

Survey Report



Significance of Institutional Reforms in Pakistan

By Research and Publications Directorate, ICMA Pakistan

Survey Objectives

One of the top-most priorities of the present Government is to bring institutional reforms in the country and in this context the Prime Minister has appointed Dr. Ishrat Hussain as his Advisor on Institutional Reforms and Austerity. In addition, a number of Task Forces have been formed to design and implement measures for reforms, reconstruction, savings and austerity in the government organizations, departments and civil service. The Research and Publications Committee selected the theme of 'Institutional Reforms and Government' for its March-April 2019 issue of Management Accountant Journal and accordingly, it was decided to carry out a general survey of all stakeholders on the 'significance of institutional reforms in Pakistan'. The survey was successfully conducted and its report is being published in this issue of Journal.

Survey Methodology

The survey was released on March 19, 2019 by hosting it on the Institute's website with the provision of online submission of feedback by participants on questionnaire designed on Google. The link for online survey questionnaire was also provided on the Institutes Facebook, Twitter and LinkedIn pages as well as in the 'Members' Area'. An email was also sent to all members followed by SMS alerts. The deadline of survey was April 10, 2019 that means sufficient time of 23 days was provided to respondents to provide feedback.

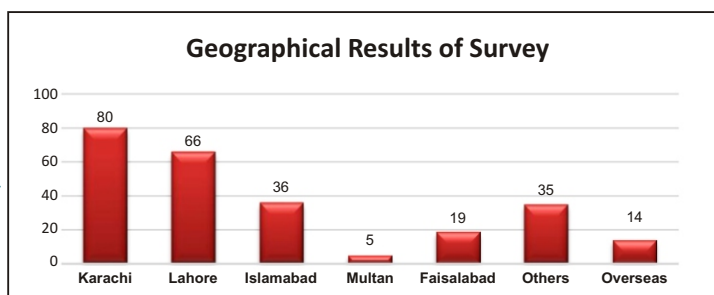
Survey Design & Statistics

The survey constituted fifteen questions both generic in nature as well as directed towards specific initiatives of Government or institutions needing reforms such as PIA, PSM, FBR and SBP. The respondents' feedback was also

invited on the possible role of professional accountants in the government's institutional reforms process.

There was an encouraging response from all stakeholders and overall 260 responses were received by given deadline, out of which 5 responses were found redundant. The survey report is based on 255 valid responses. The survey statistics indicated that out of 255 valid responses; 161 was from the members of ICMA Pakistan whereas 94 responses were received from other stakeholders (non-members) representing the finance profession; academia; government; business and industry; consultants/experts and others.

The geographic distribution of survey results indicates that highest number of responses i.e. 80 were received from Karachi; followed by Lahore (66); Islamabad (36); Faisalabad (19); Multan (5) and other cities (35) [other cities included Bahawalpur; Sialkot; Chitral; Gilgit; Arifwala District Pakpattan; Sahiwal; Lodhran; Sahiwal; Peshawar; Khanewal; Sargodha; Hyderabad; Wah Cantt; Bhakkar; Quetta; Gujranwala; Kasur; Mardan; Kasur; Quetta; Sambrial and Raiwind]. Around 14 responses were received from abroad [6 from UAE; 2 each from Riyadh, USA and Canada; 1 each from Stockholm and UK].

