

# CIVIL SERVICE REFORMS IN TRANSITION ECONOMIES: THE CASE OF PAKISTAN <sup>1</sup>

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1. Why reform? The rationale and justification?
2. What has been the approach to the civil service reforms in Pakistan?
3. What has in fact been accomplished so far and what is the pending agenda?
4. What are the political economy constraints that impede the implementation of reforms?

## RATIONALE AND JUSTIFICATION FOR REFORMS

The need for reform arises in the context of the present malaise and weakness of our governance structure, long term vision of Pakistan, the external environment in which Pakistan will be operating as a country, the diagnostic studies including public opinion polls about the performance of the government, , reports of various commissions and committees and the growing gap between the rising expectations of the citizens and the capability of the state institutions to deliver.

The role and limitations of governments in various developing countries have been analyzed at great length in many academic and non academic studies . The predominant view is that the binary postulate of Government vs Market is totally misplaced. Governments should do what they are capable of doing better than in the past. A strong and effective government is needed rather than a weak and expansive government. The all wide-encompassing government has become too

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cumbersome and centralized with overlapping and competing interests, inefficient and unresponsive to the emerging needs of the public,

The role of the Government is to provide an enabling environment for private businesses so that they can carry out production, distribution, trade of goods and services but not indulge itself in these activities directly. A Successful enabling environment requires an efficient and competent civil service, investment in human resources, skills, well functioning, physical infrastructure, rules of law and equitable distribution of benefits of growth.

GOOD governance is closely linked with sustainable and equitable development. However good policies may be, they will have little positive impact unless the institutions implementing them are effective and efficient. One of the main institutions required for good governance is a competent, neutral, honest bureaucracy.

For ordinary citizens, it is civil servants who are most germane to their daily life. Pakistan was fortunate to have inherited a steel frame for its bureaucracy from the British. Initially, the civil services remained true to their tradition and were governed by the hall marks that had distinguished the Indian Civil Service . These were (a) Constitutional Protection (b) Political neutrality (c) Permanency, (d) Security of tenure, (e) Anonymity , (f) Recruitment based on open competition and merit (g) Rigorous post induction training . In the period following independence the civil servants focused on their routine functions of maintaining law and order and collecting land revenue but also provided the stewardship in rehabilitating the 8 million refugees, laying the foundation of the new Government structure and

building institutions from scratch such as State Bank of Pakistan, Auditor General of Pakistan, Planning Commission, the Central Board of Revenue. .

However, with the passage of time the requirements of a newly independent country went beyond the narrow set of functions their predecessors in ICS used to perform. Pakistan's civil services system and processes did not adapt to changed circumstances. Their attitudes towards the citizens of an independent country whom they were purported to serve remained ingrained in paternalism and Mai-Bap culture of the past. They remained frozen in time and were unresponsive to the people's needs and aspirations.

The post 1971 era ushered in a popularly elected government that decided to break the frame of the civil services and make them more pliable and flexible. The first hallmark of constitutional protection responsible for the civil servants' independence and neutrality was withdrawn. The quasi-monopoly of the Civil Services of Pakistan in appointments and allocation of top positions was demolished. All different cadres were brought at par and unified under a common pay scale, recruitment and training. Compression ratio( the salary of highest grade to the salary of lowest grade) was drastically cut down to great disadvantage of the officers cadre.

These reforms did not address the larger question of the delivery of public services to the population at large. Except for a couple of thousand officers recruited by the Central Superior Services, the majority of civil servants remained confined to ex-cadre or non-cadre jobs. Several thousand doctors, educationists, teachers, scientists, engineers, lawyers , financial analysts ,economists and accountants in the public sector have limited opportunities for career progression.

The antiquated system of primary interaction between the state and citizen taking place through low-paid, ill-equipped, poorly educated, rude functionaries such as

the patwari, thanedar and sub-divisional officer enjoying enormous discretionary powers remained entrenched along with rampant corruption, inefficiency and poor governance. This bottom heavy lop sided structure where unskilled and semi skilled employees occupy 95 percent of the strength of the Federal and Provincial governments and preempt 85 % of the total salary bill has been a major factor in poor compensation and benefits given to the managerial and technical experts working for the Government .

The resultant demotivation, demoralisation and despondency among the majority of civil servants is reflected in the poor services delivery. Indifference, inaction and apathy towards clients and a mindset resisting change in the process has become ingrained in their behaviour.

