

**Chapter****25****Governance**

The issue of governance has emerged as the priority area of government's reform agenda. Governance reforms have been undertaken to overcome inefficiencies effecting implementation of development activities in the country. The main objective of these reform measures relates to provision of conducive political, legal and economic environment for building individual and national capabilities and creation of opportunities for the people to strengthen their participation in economic, social and political activities. The Medium Term Development Framework (MTDF) emphasized creating an environment of good governance through reforms in the areas of justice and law and order, institutional improvement and capacity building, improving public sector management efficiency, and devolved delivery systems.

In line with the MTDF strategy, the reform process for attaining good government aimed at addressing five issues; devolution, civil service reforms, public sector management capacity and efficiency, police and judicial reforms, and improvement in statistical information. The governance agenda being pursued has already made substantial progress in addressing the major issues in devolution, professionalism of the civil service, reduction of corruption and improvement of financial management, police and judicial reforms and improvements in statistical information. Consequently, the reforms have resulted in improving the investment climate in the country as well as delivery of social services.

The strategy focused in the Medium Term Development Framework (MTDF) 2005-10 underpinned the following principles:

- The process of decentralization will be strengthened to enhance delivery of services.
- Participatory approaches will be encouraged and capacity building will be strengthened to promote implementation processes.
- The systemic problems that undermine the efficiency of legal, judicial and law enforcement institutions will be addressed.
- Corporate governance and public private interface issues will be improved.
- Public sector management will be strengthened through streamlining revenue administration, improving public financial administration, and undertaking reforms in public sector capacity building and civil services as well as enhancing the quality and coverage of data and statistics.
- Effective monitoring and evaluation systems to improve implementation of policies/programs will be established.

The government has undertaken a number of initiatives in line with the priorities of MTDF 2005-10. An amount of Rs 11.9 billion has been allocated for the Governance sector during 2006-07 and Rs 10.5 billion expended during the period, showing a utilization of 87.6 percent. Some of the major initiatives are as under:

## Access to Justice

The “Access to Justice Program (AJP)” at a cost of Rs 21 billion (US \$ 350 million) is meant for improvements in provision of judicial and non-judicial legal services, security and equal protection of law to citizens. Under this program, numerous initiatives have been taken to reduce the backlog of pending court cases as well as institutional delays, particularly for the poor and vulnerable segments of the society. Commercial courts have been established for quick disposal of litigation as a pro-investment measure.

### Box 25.1: Achievements under Access to Justice

Numerous achievements can be counted under AJP, which include amendment/enactment of laws/rules relate to Habeas Corpus, Alternate Dispute Resolution, Small Claims and Minor Offenses Ordinance, Freedom of Information Act, Consumer Protection Laws, Family Laws, Police Order 2002, constitution of National Judicial Policy Making Committee, operationalization of Endowment Fund, establishment of District Criminal Justice Coordination Committees, establishment of Citizens Courts Liaison Committees, establishment of Bench Bar Liaison Committees, Gender Affirmative Policy to remove barriers for entry of women in legal/ judicial profession, provision of incentives to judges, strengthening of monitoring and inspection system in High Courts, automation of courts, and capacity building of judicial and law enforcement officers through training, seminars, workshops, and infrastructure development, preparation of rules of business and monitoring procedures for National Police Safety Commission, separation of investigation from Watch and Ward, separation of prosecution from investigation, preparation of prosecution manuals, establishment/ renovation of prisons, amenities to jail inmates, establishment of women/juvenile wards, trial through video conferencing, provision of prison vans, digitization of bar libraries etc.

## Improving Public Sector Management Efficiency

### i. Tax Administration Reforms

The government has launched a number of development initiatives to improve public sector management efficiency. Under the “Tax Administration Reforms” the focus has been on promoting voluntary tax compliance through enhanced level of taxpayers facilitation and incentive packages to CBR employees. Tax generation has consequently been enhanced. In the long-run, these administrative reforms will also enable tax administrators to set up an effective system of audit. The project is being implemented at a cost of Rs 9,500.6 million including foreign aid of Rs 7,193.0 million by the CBR to achieve the reform objectives through infrastructure development, end-to-end automation of business processes, and human resource development.

Tax sector reforms include lowering the tax and tariff rates to promote investment and boost economic activities, discouraging smuggling and promoting hassle-free environment for the taxpayers through motivated and dedicated tax units and efficient work force. The following are the key areas of reforms:

- Reorganization of CBR and its field offices on functional lines;
- Introduction of a system of Self-assessment in income tax, federal excise, and customs;

- Simplification of tax laws and procedures;
- Reduction in litigation cases and introduction of a mechanism of alternate dispute resolution; and
- Taxpayers' education and facilitation.
- Setting up of model Custom Collectrates.

With the help of reform measures the registered persons in sales tax have increased from 0.1 million in 2002-03 to 1.2 million at the end of third quarter of 2006-07, with a growth of around 24.6 percent. On income tax side, the return filers have increased from 1 million in 2002-03 to 1.66 million during 2006-07 with a growth of 66 percent. Another marked achievement of CBR has been the disposal of pending appeals related to both direct and indirect taxes. More than 80,000 pending appeals have been disposed of during the last two to three years.

## **ii. Improvements in Audit and Accounts**

In the area of audit and accounts, the office of the Auditor General of Pakistan has launched phase-II of the 'Project for Improvement of Financial Reporting and Auditing (PIFRA)' at a cost of Rs 5,533.5 million including foreign assistance of Rs 4,998.0 million. Implementation of the New Accounting Model (NAM) is progressing smoothly. New accounting sites are being automated. Capacity building issues and appropriate training of master trainers has been imparted. So far 34 Financial Accounting & Budgeting System (FABS) out of 81 District Account Office (DAO) sites and 44 System Application Program (SAP) competency centers out of 60 have been established.

## **iii. Public Sector Capacity Building**

Public sector capacity building is yet another areas of focus for increasing efficiency in civil service. A project on "Public Sector Capacity Building Project" has been launched at a cost of Rs 3,535.0 million including foreign assistance of Rs 3190 million to undertake structural and human resource development reforms in the government. The National School of Public Policy (NSPP) has been set up to improve capacity and efficiency of civil servants by equipping them with the state of the art manpower techniques. The focus of training has now shifted from public administration to the policy formulation and implementation. Under the component of Public Sector Capacity Building, 676 officers have been detailed for foreign/ local training.

To carry out structural reforms, the National Commission for Government Reforms (NCGR) was set up in April 2006. The Commission has been mandated to review structures and processes at all levels of the government i.e. Federal, Provincial, and District, and make recommendations for improving efficiency and effectiveness in the public sector. The Commission is in touch with the important stakeholders to evolve changes meant to improve service delivery and encourage professionalism.

## **Public Information and Statistical Management**

The second round of 'Pakistan Social and Living Standard Measurement (PSLM)' project has been undertaken under the PSDP. In the first round of survey, data on

district and provincial levels was collected from about 77,000 households on social indicators i.e. health, education, household assets/amenities, immunization, water supply and sanitation. The second report is under process in the Federal Bureau of Statistics.

### **Devolution and Police Reforms**

The MTFD and PRSP recognized the need for a devolved service delivery mechanism for providing basic facilities to the people at the local level, especially in the social sectors like education and health.

For improvement of law and order in Balochistan, the Ministry of Interior had launched three important projects. The Raising of Balochistan Constabulary costing Rs 4.138 billion is meant to add 6000 new personnel in the force. The second project relates to "Conversion of 'B' areas into 'A' Areas" costing Rs 5.5 billion. So far, 15 out of 25 districts have since been converted into 'A' areas. The third project relates to establishment of Nationwide Integrated Truck Radio System for Police covering Islamabad, Rawalpindi, Lahore, Karachi, Peshawar and Quetta regions and costing Rs 1.9 billion.