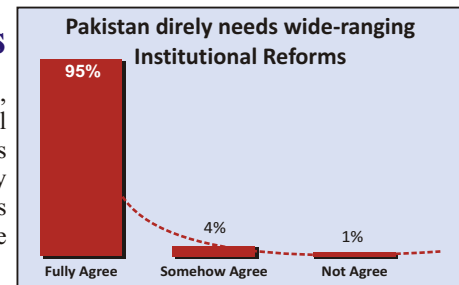


SURVEY RESULTS

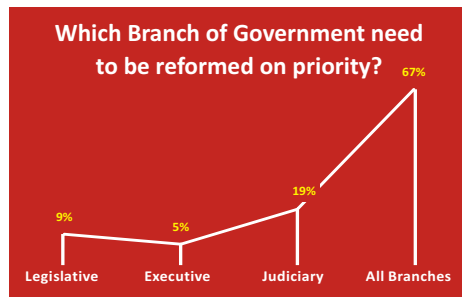
The Survey comprised of fifteen questions; both general and specific in nature, which were aimed at seeking respondents' opinion on the need for institutional reforms in different branches of Government; key factors responsible for weak public sector performance; strategic decisions required from the Government for reforming the PIA, Pakistan Steel, FBR and State Bank; and the possible role of professional accountants in the ongoing reforms process. The outcomes of the survey are briefly summed up in the following lines:

99% calls for extensive institutional reforms

Strong democracies have strong institutions. According to Dr. Ishrat Husain, Pakistan's low economic growth since 1990 is more to do with lack of institutional reforms rather than external factors like security issues and terrorism. Though this question is generic in nature, however, it intended to establish the fact, especially from the finance professional community, about the crucial need for bringing reforms in institutions. The result reveal that almost all the survey respondents i.e. 99% have supported the idea of wide-ranging reforms.



67% thinks all branches of Government need reforms on priority



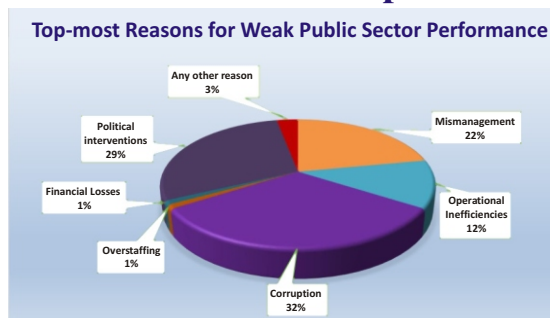
The outcome to this question reflects the general consensus of masses, in particular the professionals, that all branches of the Government viz. Legislative, Executive and Judiciary, need to be reformed on priority. The Legislative includes both the Houses of Parliament i.e. Upper House [Senate] and Lower House [National Assembly]; Executive is represented by the Prime Minister and his Cabinet [including Federal Ministers and Advisors]; and the Judiciary signifies the Supreme Court and High Courts. Almost 67% respondents are unanimous on need for bringing expeditious reforms in all the branches of Government, whereas 19% say that 'Judiciary' should be the top priority. The 'Legislative' and 'Executive' branches have received 9% and 5% feedback, respectively, from the participants.

53% says all stakeholders accountable for failure of past reforms

Whenever a debate is made in public or in the professional community, divergent viewpoints come out on pointing towards a specific segment or stakeholder whom could be held accountable for the failure of various institutional and tax reforms undertaken in the past. The primary motive of this question was to quantify, to some extent, such viewpoints and to fix the responsibility of past failures. The surveyees were given five options namely (1) Political leadership (2) Legislature (3) Bureaucracy (4) Executing Agencies and (5) All of them; to share their feedback. The survey outcome reveals that there is a general consensus that all the players must be held accountable. Almost 53% participants have ticked on 'All of them'. If survey is analyzed Individually, it reveals that 'political leadership' stands on top with 20% feedback, followed by bureaucracy with 17 percent and Legislative 4 percent.



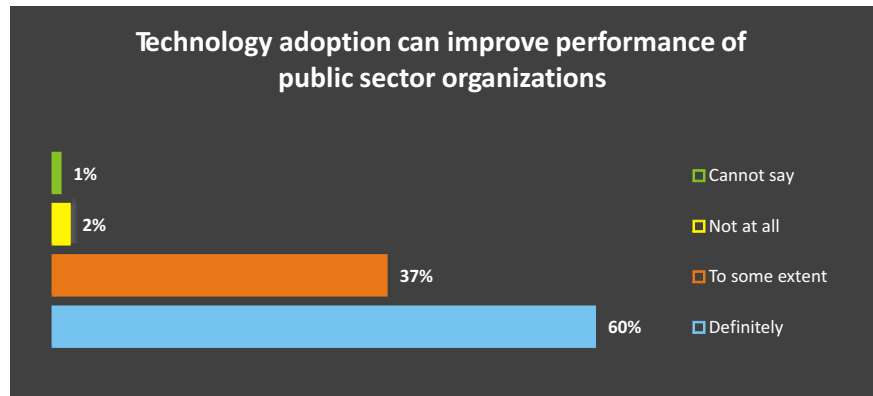
61% believes corruption and political interventions damaged institutions



