

NATIONAL ANTI-CORRUPTION STRATEGY

Legislature

Civil Society

Judiciary

Media

Executive

Public Accountability Bodies

Private Sector

Anti-Corruption Agencies



Government of Pakistan



National Accountability Bureau

National Anti-Corruption Strategy (NACS)

Islamabad - Pakistan

2002

Foreword

A country exists to provide its citizens with freedom from poverty, freedom from servitude and a quality of life where they are able to live without fear of injustice and tyranny. Nothing harms these objectives more than corruption in the organs of the state. The first victim is the development process itself as inequalities get entrenched and law and order breaks down. Corruption in such a country does not remain restricted to one sector; it permeates the whole society.

Pakistan has been, unfortunately, a typical case. In the last fifty-five years we have seen an exponential upsurge in the scourge of corruption with perhaps the steepest rise coming in the period 1985 -1999. It was in the nineties that the demand for accountability became more vociferous than ever before. The result of such widespread corruption has been a loss of legitimacy of state institutions.

Over many years anti-corruption policy makers have considered it to be a function of enforcement only. The result has been a series of laws and agencies coming up over the years that concentrated on penal action only. Public demand has also advocated an enforcement based approach, hence the slogan of Ehtesab (accountability). However, our experience and that of similar states in the world has revealed that unless the causes of corruption are addressed, the society is empowered to stand up for its rights, and the Political Will to take unpalatable decisions is created, corruption will continue unabated. Unless a comprehensive approach is used, efforts to resurrect the pillars of national integrity system will fail. National Anti-corruption Strategy proposes exactly this approach.

NACS belongs to everyone in Pakistan and calls for changing the manner in which we run the affairs of the state with the view to reduce corruption in the society and laying the basis of good governance in the country. Sustainable development will be possible only if we manage to reduce corruption levels to bare minimum, even if eradication remains an elusive goal.

There have been a series of studies on corruption even before NACS but they have remained on the shelf. I do not want a similar fate for this report. I have personally taken the onus of ensuring that the outcome of this one is different. All concerned will be involved in the implementation process. We in NAB are prepared to assist all those who need it but the eventual responsibility for implementation lies with the stakeholders themselves. In fact it is the latter aspect, which differentiates NACS from the older studies. We went to the stakeholders, elicited their views and finalized the proposals. In all, over three thousand stakeholders were formally consulted while the figure for those contacted informally is much higher.

I must acknowledge the support of the President of Pakistan for the Project. His consistent involvement in the process was both a source of encouragement and guidance. I am also grateful to the provincial Governors for their help. The role of the Steering Committee has been most constructive and useful. Finally, the Project Team, led by Brigadier (now Major General) Shujaat Zamir Dar and later by Brigadier Tayyab Waheed deserve the maximum credit for burning the midnight oil and completing the task most ably despite having a young inexperienced team at their disposal. Advisors from Atos KPMG Consulting were an integral and important part of this team. It would be unfair not to mention the untiring efforts of

the Project Manager, Ms. Juliet Osborne and the role of Mr. Jeremy Carver, the Strategic Advisor. Their commitment to the Project was manifested when they worked on the Project despite an adverse travel advice from British Foreign Office.

The core effort came from the Project Team that consisted of young officers from the Government of Pakistan. Their readiness to work for long odd hours, accepting challenging deadlines and learning quickly has been commendable. Perhaps the biggest attribute has been the team spirit, which they managed to infuse right from the beginning. They had the luxury of benefiting from the experience of Mr. WaJahat Latif, the local consultant. I must acknowledge the hard work done by Mr. Munir Ahmad Chishti, Mr. Sultan Azam Tamori, Mr. Amjad Mahmood, Mr. Qasim Raza Khan, Mr. Zafar Iqbal Gondal, Mr. Umar Zafar Sheikh, Mr. Kamran Ahmad and Mr. Abdus Sami Khan the Project Coordinator. Their staff was equally committed and supported the Team throughout. Efforts of officers and staff of NAB who assisted at various stages also need to be recognized especially the Computer & Prosecutor General Accountability (PGA) Wings.

We are all indebted to Mr. Kamal Hussain from Bangladesh, Mr. Jeremy Pope from New Zealand, both from the Transparency International, and Barrister Shahzadi Beg from United Kingdom who participated in the two day Federal Workshop at Islamabad and also contributed through valuable advice on recommendations of NACS.

If I try to acknowledge every person who contributed the list would be very long. However, as stated earlier, the Report itself belongs to the stakeholders, the hundreds of Pakistani men and women who contributed through their views. The individuals varied from business community, bureaucrats, judges, justices of the higher Judiciary, to slum dwellers and lowincome groups. One thing was common wherever the Project Team went; there is a very strong desire in the country to eradicate corruption. People are looking at the top leadership, the politicians, the bureaucrats, the military men to deliver. At the slightest movement in the right direction they would jump to support the process.

MUNIR HAFIEZ
Lieutenant General
Chairman Steering Committee/Project
National Anti-Corruption Strategy
(NACS)

Chronology

Approval of the President Project Steering Committee	12th October 2001 6th December 2001
Launch of the Project	11 February 2002
Visit to NWFP Provincial Workshop District Workshop (Mardan) District Workshop (Kohat)	28th Feb - 5th March 2nd March 2002 4th March 2002 5th March 2002
Visit to Sindh District Workshop (Hyderabad) Provincial Workshop	10th-15th March 2002 13th March 2002 14th March 2002
Visit to Punjab Provincial Workshop	16th -21st March 2002 21st March 2002
Visit to Balochistan Provincial Workshop	31st March-3rd April 2002 2nd April 2002
Federal Workshop	19th-20th July 2002
Approval of the Cabinet Anti-corruption structures Overall NACS	20th September 2002 5th October 2002
Approval of Implementation Mechanism by the President	24th October 2002

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List of Acronyms

ACA	:	Anti-Corruption Agency
ACE	:	Anti-Corruption Establishment
ACO	:	Anti-Corruption Operations
ACR	:	Annual Confidential Reort
ADB	:	Asian Development Bank
ADR	:	Alternate Dispute Resolution
AG	:	Auditor General
AJP	:	Access to Justice Programme
BoQ	:	Bill of Quantity
CBO	:	Community Based Organization
CBR	:	Central Board of Revenue
CCB	:	Citizen Community Board
CFAA	:	Country Financial Accountability Assessment
CGA	:	Controller General of Accounts
CPLC	:	Citizen Police Liaison Committee
CRI	:	Corruption Rating Index
CRR	:	Committee on Restructuring and Rightsizing
CSO	:	Civil Society Organization
CSS	:	Central Superior Services
DFID	:	Department for International Development
DMG	:	District Management Group
E&D	:	Efficiency and Discipline
ECW	:	Economic Crime Wing
FACC	:	Federal Anti-Corruption Commission
FCA	:	Foreign Currency Account
FGR	:	Financial Governance Rating
FIA	:	Federal Investigation Agency
FMC	:	Fiscal Monitoring Committee
FPCCI	:	Federation of Pakistan Chambers of Commerce and Industry
FPSC	:	Federal Public Service Commission
FY	:	Financial Year
GoP	:	Government of Pakistan
HRM	:	Human Resource Management
ICAC	:	Independent Commission Against Corruption
IMF	:	International Monetary Fund
INTOSAI	:	International Organization of Supreme Audit Institutions

IT	:	Information Technology
KESC	:	Karachi Electric Supply Corporation
KPMG	:	Klynveld Peat Marwick Goerdeler
KWSB	:	Karachi Water and Sewerage Board
LDA	:	Lahore Development Authority
LC	:	Letter of Credit
MLA	:	Mutual Legal Assistance
MoF	:	Ministry of Finance
MTBF	:	Medium Term Budgeting Framework
NAB	:	National Accountability Bureau
NACS	:	National Anti-Corruption Strategy
NADRA	:	National Database Registration Authority
NAFDEC	:	National Film Development Corporation
NAM	:	New Accounting Model
NEPRA	:	National Electric Power Regulatory Authority
NGO	:	Non-Government Organization
NRB	:	National Reconstruction Bureau
NSC	:	National Security Council
NWFP	:	North Western Frontier Province
OECD	:	Organization for Economic Cooperation and Development
OMG	:	Office Management Group
OPEN	:	Online Procedures Enhancement
OSD	:	Officer on Special Duty
PAC	:	Public Accounts Committee
PAO	:	Principal Accounting Officer
PCA	:	Prevention of Corruption Act
PEC	:	Pakistan Engineering Council
PER	:	Performance Evaluation Report
PIFRA	:	Project to Improve Financial Reporting and Auditing
PPC	:	Pakistan Penal Code
PPRA	:	Public Procurement Regulatory Authority
PPSC	:	Provincial Public Service Commission
PSC	:	Public Safety Commission
PSPE	:	Pakistan Special Police Establishment
SAP	:	Social Action Programme
TI	:	Transparency International
TNA	:	Training Needs Assessment
WAPDA	:	Water and Power Development Authority

1. Background

1.1 The National Anti-Corruption Strategy (NACS) project

In his historic speech delivered to the first Constituent Assembly of Pakistan on 11th August 1947, the Quaid-i-Azam identified the first duty of his government as the maintenance of law and order. He defined his second priority in the following words:

"One of the biggest curses from which India is suffering, I do not say that other countries are free from it, but, I think our condition is much worse, is bribery and corruption. That really is a poison. We must put it down with an iron hand."

Sadly for Pakistan, these wise words have not been heeded to in the last 55 years. Corruption has become a disease infecting every aspect of political, social and economic activity. Intermittent efforts at combating the menace were undertaken but lacked the requisite level of Political Will and most, including the current accountability drive, have been enforcement based.

The enforcement approach of the National Accountability Bureau (NAB) has been essential in the opening, fire fighting phase against corruption. However, controlling corruption on a sustainable basis requires a broader vision and a targeted strategy to deliver that vision incorporating awareness, prevention, monitoring and combating corruption; designed and implemented by a coalition of the state, civil society and the private sector. Furthermore, the government is mindful that the folklore of corruption is not sufficient to evolve a serious campaign. There is a requirement for a comprehensive, realistic and holistic assessment of the nature, causes and impact of corruption.

The National Anti-Corruption Strategy (NACS) project was conceived by NAB with this purpose in mind to propel Pakistan further on the long road to accountability and transparency. The core Project Team consisted of Government of Pakistan (GoP) officials drawn from different public sector stakeholders. Advice has been provided by KPMG Consulting, contracted by the United Kingdom's Department for International Development (DFID). The Project aimed to:

- undertake a review and assessment of the causes, nature, extent and impact of corruption from a broad perspective;
- develop a broad based, high level and integrated strategic framework for tackling corruption, focusing on prevention as well as monitoring and combating corruption, ensuring consistency with the good governance reforms and
- create an implementation plan based on the strategic framework to tackle corruption.

The causes of, and potential measures against, corruption are generally known to interested parties. The benefit of the NACS exercise is to ensure a shared understanding of the causes and to bring together the various measures as a coherent strategy, creating a route to implementation. Therefore, the primary output of the NACS project has not been the written reports - it is the creation of a broad coalition of stakeholders committed to implementing the strategy and rooting out corruption.

1.2 Project Methodology

The NACS Project Team developed the broad coalition by adopting a participative, consultative and consensus building methodology. The creation of the NACS Project Team itself reflects the participative approach. A group of government officers - representing the Federal Investigation Agency (FIA), lower judiciary, Central Board of Revenue (CBR), the Auditor General's Department, Police and other stakeholder institutions - was gathered to undertake the project. The Steering Committee comprised senior figures from across the state institutions, civil society, the media and the private sector.

The NACS project team undertook an extensive consultation exercise. The team met several thousand people, representing different arms of the state, the private sector and civil society, ranging from Ministers and senior bureaucrats to slum dwellers, in several hundred meetings, eight workshops and 18 focus groups at Federal, Provincial and District levels. Discussions were held with the stakeholders on their views about corruption and how it might be tackled. The response was overwhelming and the consultative methodology was strongly endorsed. The project is grateful to all stakeholders, particularly the President and the provincial Governors, for their support that made the consultation process possible. Appendix 1 contains the details of the consultations of the Project Team.

The strategy set out in this report is not simply the product of the NACS team responsible for preparing the report. *It reflects the views and will of the people of Pakistan for their leaders to usher in a new era of good governance and accountability.*

1.3 Conceptual Framework: National Integrity System

The NACS project was designed on the understanding that we are not on a moral crusade. Corruption is a *systemic problem, representing a persistent failure of governance*. To analyse the problem of corruption in a constructive and action-oriented way, the NACS project team adopted the concept of the national integrity system.

National integrity system

A country's national integrity system comprises those institutions or sectors (sometimes known as "pillars") which, when operating with high standards of effectiveness, transparency and accountability, support each other to maintain high standards of national integrity and low levels of corruption. This reflects the concept of *horizontal accountability: each pillar will act as a watchdog on at least one other*. Together, they maintain the integrity of the system. Pakistan's national integrity pillars are:

- legislature and political system;
- executive;
- public accountability bodies: the Auditor General's Department, Public Accounts Committee and the Ombudsman;

- anti-corruption agencies (known throughout this report as the "ACAs" and law enforcement);
- legal system and judiciary;
- media;
- civil society;
- private sector

This report is structured around these pillars of the national integrity system, in terms of its assessment of their systemic weaknesses, strategy and implementation plan. While country strategies vary, policy responses to corruption typically involve strengthening one or more of these national integrity system pillars. The most successful national anti-corruption strategies have strengthened key aspects of all the pillars, in carefully sequenced reforms. However, experience from elsewhere indicates some priorities. In particular, no anti-corruption effort has been successful without a functioning judiciary upholding the rule of law.

1.4 Structure of this report

After this brief introduction:

- Chapter 2 sets out the results of the *overall review and assessment* of the nature, extent and impact of corruption;
- Chapter 3 then outlines the *genesis of corruption and of anti-corruption initiatives*, setting out many of the key underlying causes of corruption;
- Chapter 4 examines *systemic weaknesses within each pillar of the national integrity system* and how they sustain corruption;
- Chapter 5 contains the strategy. First, we set out the strategic vision and objectives, and key themes and core toolkit to deliver that vision. The remainder of the chapter comprises the *strategic objective for each pillar of the national integrity system and key measures to deliver that objective*;
- Chapter 6 sets out the arrangements for implementation;
- Finally, chapter 7 ends the report with some key messages about the *way forward for NACS*.

Throughout the report, certain words are *emboldened in italics*. These words represent the key messages and provide a consistent structure throughout the report. For example, the issue highlighted as a particular problem in chapter 4 will then be tackled by a corresponding measure at chapter 5. These are intended to help the reader through this necessarily lengthy document.

2 Corruption: nature, extent and impact

2.1 Introduction

This chapter sets out the results of the general review and assessment of corruption:

- First, the nature and definition of corruption arrived at through extensive discussion within the NACS Steering Committee and consultation with stakeholders;
- Secondly, the extent of corruption, reflecting stakeholder views and survey data on the scale, pervasiveness, public concern and recent trends in corruption;
- Thirdly, the qualitative and, where data is available, quantitative impact of corruption.

2.2 Nature of corruption

Clearly for the purpose of the strategy, it is important to establish a common understanding of what constitutes corruption and whose corrupt activities are covered in order to focus research and target the strategy effectively.

The Project Team has consulted widely, and researched a variety of national and international sources on the question of the definition of corruption. The definition of the terms "corruption and corrupt practices" differs from country to country. Notwithstanding the spread of corruption (or perhaps because of it), it seems difficult to arrive at a common definition. Bearing in mind this difficulty, many organisations including the Ehtesab Bureau and now the National Accountability Bureau (NAB), have prepared a long list of corruption offences, thus adopting a functional approach instead of seeking to define corruption in generic terms.

However, this project adopts a broad definition which would encompass what is popularly understood by corruption and the corrupt. A broad definition which might, therefore, be applied is *"Corruption involves behaviour on the part of office holders in the public and private sectors, in which they improperly and unlawfully enrich themselves and/or those close to them, or induce others to do so, by misusing the position in which they are placed."* More simply it comprises *"the misuse of entrusted power for private benefit."*

2.3 Extent of corruption

2.3.1 Overview

The stakeholder consultation confirmed what is clear to all Pakistanis: *corruption is all pervasive and deeply entrenched, and demands a robust strategy to secure long term, sustainable behavioural change.* Stakeholders were firmly of the view that few aspects of life are untouched by some form of corruption, if not by financial corruption then by sifarish or misuse of privileges. Corruption is largely socially accepted as a norm and regarded as inevitable. Many people do not understand the damage corruption does to the national economic, social and cultural fabric. Even if they do, they may have no alternative but to engage or

collude in corrupt activities. Furthermore, there is little evidence that people feel guilty about their own role in corruption. Many are so deeply entrenched in the web of corruption, either directly or indirectly, that while they are well versed in the vocabulary of reform, resistance to real and lasting change is strong. Examples of targeted and successful anti-corruption reforms are rare but impressive and most welcome where they have been commenced.

Reliable and statistically representative data on corruption is scarce, but has been substantially enhanced by Transparency International (TI) Pakistan's survey¹ of 1724 urban and semi-urban middle class respondents' experience of public sector corruption and CIET/NRB survey of 10,472 households in 10 districts including 76,704 people (the results of these surveys are discussed in subsequent paras).² The analysis below attempts to present a balanced picture of corruption using the various sources available to the NACS project.

2.3.2 Prevalence and costs of corruption

In terms of *grand or mega corruption*, stakeholders perceived the scale of corruption to be highest in political corruption, development projects, procurement (including defence and the public sector corporations) and the bank loans write off. It is difficult to determine the value or frequency of such corruption, but these details in the cases handled by NAB are well known.

Stakeholders were more concerned about *petty and middling corruption*: the consensus was that there is hardly an arm of government which does not suffer acutely from corruption, with the exception of the Motorway Police. The TI-Pakistan survey found that respondents ranked the following institutions in order of experience/perception of corruption, starting with the institutions most at risk from corruption: *police, power (WAPDA and KESC), taxation, judiciary, customs, health, land, education, telephone, railway, NGOs, Post Office, and banks*. The NACS project stakeholder consultation gave similar results, although with more emphasis on corruption in the judiciary and less on power and concern about corruption in the anti-corruption agencies and audit functions. Rural lower income groups have additional concerns about corruption in water, land revenue, irrigation, forestry, Zakat and sources of credit.

In all these sectors noted above, bribes are routinely paid or other influence brought to bear - either via coercion or collusion - to be relieved of a traffic fine, get a connection, reduce a tax bill, get a case to be heard by a favoured judge, get access to medical care, settle a land dispute, fix an exam result or be exonerated from an investigation or audit query. The list is almost endless and encompasses almost every aspect of government service delivery. Charges or fines are frequently trumped up to provide the opportunity for coercion. The TI survey reveals that in most cases and in all the departments it examined, the demand was made directly by the official rather than through some middleman. Those *officials*

1 The survey shows a snapshot of the most corrupt departments, the frequency of corrupt acts, the most corrupt grades/posts within those departments, the average bribe paid, and views on the causes of corruption. However, this data source obviously excludes other income groups and rural areas, and can not be taken as truly representative of the population's experience of corruption.

2 The survey was conducted between November 2001 and February 2002 as part of a South Asia wide TI initiative, of 3000 middle class respondents, but only 1724 responded. The survey will be available for general release from September 2002.

alleged to be eliciting or extorting bribes were those on the frontline of service to the customer: duty police officer, meter reader, tax inspector, hospital pharmacist, teachers, surveyors and court clerical staff. This picture was consistent between stakeholder consultation and the survey.

Respondents to the TI survey were reluctant to disclose the average annual value of bribes, however some indicative trends emerged. The three worst ranking departments had some of the lowest rates.³ However, respondents paid an annual average of Rs.9,670 in judiciary; Rs.6,013 in land administration and Rs.4,811 in education. These are average annual rates, to be seen in the context of average middle class family annual income between Rs. 48,000 to Rs. 192,000. This gives a picture of the oppression faced by the average Pakistani citizen. The sums paid were much higher in Punjab than in other provinces.

The *frequency of bribes*, again on an indicative rather than representative basis, is alarming. The percentages are obviously based on those respondents who had used the service in the past year. For example, all the respondents who had had contact with the police over the previous year faced corruption. Respondents mentioned keeping Rs. 10 to Rs. 30 handy for daily bribes to the police. 65% of respondents were able to get electricity connections by corrupt means, 44% through corruption, the remainder through using influence. Even after getting a connection, 96% of respondents reported corruption, largely during the billing process. Of the 256 respondents who reported having paid tax in the previous year, 254 faced corruption. Corruption in the judicial sector is equally frequent, with 96% of respondents facing corrupt practices, mostly by court officials, sometimes by judges. These frequency rates are not extraordinary; similar patterns were reported in other departments.

According to the survey conducted by CIET/NRB, 59% of the people paid an average of Rs. 28,747 to Police and 79% of them paid Rs. 45,171 for court services.

2.3.3 Concern about corruption

The high levels of acceptance and tolerance of corruption does not mean that people are unconcerned about corruption. *Concern at the levels of corruption is extremely high.* For example, evidence comes from the South Asia wide Citizens' Survey on governance, which was carried out in five countries including Pakistan.⁴ Two-thirds of the respondents in Pakistan expressed their dissatisfaction with the political system. Pakistan is scored highest in the region to three questions: *Are political leaders corrupt? Are police officers corrupt? Are judges corrupt?* Even a sample of 100 bureaucrats, interviewed in 1998 rated corruption as their top concern.⁵ This picture reveals an alarming crisis of governance.

Corruption in the Judiciary, police and other law enforcement agencies is of most concern to the public, not simply because the incidence is so high, but also because it tends to be coercive rather than collusive and because the public recognise the devastating impact on law and order, human rights and the legitimacy of the state. It is a massive breach of trust.

3 Police: Rs. 2331; power: Rs. 1087; Taxation: Rs. 3858.

4 Human Development in South Asia 1999, Karachi, Oxford University Press.

5 Perspectives on Corruption in Pakistan: A Pilot Study, Sustainable Development Policy Institute

NACS also had similar feedback from the stakeholders. Not only is there a grave concern but also a strong desire to rid the country of this problem.

2.3.4 Impact of government's anti-corruption drive

Only on the question of whether corruption had increased did Pakistan score better than its neighbours, which, if starting from a high baseline, is of little comfort. This is supported by stakeholders, who believe that *mega corruption appears to have declined significantly since 1999*, for three main reasons. First, the President, Governors and Ministers are generally perceived to be men and women of integrity who set a good example. Secondly, military rule has instilled a sense of discipline. Thirdly, the fear of NAB has served as a deterrent to many. However, it was also noted that although corruption had declined in the first year of military rule, the deterrent effect of NAB in particular, seems to have diminished subsequently, as it is realised that NAB could not possibly catch all the corrupt. Furthermore, the fear is that mega corruption will rear its ugly head once again after the installation of the political government.

Moreover, there appears to be a consensus that the extent of *petty/middling corruption has been dented very little* by the strong leadership and the current accountability drive largely because most low ranking officials commit corruption out of need, and operate without fear of ACAs since FIA and Anti-Corruption Establishments (ACEs) have been ineffective and NAB's primary focus has been on mega corruption.

Essentially, current measures are seen to be *incomplete because they rely on enforcement*, rather than targeting either the underlying causes or the systemic weaknesses on which corruption thrives. There is a general concern that government reforms have been driven purely by military rule and, therefore, will not have become sufficiently institutionalised to withstand the restoration of democratic processes and institutions.

2.3.5 Conclusion

It would be wrong to conclude that the sense of hopelessness and pessimism is all pervasive and will negate any serious effort to tackle corruption. Our consultative exercise leads us to conclude otherwise: many of the population at large, even those benefiting from corruption, do appear to genuinely wish the situation would change. We came across success stories and islands of integrity within the country that give rise to optimism. *If provided with the tools - and if they are convinced that others will change also - 2002 could see the start of a gradual transition towards increased integrity in public life.*

2.4 Impact of corruption

The particular deadliness of the disease of corruption lies in its self-perpetuation - any corrupt act sets in motion a vicious cycle in which the impact of corruption becomes the source for further acts of corruption.

Direct loss to the public exchequer, in financial terms, is difficult to measure, but is significant. According to one reliable source, estimated revenue lost by

corruption is 64%, 48%, and 45% in income tax, customs and sales tax respectively.⁶ If this perception is taken as true, the amount of revenue loss can go over Rs. 200 billion per annum. Other indicative statistics are equally alarming. World Bank estimate of revenue lost in Pakistan because of smuggling in 1992-93 was US\$ 5.08 billion.⁷ Ahmad and Ahmad (1995) estimated revenue loss in Pakistan because of black economy at Rs.40-45 billion in 1989-90 and Rs. 104 billion in 1995-96.⁸

The biggest casualty of corruption has been the *development process*. In particular, the impact of aid received during the last 50 years has been minimal, as grand corruption distorts key developmental decision-making with choices influenced by private benefits and not by public needs. Pakistan's human development indicators such as literacy rates and infant mortality, have shown little improvement in the past decade and are amongst the worst in the region. Furthermore, the waste of the development aid has saddled the country with high debt which, at approximately 40% of budgetary expenditure, squeezes out, amongst other things, adequate remuneration for the public sector.⁹

The *private sector and commercial enterprise* has been stifled by corruption. Unnecessary, obstructive and, above all, coercive bureaucracy impedes healthy businesses. Business depends crucially on operating in a climate where contracts can be made and enforced, and where risks can be predicted with confidence. The excessively intrusive public sector further reduces incentives for investment. The legal system affords little or no protection to small and medium sized businesses with a crippling effect on private sector development. This reduces revenue for public purposes, encourages massive wastes and increases costs to consumers.

Corruption in the police and judiciary has contributed to the *breakdown of law and order*. Laws are seen as oppressive and justified solely in the interests of those who abuse them for their selfish interests. In the absence of inexpensive and effective legal remedies, resort to extra-judicial methods has been on the rise. Mafias like land grabbers, 'Qabza Group', timber smugglers and narcotics dealers work through syndicates, co-opting public officials. Where the police are themselves corrupt, the law breaker is rewarded and those who obey the law are marginalised.

The blatant disregard for law and the ostentatious asset accumulation and display by the top public office holders has led to a *decline in the moral standards and values* of the society. The corrupt are no longer ostracized and they enjoy respect in society on the basis of wealth accumulated through illegal means, while the country remains under developed and poverty stricken. There has been a *loss of legitimacy of state institutions* in the eyes of the populace. The concept of performance and meritocracy is subverted: 70% of the respondents who had tried for admission at educational institutions had not achieved this through fair practice. When this statistic is extrapolated it is clear that Pakistan is cheating itself of future potential.

6 Report of the task force on reform of tax administration in Pakistan, April, 2001

7 Khalid, Azhar M (1996): Corruption in tax departments. Term Paper, Karachi: National Institute of Public Administration

8 Ahmed, Mehnaz and Qazi M. Ahmed (1995): "Estimation of the Black Economy of Pakistan through the Monetary Approach," The Pakistan Development Review, 34:4 Part II (winter)

9 reference.

Rampant corruption has also led to the dismissal of four successive elected governments, creating political instability. This *political instability* has contributed to Pakistan's vulnerability and lack of regional security. Finally, corruption, and the lawlessness and inequality it spawns, is also responsible for a negative image of the country internationally.

2.5 Conclusion

This chapter provides a snapshot of the nature, extent and impact of corruption and provides a clear impetus for change via a robust strategy and implementation. Clearly, before devising an effective strategy we must build up a realistic picture of the underlying causes of corruption and the systemic weaknesses of the national integrity system which compel and provide opportunities for corruption and protect the corrupt from detection and punishment. Chapter 3 will help put the analysis of systemic weaknesses in context, by setting out the genesis of corruption in Pakistan, and the various anti-corruption initiatives undertaken to tackle this evil.