A system that recruited some of the very best talent and then allowed them to be improperly used in outdated management practices soaked in patronage and corruption resulted in three kinds of responses. First, the best and the brightest, seeing the conditions of service and practices decided not to appear at the Civil service competitive examinations thus impairing the quality of new intakes. Thus another hall mark of an efficient civil service has disappeared. Second, honest and competent serving officers become frustrated , their job satisfaction is low and either exit the service or get themselves posted to less conspicuous or innocuous positions thus lowering the quality of decision making. Third , the survivors adjust to the new rules of game and lower their standards of honesty and engage in immoral administrative politics continue to secure their own interests caring two hoots for service delivery or public welfare. They do suffer temporarily when the political party to whom they owe allegiance gets displaced and wait till the party is back to power.

Bureaucratic performance is also affected by outdated, outmoded rules and procedures , elongated hierarchy, absence of automation and computerization , ineffective incentive systems that do not appreciate outstanding civil servants but equally reward the incompetent and corrupt. A more recent but harmful tendency that has emerged is obsessive controls exercised by the offices of the Prime Minister and the Chief Ministers where all powers have been centralized and concentrated. Lack of trust in senior secretaries, second guessing their judgment calls, looking for pliable and gullible civil servants who would toe their line deprive the rendering of objective and unbiased advice. Those who do not toe the line are shown the door. As a direct consequence, merit and experience are disregarded , wrong people are placed in key jobs.

The present mode of the superior civil services that attract young men and women through an open competitive examination and spend 30-35 years serving the government had worked reasonably well in the first few decades after Independence. The challenges of the 21<sup>st</sup> century for public service have become more complex. Therefore, this model of assured career path on the basis of an entry examination at a young age is no longer applicable or sustainable any longer. A new hybrid model which nurtures, promotes and draws upon the expertise and domain knowledge and combines it with the broad-based experience, leadership traits and the ability to synthesize different perspectives and policy inputs is therefore proposed as the way forward. Leadership traits are not exclusively located within any one group but can be found across the groups too.

## OBJECTIVES, APPROACH , AND PROPOSALS

What are the objectives of the Civil Service Reforms ? These objectives approved by the Cabinet are:

i) Open, transparent merit-based recruitment to all levels and grades of public services with regional representation as laid down in the Constitution.

ii) Performance-based promotions and career progression for all public sector employees with compulsory training at post-induction, mid-career and senior management levels.

iii) Equality of opportunities for career advancement to all employees without preferences or reservations for any particular class.

iv) Replacement of the concept of Superior Services by equality among all cadres and non-cadres of public servants.

v) Grant of a living wage and compensation package including decent retirement benefits to all civil servants.

vi) Strict observance of security of tenure of office for a specified period of time.

vii) Separate cadres of regular Civil Services at the Federal, Provincial and local government levels co-existing with contractual appointments.

viii) Creation of an All Pakistan National Executive Service (NES) for senior management positions drawn through a competitive process from among the Federal, Provincial and local government cadres, ex-cadre and non-cadre officers, those working in autonomous bodies and other public sector entities

ix) Introduction of four specialized cadres under the NES for Economic Management, Technical, Social Sector Management and General Management.

The whole package of proposed civil service reforms is part of an integrated, interwoven value-chain of human resources policies. It would be a mistake to examine each component as stand-alone without realizing its inseparable linkages with other parts of the chain. A weak link in the chain, if left to itself, would not allow that qualitative change to take hold.

The value chain starts with (i) recruitment induction, and then it goes to (ii) learning and training, (iii) performance management, (iv) career progression and promotion policy, (v) compensation and benefits, and finally (vi) severance and retirement . It must be emphasized that these reforms should be seen in the context of an empowered, devolved and fully resourced local government system as the delivery of public services takes place at the village and town level and not Federal and provincial capitals. The new Local Government Acts approved by Punjab and KP Assembly would strengthen the local bodies whose heads would be directly elected by the people and operate with the assistance of the civil servants.

Changes in recruitment system are intended to attract the best talent but if they are not compensated well, have a clear career path, defined hurdles to cross for promotion, and a transparent performance management system it would be difficult to retain the brightest among them or to early retire non-performers. Similarly, we may increase compensation across the board but if there is no differentiation between those who produce quality output and those who slack in their duties and everybody is paid the same annual increment the motivation and morale would remain low and the overall productivity would suffer resulting in poor service delivery to the public and impediments in the way of economic actors. Under the present performance system there are only a negligible handful of

employees who receive unsatisfactory Annual Confidential Reports (ACRs) for three years and the purpose of early retirement for non performers would be defeated in actual practice. So the new Performance Management system is the pre requisite for the success of the early retirement rules. It can be seen that all the six elements are intricately linked and tinkering with one or two without make consequential changes in the others would bring no beneficial results .Thus simultaneous changes in all the six components are required.