Corruption (32%), political interventions (29%) and mismanagement (22%) have been cited by the respondents as the key reasons that, over the years, have damaged public institutions in Pakistan. Around 12% participants have pointed towards 'operational inefficiencies' as another factor for week performance of institutions. The survey results indicate that the participants do not consider 'financial losses' and 'over-staffing' as major reasons that impacted the public sector organizations. However, 3% of survey participants have given various other reasons, not mentioned in questionnaire, such as absence of merit system; shortage of professionals at key positions in Government; lack of accountability, vision and ownership by the Government.

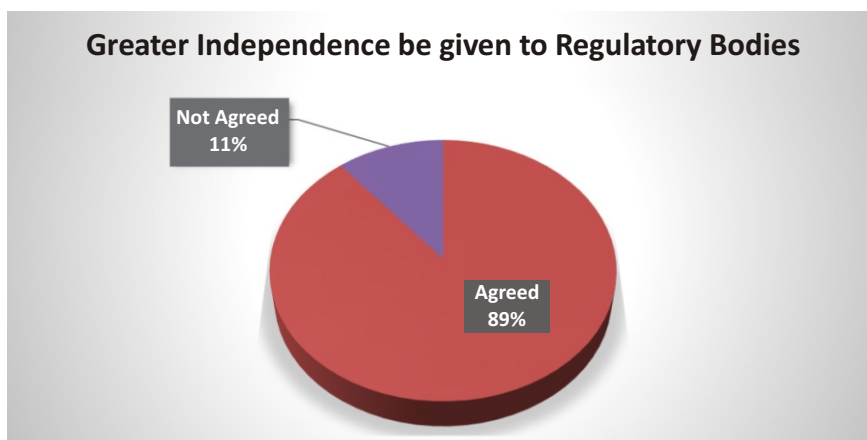
97% thinks technology can improve performance of public sector

The governments, around the globe, are adopting evolving technologies to improve efficiency, transparency and accountability in public sector institutions. In Pakistan, though some initiatives have been taken under the Ministry of IT, lot more is to be done to digitalize public sector governance. There is, therefore, emergent need for adopting modern ICT techniques and SAP solutions in order to improve governance and efficiency of public sector organizations. This would also cut down costs and help in austerity measures.



This question was made in the above perspective and as expected dominant section of survey respondents i.e. 97% have concurred that adoption of technology can lead to improved efficiency in public sector. However, out of this 97%, around 37% have agreed partially. Nevertheless, the outcome was anticipated.

89% favors greater independence to regulatory bodies



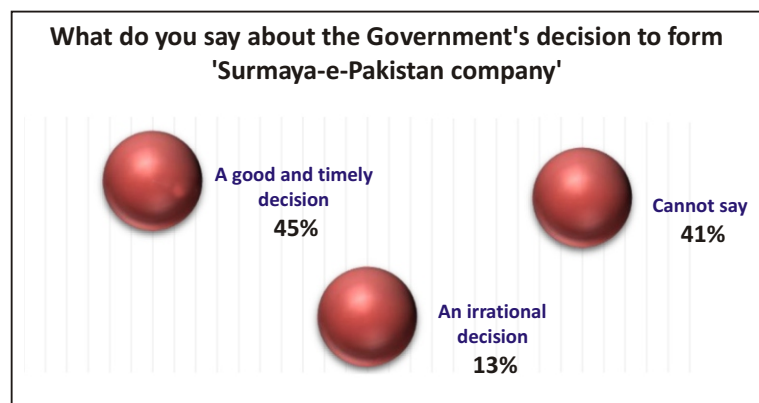
The regulatory bodies or agencies operate in a complex environment at the interface among public authorities, the private sector and end-users. Regulatory independence ensures effective and efficient public service delivery by market players through putting in place a well-functioning and transparent governance-ecosystem; interaction with industry and consumers as well as effective engagement with government institutions.