3 The genesis of corruption and anti-corruption initiatives

3.1 Introduction

This chapter:

- outlines the significant phases and events in the history of corruption since independence including the effectiveness of enforcement efforts;
- highlights various anti-corruption initiatives which have been undertaken together with a brief assessment of the reasons for their failure and
- summarises many of the key underlying causes of corruption.

3.2 Genesis of corruption and enforcement efforts

If corruption is to be tackled effectively, we need to understand how corruption has taken root in Pakistan so perniciously and why anti-corruption drives of the past have failed to address the problem adequately. This section provides a brief analysis.

Two crises played a major role in the genesis of corruption in Pakistan; the second world war and the mass migration as result of partition. World war II led to an alarming increase in the procurement related corruption leading to the creation of the first specialised anti corruption agency in the Sub-continent, the Special Police Establishment. The migration resulted in vacuum in a number of areas creating weaknesses having lasting effects that triggered the initial phase of corruption.

In 1947, Pakistan inherited a *weak economy, inexperienced politicians and a professional civil Service*. Civil servants filled the vacuum created due to the lack of experienced politicians and took over governance of the country, running ministries even assuming the posts of Prime Minister, Governor General and President. The British tradition of *pervasive, intrusive, extractive and elitist government* was maintained. On independence, the evacuee property distribution created several opportunities for corruption and in the following two decades corruption was facilitated by the over-regulated *Industrialization policies*.

The level of temptation was enhanced by the increased inflow of *foreign aid* for huge infrastructure projects under military rule from 1958. Dictatorial rule coupled with the Press and Publications Ordinance further diminished the lack of *public accountability*. This was made worse by the fact that eminent politicians were weeded out through the Elected Bodies (Disqualification) Ordinance 1959.

Nationalisation in the seventies combined with civil services reforms and a purge of over thirteen hundred civil servants proved a critical trigger point. The weakened and *insecure civil servants* were asked to take on greater responsibility for running the nationalised units. It was difficult for them to resist demands of political inductions into these corporations as the state took over the role of the primary

employer. Devaluation and the oil crises *eroded purchasing power*. All these factors combined to increase incentives for, and opportunities of, corruption.

The remittances from the Gulf and resultant consumption spree had a strong *demonstration effect* and the desire to become rich overnight spread across the society. However, the worst indulgence was seen in the period 1985-99 when the political elite broke all shackles of law and morality to indulge in rapacious loot and asset building. Five governments were dismissed on charges of corruption during this era with no change in attitudes.

Awareness of the issue of corruption has existed, as evident from anti-corruption drives undertaken from time to time. Legal initiatives started with the Prevention of Corruption Act 1947. Laws like Public Representatives (Disqualification) Act 1949 and the Elected Bodies (Disqualification) Ordinance 1959 were introduced to disqualify corrupt public representatives from holding public office. However, they were perceived as exercises in political victimisation.

Anti Corruption agencies created after the independence include the FIA that replaced the Pakistan Special Police Establishment (PSPE) in 1975. The provincial ACEs (initially the West Pakistan Anti Corruption Establishment formed in 1961) were established after the break up of one unit in 1970. Hampered by complicated procedures and political interference, these organisations have *proved totally ineffective*. In fact, they are themselves infested with corruption and lack capacity for the task assigned to them.

Despite the presence of these organisations, corruption was on the rise. The ACAs themselves were not unaffected and became victims of the malaise they were meant to control. In time, they were used for strong arming opponents of the government.

So widespread became corruption in ACAs that various governments had to resort to new institutions such as Inspection Commissions. The Ehtesab Bureau was established in 1997, supplementing the Ehtesab Commission created in 1996. The Bureau assumed responsibilities for investigation while the Commission was given the task of prosecution. However, despite being backed by a strong law, the organisation failed because of its misuse for political victimisation. The Ehtesab Act of 1997 thus lost public credibility because its focus was seen as exclusively on leading political opponents. The Ehtesab Bureau wasted the opportunity to construct a sustainable and fair mechanism for rooting out high level corruption. The National Accountability Bureau (NAB) of the new government replaced the Ehtesab Bureau in November 1999. The Ehtesab Act was also replaced by the NAB Ordinance.

The NAB and the NAB Ordinance has the *best record to date*. It has broken ground into hitherto sacrosanct domains and made accountability a real prospect for all public office holders. Criticism of the organisation varies from those who consider its law to be "draconian" to those who consider it slow and compromising, the latter accusation is specifically aimed at the plea bargaining clause. Despite the criticism, the Bureau enjoys greater credibility than any other anti corruption organisation.

Anti-corruption initiatives aimed at prevention have been conceived in the past also and include various commissions set up to study the problem and policy

initiatives. In 1921 the former Punjab Government set up a Committee to examine the forms of corruption, the conditions under which it flourished and the need for reform and other remedies. Recommendations were made in respect of individual departments but nothing tangible happened by way of their implementation. It has been an unhappy case of "history repeating itself" ever since. Of course, there have been changes and whilst some recommendations have found their way into the system, most still remain as recommendations, and as will be seen from the result of the NACS Project, are all too familiar in their content.

The preamble of one particular report is particularly pertinent: In 1961, concerned at the ever increasing volume of complaints against public servants, the President tasked his Secretaries' Committee to question procedures and laws. A few recommendations of this Committee were accepted and implemented, but the scope of the enquiry was very limited and a full-time commission with broad terms of reference was considered. They reached the conclusion that "since some quick action was called for to check the rising tempo of corruption, a committee of experienced officers might look into the question and make its recommendations in the matter of laws and procedures specifically so that delays of court cases, departmental enquiries and other drawbacks and loopholes in procedures ... be quickly remedied".

The President appointed a Special Committee for Eradication of Corruption from Service consisting of 6 members and chaired by Mr Fida Hussain, then Principal Secretary to the President. The Committee's terms of reference were (a) to examine corruption in the public services and (b) to examine measures for the eradication of corruption in various forms in the public services. The Committee delivered its findings and recommendations not in the proposed couple of months, but a year later, having found that there was no "quick" way to address the problem and that it was not merely a case of recommending changes in laws and procedures but that long term measures were required to "set a healthy tone in society". Identification of this fundamental concept is the essence of ensuring a successful anti-corruption strategy. This *basic requirement has never been taken up by Government*. This time, it must be.

The latest Report (prepared in 1987 by the Committee for the Study of Corruption and chaired by Aslam Hayat) was the most comprehensive, covering public perceptions on corruption, and identifying and measuring the extent of public concern. But it does not propose anything sufficiently clear and measurable to be successful. The Survey is useful and provides evidence of the situation at that time - with the most corrupt institutions (i.e. WAPDA, tax etc) showing that, even then, public services were not actually serving the public adequately. But surveys do not solve corruption, they merely measure the scale of the problem.

Overall, these various anti-corruption drives and initiatives failed for two reasons. The *Political Will and capacity* to tackle the problem have been lacking within the political elite. And, all previous commissions and reports merely put on paper their findings and views together with a set of recommendations on what they believed should be done to address the issues. No way forward for implementation was designed, thus they remained just recommendations.

Nevertheless, these past efforts do have one use: they serve as an important lesson for the NACS project. Their failure emphasises how imperative it is to *secure*

ownership and commitment from those to be charged with the responsibility for execution of the strategy; to obtain the widest possible involvement from stakeholders from across the national integrity system.

3.3 Causes of corruption in modern day Pakistan

The reforms since 1999 have offered a brief respite from the steady decline in public and economic standards. For the first time in many years, the leadership has set a standard of public morality which is widely recognised. However, despite important government reforms in a number of governance areas, the underlying conditions for corruption persist.

The challenge is to understand why, when faced with temptation, officials engage in corruption, and why the public often colludes. At the individual level, corruption results from need or greed combined with opportunity, when there is *low fear of detection and/or punishment*. The need or greed element of corruption must be understood in its wider context by which the system fails to provide a viable alternative to corruption. Key factors include:

- *Economic*: Inadequate pay, pensions and public service provision, plus large families;
- *Social/cultural*: Conflict between demands of modern bureaucracy and demands of baradri, family, ethnic and other ties; social pressures for ostentatious demonstration of wealth, dowry and to provide for one's children ;
- *Developmental*: Low rates of literacy, social empowerment and opportunities for self-improvement; inequitable distribution of wealth and economic growth;
- *Political*: the feudal power structure at the rural level; low levels of political competition; political instability, and intermittent military rule, have weakened institutions; with poor example set by politicians;
- *Legal and judicial*: Justice is inaccessible, slow and selective, encouraging contempt for the law and an attitude of "everyone for themselves".

3.4 Conclusion

This chapter provided some insights into the historical factors and the present economic, social, and political factors in corruption. Chapter 4 sets out in some detail the systemic weaknesses in each of the national integrity pillars which create the more immediate compulsions for corruption, provide opportunities for corruption and prevent the corrupt from facing detection and punishment.

4 Systemic weaknesses in the National Integrity System

4.1 Introduction

The primary conclusion of the review and assessment phase is that Pakistan's national integrity system - its institutions, political processes and civil society in particular - are extremely weak. These weaknesses allow corruption to flourish and go unchecked.

This chapter outlines some of the key systemic weaknesses in the major pillars of the national integrity system and briefly explains how these systemic weaknesses perpetuate corruption. Some may say that many of these weaknesses might seem distant from actual acts of corruption. The answer to this concern is that corruption is caused by a persistent failure of governance. To eradicate corruption, a working system of governance must be constructed or reconstructed. In many cases, adequate provisions are in place to prevent and combat corruption. The missing ingredient is Political Will to enforce them.

Each pillar is examined in turn. We start with the country's political system before examining the executive and other state bodies or sectors: the public accountability bodies, the anti-corruption agencies and law enforcement; and finally, the legal system and judiciary. The discussion then turns to the other three critical players in the national integrity system: the media, civil society and the private sector.

4.2 Legislature and the political system

Stakeholders' disappointment with the political system was unanimous and this section of the report reflects that. The political system is characterised by low levels of political competition, poor quality of candidates, an undemocratic and unaccountable party system, unreliable voting and weak political leadership. Underlying causes of a weak political system include low literacy rates, feudal structures and income disparities.

4.2.1 Ethics and political leadership

The political leadership *sets the country's ethical standards*. Sadly, in Pakistan's case, it is the elected governments which have set such poor examples in the past by exploiting public office as an opportunity for self-enrichment, looting the public coffers, massive incompetence and betrayal of public trust. While stakeholders, largely consulted in February to April 2002, were unanimous in crediting the current leadership with clean government, it is clear that this is due to the integrity of powerful individuals rather than due to any sea change in ethical leadership in the country as a whole. The widespread fear of the people is that this could change overnight with a new government.

Sadly, the flagrant abuses of power by so many past public office holders, even when these office holders espoused anti-corruption and accountability, now *undermines future attempts at tackling corruption*. For example, as mentioned

at section 3.2, the anti-corruption agencies were used as tools for political victimisation and many thus expect the NAB to engage in selective accountability. There is a fear of the accountability processes crashing unless buffered from political influences in the future setup.

As outlined at section 3.2, previous attempts at tackling corruption have lacked political backing and have originated only from government source without the involvement of other parts of the national integrity system. The risk of unreconstructed Political Will is now the greatest threat to the successful achievement of the NACS goals.

4.2.2 Political party system

Pakistan's *political system is highly elitist*, with candidates and political leaders largely drawn from the feudal classes and, in recent years, the affluent business classes. Politics became increasingly attractive after the non-party elections of 1985 when the absence of party allegiance meant that the majority of a new breed of politicians had to be kept together by giving incentives like allocation of development funds. This gave great impetus to corruption. The reasons are clear as to why the middle classes and others are excluded. Elitist circles exclude them. Moreover, fighting elections has required the upfront investment of considerable sums of money, which is beyond the means of an average, even a middle class citizen. The political party system is thus *dictatorial and undemocratic*. Most political parties are personality driven, with virtually no alternative leadership. Elections for party posts are unopposed. Two main parties have life presidencies. Any difference in opinion among leaders often results in a party subdividing into factions. Ethics management within the party is non-existent. No kind of action against any party member on charges of corruption has ever been initiated. Issues of personal morality and responsible citizenship of candidates do not feature on the agenda after power has been attained.

Party funding is non-transparent. Party accounts are seldom audited despite the Political Parties Act's stipulation to the contrary. This provides opportunities for unscrupulous elements to further their interests using the party platform.

4.2.3 Electoral system

There are widespread suspicions that the democratic voting system is frequently abused or manipulated and that voting is heavily influenced by influences of 'biradari' and familial ties. Poor control over identification documents helps in the manipulation and purchase of votes, although NADRA is taking strides forward in this area. There are substantial opportunities for the abuse of female votes given the taboos against women leaving their homes (chadar and char devari). The electoral system can also sometimes fall victim to outright harassment and coercion for securing votes. Gerrymandering is not unknown. Deliberately ill-designed constituencies, which have difficulties of outreach, increase costs of contesting the election. This helps exclude potential candidates. Even the placement of polling booths is influenced to restrict access to those who would not vote for the favoured candidate.

The 'first past the post system' electoral system has been blamed for distortions where a candidate can be bribed to either step down to assist election of a favourite candidate or to play the spoiler by dividing opposition votes.

The *campaign funding rules* aggravate matters. Candidates and parties are self-funded. Many candidates seek to recoup their investment in the campaign and reward supporters by abusing their position once in public office. Campaign, as well as party funding lacks transparency and independent audit.

The *Election Commission and related procedures are weak*. Election procedures were revised through The Representation of the People (Amendment) Ordinances of 1993, 1995 and 1996 in an effort to make the entire process more stringent and transparent. However, the impact of any new offences created under the said Ordinances was diluted, due to the wide powers granted to the Election Commissioner to condone any or all of the new offences. Moreover, the Election Commission does not seem to have any powers to enforce the requirements of the amended law. The weak punishment schedule for corrupt practices has failed to deter the candidates. It appears that some control is exercised at the time of processing nominations of candidates when the opposition and perhaps the general public can raise objections regarding the suitability of a candidate.

4.2.4 The Legislature and parliamentarians

4.2.4.1 *National and provincial assemblies*

The Parliament is a fundamental pillar of any national integrity system based on democratic accountability. Its task is to express the will of the electorate through their elected representatives who, on their behalf, hold the executive to account. Sadly, recent governments have seen the institution plagued by inherent weaknesses caused largely by the underlying political system and culture noted above. These have undermined Parliament's achievement of its goals and transformed it into a bastion of corruption. As a result, the executive has been able to act without accountability and increasingly against the public interest.

The outcome in recent years has been a set of, by no means all, but many legislators with low integrity, reflecting the overall political culture, where the desire for power at all costs meant political expediency. There was no bar on legislators crossing the floor without having to resign first and fight a by-election. It is well known that many *legislators tended to usurp executive functions* and indulged in practices like nepotistic recruitment and transfers and postings of the 'right' kind of officials to places of their choice. While civil servants are banned from approaching legislators for favours, there is no enforceable code of ethics prohibiting MPs from interference in executive functions. As in many countries, Assembly members have tended to advance the cause of individual constituents, when they should represent the population as a whole by demanding fair distribution of quality public services and accountability of the government. There exists a system of "bending the rules" and patronage between politician and bureaucrat and between politician and constituent.

Parliamentarians of the past had *neither the desire nor the ability to comprehend legislative content or the oversight role of the Parliament*. As a result, amendments to the Constitution have been passed in less than an hour. Privileges and perks for parliamentarians have been passed without debate. The plethora of

parliamentary committees to monitor the executive's work remained either inoperative or ineffective due to the disinterest of legislators.

There has been *no effective bar on corruption*. There is no law governing conflict of interest. There was asset declaration but no effective monitoring system existed.

Although this should be improved by the Representation of People, (Amendment) Ordinance, 2002 which provides for annual declaration of assets to the Election Commission, there are still concerns about how effectively the returns will be monitored.

4.2.4.2 Local government

The country has high hopes of the devolution plan for re-energising genuine democracy and providing local accountability. An elected assembly of public representatives is responsible for policy related issues and the approval of by-laws, taxes, budgets and development plans. Such councils are also responsible for monitoring through various committees and translating the public aspirations into practical policy initiatives. This set up is cascaded at each level of district, tehsil and union, with Nazims and a team of government officials forming the local administration and a body of elected public representatives forming Councils at each level. Both these arms should work in co-ordination to promote public participation and keep checks and balances in place. The local government plan has only recently ended its transitional phase, but some initial observations can be made.

The *elections of Nazims and Naib Nazims* has retained traces of pollutants of the old political environment. A large majority of those elected have close ties with political parties that have allegedly been involved in large scale corruption in the past. Stakeholders expressed concern that people have not been able to relinquish prejudices on the basis of cast, creed, social, feudal and political influences. Votes have been purchased and sold taking advantage of the economic necessities of the masses.

Without proper accountability and control, devolved powers can play havoc if resting in wrong hands. The Chief Executive of the province has therefore been given powers to keep a check over Zila Nazim: he has the power of recall, suspend or, on the recommendation of the Local government commission, to set aside an order of Zila Nazim. The Local Government specifies the conditions under which he can do this and corruption figures highly in this. As these powers are over and above the checks available on the Zila Nazim through the Zila Council, monitoring committees, Zila mohtasib, these additional powers have *cast doubts on the autonomy of the local governments*. The Zila Nazims are perceived to be at the mercy of the provincial governments. However, an appropriate system of checks and balances is critical and difficult to achieve.

4.3 Executive

The executive, both its policy making and administration, is also plagued with systemic weaknesses. Before we move to the analysis in each of these areas, it is interesting to note how common causes and systemic weaknesses are reflected in the views of respondents in the TI-Pakistan survey.

TI-Pakistan survey of government's customers

Respondents attributed corruption to the following factors. The weightage (total 100%) is given in brackets.

- *Lack of accountability (31.68%)*
- *Low salaries (16.54%)*
- *Monopoly of power (16.43%)*
- *Discretionary powers (12.61%)*
- *Lack of transparency (9.97%)*
- *Power of influential people (4.59%)*
- *Red tapism (4.28%)*
- *Shortages of demand and supply (2.26%)*
- *Other/no answer (2.64%)*

The weightage of these factors varied across the departments - this is the average.

The above results emphasise the need for stronger accountability: internal to the institutions and external to customers via *detection and punishment as a deterrent*. Pay is also obviously a key factor. However, all the other factors - the way in which *government undertakes its business* - total to 50.14%, just outweighing accountability and pay. This picture presents us with a clear way forward, even before we set out the detailed review of the systemic weaknesses in government: prevention of corruption requires a reduction in compelling factors (i.e. low pay), minimising opportunities for corruption and increasing the deterrent effect of detection and punishment.

We have split the analysis of the executive in sub-sections for ease of reference:

First, *role and function of the state* argues that the state is all pervasive, it retains monopolistic powers and officials use excessive regulation and red-tapism to extract rents. Opportunities are created for corruption at all levels with the impact particularly severe on the private sector and on revenue generation.

Secondly, *public sector management* examines how corruption is sustained by failures in leadership, human resource management, competence, ethics management, accountability mechanisms, internal controls and the enforcement of disciplinary procedures.

Thirdly, *Public interface functions* analyse the way in which government delivers its services and creates opportunities for petty corruption. The section discusses weaknesses in, or absence of: rules and processes, standardisation, automation, misuse of discretionary powers, service orientation, transparency, accountability and complaint redressal.

Fourthly, *local government* seeks to understand the potential impact of devolution on petty corruption and raises areas of concern which must be addressed.

Fifthly, *development, procurement and contracting* examines how opportunities are created for the grand and middling corruption in these areas.

Finally, *financial management* sets out weaknesses in public sector management of its resources which create both the climate and direct opportunities for corruption.

4.3.1 The role and function of the state

4.3.1.1 *Pervasive and monopolistic government*

Like most developing economy governments, Pakistan has a history of pervasive government and government involvement in commercial activity. The state initially got involved in enterprises such as Pakistan steel mills, fertilizer and cement plants, and manufacturing of heavy machinery and tractors when the private sector was perceived to lack capacity of investment and management. After nationalisation the state also took over areas that were traditionally the domain of private sector such as rice husking mills, ghee mills, printing press and the financial and insurance sectors. The indirect effect is that the reach of the state *stifles the expansion of the economy* by a healthy private sector, denying the country much needed revenue and source of jobs outside the public sector. Government does not generate wealth. At its best, it encourages economic activity by maintaining healthy competition and by ensuring that quality education generates a talented workforce. Otherwise, it consumes wealth. In Pakistan's case, government has gone beyond the stage of merely draining the economy; it constitutes the largest single provider of employment, abuse of powers and unchecked criminality.

The direct effect of government's involvement in commercial activity is that it *exercises monopoly power through its public sector corporations*, shielded from proper oversight and private sector efficiencies. The most glaring examples in Pakistan are WAPDA and Railways where service delivery has been greatly damaged by corruption resulting from a lack of competition. Other main areas of corruption as, identified by senior management of some of the largest corporations¹⁰ include corruption in recruitment, in procurement and contracting, and in the misappropriation during movement of goods. Right from their inception, these public sector corporations were identified as providers of employment. Massive political inductions produced an unsustainably large workforce that was highly politicised and unprofessional. Trade union leaders have been known to run these organisations in unscrupulous ways for financial profit as well as political influence. Non co-operating senior managers have been threatened, physically abused and even implicated in false cases. In periods where corrupt senior managers have been at the helm of affairs, corruption has been rampant and is manifest in the financial state of these organisations. The issue of corruption in procurement and contracting are shared with the remainder of the public sector, and are covered at section 4.3.7.

¹⁰ Heads of Pakistan Steel Mills, Karachi Port Trust, Port Qasim Trust and a senior officer from Karachi Electricity Supply Corporation were interviewed by the NACS team.

A number of corruption cases of public sector corporations have been handled by NAB. Senior managers have been convicted in some of the cases while a number of investigations are still underway. *Successive governments have pursued privatisation* at varying speeds since the early 1980s. The most accelerated effort was made by the 1990 - 93 government when The Disinvestment and Deregulation Committee¹¹ identified 109 industrial units and four nationalised commercial banks for privatisation. Soon, however, the integrity of the privatisation process was challenged as evidence grew that the privatisation process was being abused for the private gain of those responsible. The privatisation process was severely criticised for lack of transparency, incorrect and inconsistent bid evaluation procedures and favouritism, as some bidders had privileged access to information and competing bids.¹² This experience has undoubtedly tainted Pakistan's enthusiasm for privatisation but international experience and a wide range of stakeholders have confirmed that this is a key route to cutting opportunities for corruption.

Privatisation has slowed down - almost halted at present - for macro-economic and other reasons but the government remains committed to it. The macro-economic case for privatisation is clear and does not need to be elaborated in this report.

4.3.2 Government's regulatory and tax functions

The government's regulatory and tax collection function is one specific area of service delivery which, right from independence, has been designed in a manner that has allowed the state to be intrusive and to extort rents, particularly from businesses. The economy continues to be highly regulated, despite greater openness and deregulation in recent years. The regulatory regime can be split into two types of intrusion. First, there is the direct intrusion into individual businesses and households justified by the policing of regulations or by taxation. Secondly, macro level policies allow the state to intervene in the market through the discretionary allocation of subsidies, quotas, price ceilings etc. Both types of intrusion create incentives as well as opportunities for corruption. Relevant portfolios, for example the environment ministry, have become so lucrative that they are sought after by ministers and officials.

The bulk of the more *directly intrusive regulation* lies with the provincial and local governments. The chief protagonists as identified by stakeholders, in this case are taxation, labour and (national) health safety and environmental controls. Areas of regulation where state functionaries visit business premises include minimum wage inspection, employment exchange inspection, boiler inspections, weights and measures and many more.¹³ The Board of Investment has identified similar areas for reform. The inspecting official is normally from the lower ranks with low pay. He arrives without notice, threatening to issue closure notices which would be costly and time-consuming to challenge; backing off only on receipt of

11 The committee was dissolved and replaced by the Privatisation Commission in January 1991.

12 Japan's Institute of Developing Economies: 1994.

13 The key laws justifying this intrusion are: Factories Act, 1934; Employment of Children Act, 1938; Employeemeey's Cost of Living Act, 1973; Disabled Person Employment and Rehabilitation Ordinance 1981; Factories Adult Exemption Rules, 1990; Standing Orders Ordinance, 1966; West Pakistan Maternity Benefit Rules 1961; Minimum Wages Ordinance, 1961; Payment of Wages Act 1936; Industrial Relations Ordinance 1969; Factories (Record of Service) Act, 1934; Shop and Establishment Ordinance, 1969; Apprentice Ship Ordinance 1962; Employees Social Security Ordinance 1965; Employees Old Age Benefit Act 1976; Boiler Act 1975; Electricity Act 1917 and Electricity Rules 1937; Income Tax Ordinance 1979; Sales Tax Act 1990

his price for going away - his formal duty undischarged. Added to these visits are the forays of taxation officials from federal as well as provincial governments.

Businesses are required to pay at every juncture. Clearly, some degree of collusion exists in many cases but extortion is common. This activity proves so lucrative for officials that government processes appear to be almost engineered to provide opportunities for rent extraction. For example, The Sindh government has revealed that an average manufacturing concern was, hitherto, visited by twenty seven officials from various government departments.¹⁴ A World Bank survey of 200 firms in 1995 had similar findings.¹⁵ The power of these officials lies in their excessive discretionary powers in the context of complicated laws and procedures. For example, complicated assessment systems allow tax officials opportunities for corruption. The worst are the provincial and the local taxes which have much lesser impact on revenue¹⁶ but are as intrusive as the others.

The whole society is affected, but the burden falls disproportionately on the business community, from whom bribes are extracted on a regular basis. There is a general consensus that the regulatory system, while allowing corruption to flourish, has hardly improved the economy, industrial or environmental standards, or labour conditions. And the plethora of taxes is another major impediment to growth of businesses in the country.

The Federal government has formed the Inter-ministerial Task Force on deregulation that includes representatives of provincial governments, to propose reforms in exactly these areas.

Macro level regulations like quotas, subsidies and price ceilings do not lead to direct physical intrusion by the government, but nonetheless induce corruption. The players in this case are the senior level managers rather than the ranks. These regulations lead to excess demand through the control of supply or suppression of prices or both. The incentive to pay a bribe is high, given the differential between market price and the controlled one. As a result, goods can be sold for illegal considerations.

For example, the massive loan default of the 1990s had, among other things, its roots in the capping of the interest rates in earlier years. This capping had created high demand for credit allowing officials of the banks and financial institutions to indulge in rent seeking. Once loans were agreed on considerations other than merit, default was inevitable. Some of the mega corruption cases under NAB's investigation originate from the award of discretionary quotas in the case of restricted supply, for example Liquid Petroleum Gas (LPG) and textile quotas.

Deregulation of macro level state intervention has also been pursued over the years under various agreements with the International Monetary Fund. Recently some major inroads have been made as the state's regulatory role is under transformation.

¹⁴ Having identified the problem in all these areas, the Government of Sindh has been at the vanguard of initiating reforms in the system to reduce opportunities for officials and serves as an example to follow. See case study at section .
¹⁵ reference

¹⁶ '...almost ninety percent of revenue is collected at the Federal level and the remaining ten percent is distributed between the two lower tiers of government' Zaidi S. Akbar, *Issues in Pakistan's Economy*, Oxford University Press 1999.