For recruitment, it is essential to bring in some familiarity with domain knowledge at the time of the appearing in the civil services exam. So right now, a candidate may be an English Literature graduate but because of the quota system or belonging to Punjab, may not be allocated a place in the Pakistan Administrative Service or the Foreign Service. He may end up being allocated to the Audit and Account Service. As a result, his domain knowledge remains absolutely incompatible with the job he is going to do. So either he remains a frustrated person or relies on his clerks and juniors for getting the substantive work done.. The government, therefore, is currently unable to make an optimal utilization of these bright young men and women.

The reforms in the competitive entry examination are proposed to move towards a blended approach in which the relative strengths of the generalists and specialists are optimally utilized. Therefore, at the time of induction, incentives are created for the candidates to match their preferences for cadre with some prior domain knowledge. There would be no restrictions of any academic qualification to apply and appear at the Central Services examination. A doctor or an engineer is eligible to appear at the entry exam , but to opt for a career in Foreign Service,

he/she must appear at International Relations and International Law from the stack of elective subjects. Those who prefer the Police Service, must have chosen papers on Criminology and Civil & Criminal procedural Codes as optional subjects. So that is the mapping that is being attempted to introduce.

Additionally, a preliminary screening test based on MCQs has been introduced as it is very difficult to assess 16,000 scripts from the exam every year on a standardized basis as multiple examiners are involved in assessing the scripts. So this objective method of testing will help to eliminate a lot of people at the initial stage but respect the observance of regional/provincial and other quotas. As a result, the residual bunch of 2,000 people or so qualified through the screening test will go through a psychometric test modeled on the British Civil Service. After this round, the candidates will appear at compulsory and optional subjects' written exams, and then the interviews. A consensus has not yet been reached by the Cabinet on these proposed changes.

The second most important element of this value chain is the learning and training, Right now, there are post induction, Mid career, senior management and Leadership training courses at various points of time in the service. But regrettably, the feedback received from the participants is there is not much differentiation in the products of training at these various stages which are mainly of general nature. The training is not linked to job requirements. In addition to changes in the course contents, pedagogical tools, assessment methods at each level the cadre officers would now be sent back to their specialized training institutions at the mid career and senior management level.. But the biggest change has to do with the systematic training of specialists. Out of 29,000 federal government officers. only

6,000 are generalists or what we call cadre officers. The remaining 23,000 are non-cadre officers - these are engineers, doctors, accountants, financial analysts and others among them. They don't have either any prescribed training or any career path. They are frustrated and demotivated and lack the updated skills to perform their jobs and thus not contributing much.. The Cabinet has already approved the plan to have post-induction training for all the specialists followed by in-service training for promotion from grades 18, to 19 and 20. So there will be an equality of opportunity for both the generalists and the specialists and the discrimination that exists today and has led to lot of heartburn and poor morale among the majority of officers will be removed and the state would be able to utilize their services effectively.. The government is spending a lot of money on highly paid external consultants but lacks in house capacity to draft the terms of reference, contract agreements, monitor the progress to judge whether the work of the consultants is up to the quality. According to the PM Inspection Commission the cost overruns on development projects are 150 percent higher than the original estimated costs. So this cadre of engineers , economists and financial analysts who will be exposed to training, up-gradation of their skills over time and defined career paths with results based monetary rewards would have developed the capacity do a better job in project screening, project appraisal, and project evaluation..

There is also an urgent need for defined career path allowing the best and the brightest among these non cadre and ex cadre officers to rise to the top positions in the Government if they qualify. At present, they don't find any prospects for future career progression they use their enormous discretionary powers for enriching themselves and buying influence to protect themselves. Despite NAB, FIA

and Anti Corruption agencies it is generally perceived that the level of corruption today in these departments is much higher than three decades ago. It has also permeated in the Education. Health departments and the AG offices too.