There are around 18 regulatory bodies/agencies in Pakistan, prominent amongst which are SECP, SBP, FBR,

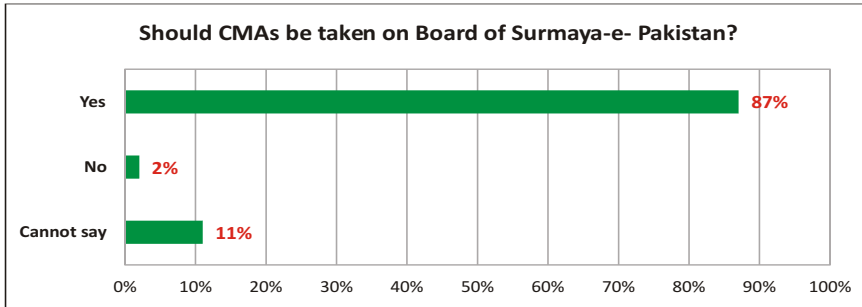
CCP, OGRA, NEPRA, PEMRA, DRA, CAA, PSQCA, PPRA, PEC, PEPA etc. It was enquired from the survey participants whether greater independence should be given to these regulatory authorities so that they can function independently without any influence. Majority of respondents i.e. 89% have supported empowerment of regulators and opine that this would bring improvement in their efficiency and delivery. A limited percentage of respondents (11%) are, however, are not in favor of giving greater independence to regulators.

45% welcomes formation of 'Sarmaya-e-Pakistan Company'

The opinion of survey participants was sought on the Government's decision to transfer the management control of PSEs to newly-incorporated holding company namely "Sarmaya-e-Pakistan Holding Limited (SPHL)". The outcome of this question indicates that almost 45% have welcomed and appreciated this decision whereas a good percentage of respondents (41%) have preferred to tick the option of 'Cannot say' given in the survey form. This reflects their silent observation that it would be premature to comment on this initiative of the Government. Around 13% surveyees have termed this decision as 'irrational'.



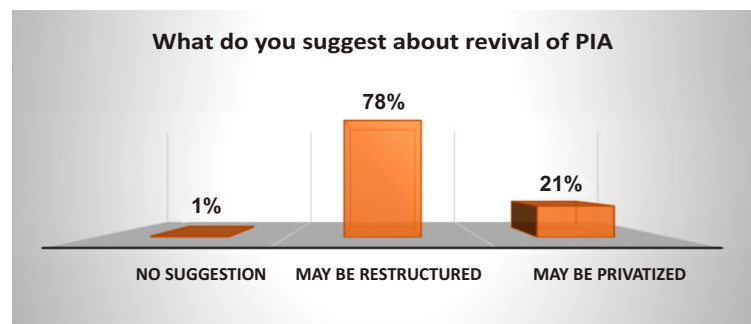
87% suggests taking CMAs on board of 'Surmaya-e-Pakistan'



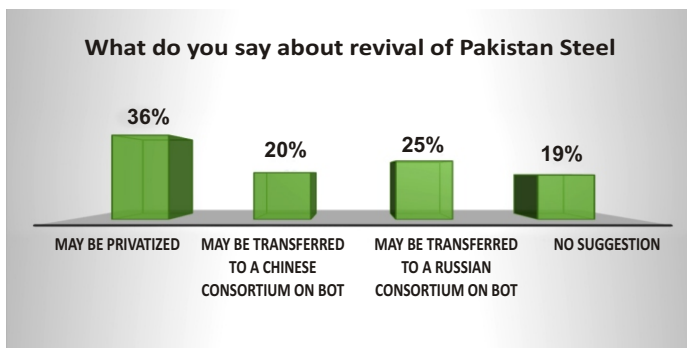
Almost 87% of survey participants have suggested to take the Cost and Management Accountants (CMAs) on board of newly constituted 'Surmaya-e-Pakistan Limited' to advise the government on revamping or privatizing of loss-making PSEs. Around 11% respondents have not given any answer to this question.

