



The Cabinet Committee on Implementation that was the precursor for the CCIR held 37 meetings from 23rd July, 2019 to 9th July, 2020. The purpose of this compilation is to Capture institutional memory in a systematic and coherent manner, to have readily available reference material and a guideline for follow up



Dr Ishrat Husain



to give recommendations on whether they should be:

- Shut down entirely
- Retained by the federal government in its current form
- Retained by the federal government after having its size and expenditure cut
- Handed over to Public-Private partnerships or entirely to the private sector

Normally, in a country with an empowered and decisive prime minister, a letter of this nature would have employees of the ministries quaking in their boots. After all, they would be preparing a report that would downsize and possibly devolve their place of work. In Pakistan, the response has been lukewarm. Sources from within one of the ministries sent the dispatch said there were few concerns within different departments. Doubts have already been created by the prime minister's decision of ignoring the recommendation of two austerity committees, which he himself had formed earlier, and assigning a third one under the chairmanship of finance minister to right-size the federal government, which has now sent the letters out.

The ministries in question include Information Technology, Kashmir Affairs, Ministry of SAFRON, Industries and Production, and Ministry of Health Services. Another ministry that has not been named but is reportedly under consideration for similar review is the education ministry. All of these ministries, their departments, the entities they manage, and their bureaucratic babus are essentially being asked to sing for their supper. And it is worth looking at why these particular ministries might be facing the chopping block.

Combined, these six ministries (including education) have a PSDP allocation of Rs 309 billion in the federal budget 2024-25. This figure, of course, has to do with different development projects that these ministries are given money for.

But these figures do not quite illustrate just how large the expenditure on these ministries and their associated divisions can be.

PSDP ALLOCATIONS

Rs 74.5 billion
AJK and Kashmir Affairs
Rs 71.4 billion
(SAFRON)
Rs 28.9 billion
IT ministry
Rs 4.9 billion
Industries and Production division
Rs 27 billion
Health

These figures do not include the cost of the bureaucrats that run them, nor of the many redundant jobs that can easily be finished, or the departments and entities that no longer serve any viable function other than providing cushy employment to different babus.

The scale of the bloating

To understand this completely, it is important to realise how the federal government is structured. Currently, the government has 33 ministries that help the prime minister run day to day affairs. These ministries often have divisions within them. For example, the finance ministry has the finance division which looks after economic policy, and then there is the revenue division which includes tax collection and the FBR. Similarly, the Energy ministry is divided into the power and petroleum divisions.

These divisions generally contain within them different kinds of bodies. There are executive bodies, constitutional bodies, and autonomous bodies among many

others. Executive departments can be created within the ambit of a ministry for a particular purpose. For example, the health ministry has around seven executive departments including the Pakistan Institute of Medical Sciences (PIMS). These departments function independently but under the control of the ministry. Then come constitutional bodies. These are mandated by the constitution and there are only five divisions (establishment, finance, inter provincial coordination, law, and parliamentary affairs) that have mandated constitutional bodies.

Where the party really gets going are the autonomous bodies that work under these divisions and ministries. When it comes to the major divisions, there are autonomous bodies that make sense since they operate in a very large national interest. For example, OGRA and PTA operate under the cabinet division, or the National Bank of Pakistan (and at one time the SBP) operated under the finance division, while the FBR operates under the revenue division.

But with 33 ministries on the roster, there are plenty of autonomous bodies that serve simply as a grazing ground for bureaucrats and nepo babies. Just take a look at the ministries in question for an idea of how many resources are devoted to them. The Health Ministry, for example, has a dozen autonomous bodies working under it. These include vital ones such as DRAP, to others such as the National Council for Homeopathy and the National Council for Tibb which are drains on logic as well as national resources.

Another example is the education ministry. The education ministry needs to exist on a federal level because students need a combined board, and a Higher Education Commission (HEC) that can convert their degrees so they can apply to different universities. They also need people to run federal government schools that operate all over the country.

All in all the scale of the problem is massive. Overall, the federal government in Pakistan at one point had 42 divisions and 441 attached departments, autonomous bodies, statutory bodies, and corporations.

Imran Khan takes a crack at the problem

As we mentioned earlier, this wasn't the first time a government has tried to rightsize the government. In fact, when Imran Khan came to power in 2018 he appointed Dr Ishrat Husain as advisor to the PM on Institutional Reform and Austerity with the goal of reforming the federal government.