4.3.3 Public sector management

4.3.3.1 *Civil service management and reform*

Stakeholders were clear in their unanimous vision of the motivated, meritocratic, performance driven, professional civil service with pride in its job that Pakistan must develop in order to eliminate corruption. Unfortunately, it was equally clear that failure to modernise its public sector management practices over recent years has led to an atrophy of the civil service and corruption is rife. Whilst limited civil service reforms have been started at federal level, and there are isolated initiatives in the Punjab and Sindh, the service needs root and branch reform if corruption is to be eradicated. Another clear conclusion of the consultation with stakeholders was that, not only is the government involved in too many commercial activities - see discussion at section 4.3.1 - but that, even in terms of its non-commercial activities, it is simply too large, which facilitates corruption. If "lean government is clean government", then the opposite is true. Too many institutions have functions which are redundant and may exist only to serve corrupt purposes, including self-enrichment of its officials. For example, the Federal Government has disbanded the National Development Film Corporation, the Government of Sindh has admitted that the Department of Weights and Measures existed for precisely this purpose, it has now been closed down as a result. The oversized government squeezes available resources desperately required to pay adequate wages and help prevent corruption. Although the Rules of Business provide, and the Federal Government now requires for budget purposes, departments to establish mission, vision and objectives, these are still, largely meaningless. They do not lead to rationalisation of government. Where government has been trimmed down, it has been due to visionary and bold leadership. Moreover, government will be impeded in its efforts to reform the civil service along "lean government" lines by the absence of reliable human resource management systems which prevent effective decisions about the size and shape of the civil service. It also generates a distinct form of fraud and corruption by allowing the emergence of ghost schools, ghost teachers, ghost pensioners etc. Government monitors sanctioned posts rather than actual staff.

4.3.3.2 *Ministerial and senior managerial leadership*

The *integrity, vision and competence of ministers and senior officials* has proved to be the key determinant of an institution's success in tackling issues of efficiency and effectiveness and institutional corruption. However, this leadership has been frequently lacking in the past. Furthermore, many of the grand corruptions of the past have been through the connivance of the minister and senior officials. Abuses of power have come in every conceivable form. Many are common to those noted throughout this chapter, for example, conflict of interest and kickbacks in public procurement. But one area of particular concern in the past has been the large scale discretionary powers accorded to senior officials and politicians, who had the legal right to make arbitrary decisions, used to obtain political influence. Such rights have been largely eliminated but examples from the past include the discretionary quotas of Chief Executives of the provinces for admissions to professional colleges and funding from the discretionary fund and the allotment of plots by the Prime Minister and Chief Ministers.

The causes of abuse in office by politicians is set out at section 4.2. Here we examine the role of the senior officials.

Senior officials operate in a politicised environment, where they rely upon patrons or other influential contacts, and are insulated from the need to demonstrate improved institutional performance under their command. In recent years ostensible displays of political affiliations, to win favours, by senior officials have been on the rise. Most senior managers are less concerned with the organisation's service delivery and more about appeasing the ministers and prime minister or the chief executive, as the case may be. The customer is the least empowered and he/she does not figure high in the priorities of senior management who consider it an issue to be 'sorted' out by the minions. At no level is he held responsible for failure in this area. So weakened have the senior managers become because of alienation from service delivery that they themselves at times are at the 'mercy' of crafty subordinates who monopolise knowledge of rules and regulations. In a number of organisations clerks reign supreme to the detriment of the customer.

Senior officials have become subject to this politicisation for a number of reasons examined throughout this document including low pay. However, there are a number of factors specific to senior officials.

The *absence of job security* has been consistently cited as a major reason why senior bureaucrats fall prey to the political and corrupt influence of their ministers. The civil service reforms of 1973 removed constitutional protection given to civil servants. The most significant changes included shift of disciplinary proceedings from Federal Public Service Commission (FPSC) to the Establishment Division, and arbitrary retirement of officials with 25 years or more service. Although the latter provision was ruled against by the Federal Shariat Court, the sense of insecurity continues to date. In fact, this lack of security is more a result of the arbitrary purge of over thirteen hundred government servants than the Reforms themselves; the combined effect has been a loss of confidence and professionalism. Mass purges of civil servants have become a regular feature since that time. In this insecure environment the civil servant is less likely to resist political interference in administrative matters and more likely to ignore or collude with the Ministers in corrupt acts and also to look after himself, given the uncertainty of his position. The 1998 amendment in the Rules of Business at least allows senior civil servants to appeal to the Prime Minister in the event of dispute with a Minister.

The civil service tradition of *generalists filling specialised posts* has been identified as a cause for their poor control and general inefficiency. Strictly speaking, generalists filling senior management positions is not a defective concept. However, it is important that the tenures are sufficient to allow officials to grasp key issues and undertake effective policy making. In practice, senior managers drawn from generalist cadres are rotated frequently, thereby depriving them opportunities to develop specialised technical skills needed to ably lead specific institutions. Strengthening is required also of general *leadership and institutional reform skills*.

There is *limited lateral entry* for senior bureaucratic posts, which limits the number of leaders with experience of running performance driven institutions. Where senior managers have been brought in from outside the public sector,

meritocracy and transparency have not figured highly - personal interests and cronyism have played a greater role than competition.

A major impediment to senior managers' ability to master their role is also their *unwieldy responsibilities*: complex, out of date rules and procedures, unclear institutional structures, within which it is difficult to determine responsibility and accountability, with vast areas of bureaucratic regulation under their control. In the absence of clearly defined job specifications and adequate delegation their *time is excessively spent on minor matters* - leave, budgets, hiring and firing etc. This limits their time and energy for critical strategic matters, such as eliminating corruption. Furthermore, they have inadequately trained human resource and lack of financial or operational autonomy to allow them to tackle problems such as corruption.

Last, but certainly not least, senior officials have been inadequately *held accountable for establishing sound internal controls*. This is partly due to a misconception within government that internal controls means no more than financial controls and internal audit. This is a damaging misconception as it allows controls to be seen as tiresome, a matter for the finance function only, and, overall peripheral to the running of a ministry. In fact, the absence or inadequacy, of controls is a major factor in the spread of corruption. Internal controls are those internal systems, procedures, plans and methods which ensure that an organisation's mission, vision, objectives and targets are successfully achieved through the effective and efficient use of scarce public resources. As can be seen in the following box, sound internal controls involve establishing many of the mechanisms noted throughout this Executive section as being absent. For our purposes, we can assume that "risks" in the following box refer to corruption.

The key components of internal controls

Risk assessment: the setting of clear institutional objectives, performance indicators and targets and the communication of these to staff; identification of key operational, financial, compliance and reputational risks; understanding how risks arise; prioritisation of risks by senior officials;

Control environment: clear strategies and policies on managing risks; the creation of an appropriate code of conduct, values environment, organisational culture, human resource policies, and performance evaluation system to support the management of risks; investment in competence and tools to support risk management; clear definitions of authority, responsibility and accountability for each staff members through job descriptions; clear communication to officials what is expected of them in terms of values and performance levels; development of business processes which minimise risks, for example incorporating separation of high risk functions;

Monitoring and corrective action: processes established to allow the monitoring of achievement against objectives and status of risks. These may be external, for example, customer ratings of satisfaction and experience of corruption in the institution; internal processes include internal audit reviews; follow up mechanisms to ensure that changes in risks can be dealt with swiftly;

Information and communication: information system in place; regular, timely, relevant and reliable management reports provided to PAO and other officials reporting achievement against objectives and status of risks; channels of communication for the reporting of corruption, and other breaches by staff and customers; open lines of communication between staff and senior officials;

In conclusion, *if we truly wish corruption to be tackled within each institution, senior officials must be either provided with the enabling environment by the government (i.e. government-wide reform), or the autonomy, authority, resources and incentive to take these matters into their own hands.* Currently, senior officials are facing an uphill battle against "the system". There are signs of hope. A number of institutions have been, or are being turned around, by capable and inspired leaders, and these examples should prove as role models to the public sector.

4.3.3.3 *Recruitment and selection*

The first step for any institutional leader is to ensure meritocratic recruitment, as without this, any attempt of tackling corruption will be flawed. The recruitment of unqualified officials based on patronage and nepotism is both a form and cause of further corruption, when it engenders cronyism. Those recruited without merit use their contacts to ensure lucrative postings and protection against disciplinary proceedings, and their induction has proved to be infectious in terms of corrupting their colleagues selected on merit. Non-meritocratic recruitment continues to be a problem in the following areas.

First, departments recruit directly for most *non-gazetted employees*, and it is here that problems of non-meritocratic recruitment persist. It is also in these grades that corruption appears to be most rampant. Secondly, non-meritocratic recruitment has existed in public sector corporations which have their own recruitment rules and systems. These corporations have been used for political appeasement and are invariably overstaffed with political appointees who are predominantly inefficient, incompetent, corrupt and wielding political backing. Furthermore, the political appointments of senior management at banks and development financial institutions has been a major factor in the massive loan defaults. Thirdly, the tool of lateral entry, which should have provided a route for recruiting skilled management and technical expertise was misused by governments for political recruitments. This issue is now resolved, however the issue of *consultants* is still contentious and there is a demand that their appointments be made transparent. Establishment Division has issued a letter that now lays down the procedures and criteria for transparent selection of these consultants.

4.3.3.4 *Remuneration*

Civil servants find themselves inadequately remunerated but with high levels of discretionary powers. This mismatch lies at the heart of the corruption at lower and middle levels. There is no doubt that there has been *erosion of the public sector remuneration* from 1972 onwards, and that there is no mechanism for linking public sector pay to inflation. The Pay and Pensions Committee of the Finance Division has only made two incremental changes in the last ten years, including a sizeable increase in public sector salaries from 1st January 2002, without impacting the real buying power positively. As a result, an official such as a Station House Officer (SHO), holding significant amounts of power over the public, will earn no more than Rs. 6000 per month. Furthermore, there has been a *decline in the availability of quality government accommodation, schooling, and health services* requiring government servants to resort to market priced services.

Although low pay is predominantly an issue for low and middle wage earners, it is significant to note the increasing differential compared to the private sector for higher grades. During the last 30 years, the remuneration in the private sector have increased from Rs. 4,000 to an average of Rs. 300,000 for the most senior positions,¹⁷ whereas, the basic pay of a BPS-22 Secretary, for example, in contrast, have increased only five times from Rs. 3,000 to Rs. 17,000.¹⁸ However, this Rs. 17,000 cash payment represents only a small portion of senior civil servants' average Rs. 100,000 total monthly remuneration package, as senior bureaucrats and others, such as officials posted in the field, receive a significant amount of their remuneration through *allowances and in-kind benefits*. This system hides the bulk of officials' earnings, encourages opportunities to squeeze more out of "the system"; yet, in the case of a Secretary, does not provide him with the standard of living he might expect at that grade. Nor, critically, does it provide him with cash to ensure an adequate standard of retirement security. The lack of retirement security is often quoted as a major cause of corruption at senior levels.

The perks and privileges system plays a factor in corruption in other ways also. There are significant differences between the benefits of the same grades in different postings. These differentials create *distortions in the transfers and postings of officers*, leading to political interference and corruption through influence. Personal contacts then become more important than efficiency and professionalism. The differences also cultivate a sense of deprivation so that when officials are posted to headquarters they try and gain access to privileges using their influence.

In-kind benefits also provide easy opportunities for officials to misuse state assets, in ways which are difficult to monitor, and *reduce the transparency of the level of officials' own assets*. The distinction between *state and personal becomes blurred*, which could engender an attitude extending into more overt corruption.

4.3.3.5 *Transfers and postings*

As mentioned above, *lucrative postings*, gained via bribes and influence, have been a well trodden route to supplementing poor remuneration. Transfers and postings are a massive source and cause of corruption. Transfers and postings can be made on an arbitrary basis, by one individual's decision, and bureaucrats exploit the weak systems in place to reward or punish officials. Honest officials use their influence to avoid working in areas prone to corruption and they find themselves transferred when they resist corruption within new postings. This is an effective tool for political interference with a devastating impact on the welfare and morale of the honest officer and his family. The most deserving officials are placed where they can do least to improve service delivery or combat corruption. *Merit plays an insufficient role* in transfers and postings.

4.3.3.6 *Promotion*

Merit is also lacking in the promotion system. Career progression is not based on professionalism, professional skills, objective assessment of performance, contribution to the institutional set up and performance in various training courses and critical

17 Pakistan: A Framework for Civil Service Reform in Pakistan, World Bank 1998;

18 Bangladesh: Government that Works: Reforming the Public Sector, World Bank 1996.

situations. Although improving in the officer cadre, for example, the exams run by FPSC for promotion of all groups from 18 to 19 are a welcome development, the standards of promotion policy are still insufficiently based on the principles of merit. Under the current design, grades beyond grade 19 should be given on a selection basis. However, the whole system has become promotion based in practice, dependent on the criteria of 'seniority cum fitness'. In effect, this relies on the Annual Confidential Report (ACR) system which has failed to provide objective criteria as most reports are over stated, a known record or reputation for corruption is not reflected in the evaluation by the reporting officer.¹⁹ Therefore corruption is no bar to promotion. Improvements in the performance evaluation system are being undertaken by the Establishment Division.

4.3.3.7 *Competence and training*

There is a crisis of competence in the civil service, linked to low pay. Difficulties in recruiting high calibre candidates and low incentives to display skills are exacerbated by the generalist tradition. There is no discernable systematic transition towards functional specialisation, as the few individuals selected from the private sector do not reflect a systematic trend, and there is lot of resentment against the pay and perks enjoyed by them. The initial selection in the Central Superior Services (CSS) occupational groups is not based on specialisation. Since these cadres, especially the District Management Group, dominate the managerial and supervisory positions in the country, both at the Federal and Provincial level, their skills are important. Given the paucity of quality human resource in the country, initial selection without specifying the field of education is the best option possible. The problem begins where the officers once inducted, especially in generalist cadres like OMG and DMG, are not given an opportunity or an incentive to develop specialised skills. As a result persons with little relevant background are transferred to posts requiring specialised knowledge. This is especially damaging in economic ministries and finance.

Inadequate competence and training can sustain corruption in the following ways. First, low competence breeds a low sense of professionalism and pride in one's job. Without proper competence or training as a means to advance, officials may feel compelled to resort to corruption. Secondly, supervisory staff often do not have the knowledge and skills to adequately monitor their staff and check corruption. Management and decision making skills are poor. Thirdly, without competence in key areas, such as IT, the civil service will be unable to develop the tools, such as automation and e-government which promote transparency and prevent corruption.

Effective training provision is critical to strengthen competence, develop a sense of professionalism and instil core values in officials. However, there are significant *weaknesses in the provision of training*. There has been an improvement in the training regime for officer cadres, but it is still far from sufficient levels in requisite areas. At least the officers, especially the CSS cadres have full fledged academies for training. The training of grades 1-16 officials is more or less neglected in most services. Some organisations like CBR have taken up the issue more seriously and improvements are discernable.

¹⁹ This problem is owed to a great extent to the right of their subordinate to challenge adverse entries. There have been cases where reporting officers were involved in protracted litigation because of an adverse report given to a subordinate.

4.3.3.8 Public sector ethics and integrity

The existing ethics management system established within the civil service has failed in achieving high levels of integrity. *The Government Servants (Conduct) Rules 1964*, which cover some ground, are not only inadequate but also little known and understood and scarcely complied with and enforced. Officials regularly breach professional standards and *conflict of interest provisions*. A number of provisions are now flagrantly violated e.g. the rules on acceptance of gifts are generally ignored.²⁰ The most flagrant violation has been of rule 19 that prevents a government servant from approaching a member of the assembly for intervening on his behalf in any official matter. Hordes of public servants have been approaching political mentors for transfers and postings. One further key area of conflict of interest is in the professionals' delivery of services in their field. Numerous examples were provided by stakeholders, of doctors and teachers deliberately providing poor services so that clients buy their private clinic and tutorial services. The TI survey highlights teachers insisting on pupils buying their books through designated shops where they get commission and this benefits relatives or friends.

The 1997 manifesto of the Pakistan Muslim League promised to pass conflict of interest legislation, but nothing was done. As a result, one of the most common source of mega corruption has been the numerous instances of changes in laws or government decisions, which benefit the business or private concerns of politicians belonging to current government regimes as well as to hurt the interests of their competitors.

The current system of *disclosure of officials' assets does not operate effectively* as a deterrent against enrichment by corrupt means, as there is no effective monitoring or transparency. Even the proforma has intrinsic defects that fail to allow the correct picture to appear. One of the major defect is its inability to clearly reflect cost of acquisition since it relies on market price. The declaration is only opened in the event of a query or investigation into the official's conduct. Despite mandatory requirements for filing of asset declarations the matter has not been dealt with seriously (with few exceptions) over the years. Only after the take over of this government and NAB's operations has the issue been taken more seriously by the bulk of public servants.

Ministers are covered by the Parliamentarians' rules, as described at section 4.2.4.1.

Case Study: NAB's Experience of Assets Declaration

In a number of cases officers have not been filing their returns regularly and yet the system has failed to detect the omissions. In one case an officer suddenly added property worth millions of rupees, purchased a few years earlier, along with the comments that it was an 'honest omission'.

²⁰ Other Rules flagrantly violated in recent times include rule 16, 16-A and 19. Rule 16 prohibits a federal government servant from engaging in private employment without permission of the government, 16-A prohibits sub letting of official residence. This is mostly done at the non officer level grades 1-16.

In another case the official had shown some property to be inherited from his mother who had died that year. On inquiry it was learnt that the property was purchased in the name of the mother a few years back by the official himself and declared only after her death.

One of the most suspect entries is the income from agriculture land. Since there has been no direct income tax on agricultural income it was the least expensive to declare. However in a number of cases the figures are extremely inflated to cover up for corruption

Training in ethics and integrity is either non-existent or very poor. Even in the officer training institutions subjects like code of conduct, Efficiency and Discipline rules, and financial rules are given inadequate importance and in most cases they are lumped with a host of other general areas. Not only does the young probationer leave without adequate knowledge of these rules the message given to him/her is that these rules are not important. Incoming ministers receive no ethics or integrity training at all.

4.3.3.9 *Organisational culture and management structure*

The development of integrity in the civil service is impeded by the organisational culture in many, if not most, institutions, which creates the breeding ground for corruption. Institutions tend to operate a *command and control culture, with low levels of employee trust and participation*. There exists a blame, competitive and victimisation culture, rather than a team atmosphere. The level of civil servants' pride in their job and morale is low. These factors play an inflammatory role in the spread of corruption - they breed a sense of alienation and injustice within the civil servant, which he uses to justify corrupt practices and inefficiency.

The organisational culture is determined by a number of factors, mentioned throughout this report - poor leadership, low pay, low meritocracy, lack of accountability. The *imbalance between cadre and non-cadre grades* is also a key determinant. A 2001 - 2 analysis of the Federal government revealed that only 7% of civil servants are in grade 16-22, the rest being in non-officer cadre of grades 1-15.²¹ It is in these cadres that the worst excesses of non-meritocratic and politicised recruitment have been committed over the years. It is lower cadre staff who dominates the service delivery functions, responsible for interface with the public and who defines the character of the institution. Lacking adequate pay, they are able to exploit rules and procedures as the basis for power, enrichment and security. When they owe their appointment to patronage, they also serve their masters and seek to enrich them and themselves. The serious imbalance between officer and non-officer cadre undermines the ability of officers to control effectively the outputs of their offices. The Committee on Rightsizing and Restructuring has set a target of 2.5: 1 for the staff: officer ratio for the federal ministries. If the CRR's targets were achieved, the savings for the total federal wage bill would be

²¹ Annual Statistical Bulletin of Federal Government Employees, 2001 - 2, Establishment Division

only approximately 1%, but the impact on the professional culture of the civil service would be significant.²²

The management style and structure also play a role in forming the organisational culture. Power and authority tends to be retained at high levels, with minimal delegation of responsibility but maximum transfer of nominal accountability down the management line. Such a tight grip on control creates a bottleneck in administration, inefficiency and the need to pay bribes, and reduces transparency. Often, this state of affairs has been engineered precisely for senior officials to gain access to the activity which creates opportunities for corruption - the issuing of a licence or exemption, for example. The centralisation of power leaves very little authority or autonomy with middle managers, who take their management and supervision responsibilities less seriously as a result. Managers do not accept responsibilities for the actions of their subordinates and are not held to account for their lapses. Managers' demotivation compounds their feelings of frustration at high workload, large number of subordinates, low pay and poor working conditions. There is an increasing recognition in government that delegation of responsibility will be required to allow the creation of an accountability mechanism. Accountability must remain with those responsible for a function. Any attempt to divorce the two opens the door to neglect, demotivation and abuse of power.

4.3.3.10 Accountability mechanisms

At present, there is an absence of modern management accountability techniques. There are no *output-oriented job descriptions* linked to institutional outputs.²³

The *performance evaluation system*, which should be the first building block in creating a results-oriented and accountable institutional culture, does not operate effectively. With no job descriptions, there is nothing to compare performance against. There are no performance evaluation criteria for each post, thus the process is largely subjective. No targets are set in advance against which an employee's performance can be objectively measured. Furthermore, the system is not transparent, being confidential.²⁴ It is also widely reported that personal relationships get in the way of objective assessment and feedback. Furthermore, there is little sense that officials' remuneration or continuance in post should depend on the performance evaluation. This accountability mechanism exists in name only. Senior officers who have given adverse reports have been known to be dragged into courts or harassed through fictitious complaints. The other important factor is that the report is not written on time. On most occasions they are written years later (even after the reporting officer has retired). This removes objectivity and clarity from the report.

Low levels of *transparency* make it difficult for officials to hold each other accountable. Staff may be unclear, for example, on departmental objectives,

²² In inviting proposals for restructuring to achieve these ratios, the Committee relaxed the requirements significantly for the attached departments and autonomous and semi-autonomous bodies.

²³ Although an exercise has begun to develop job descriptions for the Secretariat, these are traditional activity based job descriptions, not linked to re-assessed institutional objectives.

²⁴ While the report is 'confidential', the paradox is that most officials have access to ACRs through bribing or otherwise influencing clerks who are responsible for maintenance of the records

procedures, expenditure allocations, procurement plans, and approval procedures. This state of affairs frustrates those who would prefer to act with integrity and follow laid down procedures, and serves to conceal the acts of the corrupt.

One area which is particularly weak is the *accountability of senior officials for institutional performance*. Annual reporting of performance against objectives has never got off the ground in any widespread or meaningful manner partly because it was not mandatory. Even where reporting is mandatory, for example, via the external audit process, the exercise is superfluous, for example, audit observations remain uncomplained with for years. There is no forum at which senior officials and Ministers are required to report publicly on the performance of their institutions. There is neither a mechanism to evaluate performance nor a forum for this purpose.

4.3.3.11 *Internal controls*

As noted, the establishment of internal controls has not been a priority for the government in the past. As a result, corruption has become a high gain/low risk phenomenon. The general control issues - such as human resource policies, performance evaluation, integrity management, accountability mechanisms, competence and training, and whistleblowing - are covered throughout this report. Here we outline flaws in several specific areas. For our purpose, risk is corruption.

There is *little or no formal risk assessment or strategies to tackle the problem*. Senior officials, tend to deal with corruption on a reactive, rather than proactive basis. There is *no monitoring or reporting mechanism* available to inform all senior officials about corruption in their jurisdictions.

Business processes are not configured around the avoidance of risk and corruption. In fact, as can be seen throughout this report, the opposite is true: business processes are maintained so as to provide opportunities for corruption. Common forms of weak internal controls include: inadequate separation of duties in key functions, for example assessment and collection of taxes, although this is being addressed by CBR; inadequate supervision of staff; absence of surprise checks on the activities of staff; no rotation of staff in risky positions; weak asset/inventory management; reliance on improperly maintained manual records which can be easily amended.

There is a variety of reasons for the weak controls. First, institutions have had *no external* help in establishing internal controls. Now, the Controller General of Accounts (CGA) Ordinance 2001 requires the GCA to develop internal controls for each government institution. It is important that this does not undermine the accountability of the senior officials for the controls however. Secondly, the adequacy of institutions' internal controls has *not been monitored*, so little attention was paid to them. This too is changing. The Auditor General's Department is in transition to a systems audit approach. It has already designed various indices to evaluate the effectiveness of internal controls for each department: a corruption rating index (CRI), financial governance rating (FGR), an accountability index and an internal quality rating for departments. These will be made publicly available on the website.

Thirdly, a myriad of other institutional factors, mentioned elsewhere also play a role in poor internal controls, for example: low levels of *training and competence*

amongst supervisory staff; *high ratios of clerical to supervisory staff*;²⁵ *low rates of technology usage; lack of documented procedures and job descriptions incorporating internal controls; overstuffed and non-transparent institutional structures with unclear lines of reporting.*

4.3.4 Detection and discipline

Other arrangements to create a risk of detection and punishment of corrupt activities within government departments are also inadequate.

There is no recourse for employees to "whistle blow" about corruption in the institution, or complain to anyone about pressures exerted on them, usually by their superiors to carry out unlawful, corrupt practices. Clearly, there is also no protection for whistleblowers.

The design of the disciplinary process is reasonably sound, but the application of this is weak. The process is governed by the Efficiency and Disciplinary Rules 1973 and now the Removal from Service Special Powers Ordinance 2000, under which the services of more than 2,500 federal employees have been terminated.²⁶ Proceedings often extend over many months or even years, despite the 30 day limit set down by the E&D Rules, by which time, the institution may have lost interest or the initiator might have been transferred. Delaying tactics are thus the key means by which corrupt officials avoid punishment.

These weaknesses and delays are enabled by several factors. First, officials *lack competence* in how to pursue disciplinary proceedings which extends the length of the enquiry, and results in high rates of dismissal of proceedings on technicalities at the appellate stage. Secondly, *no institutional accountability mechanisms* are in place to ensure that enquiries are completed within the deadline. Thirdly, there are *no safeguards against enquiry officers being pressured*, or extorting bribes to influence the outcome of the enquiry or hearing. Fourthly, evidence brought against an employee must be proved to the inappropriate standard of "*beyond reasonable doubt*",²⁷ which makes it extremely difficult to find an employee guilty of an offence. Finally, despite the strengthened provisions, institutions are still not disciplining the corrupt adequately, due to *apathy or collusion with senior managers*. It is critical that senior managers give clear signals that corruption will not be tolerated and that disciplinary procedures will be implemented effectively.

The overall effect is that the general culture of accountability is clearly missing and the tendency is to protect, rather than punish, even the worst perpetrators. Officers who take up the issue seriously lose 'popularity' especially in occupational groups where the cadre feelings are extremely strong. Thus, the importance of

25 A 2001 - 2002 analysis of Federal Government for example revealed that only 7 % of civil servants are in grades 16 -22, with 93 % in the grades 1 - 15. Annual Statistical Bulletin of Federal Government Employees, 2001 - 2002, Establishment Division

26 The Provincial Removal from Service (Special Powers) Ordinances have not yet led to significant numbers of dismissals, but sends an important signal throughout the public sector.

27 This is the standard of proof needed to establish a criminal offence, as distinct from the "balance of probabilities" standard applicable to all civil law relationships. The only reason for inserting the higher standard seems to be to make discipline in the public service almost impossible to enforce.

excellent senior officials, committed to anti-corruption, is the recurrent theme throughout public sector management.