78% proposes restructuring of PIA, instead of privatization

With regard to institutional reforms in PIA, the survey participants were given two options to provide their feedback; firstly, whether PIA should be privatized to cut its losses or may be restructured for making it a profitable entity. A good number of respondents (78%) have conveyed that they prefer the restructuring of PIA through better management, whereas 21% have communicated that only option to make the PIA profitable is to privatize it as soon as possible. Just one percent participants did not opt for any response.



45% suggests transfer on BOT and 36% favors privatization of Pakistan Steel



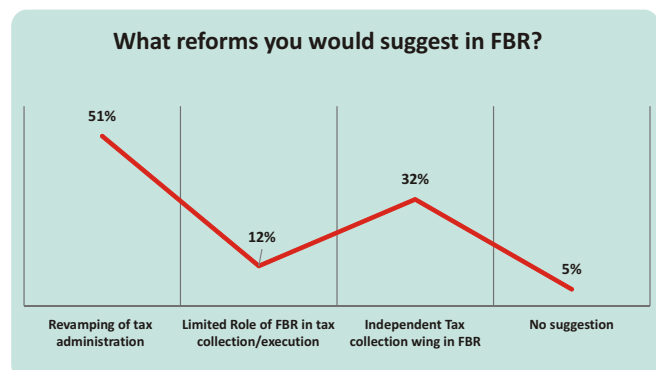
The Government is working on a revival plan to operationalize Pakistan Steel Mills (PSM) with the objective to make it a profitable entity. In this context, it transpires from newspapers that the Government is contemplating revival of PSM under a Public-Private-Partnership (PPP) mode. One of the survey questions was designed in a way to seek the views of respondent as to which mode of revival plan would be feasible.

Around 36% of the survey respondents have favored privatization of PSM whereas 45% have suggested that it should be transferred on BOT basis; either to a Chinese or a Russian consortium. Out of 45 percent, 25% have preferred to transfer PSM to Russian consortium and 20% respondent's think it should be handed over to the Chinese counterpart who are already engaged in other projects in Pakistan under CPEC arrangement.

51% calls for revamping of tax system and administration

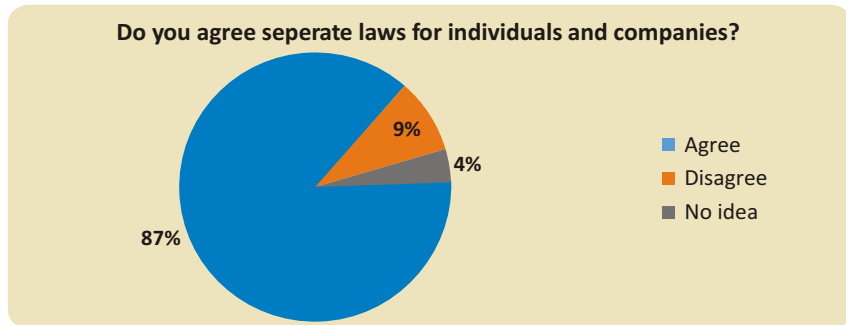
It has always been advocated by all stakeholders that our tax system and administration need to be revamped which also includes reforming the role of FBR. One question put up to the survey participants was specifically related to the proposed reform in the FBR and the outcome received is provided below:

- 51% says tax administration should be completely revamped
- 32% says an independent tax collection wing may be formed in FBR
- 12% says FBR role may be limited in tax collection and execution

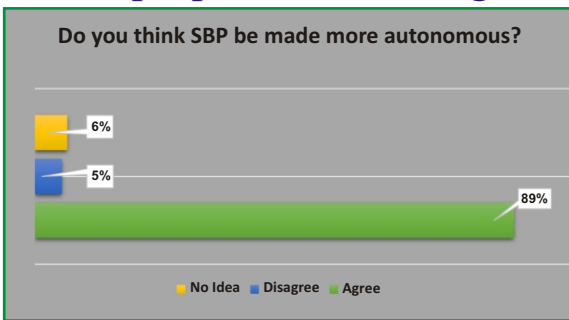


87% recommends separate tax laws for individuals and Companies

The survey participants were asked to provide their opinion on the idea of having separate taxation laws for individual tax payers and the corporate tax payers. Almost 87% respondents have supported the idea of having separate tax laws for both segments of taxpayers; whereas only 9% have disagreed.