The third area of intervention that has been approved by the Cabinet pertains to the overhaul of 'performance management system.' The antiquated system of 'annual confidential report' that provides no substantive evidence of performance on the job or future and is highly subjective would be replaced by an objectives-based, KPI driven evaluation which a reportee can discuss with his or her reporting officer. Both of them will sign the KPIs that are to be achieved during the year. Only 20 percent in the cohort will be categorized as outstanding, 60 percent as satisfactory, and 20 percent as below average. Performance will also be related to promotion. This categorization would also feed in early retirement policy. If an officer has not consistently performed satisfactorily and keeps falling in 20 percent or below average then his/her case would be placed before the Committee for early retirement,

The current practice where a 15 percent across-the-board annual increment is given whether an officer has performed or not is being discarded. Those in the top or outstanding category would receive twice the average amount of annual increment. The average percentage increase would be given to those in the satisfactory category, and no increment allowed to those who are below average. This gives a consistent signal that the officers who are desirous for better pecuniary benefits have to improve their performance relative to others in the same cohort. In performance management, due attention is also being given to

the officer's personal development and linking it to training objectives. For instance, if an officer feels that he or she needs training to improve writing or presentation skills, it will be the job of the supervisor to provide adequate training in that particular field.

The fourth area of the value-chain approach deals with the career path. The new promotion policy that has already been introduced and has been operational for last two years is a departure from the principle of seniority cum fitness. The new rules envisage weight of 40 percent to the performance evaluation reports, 30 percent to the learning and training outcomes and 30 percent to assessment by the members of the Selection Board. There is a lot of criticism against the discretionary marks to be awarded by these members. It is alleged that this has been done "to reward those in good books of the Government and penalize those in bad books". The Selection Board consists of 14 senior most officers drawn from different services, provinces, backgrounds and they are given a standard assessment sheet for marking 10 pre-defined attributes. It is the average of all the independent but structured assessments made by the Board members which determines the final marks out of 30 marks at the disposal of the board. The discretionary element is minimized and biases are nullified in this process and that is the beauty of large group collective judgment compared to the sole discretion of an individual or 3 to 4 individuals making the decision. The ACRs are given lower weight at present because by and large they are highly non differentiated and skewed in favour of outstanding and excellent categories. Once the new Performance Management system becomes fully operational the relative weight of Performance reports would be raised.

A highly contentious issue that remains unresolved is the proposal to establish a National Executive Service (NES) open to all officers of the Federal and Provincial Governments to enter the NES through an open, competitive process without reservations for any particular cadre or occupational group. A system similar to the Senior Executive Service that is successfully working in a number of countries is to be introduced for high level policy positions. . . Recruitment would be made by the Federal Public Service Commission on the basis of merit through a competitive process. All senior policy making positions would be filled by the members of the NES who would be given security of tenure and enter into annual performance agreements. NES would be divided into four clusters (a) General Management (b) Economic sectors (c) Social sectors and (d) Technical sectors . Career progression would take place within each of the specialized clusters.

The idea is to have an officer's performance and career path tailor-made so that if he or she has the inclination and the capacity to go to the economic ministries, then he should be trained on the job in that cluster. Hence, after reaching grade 19 he would be rotated only in Economic ministries cluster and acquire experience and expertise in that area. So the clustering will promote a plank between a generalist and a specialist. Both the theory and the empirical evidence show that the state needs both a generalist at the leadership position who is able to synthesize the various strands of expert advice to make cogent and coherent decision. There may be a very good engineer who may come up with an elegant technically sound design for a bridge but if the Chief financial officer says that the project cost outweighs the benefits . The Secretary, after listening to both the engineer as well as the finance person and others in his leadership team would make a

decision which would provide a viable solution to the problem. Leadership attributes and the capacity to synthesize competing viewpoints and come up with a viable practicable solution cannot be attributed to any particular class, cadre or professional background. There are medical doctors who have proved to be excellent Secretaries Health and many examples abound of Pakistan Administrative Officers who have proved to be outstanding Chairmen of WAPDA—a complex Engineering organization. It would be fair to surmise that the present system that limits the opportunities for growth to a large number of otherwise qualified and suitable officers and creates a sense of entitlement results in two glaring shortcomings i.e, Misallocation and underutilization of high level scarce human capital and a sense of complacency and mediocrity among those who rise to occupy the top positions on the basis of entitlements and reservations rather than demonstrated qualities of leadership.

Under 'Compensation and benefits,' which is the fifth element of the value chain there is major structural defect in the composition of the work force. . Out of 640,000 people currently working in the federal governments about 95 percent are staffed in grades 1 to 16 i.e the support staff , and only 5 percent are employed in grades 17 to 22 the analytical, policy making and decision making grades . This reflects an imbalance in the human resource deployment with too many naib qasid's, too many clerks, and too many assistants .They are paid salaries much higher than the private-sector counterparts because of the uniform national pay scale. As a result, a private secretary gets the same pay and emoluments as the neurosurgeon working in PIMS, because both of them are in grade 19. The large chunk of the salary budget almost 85 percent is preempted by these support staff

who are unskilled or semi skilled and are available in abundance while only 15 percent accrues to the professional staff who are talented, skilled and scarce in supply. Today , the grade 22 salaries, cannot attract people who are specialists in their fields to work for the government.