4.3.5 Public service delivery: Public interface functions

As noted at section 2.3.2, citizens - the government's customers - are forced to withstand a relentless tide of petty corruption when they access government services, whether it be health, education, police or utilities. The worst offenders are the front line officials - the pharmacists, teachers, duty police officers or meter readers. Many factors impede the development of a modern, service-oriented, accountable, transparent and dynamic public sector delivering services to the public efficiently and effectively. Until the state delivers adequate public services, customers will often have no choice but to pay bribes, particularly speed money, or use influential contacts. And, government officials will continue to exploit opportunities offered by systemic weaknesses to harass and extort bribes from them. The following are the key weaknesses allowing these opportunities.

Laws, rules and procedures tend to be complex, cumbersome, out of date, changed on an ad hoc basis, rather than regularly reviewed and consolidated, and therefore inconsistent and disparate rather than being compiled in one accessible document.

Processes are usually thus complex and non-standardised, and tend to be configured around the needs of the department rather than the public. *Forms are multiple and confusing*. *Records tend to be maintained manually*, in antiquated and non-transparent forms, with minimal use of automation. There is maximum official to customer contact behind closed doors, with minimal use of e-government, one window operations or automation to ensure standardisation and transparency.

The lack of standardisation *provides opportunities for discretion*. Indeed, by design or by default, discretionary powers are the norm, without proper guidance or supervision over the exercising of those powers. For example, a junior level official has the powers to recommend and also impose fines. Poorly paid junior officials use the powers accorded to them, or exploit loopholes in the procedures, to make arbitrary decisions which enable them to extract rents to supplement their meagre salaries or fund operational expenses.²⁸

Nor is the *availability of services* configured around public needs. Customers have to go from one officer, function or office to the next, and then back again, and round and round, in order to obtain their permit or service. Opening hours and locations make access to services and repeat visits difficult. Customer facilities tend to be deficient, so that customers are motivated to pay up in order to escape the discomfort. Officials are invariably unhelpful and inaccessible. Overall then, corrupt officials are able to extort bribes from the public to find a speedy route

²⁸ Police stations, tax offices, revenues etc. have unrealistically low budgets and there is explicit acceptance by senior managers of the practice of extraction of operational expenses from the public.

through red tape and to avoid lengthy queues in deficient facilities or a return visit; corrupt officials are able to mislead a largely ill educated, under informed and disempowered public about how complex laws and rules should operate; and a multitude of archaic rules invite circumvention. When government has a monopoly over the provision of some services, and the expense of private provision prohibits most of the population from accessing an alternative where it is available, customers are left with little choice but to pay bribes.

Government is able to maintain this abuse of power by running its business in a *highly non-transparent and disempowering manner*. Minimal information is provided to the public about how they can access government services, about rules and procedures, about their rights, officials' responsibilities, or how they might complain or seek redressal. Some departments are now putting such information on their websites. At the other extreme, many departments do not even post up essential information in a language or form of words the average customer can understand.

This attitude is partly explained by the civil service's self-interest in maintaining power relative to the public. The lack of transparency is explained by antiquated rules of business that reflect, and have sustained, a *culture of government's absolute secrecy and confidentiality*, protecting government decisions and processes from critical scrutiny. The Rules of Business at both the provincial and federal level make all documents of the government confidential unless specifically declassified.²⁹

There is a *strong demand from stakeholders for a more open system* with a diametrically opposite philosophy, where all information is made available to the public unless specifically and justifiably classified as confidential. While the proposed Access to Information Act is essential to ensure statutory underpinning of a culture of transparency, the first step has to be a simple amendment to the Rules of Business.

The attitude to transparency and empowering the customer also reflects the fact that government is *unused to treating the public as its customers*, who have a right to information about how to access government services. This attitude is deep rooted in the history of the civil service. Civil servants do not, in the main, feel themselves accountable either in their use of public resources or for the outputs and outcomes they are employed to deliver to the public, and thus many have no qualms about abusing their position for private gain.

There are no mechanisms to allow *customers to hold institutions directly accountable* to the public. There are no public sessions where the officials who should be delivering services come face to face with their customers. Access to senior figures for individuals is limited and more than likely need a bribe to obtain.

²⁹ Rule 55 of Federal Government's Rules of Business of 1973 states: "No information acquired directly or indirectly from official documents or relating to official matters shall be communicated by a Government servant to the press, to non officials or even to officials belonging to other Government offices unless he has been generally or specially empowered to do so." Secrecy in the government is generally, incorrectly, attributed to the Officials Secrets Act. In fact the latter is concerned with espionage only and has hardly any relevance to the issue of closed government.

There have been few service standards or citizens' charters, for example. Similarly, there have been *no routes for public participation* in the monitoring of government's service delivery.

The *centralised mode of government*, with power tightly controlled in the federal and provincial capitals, has sustained this lack of accountability and public participation. The physical and lifestyle distance between bureaucrats and the people has reduced their link to the people. The devolution plan, however, is a deviation from this traditional approach as it rests on the principles of local accountability and participation, with local services planned with the participation of the people and delivered close to the people. Section 4.3.6 analyses the likely impact of the devolution plan on corruption.

Reforms in particular sectors are also increasing accountability and public participation, for example the Police Ordinance 2002. The Public Safety Commissions provided in this law should oversee that the police do not overstep or misuse their authority and perform according to the desired standard. However, it is too early to assess their effectiveness in preventing and dealing with corruption.

Complaint redressal is one area where government responsiveness to its customers is particularly weak and means that corrupt officials' activities often go unchecked. Some institutions do have complaint cells or appeals procedures in place but their usefulness in enhancing accountability and reducing corruption has been limited. Such cells and processes often lack independence as they report to a line functionary instead of the institutional head. They often lack objectivity as investigations are undertaken by colleagues of those against whom a complaint is being made. The public fear reprisals from those against whom complaints/appeals are made, who during the time of the enquiry can still wield powers against them.

The complaint procedures are lengthy, and cumbersome for the public to pursue. Frequently, the procedure is simply used as an opportunity by corrupt officials to extract money from the public by acting as a go between the institution and the original official against whom the complaint was made. In this event, the public believe it is easier to subscribe to the corrupt activities by the officials rather than enter into protracted complaint procedures which are unlikely to lead to effective redressal.

New complaint mechanisms such as the Police Complaints Authority are being implemented and their effectiveness should be closely examined.

4.3.6 Local government

Many of the issues raised in 'role and function of the state', 'Public sector management', and 'Public interface functions' are common to Federal, Provincial and Local Government. However, there are a number of corruption related issues which are specific to local government.

The local government system was established through the Local Government Ordinance 2001. One of its primary objectives is to address the inefficiency and resultant corruption in governance at the grass root level. This has been addressed by transferring political, administrative and taxation powers to the grass root level

for improving welfare, development and dispensation of justice at the doorstep. The political aspects of devolution are examined at section 4.2.4.2. All indications are that local government will indeed deliver increased accountability and participation. What is less clear is that are there sufficient levels of competence or preparedness for devolution at the district level to ensure that additional opportunities for corruption are not exploited?

There are *weaknesses in the capacity of local government* to cope with devolution of administrative and financial power. The allocation of authority and responsibility is ambiguous. Newly created offices are short of staff, and job descriptions are non-existent. Many functions have not been established as yet. There is confusion about the rules and procedures on part of the officials as well as the general public, and the system is slow and complicated. This is creating opportunities for corrupt practices through harassment, speed money and extortion by the officials concerned.

The system has numerous internal controls and internal checks and balances, mostly drawing on the power of the Zila Nazim. Internal Audit offices will be established by the Zila Nazim. The Zila Nazim can appoint inspecting officers to objectively examine the performance of a Tehsil Municipal Administration, Town Municipal Administration and Union Administration. The Law also provides for Zila Nazim to conduct enquiries into any matter of the subordinate local governments through the concerned Nazim and to advise the concerned Nazim to take appropriate action. There are also powers of recall of the relevant Nazim by the Zila Nazim. However, it is difficult, at this stage, to assess to what degree these checks and balances are in place and operating effectively against corruption. What is clear is that one major set of checks and balances, the *public participation bodies, such as the Citizen Community Boards, and monitoring committees*, are not yet in place. These bodies are urgently required as they should play a key role in preventing corruption and ensuring effective performance and delivery.

Some provisions *favouring meritocracy and performance, and seeking to deal swiftly with corruption*, have been installed. For example, bonuses will be awarded for officials' efficient performance. To eliminate nepotism, the mechanism is transparent and objective as the recommendations are made by the monitoring committee. These committees are important as they are also responsible for identifying inefficiency or corruption of functionaries of the local governments and reporting to the concerned Nazim for appropriate action and remedial measures. To ensure that such incidents do not go unnoticed, the Nazim has been made to report to the concerned council, within a period of 30 days the action taken in this regard. Ethics committees of various councils are responsible for monitoring the inefficiency and corruption of the elected representatives and reporting to the concerned councils.

Public grievance redressal should be adequately provided through more than one mechanism. The local government or any of its officers or functionaries may be taken to court for violation of rights under any law. There is provision of Zila Mohtasib who shall be responsible for redressing citizens grievances against mal-administration of public office holders in the district. The system also provides for formation of complaints cell at all levels of the local government for the redressal of grievances. However, once again, many of these Zila Mohtasibs and complaints cells are not yet in place.

4.3.7 Development projects, procurement and contracting

4.3.7.1 *Development projects*

Over the last 52 years, Pakistan has received huge sums in foreign aid out of which \$36 billion are outstanding as foreign debt. Despite the huge influx of foreign funds, the desired results have not been obtained, instead they have provided rich pickings and fuelled corruption. Despite some success, large segments of populations remain deprived of basic necessities like health care, roads, education and even electricity. A major cause of these failures has been the corruption that has raised its ugly head in every conceivable form in development projects. Since the 1980s foreign aid has at best been treated as a contingency for balance of payments support making an objective analysis of foreign funded projects quite difficult. As outlined below, development projects have been victims of unprofessional management, badly identified projects and political interference and other vested interests in identification process. Very few development projects have been completed. Instead, development funds have been used to win political loyalties and to reward the ruling party parliamentarians.

Social sector projects have been of most concern in recent years, since the outputs are less visible than physical infrastructure ones and require greater expertise for post evaluation. The recent Social Action Programme (SAP) audit has been an eye opener: audit objections worth Rs.30 billion were initially pointed out; the figure has now been reduced to Rs. 21 billion. However, more critical is an evaluation of its outputs, since the Auditor General Department's role as Third Party Valuers did not include performance audit.³⁰

There is a prioritisation mechanism for development projects, but, at times, this has been undermined by *vested interests* that play a major role in which development projects have been undertaken, where, when and by whom. Identification of projects became increasingly under the control of politicians, as their power over bureaucrats increased. And, obviously, with the mid 1980s came the trend for MPAs to have discretionary development funds. Low priority or unwanted projects have been completed at the cost of high priority ones. A school may be established, with development funding, in an area which already has adequate provision, while a neighbouring area might have no educational facilities at all. Or, a road might be diverted with no justification. This will be done purely to appease voters or allocate construction contracts to a particular contractor. There have been a few attempts at an independent needs assessment through involvement of local population. The Orangi Pilot project is a model that has already shown the usefulness of this approach.

The role of vested interests and ulterior motives has been particularly noticeable due to the *impact of changes in governments* in the last ten years. Each new government would abandon the older ones and identify new projects. This was done not only to appease the voters in his area but also to obtain maximum financial gains that accrue in the early parts of constructions. The result has been a large

³⁰ Although nobody denies corruption in SAP, there is a concern in some circles that SAP may not have been as much of a waste of money as depicted. They opine that an evaluation is imperative.

number of unfinished projects littered all over the place. Sindh alone contains about 1000³¹ such unfinished projects.

As ever, the issues of *competence and continuity* also arise. Project managers tend to be from generalist cadres, thus lacking technical skills. Development projects have been useful stop gap postings for civil servants between two field postings. The attraction of the projects have been the vehicles and other facilities provided by it, plus the potential for self-enrichment by corrupt means. Professional dedicated project managers have been a rarity and transfers in the middle of the projects are common. The result normally is a management which is, at least, indifferent to the project. This results into rapine that includes everyone from drivers to engineers.

Stakeholders believed that *donor agencies* also need to shoulder a significant part of the responsibility for corruption in development projects, on the basis that their procedures were insufficiently robust to withstand corruption, they rushed funds through to meet aid targets and they turned a blind eye to corruption on development projects. Many donor agencies have been reluctant to "get tough" on corruption, fearful of government reaction and resigned to the fact that this is "all part of life here." As long as the corruption was not too overt, or could not be attributed to them, they might be prepared to ignore it. That attitude might have started to change in recent years, as donors have been encouraged by higher levels of morality under the present regime.

There are *low levels of transparency and public participation* in the development process. There is no form of planning enquiry for example. Attempts at integrating public participation into the development process have been met with the cynical and criminal acts of vested interests. The Ghazi Barotha Hydropower Project provides an example of this.

Case study: Land Acquisition Frauds, Ghazi Barotha Hydropower Project

In view of injustices to affectees of previous mega projects like Tarbela Dam, the donors and the government devised a method for Ghazi Barotha Hydropower Project that allowed stakeholder participation in the valuation process. However, this attempt was hijacked by vested interests, in the form of government officials and land dealers, who pre-empted and purchased land. The valuation committees evaluated high prices and, in collusion with officials, misrepresented the assets on their land to inflate the price. Orchards and cultivated lands were shown where none existed. The scam is currently being investigated by NAB NWFP. However, there is some controversy with reference to involvement of land owners and the criminality attached to their actions. The lesson learnt is that the best of designs, participatory in this case, needs to be undertaken with equal care during implementation and monitoring.

One final factor in the rise of corruption has been the *weakening of the Planning Commission*. In the early years, this was a powerful organisation that had a major role in all projects from inception to post evaluation, and was able to exercise a

31 Figure was given by Mr. Hafeez Sheikh, Finance Minister Sindh, in his interview with the Project Team.

degree of control and objectivity based on development needs. While on paper the powers remain, political pressures that either allowed an unfeasible project to get through or even at times completely disregarded the opinion of the Commission have diluted them. The Commission itself has undergone a loss of professionalism³² over the years as officers inducted do not have attractive career structures. The situation in the provincial Planning and Development Departments has been as bad if not worse.

4.3.7.2 Procurement and contracting

The large scale corruption, both in development projects and routine government fund utilisation, has been during procurement and contracting. The worst offenders have been the public sector corporations, particularly those in the power/utilities, and infrastructural and public works.

In recent years, the donor agencies and the government have come to realise that corruption in procurement and contracting is a serious impediment to the efficient and effective utilisation of resources. The World Bank thus undertook a comprehensive review of Pakistan's procurement system and recommended an *overhaul of the procurement system*.³³ The government has only implemented one of the Report's key recommendations, by creating the Public Procurement Regulatory Authority (PPRA) in May 2002 to serve as the *repository of procurement expertise*. Furthermore, the PPRA has only one staff member thus far, and virtually no work has been done to date to make this into a functioning and effective entity.

Procurement was of huge concern to stakeholders, who highlighted the following weaknesses as being particularly vital in allowing procurement to be the breeding ground for corruption.

Pakistan has *no coherent single law setting standards* and no effective legal protection against collusion and corruption in the award of government contracts. Instead, there is an *accretion of complex laws, rules, regulations, codes and manuals* which create a web of lengthy and cumbersome practices and customs. (Unlike other developing countries, donors' procurement rules do not prevail over local rules, although the Ministry of Finance has tried to enforce this.) The rules and regulations are manipulated to deter competition, thwart objectivity and transparency and give officials wide and unsupervised latitude in applying or ignoring the tangle of rules. The ground for corruption is laid at every stage of the procurement process, as seen in the box below.

Manipulation of the procurement process

Overall: head of procuring agency certifies that procurement process is urgent, thereby avoiding requirement for competitive bidding; projects/contracts split to avoid competitive bidding requirements above a certain cost ceiling; officials take advantage

32 Created in the 1950s it was originally a highly professional outfit and the economist group was created as an elite cadre. Dr. Mahbub ul Haq, Moeen Qureshi and Gunar Myrdal have been some of the more luminous incumbents.

33 World Bank: Country Procurement Assessment Report, 2000.

of the year-end (May-June) period, when departments are trying to spend their budget allocations, to rush through procurements which then escape proper procedures and monitoring;

Technical feasibility: improper feasibility studies may be undertaken to overvalue projects, to the benefit of officials; studies may also be undertaken by consultants with links to contractors;

Tender documents: project specifications are prepared to favour particular contractors;

Registration/pre-qualification and Invitations for bids: process is kept bureaucratic (e.g. numerous unnecessary conditions to fulfil) and lengthy to deter competition; advertisements in low circulation publications; published tender notices are followed by a number of short addenda, which if missed by bidders in their tenders would lead to their disqualification; short notice for submission of bids whilst favoured bidder had prior notice and time to prepare; officials will create their own fictitious companies to bid and approve them through this stage of the process;

Preparation of bids: collusion between competitors will lead to inflated pricing; 'pooling', whereby one bidder "buys" his competitors' bids, changing their values, submitting the lowest bid far in excess of the market price; multiple bids by contractor operating under different names;

Bid evaluation: financial envelopes are often opened before technical; unrealistic and outdated Schedules of Rates are used to defeat good bids by "outsiders"; delays are created to generate kickbacks.

Negotiations: no rules exist for the negotiation period, but is often the period when collusion and coercion occur. Prices may be renegotiated and adjusted after contracts have been let.

Corrupt officials are not always serving their own interest, as throughout the process, political influence can be brought to bear.

This manipulation of often quite acceptable rules only allows corruption because of the inherent *lack of transparency and public participation* in the procurement process. Without this, any set of procurement laws and rules can be manipulated for self-enrichment. The public are usually denied the opportunity to be informed of, monitor or participate in, aspects of the procurement or development affecting their community and country. There is no other mechanism by which the public may be satisfied about the integrity of the process. An isolated example of where transparency and public participation has had an impact is the Orangi Pilot Project. ADB's project for KWSB was reduced from the initially identified and approved figure of US\$ 100 million to \$US24 million through intervention of the Orangi Pilot Project on behalf of the community.

The blame does not lie entirely with the government side of course. There are builders mafias, collusion between bidders and widespread *bribery by national companies*. However, in terms of grand corruption, *multinationals*, and therefore their *governments* must share the blame, as many tend to view corruption as a Pakistani trait, which they are content to accept, by the use of "agents." The United States does have the Foreign Corrupt Practices Act 1977, which outlaws

the payment of bribes to foreign public officials, political parties and candidates, but it is rendered ineffective by the practice of facilitation payments made to expedite the process. The OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions was signed by Organisation for Economic Cooperation and Development (OECD) member countries and came into force in 1999. As the period since then coincides with the new government, the impact of the apparently reduced grand corruption in procurement in Pakistan cannot be definitely traced to the OECD Convention. What is clear is that many multinationals and nationals are still unaware of the Convention. Moreover, many businesses recognise the evil impact of their bribery, but are loathe to discontinue the practice for fear of losing out to their competitors.

One stakeholder's observation that "*honest people don't want to bid*" for government contracts appears to have considerable validity. Reputable and efficient contractors are dissuaded by problems such as project funding arrangements limited to yearly plans; poor payment record of government; lengthy periods of red tape; no clear cut milestones and payment timetables; contractors have to pay bribes to get their bills paid; bidders' documents deny contractors compensation for non-performance by the client, for unforeseen events and for price escalation due to delays. Possibly the most damaging aspect is that there is no mechanism for fair and speedy dispute resolution, so disputes are forced into the slow judicial systems where civil suits usually take years to resolve. Cumulative effect of all these factors is that, unless bidders are making excessive profit by some corrupt means, they are unwilling to endure the inconveniences of doing business with the government. Those that do bid may inflate their prices to compensate for kickbacks, poor payment record, risks and delays.

If they are unable to inflate prices, contractors seek to make a profit by lowering standards in construction or other implementation of the project. *Poor monitoring of standards and specifications* after the award of contract means that problems are not detected. The Auditor General's Department has limited ability to adequately audit procurement and projects due mainly to low technical competence and retrospective financial auditing aggravates the whole problem. Coupled with this is the fact that the government has minimal arrangements in place to ensure sound management of its assets *and supplies*, and this provides rich pickings for the corrupt, where short receipt and pilferage are common.

Finally, on all sides of the procurement equation, *human resources* tend to be weak and are another source of inefficiency and delay, and, therefore, of corruption. Specifications are often poor. Officials may lack the qualification to evaluate bids and award contracts speedily. Building and engineering firms are short on in-house expertise and there is a scarcity of qualified consultants to assist them. And, as mentioned, monitors may not have the requisite skills.

Many of the key observations above are made in the World Bank Country Procurement Assessment Report, yet no action has been taken thus far. Procurement and contracting is an area which deserves urgent attention.

4.3.8 Public sector financial management

The establishment of sound financial management practices is one of the most powerful anti-corruption devices. However, the current financial management

framework is deeply flawed, undermining the goals of accountability, transparency, financial prudence and effective control over public resources. These flaws provide direct and ample opportunities for corruption to go unchecked, and also contribute to the fiscal squeeze which prevents the government paying a living wage to its civil servants. The NACS Project Team endorses the World Bank's Country Financial Accountability Assessment (CFAA)³⁴ in its assessment of the flaws, although would prioritise some areas more than others due to our focus on corruption. The Government is also acutely aware of these flaws and is undertaking reforms at federal level in budgeting and fiscal monitoring. However, *reforms have not been rolled out to the provinces, and the districts' financial management is known to be grossly inadequate*. The picture with regard to the public enterprises and other autonomous bodies is unclear. Flaws particularly relevant to financial accountability and corruption are as follows.

The first set of weaknesses is related to *planning and budgeting*. The government adopts an incremental approach, with little or no genuine debate about the levels of resources required to deliver effective public services based on agreed objectives and targets. This dysfunctional decision making denies government institutions the resource allocation they require. At a micro level, this encourages corruption when officials are forced to fund operational expenses via bribes. Budgets are based on a *traditional, line item basis*, rather than delivery of outputs. The system of annual budgeting encourages a short term approach, with a particularly damaging impact in the form of delays in development projects, and leading to bribery to speed up the process. The system of budgeting is opaque and hardly any weightage is given to public opinion in determining the priorities. Budget formats and the explanatory text is too technical for a common man to understand. At the federal level, the Ministry of Finance is implementing submission of funding proposals based on objectives and a medium term budgeting framework (MTBF) from FY 2002-3.

There are a number of weaknesses in *accounting and reporting and there is a lack of an automated, integrated financial management system*, which have played a significant role in corruption. The manual, cash based, single entry systems have been ill equipped to provide accurate and timely reports of expenditure, and omit records of assets and commitments. Large discrepancies between actual and reported expenditure and revenue go unexplained, and there is a limited audit trail. New programmatic lending and budget support modalities have proved particularly difficult to account for and this is of particular concern as these modalities are now gaining popularity.

Many of these are likely to be adequately addressed by the government's Project to Improve Financial Reporting and Auditing (PIFRA) reform agenda. PIFRA has introduced a New Accounting Model (NAM) which is consistent with international best practice and has already been approved by the President. Salient features of NAM include a new and comprehensive chart of accounts to ensure transparency of fiscal information and double entry modified cash basis of accounting. The integrated financial management system will incorporate commitment accounting, cash flow forecasting, and fixed assets accounting. Implementation of the NAM will

³⁴ World Bank: Country Financial Accountability Assessment, 2001.

require the complete re-engineering of financial processes. PIFRA is well resourced and on track to achieve its objectives. It should revolutionise financial management in Pakistan, when rolled out in mid 2003.

Financial controls are weak or non-existent. In particular, the devolution of the payment function to the districts has not been matched by the implementation of sound financial controls at those levels.

There have been *low levels of budget monitoring, transparency and accountability* as to the usage of resources. Now, Fiscal Monitoring Committees at the federal and provincial levels are strengthening monitoring, and the government is issuing federal quarterly fiscal accounts on its website. However, these accounts are still difficult for the common man to understand. They show no link to the achievement of physical objectives, for example, the cost of infrastructural works are based on cash and so complex that financial expertise is required to understand them.

There is *weak legislative oversight* of the government's finances. There are frequent changes in the budget during the year through supplementary grants due to poor planning and vested interests overcoming pre-set priorities mid-year. These supplementaries are approved by the parliament only at the end of the year, after they have been granted.

Operational rules for public financial accountability are set out in the Rules of Business, the General Financial Rules of the Central Government, and its equivalent at provincial level. Although the federal government has set out a New System of Financial Control and Budgetings many of the older financial rules require updating and streamlining. They focus on compliance rather than effective use of public resources, do not provide adequate sanctions for poor implementation and do not support the government's paradigm of modern financial management and devolution.

Finally, the 2001 Ordinance clarified the new responsibilities of *the Controller General of Accounts (CGA)* in playing a critical role in financial management and its reform. However, the CGA lacks the capacity to cope with its future responsibilities, i.e. preparation, compilation and maintenance of government accounts, pre audit functions, reconciliation of expenditure and revenue figures, devising internal controls etc.

The World Bank has proposed a new 5 year project for Pakistan called PSTAR (Project for Strengthening Accountability and Reporting), previously known as PIFRA II. The components of the proposed Project include: strengthening government financial management policy and capacity; expanding PIFRA sites to cover all districts of Pakistan, and building user and IT capacity; strengthening legislative oversight; strengthening communication and change management to promote transparency and increase stakeholder awareness and ownership.³⁵ If approved, this project would provide much needed continuity and sustainability to PIFRA reforms.

The following section considers the final aspect of the financial accountability framework: the audit function.

³⁵ PSTAR also contains proposals for strengthening the Auditor General's Department.

4.4 Public accountability bodies

The public accountability bodies are the Auditor General's (AG's) Department, the Public Accounts Committee (PAC) and the Ombudsman. These institutions should play a critical part in maintaining an environment of robust public sector accountability by representing the concerns of the people. Such representative institutions are particularly critical in the context of low social empowerment. However, Pakistan's public accountability bodies have been unable to fulfil their potential, and have not acted as an effective check on corruption.

4.4.1 Auditor General's Department

The AG's Department stands at the pinnacle of the financial accountability pyramid, by reporting to the legislature on the government's stewardship of public funds and assets. However, the ability of the AG's Department to act as a watchdog over financial integrity and to detect individual cases of corruption has been undermined by a number of factors:-

First, the AG's Department has lacked *modern methodologies to uncover corruption*. The AG's Department has tended to focus on transaction based audit, which is necessarily retrospective and sample based. The poor state of financial controls, outdated and complex financial rules and procedures and culture of non-compliance all mean that audit queries necessarily focus on minor, even petty, issues. More significant issues, including corruption, are missed. As a result of this, the credibility of the audit function is low, and officials rarely attach much importance to it. Parliament, the public and the media have also not yet learnt to accord the audit function the respect it deserves, for the same reason. The Department is now taking steps to increase its relevance and earn respect, by expanding into modern methodologies and reporting formats: special audits, foreign aided project reports, revenue audit, performance audit, and issue oriented studies. Clearly, there is still some way to go to develop the requisite capacity, particularly in systems audit, performance audit and forensic auditing, to have a discernable impact on corruption. The Department is following International Organisation of Supreme Audit Institutions (INTOSAI) best practice in its reform agenda, and upgrading capacity via the PIFRA project. The AG's Department is also undertaking a range of innovative initiatives aimed at improving the control environment within departments.

Secondly, allegations about *collusion* between auditors and bureaucrats to cover up irregularities persist. The low pay, poor working conditions and lack of professionalism - indeed the same issues that pervade the public service - expose auditors to temptations of corruption. Furthermore, auditors suffer from low morale. Their work is unfairly dismissed as petty and irrelevant by many, and their reports are rarely considered by the PAC in time for any action to be taken. If they believe their work is of little value, resistance to temptation is likely to be low.

Thirdly, the *technical proficiency* of auditors has been variable, but low overall, particularly in areas where specialist expertise is required to uncover corruption, for example in construction, as well as in auditing techniques. The Audit and Accounts Training Institute was not able to offer a high standard of training due to lack of resources. Capacity issues are also being addressed via PIFRA, and the Department has now introduced certification by an independent professional entity

as the basis for departmental promotion in addition to revamping the training syllabus for Inter Departmental Cadre officers.

Fourthly, there is the issue of *independence* on a number of counts. Until 2001, when the audit and accounts functions were separated, the audit function lacked independence. Even now, the AG's Department is an attached department of the Finance Division, which leads to a conflict of interest situation where a principal auditee becomes the controlling ministry. This is despite the Constitutional provision for the AG's Department to be an independent entity reporting direct to the President. (Furthermore, a tradition has developed of annual reporting to the President, instead of reporting to him whenever a report is ready. This decreases the timeliness and relevance of audit reports.)

4.4.2 Public Accounts Committee

The PAC has not acted as an effective check on the executive. First, is the issue of *impartiality and effectiveness*. The practice of appointing the PAC Chairman from within the ranks of the party in power, contrary to best practice, has contributed to this. There is no code of ethics for PAC members. In any case, the PAC proceedings have tended to be *bureaucratic, intermittent, retrospective and non-transparent* exercises, focusing on minor procedural breaches some 6 to 10 years prior, rather than recent significant irregularities which can realistically be redressed by challenging serving bureaucrats. There is a huge backlog of work for PAC. Presently, there are 23,000 audit paras yet to be disposed off by the PAC.³⁶ The PAC, comprised of politicians, has not always had the technical capacity to tackle complex issues. The most critical problem faced by PAC is that it has *no enforcement or implementation powers*. It is just a recommendatory body and is dependent upon the executive for the implementation of its recommendations. The PAC's focus and lack of expertise appears to have convinced the executive, the media and civil society of its irrelevance, and resulted in widespread non-compliance.

In the absence of Parliament, an ad hoc PAC is currently functioning. The Federal Ad hoc PAC has introduced a number of reforms aiming to improve the efficiency, effectiveness and transparency of the Committee, for example, by introducing sub-committees to speed up consideration of audit paras and opening the PAC proceedings to public scrutiny.

4.4.3 Ombudsman

The Ombudsman's role is to check maladministration, in order to provide relief and redressal for public complaints. The Ombudsman currently exists at the Federal and provincial levels, and will be formed at the district level under the Devolution Plan. The Ombudsman should play two important roles with regard to corruption. First, it can refer cases of corruption, which come to its attention, to ACAs. Secondly, it aims to tackle the culture of poor service delivery, which either directly (i.e. as a basis for extortion of bribes) or indirectly can provide the environment of low accountability in which corruption flourishes.

³⁶ Figure given by Mr. H. U. Baig, Chairman Ad hoc Public Accounts Committee, during his interview to the Project Team

However, the Ombudsman, is generally held to be insufficiently effective, mainly due to limited institutional capacity. There is no centralised database or networking between Ombudsman’s offices which leads to delays, duplications, contradictions etc. Adequate training facilities are not available to the officers/ staff of the ombudsman. There is no defined time frame for disposal of representations against Ombudsman’s findings, which negates the principle of speedy justice.

4.5 Anti-corruption agencies and law enforcement

4.5.1 Introduction

Pakistan has two anti-corruption agencies (ACAs) at the federal and four at the provincial level, three laws and three sets of courts. The organisations are: Federal Investigation Agency (FIA), National Accountability Bureau (NAB), both at the Federal level and Anti Corruption Establishments (ACEs) at the provincial level. The laws are the Pakistan Penal Code (PPC) 1860 (sections 160-165), Prevention of Corruption Act (PCA) 1947 and the NAB Ordinance 1999. The courts are the Accountability Courts set up under the NAB Ordinance and the Central and Provincial Special Courts established under the Criminal Law Amendment Act 1958.

There are a number of weaknesses within the overall anti-corruption legal and institutional framework:

- the current anti corruption structure is the result of decisions taken on the basis of exigency (section 3.2) rather than considered policy making. Therefore it is riddled with issues of unsustainable *overlap and inconsistencies*, particularly between NAB and FIA;
- the system is entirely *enforcement* focused;
- no agency has responsibility for *anti-corruption awareness and prevention*.

At the moment, NAB seems to be working effectively. However, there are structural problems in the institutional framework whose impact has not yet been felt. There is a widespread fear that NAB’s current effectiveness is dependent on the present determination to tackle corruption. Any return to political government before the new generation of elected representatives have committed themselves to the NACS may undermine these modest but important gains.

4.5.2 Performance of ACAs

There are great variations between the performance of the different ACAs. Table 1 below shows a comparison of the performance of FIA and NAB for example.

Table 1
FIA/NAB: Court Convictions of Bureaucrats

GRADE 19 AND BELOW			GRADE 20 AND ABOVE			
Subject	Period	Convictions	Average per year	Period	Convictions	Average
FIA	1996-00	167	33.4	1996-00	Nil	Nil
NAB	1999-02	186	62	1999-02	35	11.6 per year

Source: FIA; NAB

In almost twenty seven years of its existence, the FIA has had a *poor record* in anti-corruption. Its conviction rate in corruption and economic crime together is not more than 28%.³⁷ In the last twenty six years of its existence it has failed to convict a single officer above grade 19.

NAB has been *relatively more effective* in both the categories. In less than three years, NAB has obtained convictions against 221 public officials, twenty four of them in Grade 20, ten in Grade 21 and one in Grade 22. In the category of Grade 19 and below, there are fifteen officers of Grade 19. NAB's action against the corrupt bureaucrats has thus been across the board. Since inception, NAB has a conviction rate of 82% and average time taken from investigation to conviction is 19 months, as against 4.5 years for FIA.

Despite these contrasting results, all the ACAs share some problems. There is no shared database for example, which hampers co-ordination. There is a general absence of skills at the right level in the right areas of expertise. There is no centralised source of training to upgrade these skills. The following sections outline some of the other reasons for relative performance records, more specific to each ACA.

4.5.3 Federal Investigation Agency

FIA is active in the areas of immigration, economic crime and corruption by public servants in the Federal Government and corporations. Under its current mandate the Agency is responsible for 43 offences under the Pakistan Penal Code and 19 Special Laws. Its Economic Crime Wing takes care of offences regulating nationalised scheduled banks and development finance institutions along with offences under the Foreign Exchange Regulations Act of 1947. FIA is shortly to assume responsibility for anti terrorism. In addition to the performance weaknesses set out above, FIA does not enjoy high level of public confidence and is perceived to be *corrupt with a strong element of harassment*, with common reports of officers dragging out investigations in order to extort bribes. There are a number of reasons for FIA's poor performance.

The FIA is hampered in its work by its *status as an attached department* of the Interior Division. Every prosecution has to be sanctioned by the controlling Division. The result is a slowing down of the process. An even bigger impediment to its effectiveness is the *Federal Anti Corruption Committee (FACC)* that has to approve all investigations against gazetted³⁸ officers. Originally created as an overwatch, it has been responsible for the breakdown of anti corruption work of FIA. It is manned exclusively by civil servants from different divisions of the Federal Government whose interests lie in protecting their own "patches" from scrutiny. At times even convening a meeting of the FACC is difficult.

Previous governments, particularly in the 1990's, have filled senior positions in the FIA with *political appointees*, whose function was to undermine its effectiveness, save as against political opponents. The degree of interference can be gauged by

³⁷ This figure is for performance from 1996 to 2000.

³⁸ This means the officer class starting from grade 17. The rest, grade 16 and below, are non gazetted i.e. clerks etc. The term gazetted is not officially recognised but continues to be used in bureaucratic jargon.

the fact that in the last twenty seven years it has been headed by twenty two Director Generals. Another outcome has been non-meritocratic recruitments based on recommendations of political masters and patronisation of some of the officers by them. The political interference combined with police control have resulted in the creation of a culture of harassment and corruption in the organisation.

Furthermore, FIA's effectiveness is hampered by its *multiple mandate*, which spreads FIA's resources thinly and results in loss of focus and direction in the anti-corruption area. Of FIA's workload, 68% is immigration, 20% corruption and 12% economic crime. While the issue of *resources* has been identified by FIA as a cause of weak performance, the primary factor has been an absence of will to tackle corruption.

While senior FIA officers are more than aware of FIA's faults, they have lacked the autonomy and resources to tackle these faults. The stakeholder consultation, however, reveals that the weight of public opinion against the FIA is so overwhelming that reviving its credibility in public eye would be an uphill task.

4.5.4 Anti corruption Establishments

The performance of the ACEs, the provincial ACAs, is also poor.

The reasons for the ACEs' failure are analogous to their federal level counterpart, the FIA. ACEs have been the victims of *political and bureaucratic control*, although the degree varies in each province. They are controlled by the Services and General Administration Departments³⁹ of the provinces. Overwatch in the form of provincial anti corruption committees exists, but in the case of Sindh and Balochistan it is extremely intrusive.⁴⁰ *Poor capacity* to investigate white collar crime and corruption have rendered them ineffective. Overall, there has been a marked lack of Political Will to make ACEs effective, and this has been reflected in their under resourcing. Poor salaries have exposed officials to temptations of corruption, and like FIA, their reputation has been tainted by this.

4.5.5 National Accountability Bureau

NAB is the leading ACA of Pakistan by virtue of its more recent creation, its wide powers and relatively strong performance. Its performance, compared to all past efforts, has been outstanding. It has successfully prosecuted individuals at all levels, although its main concern has been mega corruption. Domestically, it enjoys a much higher level of public confidence than other agencies. Internationally, NAB is at the forefront of Pakistan's efforts to join hands with international partners in the struggle against corruption. NAB has completed only the first phase of anti corruption work, netting the big fish. Strategically, such operations are essential to win public confidence and establish the writ of the State.

The reasons for NAB's relative success thus far are clear. It enjoys exceptionally high levels of autonomy and political support, with the Chairman reporting directly

³⁹ In case of Punjab the Services, General Administration and Information Department.

⁴⁰ Punjab and NWFP changed their rules in 1985 and 1997 respectively to reduce this intrusion.

to the President of Pakistan. Ample resourcing follows from this status and autonomy. NAB has the advantage of a strong component of experts that include officers from the Income Tax Service, provincial revenue departments, Accounts Service, professional bankers and accountants.

NAB has come under much criticism - some justified - in the following areas.

The NAB Ordinance - and therefore NAB - is criticised for the *grant of exceptional powers to the NAB*, particularly those relating to loan default, plea bargaining, violation of human rights and its mandate. In terms of NAB's mandate, the Supreme Court's judgment in a case challenging the vires of the NAB validated the Ordinance, although some changes were suggested that have since been made.

Plea bargaining, a new concept in anti-corruption law in the country, is not trusted despite its existence in the legal systems of a number of countries and its general acceptance in modern jurisprudence. Stakeholders who opposed plea bargaining did so for different reasons: some did not appear to understand how it operated and thought it was an easy option to avoid imprisonment and punishment. It is considered connivance with the corrupt, involving secret deals and reducing the deterrence factor. Many do not realise that plea bargaining is finalised by the courts rather than by NAB. NAB has not taken sufficient steps to explain the concept and practice of plea bargaining to the public.

NAB and the NAB Ordinance have been criticised on the matter of *omitting military* from its purview. Some of this criticism is a result of lack of proper understanding of the law. All previous Anti-corruption enactments have excluded from their jurisdiction serving armed forces personnel on the grounds that the military has a stringent system of discipline which punishes defaulters under the Army Act. The fundamental rights under the Constitution are not available to the military personnel in their discharge of duties as employees of the Armed Forces while those being tried under PPC, PCA and NAB Ordinance not only enjoy the right to file a writ petition but also have two appeal tiers as against one in the military. NAB can however, investigate and prosecute retired armed forces personnel. Also, the three anti-corruption statutes cover Armed Forces personnel working outside the military. The NAB thus has jurisdiction over armed forces personnel working elsewhere in government, for banks and financial institutions as well as corporations and other organizations established, administered or controlled by the Federal or provincial government.⁴¹

There may be a case for the *exclusion of the judiciary* from the NAB's purview based on long-held general view that the independence of the judiciary can be preserved only by relieving the judiciary from prosecution. The judges might consider, however, the extension of the NAB Ordinance to judiciary as a public manifestation of their commitment to remove corruption from the legal system and the country at large.

The final issue with the NAB Ordinance is its *criminalisation of loan default*, which has been described as violating established principles of jurisprudence.

⁴¹ The PPC and PCA use the term 'commissioned officers' instead of 'personnel' used by the NAB Ordinance which gives a wider jurisdiction to NAB, as the latter includes even non commissioned officers working in civil outfits.

There is increasing concern about media reports of *selective accountability*, specifically that certain politicians are being targeted, whilst others are being bypassed for political reasons.

Hitherto, NAB has been largely involved in *enforcement in mega corruption cases*, with only a limited role in prevention.⁴² The birth of the NACS, driven by NAB, is NAB's recognition of two truths: to check corruption effectively the results must permeate into lower levels; and that long term eradication of corruption will be based on a common belief throughout society that any level of corruption is unacceptable. The only way to effect this culture-change is to incorporate a strong component of prevention and awareness raising along with enforcement.

Furthermore, there are issues of *capacity*. NAB relies for its investigating officers on other ACAs, notably the FIA. It may be added, however, that there is a clear need for further training in skills such as money laundering, forensic accounting, asset tracing etc, so as to investigate specialised areas such as financial institutions, banks and insurance companies.

NAB's present oversight is the President; but *broader based oversight* is clearly necessary.

Finally, the *uncertain status and continuity* of NAB is a weakness and needs to be urgently resolved. Because of this uncertainty, the decline in corrupt practices is seen to be temporary, simply because the corrupt are waiting for NAB to leave the anti-corruption field. Until NAB receives some form of constitutional or permanent cover, this will continue to be a problem. According to a perception, the link of NAB with the armed forces is its source of strength which cannot be guaranteed in the forthcoming political scenario.

4.5.6 Model accountability structure

This section focuses on the desirable features of a model anti-corruption legal and institutional framework and an assessment of available options. International experience in effectively tackling corruption reveals that single specialised ACAs is the pre-requisite of successful models, for example in Hong Kong, Singapore, Malaysia, and New South Wales in Australia.⁴³ Other characteristics of successful models are *operational, financial and administrative autonomy, independence from police control, and adequate resources*. These lessons have been learnt within these national agencies over years, where it was realised that limiting the role of ACAs to law enforcement was insufficient. Thus, the functions of *corruption prevention and awareness* have been included in ACAs' mandate to assist in controlling the menace in societies with endemic corruption. Hong Kong, the most celebrated model, owes its success against corruption to these functions. Public confidence in the agency is critical to its success, and this must be maintained at all costs, with effort focused on appropriate leadership and public relations.

⁴² Pakistan Telecommunications Corporation has used NAB's advice while formulating its procurement rules.

⁴³ In all the countries mentioned, the reforms have been carried out in an environment in which the rule of law prevailed. Corruption in the judiciary was not a serious problem. Thus in Pakistan the highest priority must be given to the judiciary and essential reforms within it.

To secure public support, the ACA must not be seen as merely a heavy hand, reaching out to punish the corrupt; but as a constructive catalyst for change, acting in the interests of all law-abiding citizens. To clarify the ACAs' role, there should be a single uniform anti-corruption law. Finally, there must be a non-intrusive but visible and representative oversight to ensure that the work of the agency meets the high standards which the agency sets for others, and to provide policy guidelines.

A workshop of key stakeholders from the ACAs on 17 April 2002 established the key features of a vision of Pakistan's accountability operations as being *non-selective, across the board accountability; firm, fair and transparent operations; economy, efficiency and effectiveness; integrity and accountability* of the ACAs.

The challenge therefore is to build these critical success factors in Pakistan's context. The following sections contain an assessment of options for achieving this as far as possible. Clearly, in the event of more than one ACA existing, there must be clarity of jurisdiction and consistency of laws and operations.

4.5.6.1 *Case for a single agency*

Analysis of international experience of anti-corruption agencies, domestic ethos and past experience of the country reveals that a single agency at Federal level will be the most effective option. The option of continuing the present structure, with bifurcation of the cases into high profile and low profile and responsibility divided between different agencies, was analysed and discarded as ineffective.

First, lower level corruption is as important as higher level. Unless the lower level is tackled effectively, the perception about corruption within the state will not change. Therefore, even this task must be given to an ACA which can both attack it effectively and has capacity for prevention and education/awareness functions. Secondly, an important component of minimizing corruption at lower levels is prevention, a function that cannot be replicated in two agencies without conflicting messages and waste of resources. Thirdly, bifurcation on any basis will increase complications in juridical matters and coordination. Complainant related issues may arise. Corruption will increasingly fall within the widening gaps between the two agencies. Autonomy of one agency and the attached department status of the other would produce rivalries and divert focus from the primary function. The co-ordination mechanism may be more cumbersome and become increasingly ineffective.

The conclusion, therefore, is a single *ACA at the Federal level*. Such a structure would not only preclude the above risks and weaknesses, but it should enhance efficiency since specialization and optimal resource allocation are possible once duplication is eliminated. If the principle of a single agency is accepted, the choice remains to be made between NAB and FIA. Given NAB's autonomy, specialized status, track record and most critically, high level of public confidence, NAB is the natural choice as the single ACA. It is important that we build on success instead of reinforcing failure.

4.5.6.2 *Provincial autonomy*

Within a unitary state, the single ACA would cover all aspects of the anti-corruption agenda. In a federal structure, the position is different because of the issues of

provincial autonomy. This autonomy has been largely respected and many aspects of governance and public service are provincial responsibilities. It may, therefore, be necessary to retain the provincial anti corruption structure with its present jurisdiction with the provision that their capacity and technical competence is upgraded. Also, the current practice of NAB's jurisdiction over legislators in the provinces as well as the power to take over a major investigation may continue since it has proved to be effective. In addition, it seems important that NAB should develop linkages with the provincial ACAs for providing technical assistance and policy guidelines against corruption in view of its new awareness and prevention role. Such linkages will be of vital importance to develop a central database.

4.5.6.3 *Overwatch*

Whereas it is important that the ACAs are granted sufficient operational autonomy, it is equally important that they are subjected to a meaningful oversight. This section describes various options. It may, however, be useful to indicate some of the essentials of a model oversight.

- Oversight must itself be *incorruptible*.
- Oversight must be *representative* to the extent possible.
- Oversight must be *immune from* extraneous influences.
- Oversight should be non intrusive to allow space for the ACA to function effectively.
- Oversight function must be transparent.

A number of options have been analysed in order to meet the requirements of an oversight. Principal options are given below:

- The NAB Ordinance provides that the Chairman NAB is to be appointed by the President in consultation with the Chief Justice of Pakistan and removed according to the procedure laid down for the removal of judges of the Superior Judiciary. The function of oversight is thus being performed by the President since it is to him that the Chairman NAB is responsible. It needs to be considered, however, that the responsibility of the oversight is best discharged by a representative body rather than a single individual.
- *The National Security Council (NSC)*, on the other hand, is a high level body chaired by the President. It is reflective of diverse constituencies in Pakistan and given the level of representation, it would constitute an effective oversight.
- Another option is that a *Senate Committee* could be an oversight. A committee of the Senate for this purpose might be comparatively objective on the issue of anti corruption. But given the party affiliations of the members of the Senate, such an oversight would be tempted to become intrusive.

In the light of the above discussion, oversight of NAB by the NSC is the recommended option.

The question of oversight of the provincial ACAs has also been considered and it is recommended that the function of oversight in the provinces may also be introduced on the lines suggested above.

4.5.7 Anti Corruption Laws

Sections 160-165 A of the PPC 1860 is the oldest legal enactment against corruption that still exists. It has a comprehensive definition of corruption which it calls "illegal gratification". The PCA 1947 was the first specialised anti corruption law in the country. The latest specialised law is the NAB Ordinance 1999. Both these newer laws borrow heavily from the PPC. However, the latter includes assets beyond known means as corruption and in this case puts the burden of proof on the accused. NAB Ordinance goes beyond other two in including legislators and certain categories of private sector (wilful defaulters, cooperatives) in its purview. The legal framework has three sets of issues which require examination.

4.5.7.1 *Legal inconsistencies*

The anti-corruption laws - the PPC, PCA, and NAB Ordinance - have a number of *inconsistencies*. These include differences in punishments with maximum limits of 3, 7 and 14 years respectively. Remand provisions are lenient in PCA and PPC as compared to NAB. The NAB Ordinance provides for a maximum period of 90 days though it has to be renewed from the court after every fifteen days. PPC and PCA allow remand of 14 days only.

There are differences even in the level of courts faced by accused of each law. Accountability Courts have judges who are qualified to be elevated to the rank of a judge of a High Court. The special courts, established under Criminal Law Amendment Act 1958 to hold trials of person accused under the PCA, have judges that vary from the level of a district and sessions judge, additional magistrate and a district magistrate.

4.5.7.2 *Witness protection provisions*

The NAB Ordinance, section 31E, gives a broad outline of witness protection, but there is no provision for protection in the PPC and PCA. Therefore, NAB can offer protection but FIA and ACEs cannot. There was a consensus amongst the legal community that inadequate protection is given to witnesses in criminal proceedings, which results in witnesses refusing to come forward to testify in corruption cases. It was felt in some quarters that such protection must be extended to lawyers and judges.

Witness protection is less a matter for the law; and more the practical responsibility of the law enforcement agencies. Witnesses must have confidence that, by coming forward and testifying honestly about wrong-doing - even at the highest level - they will not expose themselves and their families to retribution in any form. Witness protection has to be taken very seriously indeed in any environment in which law enforcement is weak and corruption within the police rampant.

4.5.7.3 *Weakness of evidence*

The rules of evidence in Pakistan date from the colonial era, with no adjustment to take account of modern communication methods. They are formalistic, and many cases fail for technical lack of proof which would be accepted under modernised rules. Thus, documentary hearsay should be admitted in criminal

proceedings. In England, for example, Section 23 of the Criminal Justice Act, 1988 gives a Judge the discretion to include documentary evidence of statements made by witnesses in court if the judge has a good reason to believe that the maker of the statement could have given direct oral testimony and does not give evidence through fear or because he is kept out of the way. A hearsay document naturally carries less weight than direct oral testimony that is open to cross-examination but is nevertheless admissible.

Another weakness is the *propensity of witnesses to lie under oath*. Although perjury is a criminal offence, with suitable punishments, it is so rarely used as not to provide any deterrent against a witness who comes into court solely to mislead and propagate lies. The first defence against perjury is the legal profession which recognises and enforces on lawyers the duty not to present perjured evidence. The second is the judiciary which acts swiftly and effectively to punish anyone found to have lied in testifying.

4.5.8 International legal aspects of anti-corruption

Corruption is not confined within the borders of a particular country. It cannot be tackled effectively, without much better international instruments for doing so.

4.5.8.1 Money laundering

Money laundering provides means to whiten and legitimise ill-gotten wealth, and has allowed the proceeds of grand corruption to disappear without a trail to incriminate the corrupt official. The proceeds of corruption are relatively easy to export from Pakistan through the banking system. There exist agents and professional advisers in the West who will facilitate the hiding of fruits of crime by secure and anonymous investment.

According to OECD's Financial action task force on money laundering, the estimated size of global money laundering was anywhere between \$600 billion to \$1.5 trillion in 1996. Local figures do not appear to be available. There are suspicions that a sum of \$70 to 100 billion may be stashed away in foreign banks by Pakistanis.

In Pakistan, where the undocumented economy is reported to be far bigger than the documented economy, there is *no comprehensive regime* addressing the issue of money laundering. On the contrary, many of the government's policies provide *opportunities for money laundering*. Instruments like the Foreign exchange bearer certificates, bearer government securities, and prize bonds coupled with a loose reporting and monitoring mechanism are contributing towards money laundering activities in Pakistan. Multiple money-changers are unregulated and they serve as the mainstay of the whole mechanism, along with the banks. Government deals with these money-changers without any discrimination in order to meet its foreign exchange requirements and it seems to have turned a blind eye towards them.

The process of money laundering is also being facilitated by the fact that government has made inward foreign remittances, through banking channels, tax free and immune from any kind of scrutiny by the tax authorities as to their source. According to a World Bank Report, prior to their freezing in May 1998, Foreign

Currency Accounts (FCAs), were the most important money-laundering instrument used for funds generated through illegal activities. These accounts peaked at US\$ 11.2 billion or Rs. 494 billion in April 1998 constituting 45% of total Bank deposits.⁴⁴ The government is in the process of tightening regulation of money changers and formulating an Anti Moneylaundering law.

4.5.8.2 *Mutual Legal Assistance*

Precisely because corruption has weakened the national economy, many of the most corrupt arrange for the fruits of their corrupt practices to be sent or made available abroad. It is then systematically hidden through elaborate (and expensive) trust arrangements so as to hide its unlawful origins. Despite this, it is often the existence of foreign assets which constitutes the best evidence of the offences committed in order to attract the bribes. To obtain this evidence, Pakistan should enhance its ability to obtain mutual legal assistance (MLA) from countries in or through which corrupt proceeds may be found.

Pakistan has had mixed results from its important requests for assistance from the national authorities in Switzerland, the UK and US. All three were asked to provide evidence and to seize assets in certain cases. The Swiss were outstanding in their response, which was swift and effective, leading in due course to indictments against two Pakistani ringleaders. The UK authorities reacted quickly, appointing a court to handle the request, which duly collected a great deal of evidence; but it then was bogged down for two years. In the US, access to witnesses was facilitated; but progress otherwise has been slow.

Police-to-police assistance is the most normal mechanism for obtaining help from other national authorities. Pakistan's experience of this has been confined to the FIA, which is the authority designated for INTERPOL purposes. INTERPOL's powers are limited; and much greater use is now made of Mutual legal assistance treaties (MLATs), in the continuing absence of a multilateral convention.

4.5.8.3 *International conventions*

The OECD *1997 Anti-Bribery Convention*, mentioned at section 4.3.7.2, was propagated within OECD, has now been ratified by some 30 states, but was never intended exclusively for the members of that organisation. Its main purpose is to outlaw in all member states the paying or offering of bribes to foreign officials, defined comprehensively to include ministers and others, anywhere in the world. Although Pakistan has mainly suffered, at least internationally, from its officials accepting, rather than its businessmen paying, bribes, Pakistan would gain important assistance from acceding to the Anti-Bribery Convention. The Convention not only requires tough and effective laws against corruption anywhere; it provides mutual support mechanisms between the responsible authorities in each member. Such support starts at the implementation stage, continues through effective enforcement, and is sustained at the practical level through mutual legal assistance mechanisms.

⁴⁴ World Bank report on Corruption, 1998

4.6 The legal system and judiciary

4.6.1 Introduction

Corruption in the legal and judicial system plays a crucial role in the spread of the malaise in any society. The purpose of any justice system is to ensure that laws are fairly applied and enforced, and to moderate disputes between citizens in family, commercial and other matters regulated by the law. Law should be predictable so that every citizen knows the standards which will be applied by courts. Law serves society, and lawyers should serve the law and society. For the purpose of the NACS, the legal system makes a crucial extra contribution, in that it provides the machinery whereby corruption is checked, exposed and punished efficiently and openly. Where the legal system fails to provide remedy for wrongs done, there is augmentation of corruption across society.

In Pakistan today, the legal system can serve no such purpose, because it too is riddled with corrupt practices. The public's perception is of corruption at all levels of the judiciary, with confidence in the subordinate district courts particularly low. In the TI-Pakistan survey, 96% of respondents interacting with the courts had faced corrupt practices on the part of court officials and clerks. The low confidence threatens the judicial system's institutional legitimacy and further undermines the rule of law. Partner to corruption in the system is the legal profession with low ethics of lawyers and poor controls of the bodies responsible for maintaining the high standards that should be required of it.

The problem of corruption is *acute in the subordinate judiciary*, where money has to be paid at virtually every step of the judicial process in order to make it move forward or halt the process altogether. From the time when a case is filed, it has to be helped along the process through 'speed money' that may be given either to increase or decrease the pace of progress of cases. Money is paid at the time of filing the case in order to ensure cooperation of lower staff and sometimes to have the case marked to a judge of one's choice. Payments are then made for effecting process service and at the time of each adjournment. Interim relief is frequently obtained on flimsy grounds, and through corrupt means. Finally, a decision may be obtained through corrupt means.

The problem is not limited to the subordinate judiciary. In recent years, newspapers have carried scores of stories about corruption in the higher judiciary and the *politicisation of the superior judiciary* has become a major problem. The general behaviour of the senior judges has made them poor role models for the lower judiciary. Even as late as 1998, in a democratic system, the prestige of the Supreme Court was lowered tremendously when the Chief Justice had to be removed from his post by a bench consisting of other Supreme Court judges. Furthermore, higher courts' judgments are protected from criticism through a wide interpretation of the law of contempt.

The perceived decline in standards has been attributed to interference in judicial proceedings by the executive or by military rulers. In actuality, there are more factors which have created the current state of affairs. These factors relate to systemic weaknesses in the judicial system, and are the precise corollary of weaknesses noted in the executive - notably competence, professionalism and independence. The decline in standards has been deepened, not checked, by the immunity of the judges from prosecution or even criticism.

A major program of reform in the judicial sector, the Access to Justice Program (AJP), funded by the Asian Development Bank (ADB) is currently in progress to combat many of these weaknesses. If these reforms are implemented as planned, the functioning of the legal system and the judiciary would improve dramatically and this would have a salutary effect on controlling corruption. A more efficient judiciary with better training, facilities and emoluments will be able to implement laws more effectively and without fear or favour. This will directly impact on preventing corruption. The AJP report sets out the weaknesses of the legal system and judiciary in great detail and this does not need to be repeated here therefore. Here, we set out just some key weaknesses and how they breed corruption.

4.6.2 Legal profession

The citizen's first experience of corruption in the judicial process is likely to be on encountering the legal profession. When a client approaches a lawyer he seldom receives sound professional advice, he is frequently given false hopes concerning his claim. He may well be asked to pay substantial fees for preparing a case that he does not understand is not legally sound. Corruption in the legal profession is a symptom of a deeper malaise - a low sense of professionalism, competence, and public service. Furthermore, it is the legal profession which supplies the judges of the future. The problems in the legal profession can be traced to weaknesses in legal education and legal accountability mechanisms, and a general unwillingness of the profession to take responsibility for maintenance of professional discipline and standards.

4.6.2.1 Legal education

Legal education is undertaken by a *proliferation of law colleges that are not properly regulated, lack resources and which produce lawyers with a shallow knowledge of law*, no writing skills and no professional training. Students are often able to buy degrees and qualifications. Such lawyers are unable to advance through the legal profession without political patronage or resort to illegal methods, and this sets in motion a chain of corruption. *Entry standards* for the law colleges are low. Therefore, graduates tend to enter the profession for reasons other than a sense of vocation and professionalism. It is inevitable therefore that, when practising as lawyers, they do not feel that they are responsible for upholding high standards. Furthermore, the Bar Councils have failed to introduce a *qualifying examination*. The Punjab Bar Council has recently, for the first time, set up, and intends to enforce a qualifying Bar examination to practice law. If this is properly administered, it would go some way towards checking the decline in professional standards, and raising the standard of future lawyers and judges.

4.6.2.2 Accountability mechanisms

There is a *lack of control and discipline* over practising lawyers by the Bar Councils. The Bar Associations should be professional associations aiming to maintain the high standards of the legal profession in the interests of society. Instead, they are self-serving, protecting their own selfish interests. Moreover, they are wholly political, and are rife with vested interests, which renders them ineffective. Complaints against lawyers are largely ignored and action is never taken.

The sole justification for a self-disciplining legal profession is to preserve and sustain an independent legal system, in order to withstand assaults upon society from other quarters. A legal profession which fails to impose discipline on its members forfeits the right to self-discipline, and justifies external controls which can be abused to the greater threat to individual rights and freedoms.

4.6.3 The judiciary

4.6.3.1 *Judicial independence*

The judiciary has to be totally independent in a healthy nation. Respect, or lack of respect, for Judges and courts plays a crucial role in society's attitudes to observance of laws. A disreputable judiciary will counteract the reforms put in place elsewhere under the NACS. This means that much of the burden for NACS reform has to be carried and supported by the judiciary - not simply be done "to" the judiciary. It is important for the judiciary to have as its goal the development of a strong and independent judiciary. It not only has to be empowered to tackle its own problems and be adequately resourced. It must also function openly and responsibly, accepting and acting on criticism whenever made and justified.

On paper the judges are independent. The perception of some judges not being able to exercise their powers freely is based on stories of interference from the executive and acceptance of this influence by these judges for personal considerations or for obliging the former. The result has been a general feeling that judiciary is not independent.

4.6.3.2 *Judicial accountability*

There is a general perception of inadequacy of the accountability of the judges which some feel has resulted in a decline in standards. This is especially true of the higher judiciary where the Supreme Judicial Council is considered to be a completely ineffective body. One reason cited for ineffectiveness is the method of involving consideration of a problem by the Council whereby the President has to move it and the judges have no power to take suo moto action in this regard.

Executive interference has often been attributed to the gradual decline of professionalism in the judiciary. In actuality a number of endemic factors have also been responsible. These include a strict application of contempt laws and discretionary reporting of judgements that has weakened public accountability of judiciary.

4.6.3.3 *Judicial salaries and facilities*

Salaries of judicial officers in the lower judiciary are poor. A Civil Judge is paid around Rs.6000 per month inclusive of allowances. District and Sessions Judges, who are senior judicial officers, are paid around Rs.12,000 to 15,000. Compared to the importance of the office and the functions these judges perform and the powers they exercise, these salaries are wholly inadequate. This, along with abysmal working conditions, a poor career structure, an enormous workload (average of 80 cases a day), creates a potent recipe for corruption.

4.6.3.4 *Judicial appointments*

There have been concerns about the lack of *transparency and meritocracy* of the judicial appointment procedure. Appointment into the lower judiciary was politicised until 1998; now appointment is via a High Court committee, based on examinations: improvements are visible. For the High Courts, appointment is by the President in consultation with the Chief Justice of the relevant High Court. The list of proposed appointees is prepared by the Chief Justice of the relevant High Court and goes through a consultative process with the government. The process has been criticised by the leaders of the Bar and the media for its lack of transparency and objectiveness. A general principle of seniority is applied when appointment of Chief Justice of a High Court is considered but is not a consistent policy. There have been cases of appointments as well as removals from judiciary on purely political basis; and these have helped to improve neither the quality of judges nor the image of the judiciary in the minds of the people.

Appointments on ad hoc basis for extended periods have allowed the executive to mitigate judiciary's independence resulting in loss of public confidence in the latter.

4.6.3.5 *Judicial training*

There are considerable inadequacies in the system for judicial training. The Federal Judicial Academy was set up in 1988, but it is not fully operational due to lack of will and inadequate financial resources. There is *no formal system of training* judges; training is supposedly provided on the job - but in fact neglected. There are very few opportunities for judges to go on refresher courses for participating in programs specially designed to help them learn modern techniques and improve their way of working.

4.6.4 Judicial support functions

Case management is in the hands of the staff without adequate training or accountability. Records are poorly maintained not only due to ill trained staff, but also because of lack of manpower. There is a complete absence of automation in the lower courts; and inadequate availability and utilisation of technology in higher ones. All this allows judicial support staff routinely to extract bribes and speed money to undertake standard functions, for example, to issue copies of documents and judgments, obtain adjournments or hearing dates. Factors which play a role are the common ones: low pay, poor facilities, inadequate supervision, lack of modern systems and standardisation.

4.6.5 The legal framework

4.6.5.1 *Plethora of laws*

Since independence, each successive government has added yet more laws, without effective tidying up of the existing laws. Laws are usually enacted to exercise -

ineffectively - yet more controls over an over-regulated society which has no sense of confidence or involvement in the laws. Many laws are *confusing, contradictory, overlapping and serve no useful function whatsoever*. In many cases, there is more than one law for a given subject. There has been a lack of continuity in parliamentary process, which has made legislation sporadic, ad hoc and inconsistent.

Whilst there are a number of missing laws, for example, Access to Information and Consumer Protection laws, the main disease stems from the *extraordinary volume of secondary or lower regulation*, including many extra-statutory means whereby officials can abuse power without responsibility.

There is clearly an urgent need to consolidate, review, repeal and update laws to make them consistent, modern and more effective. Any systematic review of the primary statute book would be demanding, time-consuming and call for resources which are either non-existent or in acute demand. Law reform has to be a continuous process. The body responsible for this work, the *Pakistan Law Commission* does not have the manpower and resources necessary to conduct in depth on going research. There are no law commissions at the provincial levels to undertake this work.

4.6.5.2 *Application of laws*

While there are flaws and lacunae in the general laws and legal practices of the country, it is not principally these which create corruption; it is the failure to operate the laws effectively through the judicial process, and the way in which authority is exercised over average citizens through a *manipulation of the laws* that gives rise to all manner of difficulties for people and create opportunities of corruption. For example, opportunities for corruption abound in the application of laws and procedures covering the buying and selling of land, property and other assets. The law requires property transfer to take place through registered and stamped documents. These requirements are enforced through somewhat outdated laws and procedures that are implemented by officials without proper training. The people who deal with such officials are themselves ignorant of the legal requirements. These conditions give rise to exploitation and corruption.

4.6.5.3 *Benami*

One clear instance of such a practice, duly accepted by law courts, which creates opportunities for corruption, is benami. A Benami transaction takes place when property or assets are purchased by a person in the name of another person who becomes the front for the transaction. Such transactions are almost always entered into with a view to *hide the beneficial owner, launder money and avoid detection of ill gotten wealth*. Benami transactions have been identified as the cause of a large number of disputes that result in fraud, misrepresentation, unnecessary litigation etc. According to the statistics published by the Asian Development Bank, almost 50% of cases pending in the lower courts are related to property disputes.⁴⁵

⁴⁵ Report on the Access to Justice Program, Asian Development Bank.

4.7 Media

The media can play two critical roles in the fight against corruption. The first role is help build public awareness, change societal attitudes and empower citizens to demand accountable and transparent government. The media's second role is more direct: it can investigate, expose and track cases of corruption and thus act as a deterrent as well as a monitoring and combating tool.

A free media is essential if it is to serve effectively in either role. Unfortunately, successive governments have used the media to generate positive public opinion in favour of their policies and quash opposing views and criticism. The government interference, together with oppressive laws, lack of competition and social and political factors, has stifled the media. Although the climate within which the media operates has improved significantly in recent years, it still suffers from weaknesses in independence, integrity and professionalism, competence, access to information and accountability.

The picture is a complex one. On the one hand, freedom of expression and freedom of the press is enshrined in the Constitution, although this freedom does not extend to the media as a whole.⁴⁶ Certainly, press articles critical of the government are common. On the other, the *independence and freedom* of the media has been compromised. First, the electronic media, which is most relevant in such a vast country with low literacy rates, is directly controlled by the government. Recently, the private sector has also been allowed inroads into Television and Radio. The influx of cable and satellite is also now vastly expanding the variety of reporting, analysis, information, education and entertainment. Until recently, government was also involved in the film industry through National Film Development Corporation (NAFDEC), which has now been disbanded. Private radio stations have been established primarily for entertainment and in big urban centres leaving a requirement for the same at the local level and for information and education purposes as well.

Secondly, the print media is financially dependent on the government via advertising revenue. Circulations are low due to the literacy rates and high prices of newspapers and magazines, and there is weak private sector demand for advertising. The government allocates advertisements on the basis of quotas. Achieving a newsprint quota can be obtained through corrupt methods, by inflating the circulation figure and selling excessive newsprint in the market to smaller newspapers. Discretion in allotting government advertisements and newsprint quotas allow governments to influence print media, and tame misbehaving newspapers. Furthermore, government has control over wage-board awards for the media.

This financial dependence makes the newspapers' often critical view of the government all the more surprising. However, the media is subject to the same economic, social and political pressures as others, and thus the same threats to its *integrity and professionalism*. The newspapers run on small profit margins and thus rely on maximum circulation (which they also need in order to qualify for

⁴⁶ Article 19 of the 1973 constitution gives freedom of speech and expression and provides for freedom of the press. This freedom is, however, subject to reasonable restrictions imposed by law in the interest of Islam, security or defence of Pakistan, friendly relations with foreign states, public order, decency or morality or in relation to contempt of court or commission or incitement to an offence

government sponsored advertising), and hence negativity and sensationalism. Compromises are made for survival and for making profits, even more so than in most countries. The print media is owned by a small number of families, drawn from the elite, and thus with their own social bonds and interests. Stakeholders reported owners intervening directly in editorial matters. Pressure has in many cases been brought to bear by external parties - primarily government, political or business interests - to publish or not publish, or to cover stories from a certain angle.

More directly, there are allegations that some editors and journalists can be bribed. This dates back to the "Lifafa journalism" starting in the 1960s. The workforce is meagrely paid with no job security, which leaves them insecure and vulnerable to corruption, extortion and blackmailing. Indeed, there is a proliferation of newspapers which thrive on yellow journalism - sensationalising and concocting news items and applying black mailing tactics. The lack of libel or defamation laws is an omission soon to be rectified by the government. Corruption in the electronic media attained new heights with the advent of private production houses and proliferation of advertising agencies. Kick backs are offered to the electronic media officials for selling the airtime at prescribed rates. placing advertisements, TV licences and feature programs are bought and sold with high stakes at both the ends.

These pressures combine and are exerted in an environment which lacks a code of ethics or high degree of professionalism. There is no internal mechanism within the media to evaluate the worthiness and accuracy of the information that is brought by the reporter for publication. It is unsurprising therefore that reporting often lacks objectivity and accuracy.

There is also the issue of *competence*, as the reporting often lacks quality, depth and insight. There is neither a professional qualification nor a certifying mechanism necessary to join this profession. There is no expertise in investigative reporting or follow up reporting, nor is there a system of legal or physical protection for journalists unearthing evidence of corruption. As mentioned above, the key to financial success is advertising revenue, so there is no incentive for any one newspaper to apply higher standards of ethics, professionalism and quality of reporting, as these are highly unlikely to boost profits. Unsurprisingly, there is widespread concern about the responsibility of the media, and therefore its ability to play an effective role in improving the governance environment in Pakistan.

Overall, the relationship between the media and the state is adversarial and distrustful. The development of a responsible media has been hindered by the lack of a legal right of *access to official information*, and by uniformly poor media management by the government. Without access to the facts, or any way to verify them before a deadline via access to officials, journalists and editors have little choice but to publish articles on the basis of limited evidence and speculation. The government is now in the process of formulating laws on access to information, and defamation, to facilitate the free flow of information and transparency, while providing safeguards for protecting privacy. The need for more effective media management remains, if the government is to utilise the full potential of the media for its anti-corruption campaigns.

Finally, despite its immense power, the print media is accountable to no one for what it publishes.

The state of the media was of great concern to stakeholders consulted. Intellectual corruption was believed by many stakeholders, understanding the power of the media, to be the most damaging form. What is clear is that weaknesses in this, the fourth pillar of the national integrity system, require urgent action. The alternative is that the media will fail to play its potential role in communicating anti-corruption messages, and holding the government to account.

4.8 Civil society

4.8.1 Social attitudes and behaviour

Pakistani society is marked by *high levels of tolerance and acceptance of corruption*. In recent years, social acceptance of corruption has increased to such an extent that the corrupt are not excluded from society and, in fact, are often celebrated. A phenomenon quoted by many stakeholders was that integrity has become associated with futility and folly, and corruption with intelligence, bravery and resourcefulness.

Collusion of individuals with government functionaries is widespread, as any form of social contract between citizen and state is absent. Citizens are unwilling to pay their taxes, demand their rights and play their role as honest citizens, because they have no confidence that the state will repay that trust by providing effective public services with accountability. Experience has shown that those entrusted with stewardship of public resources are more concerned with self-enrichment than service delivery.

Understanding the shift in recent years in societal attitudes and behaviour is a complex exercise, for which section 3's outline of the history of corruption provides some insights. The scale of corruption, and failure of anti-corruption initiatives, of recent years have had a devastating impact on the ethical fabric of society. This impact will take years to reverse. However, there are some clear areas where specific weaknesses can be identified and where action is possible.

Evidently, social attitudes and behaviour are rooted in *childhood*. Formal education focuses on examination success in technical subject, with little emphasis on civic duties, on the individual's responsibilities as a being and a Pakistani citizen, or on the government's responsibilities. Furthermore, there are little opportunities for class discussions or case studies on issues. Schooling does little for ethical education, individual development or social empowerment.

Many stakeholders believed that *Islamic education* could play a greater role in strengthening the ethical fabric of society. More emphasis on propagation of the Quranic teachings, in their true spirit, would allow society to develop a better sense of what is required of it in terms of ethical conduct. The academia in both conventional schools and religious institutions (Madrassas) is the key element in orchestrating and highlighting the expectations of a true Islamic society from its members.

The *mass media* obviously plays a key role in influencing attitudes, particularly for women and the young, more likely to watch television for example. Many stakeholders believed that the media encouraged materialism and ostentatious behaviour, putting men under exceptional pressure to provide an aspirational standard of living for their families.

We should not be disappointed by the high levels of collusion with officials and cynicism about the state, its anti-corruption bodies and politicians or that family, 'biradri', and tribe take precedence over law and national interest. However, nor should we be pessimistic: the emphasis should be on rebuilding that social contract. While that is a task larger than NACS, NACS must play its role, as attempts at tackling corruption without changing social attitudes are likely to be unsuccessful.

4.8.2 Social empowerment

The origins of low social empowerment are also relatively well understood. Pakistan still has many elements of a *feudal society, powerful elites, low levels of literacy, overpopulation, widespread poverty and insecurity*. It is little wonder that the public lacks the power, confidence and incentive to fight corruption on an individual level. And for this reason it is critical to support the development of robust civil society organisations to represent the interests of the disadvantaged and illiterate, and take advantage of the devolution plan's and police reforms' provisions for public participation.

4.8.3 Civil society organisations

There is general *absence of an organised civil society response* against corruption. Civil society organisations refer to those organisations and networks, lying outside the state apparatus, which exist to promote certain causes or interests. Pakistan's key civil society actors are Non-Governmental Organisations (NGOs) or Civil Society Organisations (CSOs), faith based organisations, trade unions and workers/professional associations, womens' groups, and student groups. The critical role of civil society in reform efforts have been overlooked in Pakistan in the past. NACS seeks to learn from previous experiences and build a partnership of government, civil society and private sector. The NACS project consulted many key civil society figures, yet was unable to identify any NGO working specifically in the domain of anti-corruption except for Transparency International's Pakistan chapter.

International experience shows a clear link between an active civil society and good governance with low levels of corruption. Any attempt at tackling corruption without mobilising civil society is likely to fail, as the civil society is the ultimate affectee of corruption and also the most effective check on the misuse of power. Unfortunately, Pakistani civil society is ill equipped to demand high standards of integrity and accountability in public life. In general, high levels of poverty and illiteracy have prevented the majority from organising themselves effectively to demand their rights. And, those with the education and resources to speak up have too often benefited from the corrupt system to speak up. Furthermore, centralised, closed and autocratic government has stifled the voice and participation of civil society.

In general, the true potential of NGOs remains to be exploited. One exception is the Orangi Pilot Project, where an impoverished group with low literacy rates has learnt to defend itself against corruption, at least in development projects. As was mentioned earlier, a KWSB project was reduced from the initially identified and approved figure of US\$ 100 million to \$US24 million through intervention of the Orangi Pilot Project on behalf of the community. A case study of this project is provided in the strategy section 5.11, as an example of civil society aspirations.

The NGO sector is unregulated, poorly co-ordinated and generally distrusted due to the presence of unscrupulous elements in some areas. Codes of conduct and transparent accounting and reporting are absent. Government, however, is in the process to provide an enabling environment in the form of a simple and accessible legal and regulatory framework.

The first step in encouraging the development of a robust civil society has to come from the government, as civil society is a critical partner in the new paradigm of governance at the grass roots level. This partnership will become even more crucial when the Devolution plan takes full effect over the coming years, allowing the cascade of opportunities for corruption to the local level. Civil society is best placed to monitor local government and demand accountability and transparency. The Devolution plan aims to provide the enabling environment for this, via its accountability and participation mechanisms. Citizen Community Boards (CCBs) are non elected bodies to be formed for the purpose of participation of those who do not have the means of contesting elections.

4.9 Private sector

Traditionally the areas comprising Pakistan have had no tradition of businesses. However the vacuum created by the departure of the Hindu entrepreneurial class was partially filled by the migrating trading community from Bombay and later by the development of industries in some towns of central Punjab. This meant the development of a new class of businessmen who are still in the process to develop strong business ethics resulting in corrupt practices that can be differentiated into two broad categories:

- the first is a result of the *interaction between private sector* and the public sector which has been examined throughout this report and is manifested in systemic weaknesses which allow collusion and extortion resulting in loss of revenue to the state and hardship for the private sector;
- the second is the peculiar indigenous corruption existing *within the private sector and its dealing with the society* at large. The terms of reference of the NACS project did not include a detailed examination of these private sector corruption issues. Such corruption has a massive impact on economic growth and development: it reduces investor and consumer confidence, degrades the spirit of competition, and compromises the quality and efficiency of outputs. Furthermore, private sector corruption has the potential to impact the individual in an acute way, via their savings and investments. The main victims are small to medium investors and consumers. The largest scam in private sector is the co-operatives fraud which cheated the public of an estimated Rs. 20 billion.

So as to avoid duplication with prior sections, in this section, we highlight only some key issues related to intra-private sector corruption, touching on: professional standards and regulations; corporate management culture; and consumer protection.

Private sector in Pakistan is broadly divided into the formal and the informal sector. Given the size of the latter a large portion is beyond the reach of regulatory authorities. Even in the regulated sector enforcement of rules and ethics is weak.

4.9.1 Professional standards and regulations

Majority of the stakeholders were of the view that the private sector suffers from weak professional standards and slipshod implementation of regulations. For example, there is a large number of cases where *chartered accountants* were proven to have window dressed clients' accounts and, along with bankers, certified ownership of assets for the purposes of procuring loans and contracts. In other cases, *bank executives* have been involved in major loan scams in return for a commission to turn a blind eye towards the viability of the project. Many of them are also involved in laundering money for their customers.

The *medical profession* is also poorly regulated. There are no effective remedies available to patients who are victim of doctors' malpractices, harassment and negligence. Other professions have similar problems of integrity, responsibility and ethics.

The problems of the legal profession are detailed in the section on legal system and judiciary.

4.9.2 Consumer Protection

There is no consolidated consumer protection law, and even the fragments given in the laws with some role of consumer protection are inadequate. More often than not, these laws prove to be tools of corruption for the state regulators rather than of benefit to the consumer. There is hardly any group that campaigns for the consumer.

A significant area of concern is adulteration. The problem of adulteration occurs in a number of areas but the most devastating impact is in health and agriculture. Adulterated medicines, fertilizers and pesticides have played havoc in an economy that is poverty stricken and largely agrarian.

4.9.3 Fraud with non residents

Non residents are often defrauded with comparative ease as they are on weaker ground to resort to any recourse. The main sufferers have been overseas Pakistanis. They are either visiting this country or spend most of the time outside the country and have little know how of our local systems. They are generally not well connected with people at the right places who could get things expedited for them. The locals are aware of these limitations and generally exploit the non residents in dealings with them. The most common form of frauds with non residents is in the real estate market where they are fleeced through buying and selling of disputed, fictitious or defective properties. Other common frauds with non residents include forging partnerships with the locals where after a while the investment of the non resident is discovered to be eaten up by the recurrent losses in a business where no accounts were being maintained or if maintained these were not audited.

4.9.4 Lack of Professional corporate management culture

With some exceptions, the private sector has failed to develop a professional corporate culture. There has been a restricted growth of private sector enterprises

since the large scale nationalisation shielded the private sector from adopting modern day management techniques. Most of the big names in the private sector are family managed businesses, in which highly trained and experienced professional corporate managers would be unlikely to find an opening. This insularity protects private sector from exposure to the international standards of business ethics and corporate governance which emphasise the qualitative aspects of running a business. However, in the recent past, with the expansion of educational institutions, multinational companies and banks and foreign qualified professionals entering the job market, there is an increasing trend towards improved management culture in the private sector.

4.9.5 Lack of Documentation

Private sector in Pakistan is largely, officially, undocumented. Although there may be few businesses that can survive without keeping proper accounts, very little is officially disclosed to the authorities by the businesses on the pretext that no books of accounts are maintained. This widely accepted practice leaves much room for tax evasion and other malpractices. This also distorts the facts and figures required for accurate formulation of economics policies and resource allocation.

4.10 Conclusion

The breadth of issues covered by the review and assessment of systemic weaknesses is immense. Understanding corruption requires an indepth understanding of the failure of governance. Some systemic weaknesses set out in this chapter contribute to corruption more directly than others. But they all have a place on the complex map of corruption.

Rather than feeling defeated by the scale of the exercise, we must set out our shared vision of Pakistan without the current high levels of corruption, set clear objectives for the strategy, and determine indicators we will track to reflect to what extent we are succeeding. Delivering success will be dependent on the design and implementation of simple but effective tools.

Chapter 5 aims to provide the next step in this direction, and move us from analysis of the problem to taking action, in a strategic, prioritised and sequenced fashion.

5 National Anti-Corruption Strategic Framework

5.1 Introduction

Following the introductory sections, this chapter outlines the strategy for strengthening each of the national integrity system pillars, and identifies specific measures that can be adopted to fight corruption, either directly or indirectly. There is a section for each pillar. The section dealing with the Executive, which is our main focus, has a sub-section for each of its various areas: the role and function of the state; public sector management; public interface functions; local government; development, procurement and contracting; and financial management. For each national integrity pillar, there is an implementation plan for the measures in respect of each pillar. This is contained in the report in the form of spreadsheets. For each key systemic weakness, the *implementation plan* indicates the strategy, steps already undertaken towards the achievement of this strategy, the measures still to be undertaken, by when (showing priorities), and by whom. Finally, the plan indicates the resource implications of the strategic action, as a reflection of its do-ability.

The strategy and implementation plan is consistent with the ADB OECD Anti-Corruption Initiative for Asia-Pacific.

5.2 Strategic vision and objectives

Vision:

NACS envisages a *stable Pakistan that is prosperous and has self-sustaining integrity mechanisms by which corruption is eliminated.*

Objectives:

The long term objective of the NACS is therefore *to eliminate corruption by engaging all stakeholders in the fight against corruption, through a programme which is holistic, inclusive and progressive.* There is no point in aiming for anything less. But the means and timetable to achieve this must be realistic and practical.

The short term objective of NACS is *to set in motion systemic improvements that will strengthen the national integrity system and the people against corruption.*

The immediate objective of the *strategy is to assist the new political dispensation inculcating a high set of public standards, publicly declared and verifiable, which will contribute to the attainment of good governance.*

Performance measures/indicators and targets

Objective performance measures/indicators with targets will be required to monitor the success of NACS implementation. Short, medium and long term targets will be necessary. Clearly, NACS includes measures to ensure that reliable and representative data about corruption can be collected and analysed in a timely and transparent manner. Determining the performance measures and indicators, and setting targets, will be an exercise to be undertaken, with wide participation, once the strategy has been developed and approved. However, example performance measures/indicators include:

- % of GDP lost through corruption;
- % of the population experiencing corruption in different sectors;
- levels of citizen concern about corruption;
- % of the population believing corruption to be socially and ethically unacceptable.

Care must be taken not to devise performance indicators which incentivise dysfunctional behaviour. For example, measuring the number of media articles about corruption - with the fewer supposedly reflecting lower corruption - induces secrecy around cases of corruption.

5.3 Overview of the strategy

NACS is based around common themes and a toolkit of measures: some inexpensive, simple and quick, others more expensive, complex and time-consuming which, together, protect society from corrupt practices, inefficiencies and waste. But, NACS is more than the sum of the parts, and there are many interdependencies. NACS will be openly adopted and implemented transparently so that all can see the results, for good or ill. If some measures fail, others must be chosen as NACS will adapt and mature as we learn from our successes and failures.

5.3.1 Principles of the strategy

The strategy must aim at tackling corruption in Pakistan through a combination of action on three mutually reinforcing fronts:

- *Prevention* - systemic, institutional, legislative, administrative reforms and public education and awareness raising, aimed at building democracy and a strong civil society, and an early and effective removal of incentives/compelling factors and opportunities for corrupt practices, also increasing the risk/deterrent effect;
- *Monitoring* - the regular and systematic measuring of the nature, causes and extent of corruption through reliable and verifiable data collection, analysis and co-ordination;
- *Combating* - improvement in the legal and institutional arrangements for the detection, investigation and prosecution of corruption.

The emphasis on the combination of prevention, monitoring and combating marks a departure from reliance only on enforcement approach and is the key to successfully tackling corruption.

Cutting across these three broad fronts of action, are a number of consistent themes.

Themes of the anti-corruption strategy

Political Will: demonstrations by a range of key leaders of commitment to change

Transparency: openness in dealing with the public and public opinion

Accountability: responsibility for the performance of public duties

Meritocracy: promotion of the most talented and able to perform

Deregulation: systematic removal of unnecessary regulations and processes

Rationalization of discretionary powers: reduction, wherever possible, and proportional to level of responsibility

Standardisation and automation: simplification and widespread use of technology
Efficiency of service delivery: progressive performance improvement
Professionalism and competence: investment in recruitment and training
Public participation: active engagement of civil society and the media
Change management: measures which facilitate change, for example, capacity building and awareness raising

5.3.2 An anti-corruption toolkit

The recurring themes of the strategy are mirrored in a core set of measures - these form the anti-corruption toolkit, and are summarised below.

Anti-corruption toolkit

Access to information legislation: gives citizens the legal right of access to government documents without having to prove a special interest and the burden of justifying non-disclosure falls on the government administration.

Integrity pledges: a set of promises made publicly by a group, typically government ministers, to a common overseer, whereby any failure to perform the promise entails resignation from the group.

Codes of conduct: a set of ethical standards to which institutions adopting the code will adhere in order to demonstrate their commitment to eliminate corruption from their activities.

Conflict of interest provisions: a law, regulation or rule of business prohibiting participation in decision making whenever private interests might be present in the performance of public duties.

Assets declaration and monitoring: an essential statement by all prominent public office holders, which is effectively monitored.

Integrity pacts: an integrity pact is a formal no-bribery pact made by a group of related stakeholders (e.g. contractors tendering for procurement contracts) whereby they set open and verifiable undertakings not to engage in corruption of any kind.

Whistleblower provisions and protection: a key mechanism to overcome the culture of tolerance of corrupt practices, people must be provided with the means to report responsibly any abuses of power or acts of corruption

Vigilance units: groups appointed throughout the public sector with responsibility for verifying compliance with integrity pacts, codes of conduct and anti-corruption rules and procedures.

Integrity testing: random checks on those in vulnerable positions.

Citizens Charters: set out the public services a government agency will offer and how it will respond to members of the public.

Service delivery surveys and report cards: publicised reports of tests of anti-corruption standards and targets, based on verified surveys, which departments will welcome as recognition of due performance and justification of appropriate resources.

5.4 Enabling reform environment

The Government will be aided in its anti-corruption effort by the enabling environment of other national government reforms, many of which reflect consistent messages around modernising public services, transparency, grass roots democracy, participation, deregulation, downsizing, meritocracy, social empowerment, decentralisation and devolution. Indeed, this consistency is essential if the anti-corruption reforms are to be effectively implemented. We endorse the substance of these reforms throughout our strategy. Our only concern lies with the government's capacity to implement, co-ordinate and absorb wide ranging reforms to which will shortly be added NACS implementation. We have integrated these considerations into our design of implementation and oversight mechanisms.

The following sections set out the strategy for each of the national integrity pillars.

5.5 Legislature and political system

The objective of the strategy is to engender a new political culture, in which the inevitable desire for power is balanced by a sense of integrity and commitment to public service.

Various measures can be deployed to help create this culture in the political leadership, the political parties, the electoral process and the legislature. Although, some measures are specific to each of these areas, there is a common theme - there must be *Political Will and a zero tolerance approach to corruption*. The first deviation from this approach will serve to undermine the NACS and bolster cynicism and apathy. We can not ask the low paid official, with no hope of social advancement to resist temptation if the educated and wealthy are not prepared to do the same. Political Will does not just mean supporting and resourcing NACS - it means setting an example, and resisting the temptation to let political exigencies outweigh the principles of good governance and zero tolerance.

The immediate post election period should witness a high profile event, with extensive media coverage, at the federal and each of the provincial levels, at which the newly elected legislators come together to give their public commitment to NACS. They will develop, individually commit to, and collectively adopt an *integrity pledge*. Politicians will require *training in anti-corruption measures* such as the code of conduct, conflict of interest avoidance and reporting.

The incoming government should set itself public and verifiable goals that can be monitored by the media and civil society, enabled by transparency. Transparency can be enabled by various means: parliamentary proceedings to be televised and broadcasted; integrity pacts on high profile procurements in high risk areas. Effective asset declaration and random monitoring is essential. An open register of legislators' interests and updating procedures will be required. All legislatures should publish an annual report of achievements, including specific sections on NACS implementation.

This is a prime example of how the national integrity system could and should work, by all the pillars *individually and collectively applying all pressures within*

their control. It is for exactly this reason that measures to strengthen the National Integrity Pillars are not overlooked in favour of more immediate anti-corruption measures. The key point about these measures is that we are not naïve, expecting the politicians to change their underlying attitudes necessarily - although this is the ultimate objective - but to give them little choice or opportunity to act otherwise.

The pressure needs to be brought to bear *immediately and continuously*: dialogue is urgently needed in the run up to the election, as the new governments take office, when the assemblies first sit, in the early stages and at regular intervals thereafter. Debate about corruption must be encouraged in the media, politicians must be required to make public their commitment to NACS and their personal integrity. This type of intensive and radical approach will only work effectively if it receives the *backing from the highest political leadership. The President, Prime Minister and Chief Ministers should be the first to make the pledges.*

Indeed, as stated throughout this report, *Political Will* is the key ingredient to the success of NACS. But this Political Will should not emanate purely from the political leadership: NACS needs the unwavering support of a broad coalition of leaders from the political, bureaucratic, civil society, media and private sector spheres. At times, the price of implementing NACS will seem too great to bear, there may be setbacks and embarrassments. It is critical that political support remains resolute throughout. And, this support is not just verbal, it is demonstrated by setting the right example and must be widely publicised and celebrated.

There are other critical, albeit not immediate, needs also: to introduce *democratic processes and transparency into the political parties and to strengthen electoral system and processes.* Strengthening of the Election Commission is required. A model for interim administrations pending elections would help ensure the integrity of the electoral process. The law banning floor crossing by members of parliament must be implemented.

Legislatures can be strengthened further. Reform of the public sector, and training of new legislators, should help to reinforce the division between legislative and executive functions, and between policy making and administrative functions of government. This should be reinforced by a law prohibiting legislators from interfering in executive functions.

But it is the integrity initiatives which carry the greatest and the highest risk: the risk of failing, of measures such as Integrity Pledges and codes of conduct being cynically abused and losing their ethical currency in the country. However, they also bring the potential for the greatest benefit. Sufficient lobbying and training should persuade the politicians that these measures provide an opportunity for the political legitimacy which has hitherto been absent for many years.

5.6 The executive

5.6.1 Role and function of the state

The objective of NACS is to reduce opportunities and compulsions of corruption by redefining the role of the state, to remove government's monopoly power, provide customers with a choice of service providers and eliminate vast areas of bureaucracy which serve no function other than to provide officials with opportunities for abuse and corruption.

There are three main routes to delivering this strategic objective: *privatisation, deregulation and simplification of revenue collection and reduction in the number of taxes.*

The process of privatisation should be expedited. The importance of privatisation for the anti-corruption strategy is that effective private sector disciplines are the most effective way of changing a culture of neglect and greed in the delivery of functions and services by a demoralised public sector. Privatisation is no panacea: it involves pain and requires steadfast commitment to achieve the necessary transformation. Without this transformation, it is practically impossible to change the entrenched malpractices of indolent and corrupt public service. It will be imperative that high standards of transparency and meritocracy are applied to the privatisation process.

Integrity pacts will be a useful tool in privatisation, satisfying the public of the transparency and integrity of the process, and ensuring that the privatisation agenda is not undermined by accusation of corruption in the process.

Deregulation can be achieved by repeal of unnecessary regulations. An efficient approach to deregulation would be the announcement of an *intention to review and repeal regulations wherever required*. All public sector bodies should be required to *identify areas of unnecessary laws and regulations*, encouraging open competition between departments to reduce government size and cost.

With regard to taxation, there is an urgent need to critically review taxes and duties which achieve no significant return for the exchequer. *Simplification of procedures and reduction of tax rates* currently generating little revenue should increase significantly government receipts without increasing costs of collection.

Other measures, such as eliminating discretion and face-to-face contact between tax assessor and taxpayer are common to all forms of service delivery.

Case Study: Reforms by Government of Sindh

Business premises: Sindh Finance department has reduced the number of officials visiting business premises from twenty seven to four. Even these four are stipulated to visit on the same day.

In taxation, easily understood and implementable procedures have been introduced. Motor vehicle tax department has been abolished and the tax is now collected through a levy on fuel that is charged by the filling stations and paid to the government.

In property tax, a complicated assessment system evaluated the gross annual rental value of a property on the basis of a number of factors including fixtures in a building. Resultantly, houses within the same neighbourhood were paying vastly different taxes depending on the degree of collusion with the tax officials. The system has been revamped through introduction of standard criteria ; i.e. size of plot and covered area. Rates for different sectors have been published which allow households to calculate their taxes easily. As a result of this policy, the Sindh government has gained 20% in revenue collected under this head. Overall, 40% of the population are paying less tax than before and 60% are paying more. There is a participatory complaint redressal system also.

The government's policies on privatisation and deregulation provide an enabling environment for reforms in these areas. However, there are two impediments to implementation. First, the privatisation programme is on hold, for a number of reasons. Secondly, reforms in these areas will remove opportunities for middling, but nonetheless, highly lucrative corruption by those with the power to block the reforms. We can expect the reforms of particular regulation, subsidies and taxes to face a barrage of resistance from decision makers, those benefiting from the system.

5.6.2 Public sector management

The objective of NACS is to eliminate corruption through creating a motivated, meritocratic, performance driven, professional civil service, resistant to the temptations of corruption, due to integrity and pride in the delivery of service, and to the fear of detection and punishment - simple and transparent organisations and management structures.

We believe that the strategic objective can be delivered and corruption driven out by undertaking the following measures:-

Whilst the difficulties of implementation are obvious, the clear conclusion of stakeholder consultation was that *"lean government is clean government"*, and that downsizing sets the groundwork for the strategic objective set out above. Lean government will also enable improved remuneration. To enable the government to make informed decisions about reforms and downsizing, it will need improved *HR management information systems* and better information about the size and shape of the civil service.

Delivering the strategic objective will also need *strong institutional leadership with integrity*. Appointing high calibre leaders on merit is the first step. Then, we need to give them the autonomy, authority, resources, skills and security against political interference they need to be able to rid their institutions of corruption by ensuring sound internal controls. We need to reward them adequately for this. The civil service needs to attract and retain individuals with skill and integrity. This requires meritocracy in the recruitment process and adequate remuneration. Monetisation, an option which has been considered in the past, needs to be re-examined, this time with a specific view to its role in minimising incentives and opportunities for corruption. Clearly, recommending this is easier than doing it

in practice. However, we must be cognizant that without improvements in pay, any anti-corruption initiatives may only have a limited impact. Reducing corruption, for example in revenue collection, can help finance improved remuneration. Lean government, strengthened prioritisation mechanisms and financial management should also release funds. Massive present wastage throughout the public service can be eliminated.

Political interference, and other forms of nepotism, in the tenure of officials, transfers and postings, and promotion must be eliminated. The OSD⁴⁷ culture must be eliminated. Fixed tenures, decision making by participative committees, performance evaluation systems and examinations determining promotion decisions are useful tools. Increasing civil service remuneration and meritocracy will promote the value of being competent. We must enable this by providing *opportunities for functional specialisation and appropriate training*, particularly in IT and management skills.

Training, using case studies and discussion can also be used to embed strengthened integrity. Other key tools to *reform ethics* will be clear codes of conduct, developed in a participative manner by each institution, within an overall framework which includes a law banning conflict of interest.

The organisational culture which sustains corruption can be transformed by another set of measures: *streamlined and transparent organisational structures*, with delegation of responsibility; *strong accountability mechanisms* including output oriented job descriptions and a transparent, objective performance evaluation system.

Institutions will require training and support to enable them to undertake focused assessments of the risk of corruption, and then *design and implement controls*. Automation will help enable these controls.

The Motorway Police case study is often quoted by stakeholders as an example of what can be achieved in terms of reducing corruption, by implementing management reforms.

Case study: Motorway Police

The Motorway Police was created to police the motorway between Lahore and Islamabad. To ensure its efficiency, it was given a different remuneration package from the ordinary police. Appointment within the Motorway Police is at one grade above the grade for the same officer in the ordinary police. An average Superintendent of Police (SP) earns Rs. 35,000 as his take home remuneration each month, approximately four times the take home pay of an SP posted in the ordinary police. The impact has been that the Motorway Police is noted for its integrity, efficiency and good standards of public service. Clearly, the remuneration package has not been solely responsible for these improvements - there have been a range of other improvements made, including training, improved internal controls and eight hour shifts - but remuneration is generally credited with being the major factor in creating this "island of integrity".

47 Officer on Special Duty

Finally, we must increase risk of detection and punishment. Vigilance units should prove an essential weapon, if implemented, in a non-intrusive way, in institutions suffering high levels of entrenched corruption. Integrity testing of officials in vulnerable positions will be met with resistance but provides an extremely effective deterrent, but only if officials are fearful of the threat of being caught. Measures include strengthening assets disclosure and monitoring mechanisms and strictly implementing disciplinary procedures.

Case study: Railways Vigilance Unit

Pakistan Railways established a Vigilance Directorate in December 2000 to assist the senior management to exercise better internal controls through checking administrative and financial indiscipline. It is a lean and non intrusive set up to monitor proper observance of rules and procedures in matters relating to finance, revenue, customer services, procurement and contracting. The members monitor rewarding of contracts, auction of stalls and scrap sales, procurements and report directly to the Minister. Anybody can report cases of corruption and malpractices. As a result, Pakistan Railways has reported huge savings: reduction in theft of gas and electricity to the tune of Rs. 73 million, detection of 23,000 ghost pensioners has resulted in annual savings of Rs. 183 million, revenue from scrap auctions has increased from Rs. 223 million in 2000 to Rs. 340 million in 2001

This is an ambitious objective which will face strong resistance and stumbling blocks in implementation rather than design. Reforms must be led vigorously, with constant supervision by the political leadership. Indeed, many developed countries are still struggling to achieve this objective after twenty or more years of reform. This task goes far beyond the capabilities of the NACS. However, support is expected from NRB's Civil Service Reforms. In addition, a number of the NACS measures can be undertaken as stand alone actions across government. Finally, we advocate creating "islands of integrity" - institutions run according to these objectives, where corruption is driven out, serving as an example to others.

5.6.3 Public interface functions

The objective of the strategy is to provide efficient, effective and transparent public services which do not force customers to pay bribes, and accountability for the public in the event of any abuse of power by officials.

A core set of measures will deliver this strategic objective.

First, to eliminate the need to pay bribes and the opportunities for extracting them, service delivery must be *configured around public needs* rather than the wishes of the official and the department. There is an urgent need to simplify and codify key rules and procedures. Discretionary powers must be curtailed where possible, including by the standardisation of processes and fees/charges, using automation where possible. One- window operations, e-government and other initiatives can reduce face to face official/customer contact. Where face to face contact cannot be reduced, systems are required to ensure that officials and customers cannot build collusive relationships, randomise official/customer contacts.

Institutions must provide guidelines on when, how, and by whom a particular service will be delivered. Simple measures such as customer facilities and more convenient opening hours can reduce the customers' reluctance to stay, or return, and demand their rights, without being reduced to paying bribe or speed money. Seeking suggestions for improvements from staff and from customers, with rewards for cost-saving ideas that are taken up, is an effective way of undertaking these reforms.

Secondly, the Access to Information Law and revising the Rules of Business to promote *transparency* will be necessary, but not sufficient. Empowerment and public participation must follow. A cultural shift is required which will require change management strategies within each institution, including training in areas such as customer service. Enquiries and transactions must be conducted in full public view, with formal mechanisms for dealing with customers. Empowerment will partly result from transparency, but also from initiatives such as public participation in monitoring of an institution's services. Service standards and citizens' charters will help bolster customers' confidence in demanding their rights. Public participation in monitoring mechanisms has proved effective, as in the well known case of the Citizens' Police Liaison Committee (CPLC) in Karachi.

Thirdly, effective institutional *complaints redressal mechanisms* and access to alternative sources of redressal will also enable customers to withstand pressure from corrupt officials, and reduce the sense of helplessness.

Two case studies help explain how elements of the proposed strategy would prevent opportunities for corruption.

Case Study: Lahore Development Authority

Lahore Development Authority had for years been perceived as inefficient with hassles, delays and corruption being the order of the day. The one window operation introduced in the last two years has been a success. In order to get site plans approved, windows, with dealing areas clearly written, are opened in the outer part of the building. Instructions regarding documentation requirements are written in Urdu on prominently placed boards. Each window receives the documents and gives a date for collection which is strictly adhered to. At fixed times the officers come out to hear and dispose of public complaints. The secret of success lies in the ban on entrance to the building by outsiders and all activity takes place in public view.

Case Study: Gulshan-e-Iqbal Town, Karachi: transparent and open government

In December 2001, The Nazim of Gulshan-e-Iqbal Town signed a memorandum of understanding with TI -Pakistan to implement the Integrity Pact for Transparency in Public Procedures and Online Procedures Enhancement for Civil Applications (OPEN). The OPEN system enables citizens to monitor, through the internet, the process of handling civil applications and of public procurement. The system which requires all officials to input the date and time of each application they handle is viewed in real-time. Free access to all stages of administrative procedures eliminates the need for personal contact with officials or the payment of express fees/speed money, and ensures that no official can delay a case without a justifiable reason.

It is essential that government institutions are legally required to monitor the experience and satisfaction of customers, through service delivery surveys and report cards. These will provide an impetus for anti-corruption initiatives.

As with the 'role of the state' and 'public sector management', the need for, and shape of reforms in Public interface functions are intuitively clear to all observers.

But, implementation will be *bitterly resisted at the grass roots implementation level*, as the current extractive system is too important to the economic survival of petty bureaucrats throughout the country. These reforms can not be undertaken in isolation therefore, but within the context of the public sector management reforms outlined. These will provide the basic "carrot and stick": incentives for integrity and fear of detection and punishment. Reforms in public interface will reinforce these reforms by reducing opportunities for abuse. A risk threatening the achievement of this strategic objective is capacity: officials generally lack the skills, IT skills in particular, to use the tools of reform; there are already problems in mobilising public participation in local government.

5.6.4 Local Government

The objective of the strategy is to establish local government as an effective system of grass roots governance where accountability and participation mechanisms form the backbone of a corruption-free environment for the delivery of public services.

Delivering this objective involves measures mentioned for the public sector as a whole, tailored and prioritised in the local government context. They do not represent a change of strategic direction for local government, as its design is based on essentially anti-corruption principles. The challenge is one of implementation and thus inevitably of resourcing and capacity building.

First, there is a widespread need to get *the basic structures of government up and running*: finalise the Rules provided in Part 1 of the Fifth Schedule of Local Government Ordinance 2001, educate and train new holders of public office and officials. Secondly, more effort is required to launch the critical *accountability and participation mechanisms*. Thirdly, an exercise is required to re-engineer processes to ensure their transparency and empower the local population to demand public services without the need to bribe officials. This will also require the rapid establishment of complaint redressal cells and Zila Mohtisib

5.6.5 Development projects, procurement and contracting

The objective of the strategy is to reform the supply/demand nexus in the area of development, procurement and contracting. This means a zero tolerance attitude on the part of the donor agencies, reducing the need and willingness of bidders to offer bribes and kickbacks and reducing the opportunities for officials to demand them.

We must create an *effective governmental mechanism* to ensure the sound use of development aid. The Planning Commission and provincial Planning and

Development Departments need to be rejuvenated. Aid agencies and IFIs should be required by law to publicise their assistance and the terms of loans. This increases public scrutiny, the focus on outputs and reduces the waste of development loan funds.

Increasing *transparency and public participation* in the development, procurement and contracting process is the primary means by which this objective can be achieved. Performance evaluation of social sector projects is necessary to prevent misuse of funds. In view of the mistrust created as a result of SAP audit, it is imperative that a detailed performance evaluation of the project is undertaken.

One specific tool to deliver this change in the supply/demand of corruption is the *integrity pact*, as explained at section 5.3.2. The integrity pact tool has already had a successful launch in Pakistan, as shown by the case study below.

Case study: Greater Karachi Water Supply Scheme (KIII Project) Integrity pact

An integrity pact, with a formal no-bribery commitment, was signed by KWSB, consultant bidders and TI Pakistan. It resulted in a successful bid of Rs 62 million (\$1.04m) against the reserved fees of Rs 249m (\$4.2m). The project adopted the least cost selection method. The clean and open bidding process was monitored by Transparency International-Pakistan.

In the event of a breach of the Integrity Pact, sanctions will come into force against the bidders and officials, including liability for damages, and blacklisting from future tenders. Procurement is just the first element: it will be followed by monitoring of the contract by civil society, specifically Transparency International-Pakistan.

The Karachi government now plans to apply the same transparent process to projects to construct three bridges on Shahrah-e-Faisal.

Integrity premiums could play a critical role in funding improved external monitoring. The exercise would be transparent, with full disclosure of conclusions to the public. This concept has not yet been tested in Pakistan, but the case study below shows how effective integrity premiums have been elsewhere.

Case study: integrity premiums

When Hong Kong built its new airport on land reclaimed from the sea, it was the world's largest infrastructure project. Aware that the contract would be particularly vulnerable to corruption, the airport authority called in the Hong Kong Independent Commission Against Corruption (ICAC) and involved the Commission in the design of the contracts and other aspects of the tendering processes as a preventive measure.

The cost of the involvement of the Hong Kong ICAC was built into the contract. This equipped the ICAC with the ability to devote significant resources to its preventive role without undermining its ability to discharge other functions provided for in its ordinary budget. It was justified by the realisation that the involvement of the ICAC would be significantly cost effective, driving down costs by eliminating the costs of corruption. Upon completion of the project, it was judged to have been virtually free of corruption. The exercise demonstrated how effective preventive measures can be.

With the participation of key stakeholders, including the private sector, the government *must design and implement a standard, coherent, and modern procurement system of laws, codes and procedures* incorporating the principles of fair competition, transparency and public participation. Individual institutions should be free to develop their own specific procurement procedures as long as they are based on these principles.

The government must take the first steps in building an effective willingness, capacity and confidence of the foreign governments, multinationals, donor agencies and national companies to fight corruption. An excellent start has been made by Sindh Ministry of Finance and TI-Pakistan, in laying the groundwork for an Integrity Pact between the government and a number of multinational and domestic companies and establishing joint working groups. This initiative must be supported to ensure that it provides a success story to be replicated. Foreign embassies and donor agencies must then be brought into the coalition, ensuring that they also undertake to fight corruption within their jurisdictions and provide co-operation to the government. Specific recommendations are made in the implementation plan about how to build the momentum in reducing the supply of bribes to officials. One measure is the compulsory disclosure of all facilitation payments, fees and donations, travel and scholarships etc.

If the steps above are taken, more "honest bidders" will be encouraged to bid for government business. Other efforts to *incentivise a wider group of bidders* should include the creation of a tribunal or authority to adjudicate on bidders' grievances.

There is also an urgent need to build the *capacity of procurement staff*, promote procurement as a specialist discipline within government. Clearly, organisations with significant procurement should also be early candidates for the public sector reforms mentioned elsewhere, with regard to pay, accountability mechanisms etc.

The government will need to strengthen its own procurement expertise to enable these reforms, and we recommend significant institutional strengthening of the Public Procurement Regulatory Authority (PPRA) to allow it to lead the way in the reform of procurement and contracting. To this end also, the recommendations set out in the World Bank Country Procurement Assessment Report, 2000, need to be revisited and implemented.

5.6.6 Financial management

The objective of the strategy is to create an effective strategic platform for the prudent and accountable management of public resources and deny officials the opportunity to conceal corruption.

The overarching strategic objective can be delivered by reforms in the following areas.

There is a need to make the *budgetary process transparent and participative*, ensuring the public has a role in influencing the allocation of public resources. Budgets should be based on outputs, via programme and performance budgeting, and be constructed around medium term plans and resources in order to ensure sustainability and continuity of development process.

Accounting and financial reporting practices must be brought in line with international best practice. PIFRA aims at complete automation of the whole process of accounting and reporting. Thus, we support the PIFRA reform agenda and implementation of New Accounting Model (NAM). In order to ensure successful implementation of PIFRA and NAM, our proposal is that leadership of PIFRA be given continuity.

Devising a system of *internal financial controls* has always been a neglected area in Pakistan financial management. It is heartening to note that now the government is giving high priority to this area and under Controller General of Accounts Ordinance 2001, it is the responsibility of CGA to devise internal controls for government departments. To fulfil this and the other key functions, it is imperative that *capacity building of CGA* is undertaken on priority basis by providing him adequate resources.

Monitoring of budgets has to be strengthened. The government has created fiscal monitoring committees at the federal and provincial levels to ensure timely reconciliation of expenditure and revenue. There is a need to streamline reconciliation at district and tehsil level, as much of the financial activity will be at those levels in the future. To strengthen legislative oversight over budgets, our strategy is that supplementary grants and budget cuts should be allowed only in public interest and presented before the respective cabinets quarterly.

A complete review of *financial rules* has to be undertaken by the Ministry of Finance and provincial finance departments in order to bring these in line with modern financial management.

