entities into these two organizational units on the basis of certain criteria and makes recommendations in respect of the future course of action in respect of each of the existing entities.

7. 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 the 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 will be 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 the Federal Secretary, the Division will be the main policy making unit of the Government with the functions of:

- (a) developing the vision, long and medium term strategy and plans for the sector or sub-sector
- (b) preparing the policies in consultation with the stakeholders and getting them approved by the Cabinet or Cabinet Committees.
- (c) communicating the policies approved by the Government to the executive departments and autonomous bodies for implementation and monitoring the progress from time to time in light of the milestones and indicators agreed upon.
- (d) formulating the budgetary proposals and submitting them to approval by the Ministry of Finance and then keeping a track of the expenditure incurred.
- (e) preparing the development projects for processing through appropriate fora such as DDWP, CDWP, ECNEC etc.
- (f) monitoring, evaluating the progress, projects and policies implemented and assessing the impact of the Executive Departments and the autonomous bodies under the Division's jurisdiction.
- (g) developing human resource utilization plan and managing the human resources allocated to the Division.
- (h) continuously updating the business processes, procedures, rules and regulations, setting up and enforcing service standards.
- (i) initiating and carrying out legislative and Cabinet business including the decisions, directives and orders received.
- (j) acting as the focal point for national, inter-provincial and international coordination, collaboration and cooperation.
- (k) and for private-public partnerships within the limits of government framework, and
- (l) providing policy guidance to regulatory agencies, executive departments and autonomous bodies from time to time.

8. The Secretary of the Division will be the Principal Accounting Officer and Principal Human Resource Manager of the Division. He/ She will carry out the responsibilities under the general supervision and guidance of the Minister Incharge. The Secretary alongwith the Minister will oversee and guide the Executive Departments in the discharge of their functions. He/ She 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 or her on the Boards.

9. 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 entrusted with functional responsibilities such as Planning, Finance, monitoring and Evaluation, Technical etc. 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 job of Section Officers and further recruitment or promotion to Section Officer in the regular cadre should be discontinued. E-Government tools should be utilized for the storage, recording and retrieval of files supported by web-based access to the laws, rules, regulations in force. The institutional memory will reside in the electronic form rather than in the Section Officers.

(iii) Autonomous Bodies (ABs) –

10. 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) the resolutions of the Cabinet or Cabinet Committees
- iv) established under the Trust Act,

11. The main criteria for deciding whether an entity would be an autonomous body or not would be

- i) the relative significance of the goals and objectives for which it has been set up,
- ii) its relative importance in the economy, governance, social sectors, regulation, technological development,
- iii) its size and scale of operations,
- iv) its capacity to generate its own revenues fully or partly,

- v) its requirement to attract skills and expertise that are not normally available in the government.
- vi) its business model as a fully owned state enterprise or partnership with the private sector.
- vii) promotion of public - private partnership for infrastructure development, human resources development, scientific and technological advancement.
- viii) training, skill development, research and higher educational institutions, medical hospitals and institutes.

12. 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. They will be recruited in a transparent and merit based manner through an open, competitive process and they will be paid compensation packages as determined by the respective Boards of Directors. Only in cases where the Government is meeting the entire or partial expenditure from its budget, these packages will be subject to the approval of the representative of the Ministry of Finance on the Board. 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.

13. 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 and the membership would be drawn from persons who have demonstrated eminence in their professions such as law, engineering, accountancy, economics and finance, strategic management, academia, private sector, or other relevant disciplines. Due care should be given to give adequate representation to all provinces in the selection of the Board members. They should meet the criteria fit and proper as prescribed by the Federal Government.

14. The Board of ABs would have appropriate representation from the Federal Government and these representatives should be empowered to convey the stated position or stance of the Federal Government at the Board meetings, 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. He should be authorized, prior to the meetings, to take positions on behalf of the Federal Government provided all papers for discussion at the Board meeting are received at least 15 days prior to the meeting while those requiring budgetary allocations at least one month in advance. 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. The normal procedure prescribed by the Government for budget submissions and allocations and processing of development schemes will be followed by the ABs only if they are seeking subsidies, grants, loans, equity injection grant-in-aid, financial relief or guarantees or other types of financial assistance from the Government. 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. For the purposes of the reports of AG and for appearances before the Public Accounts Committee (PAC) the head of the AB will be fully accountable

15. The procurement of goods and services by ABs should be made in a transparent and competitive manner. Wherever the standard rules of the Public Procurement Regulatory Agency (PPRA) can be applied without difficulty they should be adopted and followed. In other case the PPRA rules may be modified and adopted to suit the particular business needs of the AB but the principle of open, transparent and competitive bidding should remain the overarching principle.

16. 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.

17. All regulatory agencies would enjoy quasi-judicial powers and the Ministry concerned will have no representation in the agency's governance structure. The Ministry/ Division will have no oversight or monitoring responsibility on the regulatory agency as carried out in case of other autonomous bodies. All regulatory agencies except for the financial sector will be clustered under the Ministry of Regulatory Affairs. The Administrative Division will only provide policy guidance as approved by the cabinet or the Committees of the Cabinet and implement the decisions where required by law. All the legislative and parliamentary business and international coordination activities except of purely technical nature will be channeled through the Cabinet Division to the Prime Minister/ Cabinet. The Commission may wish to consider whether a representative of the Administrative Ministry/ Division should be included on the Board of the regulatory agency e.g. the Ministry of Petroleum & Natural Resources on OGRA.

(iv) Attached Departments: 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. They will be subject to all Government rules, regulations, instructions, orders.
- (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.

18. Other existing entities such as subordinate offices should either be absorbed within the Division or the Ministry if the nature of their work is policy support or transformed into Executive departments if the content of their responsibilities are mainly operational

19. 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 the 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.

20. The Executive Department can commission expert advice on various issues from different Ministries/ Divisions and from within the Division itself but the processing of files as a matter of routine and seeking of prior approvals by the Ministry has snarled implementation, circumscribed the operational autonomy of the departments, diffused the responsibilities and accountabilities and led to inefficiencies, delays and a culture of indecisiveness and inaction.

21. The EDs should be delegated adequate financial and administrative powers to be able to manage the resources assigned to them i.e financial, material and human and produce tangible results. The introduction of 3 years rolling medium term budget will be highly useful in the 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.

22. The introduction of collective responsibility of the Minister and Secretary in oversight, policy guidance, monitoring and prescribing operational targets and holding the Head of Department accountable for outcomes and results is likely to maintain adequate checks and balances but will at the same time provide some spurt to the implementation machinery of the Government which has remained weak so far and gets bogged down in multiple references and clearances. The cost of indecision or delayed decision making would become apparent under the proposed governance structure.

(v) National Councils of Ministers and Secretaries:

23. 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 in a superior – subordinate mode.

24. 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 for the sector consisting of the Federal Minister and the Provincial Ministers concerned. These Councils will be assisted by a National Council of Secretaries on a standing basis. These Councils will discuss, deliberate and decide on the national policies in subjects such as Education, Health, Agriculture etc. The recent successful example of the Council of Education Minister testifies this model can overcome much of the mistrust, friction and tension that exists between the Federal Ministries and the Provincial departments.

25. 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. The Commission should consider whether the Chairmanship of both the Council as well as the Committee be rotated to provide equal status to the Federal and Provincial Governments and remove the feeling of supremacy or ascendancy of the Federal Government over the provinces or the current practice of the Federal Minister chairing the Council be continued.

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.