In the three years Dr Ishrat was around, his team came up with an elaborate plan to do exactly that. They recommended slashing useless jobs, finishing the five tier secretary structure in different departments, and lumping a number of state owned entities into a trust called Sarmaya e Pakistan which would take over the managerial control of all public sector companies.

But the results were horrific. Despite the common sense plan, great resistance was put up by the bureaucracy itself. According to a report in The News, the federal cabinet during the PTI government had approved a major restructuring plan for the federal government and had decided to retain 325 federal government entities out of the total 441. However, despite cabinet's approval, the plan remained unimplemented because of bureaucracy's reluctance.

Despite the cabinet having approved the proposals, and sanctioning the execution of the approved restructuring plan, it was never implemented. Dr Ishrat, who had already always said he would only do the job for three years because that is how long it would take, left the PTI government frustrated as his major reform work despite having been approved by the cabinet remained unimplemented because of lack of political will of the then government.

The solution in the drawer

The government's current plan, it seems, is to start with a few ministries and work their way through all the many departments, bodies, and entities within them. The goal with picking these particular ministries is clear. They are all subjects that should by all rights be in the domain of the provinces entirely. For example, the ministry for AJK and GB only exists because the two areas do not have provincial status and are managed through the federal government. Similarly, the SAFRON ministry makes little sense since FATA and PATA have both been merged with KP and are a part of

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the province.

Similarly, health is a department that the provinces deal with independently. Already much of this devolution has taken place. The federal government has a health budget of just over Rs 28 billion. In comparison, Punjab alone has a health budget of Rs 539.2 billion. The major functions that the federal health ministry performs are regulatory such as through the existence of PIMS. The provision of health services are and should be a provincial matter.

All of this is just a very small step in what is a Gargantuan task. And already it is clear that the government has not shown the political will to implement it. The prime minister has already ignored the recommendations of two committees he created himself and now created a third one. What is to say that any of this will be implemented? Besides, Shehbaz Sharif is in a difficult position. He is beholden to his wavering allies and the impression that he does not have a mandate will make the bureaucracy even harder to deal with.

In such a situation, the answer can be found in the constitution, and that answer is devolution. Just look at the issue of taxation. Taxation is an issue that is dealt with by the FBR and the revenue division.

The real problem is that Pakistanis are taxed unfairly and those that should be paying the lion's share end up paying nothing. Just take a look at Pakistan's tax structure. Tax structure refers to the share of each tax in total tax revenues. The highest share of tax revenues in Pakistan in 2020 was derived from value added taxes / goods and services tax (39.8%). The second-highest share of tax revenues in 2020 was derived from other taxes (33.3%).

In comparison to Pakistan, countries in the Asia-Pacific region only collect about 23% of their taxation from goods and services taxes — meaning Pakistan's average is almost double. Why is this the case? The biggest reason of course is that taxation in the country is centralised. The FBR collects almost all taxes (even the ones that should be collected

by provinces under the 18th amendment) and then those collections are then given to the provinces in the form of the NFC award leaving the federal government with very little spending money.

In an earlier interview former Finance Minister Dr. Hafiz Pasha, while talking to Profit, lamented that, “We as a country have failed to implement the beautiful 18th amendment. The implementation has been slow and weak.”

Since the share of the provincial governments, under the NFC awards, over the last few years has been increased from 40% to around 57%, it has provided the provinces with very little incentive to develop their own revenue sources. Despite having access to the two biggest cash cows, services and agriculture, the share of provincial tax revenue is close to 1% of the GDP. “You would be surprised to know that the corresponding number for Indian provinces is around 6% of the GDP, with similar fiscal powers,” says Dr. Pasha.

The solution of course is right in front of us: devolution. More than just being a third tier of democracy, having a local bodies system means having a new economic process. In essence, it is not just a new administrative stratification, but also involves the dispensation and spending of money. Things such as education and health that people automatically look towards the provincial government for would now be handled by local representatives. Perhaps most crucially, the ability of local governments to collect taxes and release their own schedule of taxation allows them to make their own money and spend it on themselves rather than waiting for the benevolence of the provincial or federal government.

Devolution is the logical solution to shrink the size of the bloated federal government. While reform plans to reduce the size of ministries and reform the bureaucracy are important, simply giving way to a three tiered democracy may just be the silver bullet that a weak government needs to fix its woes. ■