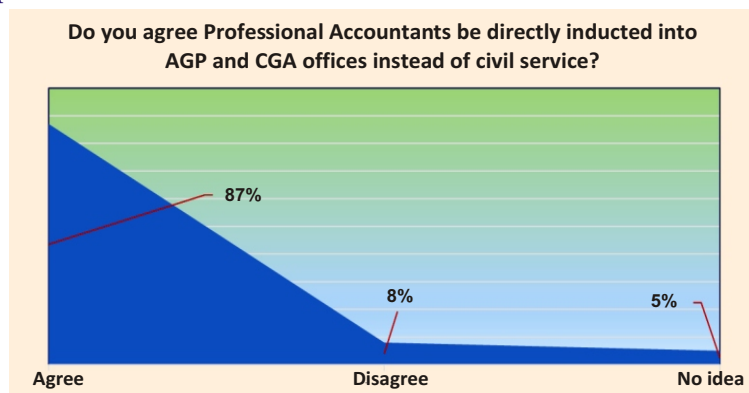
89% proposes SBP to be given more autonomy to function



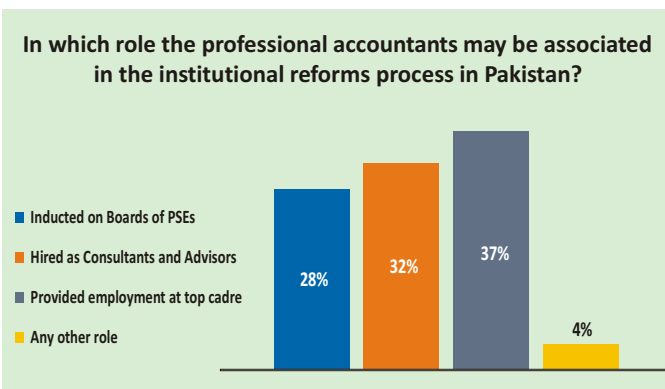
The International Monetary Fund (IMF) has suggested to the Government to move towards a strong, transparent and accountable central bank as exists in other emerging markets of the world. In a bid to comply with the IMF demands, the government is considering giving the State Bank of Pakistan (SBP) greater operation and institutional independence. Keeping this scenario in perspective, one question was included in the survey to seek views of participants on whether more autonomy should be given to SBP. Almost 89% of respondents have endorsed that SBP may be made fully autonomous to function without any external influence.

87% calls for direct induction of professional accountants in AGP and CGA offices

The induction of qualified accountants, including Cost and Management Accountants (CMAs) and Chartered Accountants (CAs) in the offices of Auditor General of Pakistan (AGP) and Controller General of Account (CGA) in Pakistan are presently being made through civil service. A question was posed for respondents' feedback as to whether they agree on direct induction through regular recruitment process of professional accountants in the above Government offices. The result indicates that almost 87% are in favor of direct induction whereas only 8% have expressed confidence on the existing recruitment system through civil service.



97% sees different roles for professional accountants in institutional reforms



The professional accountants in Pakistan can play a pivotal role in supplementing the efforts of the Government to bring institutional reforms and improve public sector governance and efficiency. It was asked from the survey participants as to what role they would like the professional accountants to be associated in the institutional reforms process. The results of this feedback are given below:

- 37% favors employment of professional accountants at top cadre in Government
- 32% suggest hiring professional accountants as Consultants and Advisors
- 28% proposes induction of professional accountants on Boards of PSEs

DISCLAIMER: The views expressed by the survey participants do not necessarily reflect the official viewpoint of the Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan).