

A detailed overview of Dr Ishrat's institutional reforms that face delays due to COVID-19

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- Pakistan's biggest problem is of “governance in the country due to which institutions are on the decline”
- Some of these reforms have already been tabled and were in the works but have been kicked back due to the Pandemic
- The bill works to Restructure and Strengthen key Institutions of economic governance
- A key segment in institutional reforms is Reorganizing the Federal government and reforming Civil Services



Pakistan has had many success stories but few more inspiring than Dr. Ishrat Hussain, the current Adviser to PM on Institutional Reforms. Dr. Ishrat has served as the governor of the State Bank of Pakistan, the dean of Institute of

Business Administration, Karachi and has had a distinguished career with the World Bank from 1979 to 1999.

One problem he has highlighted over the years in Pakistan is the problem of “governance in the country due to which institutions are on the decline”.

As Adviser, Dr. Ishrat worked to design an institutional reform bill that would restructure and strengthen key institutions to perform effectively and curb previous archaic practices.

Some of these reforms have already been tabled and were in the works but have been kicked back due to the ongoing Pandemic. Covid-19, of which there are more than 7500 cases in Pakistan and 2.4million globally, has claimed more than 165,000 lives worldwide and has halted economic activity in nearly all of the world.

Dr. Ishrat’s brainchild, the institutional reform bill is no different. The bill has been divided in three parts to effectively cater to Pakistan’s governance problems:

1. Restructuring and Strengthening of key Institutions of economic governance
2. Reorganizing the Federal government
3. Civil Services Reforms

Each part has been analyzed in detail to highlight each reform and its targeted segment as well as what delay there has been from the initial timeline of implementation of the reform due to COVID-19.

Restructuring and Strengthening of Key Institutions of Economic Governance

State Bank of Pakistan

For the State Bank, the reform which has been delayed due to the ongoing pandemic is:

- Law to be amended to strengthen autonomy, governance and mandate of the SBP

The timeline date for the law to strengthen the mandate was scheduled for September 2020 as per the January 2020 progress report but this will face significant delays which will only be known once the economy re-opens to its capacity.

Securities and Exchange Commission of Pakistan

- End-to-end automation of processes

End-to-end automation of processes will be key in encouraging greater collaboration with regulatees by involving them in decision-making, policy setting, problem-solving and the co-design of services. This initiative will boost communication between SECP and its regulatees while providing them with a broader range of convenience enhancing digital services.

While this reform is underway, it has not been finalized as of yet and will face indefinite delays to its completion date.

Ministry of Finance

- Debt Management Coordination Unit, Treasury Office, Fiscal and Macroeconomic Coordination Unit to be setup drawing domain specialists in their respective fields to improve cash and debt management and fiscal and Macro policy formulation and monitoring

The Director General and Director Debt Management have been finalized. Other units are yet to be setup, however.

Federal Board of Revenue

- World Bank's Program for 'Pakistan Raises Revenue' is assisting the FBR to simplify the tax system, reduce the burden of withholding regime, harmonize tax collection across the Federal Government and the provinces, and to introduce automation to minimize contact between taxpayer and tax collector.
- Tariff determination taken away from FBR and entrusted to National Tariff Commission

These reforms are on-going and the Prime Minister is personally supervising the restructuring and strengthening of FBR because of it being a key issue for the economy.

Ministry of Planning and Development

- Monitoring and Evaluation Unit being strengthened
- Public Private Partnership Authority Revitalized

Whilst all other reforms have been completed, the M&E unit reform is underway whilst the PPP Authority has made a selection for CEO but the unit yet to be finalized.

Regulatory Agencies

- In addition to Ease of Doing Business, the Board of Investment is embarked in a comprehensive review of all the regulations facing businesses in access to the Federal, Provincial and Local governments.

The Power and Petroleum review has been completed but the exercise of scrapping many outdated and overlapping regulations is on-going.

Reorganizing the Federal Government

Merger and Divisions of Ministries

- Civil Aviation Authority is being divided into distinct organizations – One that would be responsible for the regulatory oversight and enforcement of the aviation industry while the other would manage the commercial operations of the airports. Private sector would be encouraged to enter into concession agreements.

While other divisions and mergers have been finalized, the CAA division was set to be accomplished by December 2020 but will face significant delays due to the ongoing crisis.

Restructuring of CDA

- The Cabinet has approved the Report on Restructuring of CDA and directed the Interior Division to prepare an action plan within two weeks

For the CDA, cabinet approval is in-hand with the restructuring scheduled to be completed in December 2020 according to the January plans. It is expected that there will be a delay of 6 months due to the pandemic.

E-governance

- A roadmap has been prepared for e-office suite to be introduced in all Federal Ministries. Ministry of IT&T and NITB are assisting and monitoring the progress

While this reform is a highlight to Dr. Ishrat's bill, the completion date was set to June 2020 and will face delays due to COVID-19 impact. Expect this to come to fruition Early 2021.

Civil Services Reforms

Human Resource Policies

- The whole human resource value chain from induction and recruitment to retirement and severance is being completely reformed.

Appointment of Technical Advisors in the offices of ministers in 14 technical ministries and Internal Accountability Measures have been relatively slow in progress with the PM signing performance contracts with ministries in January. Trainings of civil servants including ex-cadre and non-cadre specialists to be organized by respective divisions have also faced significant pushbacks from the initial March 2020 completion date but it is expected in the last 6 months of 2020.

An integrated Human Resource Management Division within the Federal Government

- To overcome fragmentation and compartmentalization in Human Resource Management within the Federal Government it is proposed to transform the Establishment Division into a Human Resource Management Division for the formulation of HR policies, overseeing and monitoring of those policies and to set performance standards

This civil service reform was scheduled for June 2020 but with the ongoing crisis, the delay will halt progress by a few months at the very least.

Business Process Re-engineering

- Rules of Business and other rules such as Estacode that govern the functioning of the Federal Government are being reviewed for expeditious decision making

Dual Nationals to be appointed in the Government

Interim financial relief to the officers of the Federal Secretariat

All the above reforms are under review and pending with the secretaries committee which will then prepare reports for the Prime Minister's approval and discretion. The review is currently ongoing and should be quick to progress to finalization.

The Institutional Reform bill has made significant progress with over 43% of the reforms completed and the majority of the rest near completion. Governance issues have been a significant area of concern for Pakistan. With Dr. Ishrat's reform bill, pending the on-going Pandemic delays, the practical

implementation should help restructure and innovate Institutions in Pakistan to become more productive and streamline