The switch over from manual to automated processes and the government's commitment to move towards E-Government would require a look at the skill mix and training requirements of the existing and future civil servants throughout the entire hierarchy. E-Government will itself flatten the hierarchical texture and make apparent the redundancies in the system. At the same time it will involve basic computer literacy at all levels and grades, digital archiving, storage and retrieval of all files and documents. Consequently, only a few of the clerical and subordinate staff positions can be utilized in the future government organization. Under the E Government system a large number of posts would become redundant . The proposal is that through the process of attrition and not replacing the people who are retiring or resigning in the lower grades., the savings may be used to push up the salaries of the officer grades 17-22. This experiment has been successfully implemented in the State Bank of Pakistan for last 15 years where an entry-level officer receives salary comparable to that in the Multinational Corporations MNCs. Pension is a bomb that is going to explode in the future, because our pension bill is now more than our salary bill. The only way out to avert this explosion is to move away from "Pay as you go " to Defined Contribution and create a Pension Fund. This would not only save the Government from future fiscal burden but also help in deepening the capital markets in Pakistan .

And finally, in addition to the regular retirement policy at age of 60 the Government had introduced an early retirement policy which would compulsorily retire after twenty years of service those whose performance has been consistently unsatisfactory. A high powered Board would examine each case and also provide an opportunity to the affected person to explain his viewpoint and respond to the show cause notice. These rules were challenged in the Islamabad High Court and upheld . Unfortunately the present Government has withdrawn these rules.

It must be made crystal clear that these reforms would take a long time to reach the culmination point and would pose a lot of challenges on the way

#### POLITICAL ECONOMY CONSTRAINTS

What are the political economy constraints that do not allow the reforms to take firm roots or their implementation is halfhearted or indifferent.

One of the major instruments in the hands of the political party in power is the frequent use of posting and transfer arbitrarily exercising excessive discretionary powers. Casual empiricism suggests that when security of tenure is assured, delivery of services to the citizens, the quality of policy making and achievement of performance indicators do improve. When an individual knows that he/she would be in the office for three years without any interruption he would be held accountable. But if the average tenure of a secretary of the Ministry varies between 3 to 6 months the tendency is to blame your predecessors and do not accept

responsibility. Although the Supreme Court has given a verdict and specified guidelines to regulate the security of tenure but these are hardly followed in practice. The guidelines do allow transfer before the completion of tenure if the reasons for such an action are reduced in writing. If the action is malafide it can be challenged in the court of law. Thus both the officer and the Government have been given safeguards.

Thus, the permanent civil service has lost its luster of permanency as every incoming political party removes the officers they suspect had affiliation or allegiance to their opponents. Loyalty rather than competence, or performance become the dominant consideration in postings and transfers. It is not realized that it is in their interest that they should place the right person on right job. The individuals would deliver and the credit would go to the political party in power enhancing their chances at the elections. The death of professionalism, on the other hand, results in poor governance and a dissatisfaction with the ruling party.

Second, there is asymmetry in the accrual of benefits and the incurrence of costs in undertaking reforms. The cost of dislocation and disruption caused by altering the ongoing structure, processes and evaluation methods would be borne by the party that takes the initiative during its tenure. The losers from the reform are visible, organized and would agitate immediately for preserving their privileges. The benefits are likely to be realized over an extended period of time beyond their tenure of office. The benefits would be diffused, widely spread and not concentrated in a cohesive or identifiable group. Their opponents in power at that time may take the credit for these reforms without having lost their political capital.

Hence the reluctance to take such a risk which makes the party unpopular while their opponents deriving all the gains.

Third, those already in the system, have developed vested interest in the existing arrangement. They occupy key policy making positions and are closely aligned to the political leaders . They make every possible effort to resist such changes that divest them of their power, perks and status. If the promotion is carried out on seniority cum loyalty why should they favor a policy that is based on demonstrated performance and effective assessment. Why should they support exit and severance policy that may possibly adversely affect them at same point of time in the future.

Finally, human beings, by nature, feel satisfied with the status quo i.e. operating in their comfort zone as they know well what is the future going to look like. Change entails uncertainty, unknowns and imponderables. It is hard to predict or envisage what the future would involve. The mitigating strategy then is to do your best to protect the devil you know rather than for a new monster with which you are not familiar.