### **Monitoring and Evaluation**

The size of the Public Sector Development Program (PSDP) has increased manifold since 1990-2000. The PSDP size was 8.7 percent of the GDP in 1988-89 which continued to decline substantially and reached 2.6 percent of the GDP in 1999-2000. The Public Sector investment increased to 4.1 percent of GDP in 2006-07. The number of projects increased from 625 in 1999-2000 to 1916 in 2006-07. The increase in public investment has been supplemented by effective monitoring of development projects by Planning Commission.

The ex-post evaluation of development projects, a new initiative of Planning Commission has helped the organization to review the impact of investment on the targeted groups in provision of better facilities, improvement of infrastructure and alleviation of poverty.

The monitoring and evaluation undertaken by Planning Commission has identified the following issues.

- Independent project directors as per ECNEC directive have not been appointed in most of the projects relating to Social Sector.
- The establishment of Planning and Monitoring Cells in the executing Divisions has helped in preparing the quality projects though there is ample room for improvement.
- The performance of PWD to execute construction work is badly effected on account of increased number of projects per officer.
- Resistance in delegation of financial and administrative powers to project directors impedes the speedy completion of projects.
- Head of departments in universities and Executive Directors in hospitals continue to work as project directors, resulting in delays and inefficiencies.
- Capacity of executing Divisions and project directors to execute the project remains weak.

## **Review of 2006-07**

During FY 2006-07, the above initiatives helped achieving the following accomplishments:

- Periodical monitoring of 500 development Projects was completed involving 92 percent of the PSDP.
- PSDP releases increased by 40 percent and expenditure by 46 percent during July 2006 to March 2007 as compared to the corresponding period of 2005-06.
- About 789 project directors/managers were trained in preparation of Cash/Work Plan.
- The frequency of appointing independent project directors for the projects costing Rs 100 million and above has improved.
- Executing Divisions in a number of cases have completed the necessary formalities for the establishment of Planning, & Monitoring Cells.
- Ex-Post evaluation of 20 development projects financed by PSDP has been undertaken.
- Project Monitoring & Evaluation System (PMES) developed with the T.A. from ADB is being tested.
- The Quarterly Portfolio Review Meetings are being regularly held under the Chairmanship of Deputy Chairman, Planning Commission.
- The Projects Wing of Planning and Development Division played a role of facilitator in improving governance and accelerating implementation of projects.
- The Projects Wing has been strengthened through induction of monitoring officers and equipment in a record time to accelerate monitoring mechanism.
- A picture gallery is being created to develop record of development activities of each project at different stages of monitoring.

## **Program of 2007-08**

The implementation of development projects has been accorded highest priority by the Government of Pakistan. The completion of projects helps to provide basic facilities like education, health, water supply, sewerage, electricity to masses in achievement of Millennium Development Goals. The following are the milestones for the FY 2007-08.

- The executing agencies will be continuously reminded to appoint independent project directors for all the projects costing Rs100 million & above and establish Planning and Monitoring Cells.
- The training of project directors/managers in preparation of cash/work plans will be continued.
- Pakistan Institute of Development Economics (PIDE) and Pakistan Planning & Management Institute would impart training in the preparation of project proposals.
- Periodical monitoring of around 500 development projects included in the PSDP 2007-08.
- The quarterly review meetings with executing agencies under the chairmanship of Deputy Chairman, Planning Commission will be held as scheduled.
- The training of project directors in operation of PMES developed with the technical assistance of Asian Development Bank would be carried out.

- The replacement of heads of departments in universities and Executive Directors, in hospitals with independent project directors would be ensured.
- The ex-post evaluation of 14 completed development projects and mid-term evaluation of 6 development projects would be completed.
- The database of monitored projects to facilitate decision makers would be developed.

An amount of Rs 12.5 billion including foreign aid of Rs 2.5 billion has been allocated for the sectoral programs in 2007-08, indicating an increase of 5.1 percent over 2006-07 allocations. Investments are being made by the Government to bring about institutional changes in the judiciary, CBR, Auditor General's Office, FBS/Statistics Division, Police and Law and Order, School of Public Policy and Local Government institutions.