NACS endorses the government's planned and ongoing reforms for achieving this objective, and expects financial management to be one area where implementation can be assured with minimal resistance. However, two key provisos are that: first, reforms must be *rolled out to the provinces and districts*; secondly, to sustain the reforms, the government needs to invest further, and continually, in *widespread skills upgrading* in modern financial management practices, IT and financial controls, particularly urgent at the provincial and district levels. The proposed PSTAR would go a long way in addressing the remaining weaknesses still envisaged after the completion of PIFRA. We endorse the aims of PSTAR. However, it is still at a very early, formative and proposed stage and will not even be approved until mid 2003, if at all.

5.7 Public accountability bodies

The objective of the strategy is to rejuvenate the public accountability bodies, enhancing their capacity to hold the government accountable for its stewardship of public resources, and for its performance.

As a medium term aim, the Auditor General's Department must increase its relevance and effectiveness. It should transform its role from one of undertaking retrospective transaction/compliance audit to *validating management assertions about internal controls and the financial governance environment*, (by undertaking system audits), and about the *efficiency and effectiveness of resource utilisation* (by undertaking performance audits). It is already preparing for this role by its design of Corruption Rating Index (CRI), Financial Governance Rating (FGR), Accountability

Index and Internal Quality Rating for departments. The Department must continue to take measures to ensure that its work has the widest possible audience.

PIFRA plans for widespread *upgrading of proficiencies and professionalism*, which is most welcome. This emphasis must be matched by significantly improved pay for auditors. This can only be achieved by delinking the Auditor General's Department from the civil service pay structure on the basis that it is a constitutional body, allowing it to set terms and conditions for staff. The Department must then use its new corporate planning tools to determine efficient resource allocation to enable the increased pay.

The third major strategic area for the Auditor General's Department is *independence*. The Department must cease to be an attached department of the Ministry of Finance and have administrative and financial autonomy.

The Federal and provincial PACs must be strengthened to mirror the improvements in the audit function bringing issues before it. The PACs' *impartiality and effectiveness* should be enhanced through appointment of its chairman from the opposition and specifying a time frame for appointment of PACs after a new government takes over. *Mechanisms to ensure speedy disposal* of audit paras include sub-committees, an advance annual timetable and a prioritisation mechanism.

It is critical that the PAC never again falls behind in reviewing the audit paras, as this undermines the entire public accountability process. An *implementation mechanism* is critical: the PAC ought to have strengthened legal powers of enforcement. A panel of experts will increase the PAC's technical expertise, and highlight issues of corruption for the PAC. *Transparency*, via open to the media and live coverage, should be a requirement for all PACs.

The third public accountability body is the Ombudsman, for whom the strategy is straightforward: *institutional strengthening*, with the focus on a centralised database or networking between ombudsman's offices, continuous training for its officers and staff, and a defined time frame for disposal of representations against ombudsman's findings.

Actions in this area are, largely, either underway with adequate funding, or have minimal cost implications. Measures are unlikely to be contentious, are low risk and are easily implementable by the bodies themselves.

5.8 Anti-corruption agencies and law enforcement

The objective of the Strategy in relation to the ACAs is perhaps the most important. The aim is to establish a strong anti-corruption institutional and legal framework which provides for a deterrent mechanism across the board. The mechanism should facilitate the enforcement of the law fairly, transparently and, critically, with integrity and accountability. The strategy is further designed to support law enforcement with monitoring and prevention of corruption and increasing the awareness of corrupt practices in society through advocacy and education.

The key measures to deliver this objective are as follows.

The anti-corruption framework will undergo major changes to strengthen the system and eliminate duplication and inconsistency. At the Federal level, FIA's functions

of anti corruption and Economic Crimes should be *merged with NAB* to create a single, specialised and autonomous ACA; a recommendation based on international best practice and domestic experience.⁴⁸ FIA will be able to focus on its core functions of immigration and, soon, anti-terrorism.

The new strategy would enable NAB to add to the enforcement focus two equally important dimensions in its approach towards corruption: awareness and prevention.

Vital as effective law enforcement is, the process of investigation and enforcement starts after the incidence of corruption. Prevention of corruption has so far been missing from the anti corruption apparatus in this country. So called mega corruption, for example, is usually seen in major contracts and public procurement. In both these areas in public sector, the procedures are tedious and lack transparency. It is hoped that on the basis of the feedback from the investigation of cases and its own research into government procedures, NAB will be able to disseminate information and issue guidelines to the relevant public and private sector departments and organisations to prevent corruption.

Similarly, awareness raising campaign through electronic and print media and early school education against corruption is now an accepted part of the fight against corruption in all successful anti corruption programs. Advocacy against corruption in society creates the necessary public opinion which reinforces and supports law enforcement. In addition, it leads to moral rejuvenation and improvement of ethical standards.

The new three dimensional approach will call for a significant reorganisation of NAB itself to enable it to undertake the enhanced mandate. An investment in this reorganisation will be worthwhile, as control and eradication of corruption will justify it in due course of time.

Ideally, NAB's role should have been extended to the provinces also, replacing the ACEs. However, exclusive jurisdiction of NAB is not possible without impinging upon provincial autonomy since a province's right to legislate in the area of criminal law cannot be abridged. ACEs must continue with enhanced capacity and improvements in their delivery systems to make them more effective. However, NAB's operations in the provinces should not be wound up since the impact made on corruption may be diluted. If dual set up is allowed it would be important that jurisdictions are clearly defined. ACEs may retain their provincial jurisdiction in cases of public servants only. NAB may be given exclusive jurisdiction over all legislators, with overriding jurisdiction in the case of public servants.

To ensure effectiveness of the ACAs they must be given administrative, *operational and financial autonomy*. NAB has already been recommended for Constitutional status. The next issue is that of independence and credibility of its leadership. This can be ensured by institutionalising the selection procedure of key office holders and also their security of tenure. NRB's Constitutional package proposes appointment of Chairman NAB by the President 'after ascertaining the views' of the Prime Minister and leader of the opposition. A 'single fixed term of four years' has also been proposed. All of these proposals are based on NACS' recommendations.

⁴⁸ The tussle between Chairman Ehtesab Bureau and Interior Minister under the previous regime was widely publicised in the newspapers.

The higher the expectations placed in an ACA to defeat corruption, and more extensive the powers vested in an ACA to achieve that aim, the greater will be its need for an *overwatch mechanism* on behalf of the nation. The overwatch would serve as a window for the public and a mirror for the ACAs.

Institutional strengthening is required for the ACAs, particularly the ACEs. Human resource capacity needs to be urgently upgraded, for example by improving training provision via a centralised training regime, particularly in areas such as money laundering, forensic auditing, computers and collection of evidence. Better co-ordination between the two will be facilitated by the development of a shared data base. Ensuring the integrity of agency officials will be paramount. Increased pay, integrity testing and robust assets declaration and monitoring systems will be critical.

It would also be important that *inconsistencies in the two anti-corruption laws* (Prevention of Corruption Act (PCA) 1947 and the NAB Ordinance 1999) are removed, to ensure equal treatment preferably through enactment of a single anti-corruption law. The scope of NAB's activity will also include mega corruption in the *private sector*. For the effectiveness of NAB's role in this sector, it is important to develop criteria for the prioritisation of cases to ensure that capacity is not overstretched. These criteria are likely to focus on definitions of public concern, a concept which is well defined in the law and well understood in the judicial system.

Pakistan should also play a part in *other international moves to fight corruption*. Money laundering must be stamped out. The proposed Money Laundering Law, due to be enacted soon, will be an important step. The lessons learnt from Pakistan's recent exercise of seeking *MLA underline the importance of building confidence between the responsible authorities in a number of countries*, and in understanding how MLA can be provided quickly and effectively. Active co-operation should be solicited from certain key countries: in particular Canada, France, Switzerland, UK (including Channel Islands and Dependent Territories), US and UAE. Resources can perhaps be found in the context of the fight against international terrorism. Pakistan needs to adopt legislation setting out its procedures for handling requests for MLA consistent with current best practice. Pakistan should also initiate discussions with key States for negotiation and adoption of MLATs. Pakistan should also clarify which agency should be designated for the various international criminal purposes, for example, INTERPOL, anti-terrorism, money-laundering.

Pakistan's anti-corruption efforts must be supported by the sharing of information within Pakistan, and by better co-ordination with international initiatives. For example, a UN Convention against corruption has been under negotiation for some time. Wherever possible and appropriate, Pakistan should adopt standards on matters related to corruption.

5.9 The legal system and judiciary

The objective of the strategy is to cleanse the judiciary and legal system, especially court officials and the legal profession, of the pervasive taint of corruption widely perceived. The courts and legal system must quickly change from being a major contributor to the problem of corruption to become a significant agent for its elimination.

Significant reforms are required if the justice system is to fulfil its essential function in society. The strategy for reform of the legal system and judiciary is too large and complex to be regarded solely as part of the NACS.

Fortunately, the AJP promises to facilitate major and long term reformation of all aspects of the system of justice. This must extend beyond those who administer the courts, to the selection and training of judges, to the substantial reform of the legal profession from whom the judiciary are significantly drawn. The AJP will channel funds into these reforms, many of which will be formulated and implemented as part of the Program. The Program proposes improvements in case and court management through automation and training of staff and judges. Legal education is an important component of the Program. It also calls for simplification of laws and transparency in the enactment of subordinate legislation.⁴⁹ Transparent reporting of judgements and rationalisation of contempt provisions to create a balance between judicial independence and freedom of expression have been recommended. For NACS purposes, it is essential that the Program be expedited, and implemented in synergy with the NACS.

It is important that the process for *higher judicial appointments* be made more transparent through involvement of a strengthened law and justice commission to enhance credibility of not only the process but also of the judges themselves. *In the lower judiciary*, in addition to increased salaries and improved facilities, as envisaged in AJP, career structures must be improved to attract improved quality and continued motivation. The selection processes must be uniform in all provinces with no lateral and prolonged ad hoc appointments.

Judges need to be made responsible for the effective delivery of justice - criminal and civil - for which they are accountable to society and its other guardians. wherever judicial corruption is detected, it is essential that the judiciary applies the highest standards in trying any judge charged. In a functioning society, no one is above the law, least of all its judges.

Reform of the legal profession is linked to improving the delivery of justice. One important measure will be stricter regulation of the legal profession by the Bar Councils. Failing this, the government will need to fall back on the less acceptable remedy of appointing an external regulator of the legal profession. Entrance examinations must be compulsory and of a high standard. Improvements in code of conduct to prevent politicisation of Bar councils and enhance accountability of lawyers are also recommended. Involvement of High Courts and District and Session Judges in the process is essential. Improvements in code of conduct to prevent politicisation of Bar Councils and enhance accountability of lawyers are also recommended.

Consolidation to reduce the number of legal enactments and regulations must be done. This would concomitantly take care of obsolete and obsolescent laws. Both of these actions are within the purview of the Pakistan Law Commission but it has not taken on this task. It is important that judges and lawyers with adequate experience be included in the Commission to make its work more meaningful.

⁴⁹ An amendment in the General Clauses Act 1897, whereby 'All rules, Orders, regulations and circulars having the effect of law made or issued under any enactment shall be published in the official gazette.' But this achieves next to nothing in public understanding or acceptance of further legislation.

Stakeholders throughout the country agreed that Benami transactions should be declared illegal and void. If this is done, a large source of hiding corrupt money would disappear. In India, all Benami transactions have been declared illegal, null and void, through a law passed in 1988. The only exception allowed is where a Benami transaction is carried out in the name of a wife or an unwed daughter.

5.10 Media

The objective of the strategy is to enable the media to play an effective role in representing the people in demanding clean government, and to act as watchdog over government, highlighting cases of corruption with objectivity and evidence.

Implementation of the media strategy relies on two principles: the government must provide an enabling environment for the media, by ensuring fair competition, independence, and access to information; the media must respond by becoming more responsible, increasing the quality of their coverage and creating accountability mechanisms. These measures will provide a sound basis for the media to be brought in wholesale to the broad based coalition now assembled to fight corruption.

The Government can give its commitment to *not interfering with the press*. *Competition and liberalisation of the media* should be encouraged, through privatisation of, or at least competition for, the state owned electronic media. Legislation is required to avoid monopoly control of media sources. Local TV and radio stations are a priority, as they have a valuable role to play in social empowerment, and local accountability and public participation.

Considerable steps can be taken by the media to *enhance their integrity and professionalism*. A code of ethics developed with the wide participation of journalists is an important first step. Increased pay for journalists is imperative, but this issue should be outside the purview of government. The media must take urgent steps to improve the quality and accuracy of its coverage, and *increase its capacity to root out corruption*. Training in investigative reporting is critical, as are source protection provisions for journalists to ensure that they are free to undertake such reporting.

Access to information must be increased considerably, not only through the law, which should be expedited as an absolute priority, but also by increasing the media's access to government spokesmen. This will be part of an overall effort to assist and engage the media in the fight against corruption by strengthening the role of *the media in the implementation and monitoring of the NACS*. Regular supplements in the newspapers informing the readers about the progress of the NACS implementation will be a first step.

This increased responsibility and access to information should be reinforced by *greater accountability*. Some form of the Press Complaints Council, or other accountability mechanism, would provide a forum for complaints against the media, by the public, businesses or the government. Such a mechanism would need to be independent and directed by people respected for their integrity, for their power would lie in their moral force of censure, rather than any legal sanction. Transparency of judgements would be important: the subject of a complaint should

be required to publish, in full, the findings of the Press Council where a complaint has been upheld. Such a mechanism would reinforce the expected defamation law and help curb the excesses of the media.

The ease and mechanics of implementation of media reforms are still unclear. But the seeds of co-operation have already been sown. A seminar in Karachi in May attracted a wide audience from across the media, keen to reform the media and engage in the fight against corruption.

5.11 Civil society

The objective of the strategy is to create a robust civil society, which demands clean government, and therefore, to create social revulsion and resistance to corruption.

The government must take the initiative towards encouraging the development of a robust civil society by publicly welcoming civil society as a partner in the fight against corruption.

The NAB as the new apex anti-corruption agency working in prevention, must lead the way in demonstrating the power of *the partnership between government and civil society*. The success of NAB's new corruption prevention wing will depend on its building strong links with this action coalition, and civil society in general, working together to change societal attitudes and strengthen civil society in the light of experiences of such civil / non governmental organisations. Drawing on TI's experience to implement some high profile integrity pacts and reform procurement processes will be an important first step.

Government and civil society must work together to provide *an enabling environment and support for NGOs*, to ensure that confidence in the NGOs is not betrayed by unscrupulous elements and low competence. Government is already in the process of creating a legal and regulatory framework for NGOs through a consultative method. CSOs must respond with transparent accounting and reporting, and appropriate codes of conduct. The Orangi Pilot Project provides an example of what NGOs can achieve.

Case study: Orangi Pilot project (OPP)

Orangi township is Karachi's largest low income informal settlement with a population of 1.2 million. The Orangi pilot project, an NGO, was established in 1980 to provide social and technical guidance to encourage the mobilisation of local resources and the practice of cooperative action to overcome the problems of sanitation, housing, education and health. The community was faced with absence of basic civic facilities such as sewerage, paved streets, water, education, and health. The authorities were not able to provide these amenities due to high costs and complicated and protracted governmental procedures where at every stage there were problems including corruption. The NGO was able to get development projects executed with much lesser costs as a result of preventing corrupt practices in pricing, execution of work and ensuring quality through involving the local community (the beneficiary) at all stages of planning and execution of such projects.

A public awareness campaign, exploiting the full power of the media, is a necessary, if not sufficient, step to start to change social attitudes. There are risks with this strategy - it must be carefully designed, targeted and sequenced, and undertaken by marketing professionals. The initial focus will be on building awareness of the evil of corruption, and educating the public that the NACS is being undertaken by a broad coalition from across society, not just the government. Later, the campaign will alert the public to what they should expect from their leaders and public servants, and what will be expected of them. A campaign must specifically target children, including, by changes in the curriculum. Lessons can be learnt from TI's experience of reaching out to school children with anti-corruption messages. There is likely to be widespread support for a public campaign to ostracise the corrupt and celebrate the honest, but this must also be undertaken with care, avoiding the taint of political victimisation, and ensuring full transparency and public participation.

The final strand of the civil society strategy is to *develop open and transparent mechanisms for ensuring public participation to fight corruption at different levels*. The full support of reputable civil society figures must be gained to ensure that local committees and coalitions against corruption prove effective, and do not engender cynicism about the fight against corruption.

5.12 Private sector

The objective of the strategy is to strengthen legal, institutional, regulatory and governance provisions to reduce opportunities for corruption in the private sector.

We aim to tackle the issue of public/private collusion through reforming government, and initiatives specifically mentioned during the procurement strategy.

As to intra-private sector corruption, including where the public is abused, first and foremost, we recommend a detailed study of corruption in the private sector to be started as soon as the broad set of private sector stakeholders can be mobilised.

Clear measures which we are able to recommend at this stage include the following.

First, *formalisation and documentation* of the economy will increase the transparency of business activities. Secondly, we need to develop a sense of *integrity within the professions*, by institutional strengthening of their regulatory mechanisms, ethics management with a coalition of concerned professionals leading the way. Thirdly, *consumers need better protection* from abuse by the private sector. Consumer rights legislation and associations will be useful. Finally, the corporate sector must be encouraged to develop and enforce better standards of professional management and corporate governance.

5.13 Conclusion

Having set out the vision, strategy objectives, the substance of the strategy and some key measures, we move to the stage which has eluded previous initiatives. This involves understanding the task of implementation; designing appropriate implementation and oversight mechanisms; determining priorities and undertaking serious implementation planning.

6 The way forward to implementation

While the NACS stakeholder consultation justifies some degree of optimism, it is critical at this point not to be swept away with enthusiasm about the strategy. The strategy and the implementation plan must be subjected now, and continually, to the strictest "achievability test" - what can actually be achieved? We advocate optimism with pragmatism. It is better to invest limited resources in a small number of isolated initiatives that work effectively and give hope, than spread resources thinly - and fail, reinforcing the views of the cynics.

NACS aims to learn the lessons from past anti-corruption campaigns, in the design of the implementation plan, the development of effective implementation and risk management planning.

6.1 What will we implement and when?

The analysis in previous chapters reveals the scale and complexity of corruption. The NACS team has aimed to find a way through the maze, by setting out an Implementation Action Plan. This is based on the following strategic principles which have proven critical in reform programmes worldwide:

- "*secure leadership*" - early and continual visible signs of political endorsement from the highest level are planned, so that everyone in Pakistan can see the extent of commitment to the success of NACS;
- "*think big*" - the implementation plan projects a series of reforms across all the integrity pillars, so that each will complement the other over time, providing the required horizontal accountability;
- "*start small*" i.e. give priority to achievable, early, low cost actions which can demonstrate prompt and visible results ("quick wins");
- "*scale quickly*" i.e. build on early success by expanding from these quick wins to encourage the adoption of effective reforms by other integrity pillars. Change management strategies and tactics tailored to the context, will enable rapid and sustainable change.

Thus, it is critical that we agree and successfully implement *quick wins* within the first six months. Other *priority short term actions* will follow during the first year, even during the first six months. These will be reinforced by *institutional and legal reforms*, to be implemented over 1 to 5 years.

6.2 Who will implement which aspects of the NACS?

The type of measure will determine who will implement it.

First, *named government institutions* will undertake their own specific "*institutional strengthening*", implementing measures specified in the implementation plan. Named institutions include Parliament, Election Commission, PPRA, CGA, Auditor General's Department, PAC, Ombudsman, Law Commission, NAB and other relevant departments of the federal and the provincial governments. Many of these measures are aimed at strengthening the pillars of the integrity system, rather than being specifically anti-corruption measures.

Secondly, *all government institutions* will be expected to implement a range of systemic "*institutional anti-corruption measures*", tailored to their own institutions, as set out in the strategy and implementation plan for all parts of the government. These measures will include adoption and monitoring of codes of conducts, asset

declaration/monitoring, complaint redressal systems, and engineering out opportunities for corruption by business process re-engineering. Support may be provided for this implementation, but implementation will be by the relevant institution.

Thirdly, a number of *bodies across all the national integrity pillars* will implement "*cross cutting pillar strengthening measures*", most usually for their pillar or sector, although the government will obviously develop cross-sectoral measures such as legislative proposals. For example, the Ministry of Finance or Ministry of Law might review pay, introduce monetization, reform of procurement procedures, the Access to Information law. The media will develop code of ethics for journalists.

6.3 Who will oversee and co-ordinate the implementation of NACS?

It is critical that an effective oversight and co-ordination mechanism will ensure the timely and effective implementation of NACS. We recommend that this oversight and co-ordination role is undertaken by the National Accountability Bureau because it has: *ownership and commitment to NACS; broad based membership; and capacity in key areas of reform*. Furthermore, it will be consistent with NAB's *future preventive role* and will provide a *ready made support function* in the form of a NACS cell in NAB. Appendix 2 spells out the details of Implementation Mechanism.

6.4 How will the NACS fit with other good governance reforms?

The government will be aided in its anti corruption effort by the enabling environment of other national government reforms, many of which reflect consistent messages around modernizing public services, transparency, grass roots democracy, participation, deregulation, downsizing, meritocracy, social empowerment, decentralization and devolution. We endorse the substance of these reforms. Our only concern lies with the government's capacity to implement, coordinate and absorb wide ranging reforms, to which will shortly be added NACS implementation. We have integrated these considerations into our design of implementation.

6.5 What are the risks of implementation and how do we manage them?

There are numerous risks inherent in implementing the strategy. These include:

- "External" risks, such as the new government or politicians resisting NACS, bureaucratic resistance;
- "Internal" risks, such as limited funding and delay in implementation.

An exercise must be done to identify the external risks and risk management strategies. Change management strategies will be important tools in overcoming resistance. There will be a requirement to produce risk management strategies for the internal risks.

6.6 Conclusion

NACS recommends wide ranging reforms. The discipline with which the implementation process is undertaken, overseen and reported will be critical to whether government can produce the signs of success it needs to justify the undoubted pain of eradicating corruption. As the final chapter argues, at this point in Pakistan's history, NACS is imperative, with any short term rigour justified by the long term investment.

7 Resolution for the future

The history of attempts to rid Pakistan of corruption is scarred with failures to translate good intentions into positive action. Those failures have in turn embedded corrupt practices ever deeper into the fabric of society, to the extent that some may have next to no hope or expectation that the NACS will be any more effective than previous worthy attempts.

There are two important questions to be answered: why should NACS succeed? Why should we support NACS? The answer to the first question lies in the extent to which the entire canvass of stakeholders has been engaged in formulating the new strategy, and that *there is now a strong Political Will and commitment from a broad coalition of influential stakeholders* to implement NACS and defeat corruption. Of course there is scepticism, but this can be reversed by demonstrating the benefits of success. As to the second question: *it is in all of our personal and collective interests to defeat corruption*. A Pakistan liberated from the taint of corruption will be stronger economically, socially and politically. Furthermore, there has been no better opportunity in the last 55 years to defeat corruption.

In the short term, there may be some pain. The corrupt and the corrupted will resist change, particularly where it affects directly their personal interests. This is why the integrity of the anti-corruption agencies is an essential component of the strategy.

The Political Will must be sustained, despite the inevitable criticism and resistance, to ensure that implementation is sustained with vigour and commitment, and that NACS implementation forms a central plank of the new government's domestic policies for the foreseeable future. *No part of the present agenda is more important for Pakistan in the long term than the anti-corruption strategy; and the priority is that the politicians adopt and are trained in the implementation of that strategy, and of the other government reforms.*

There should be no lack of funds to finance this investment in Pakistan's development. *This investment will be justified by the economic and social fruits of a society progressively liberated from corruption. In fact, there is no better investment that Pakistan can make in the interest of its future and its people.*

Implementation Action Plan

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Legislature and Political System

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Lack of political will threatens credibility of NACS	Politicians to commit to anti-corruption and NACS specifically	Integrity pledge taken by key political leaders on 19th Sept 2002	President, Ministers, Chief Ministers, Party leaders and key political figures to take the lead in all measures below	Jan-03	Voluntary action by Federal and Provincial Cabinets, Political party leaders	
	Zero tolerance approach to corruption at senior levels and across the board accountability		All political parties to spell out anti-corruption and accountability policy in party manifestoes.	Jan-03	Voluntary action by Political parties	
		Integrity pledge taken by key political leaders on 19th Sept 2002	Party leaders and key political figures to make specific public pledges against corruption in election campaign and thereafter	Ongoing	Voluntary action by Political leaders	
			Parliamentary proceedings to be televised and broadcast live	Oct-02	Parliament	
			Media to encourage debate of corruption issues in the run up to the election	August/ Sept 2002	Ministry of Information	
	Ensure leadership for NACS at the highest level	President opened NACS workshop and participated in Workshop for Integrity pledges	Regular briefings by Chairman NAB and members of the Implementation Committee to the President, Prime Minister and Cabinet on progress of implementation of the NACS	Ongoing	President's secretariat, Cabinet Secretariat and Implementation committee	
			Attendance by President, Prime Minister, Chief Ministers, Ministers at key NACS functions	Ongoing	Respective secretariats	
	Forge political will amongst broad coalition of leaders (political, bureaucratic, civil society, private sector)	NACS workshops have created a core of interested stakeholders at the provincial, and some district, levels	Provincial and District govts to run regular events to strengthen role of media, civil society and private sector in NACS	Ongoing	Provincial and District Govts	
Political Party System						
Elitist, undemocratic and non-transparent political parties	Introduce democratic processes and transparency	Political parties act amended	Strict enforcement of internal elections requirements	Ongoing	Political parties, Election Commission	
		Educational requirements set for public office holders	Strict enforcement of the educational requirements	Ongoing	Election Commission	
			Political Parties Act to regulate, and increase transparency of party funding as per amendments. Institutionalise a regular check and monitoring system	Priority in 1-5 years	Election Commission	
			Implement strictly Political Parties Act requirement for audit of party accounts	Priority in 1-5 years	Political parties, Election Commission	

Legislature and Political System

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Political parties to develop mechanism for dealing with party members accused of corruption	Priority in 1st year	Political parties, Election Commission	
			Specific, widely publicised, pledge by leaders of political parties to ensure effective, discipline, investigation and prosecution of party members	Priority in 1st year	Political parties	
Electoral Processes						
Weak electoral system and processes	Strengthen electoral system and processes		Hold seminars and workshops informing the electorate of its role and responsibilities while electing representatives.	Sept 2002 and ongoing in future	Anti Corruption Agencies and civil society organizations	
		Amendment made in The Representation of People Act 1976	Effective implementation of rules for campaign funding to ensure regularity and transparency	Ongoing	Political Parties and Election Commission	
		NADRA improving management of electorate data and identification	Further support NADRA in improving data of electorate/ personal identification	Ongoing	Government of Pakistan (GOP)	
		Requirement of Interim administration already introduced under the Legal Framework Order 2002	Introduce system of Interim administration pending elections to oversee elections. Modalities of the transfer and features of the Interim administration must be laid down.	Priority in 1-5 years	GOP	
		Already introduced under the Legal Framework Order 2002	Ban parliamentarians subverting the electoral process by floorcrossing without standing for by-election			
Legislature						
History of low parliamentary integrity	Instil a sense of integrity in legislators and increase their commitment to NACS		Workshop for legislators about NACS to encourage their active involvement	Quick win; March 2003	Anti Corruption Agencies	
	Increase legislators' capacity for resistance to corruption		Make amendment to Oath of legislators in Third Schedule of the Constitution to cover conflict of interest and corruption	Quick win; March 2003	Parliament	
	Increase transparency of income and assets	Representation of people, (Amendment) Ordinance, 2002 provides for annual declaration of assets to the Election Commission	Strengthen Election Commission's ability to monitor asset declarations of legislators effectively	Priority in 1st year	Election Commission	Capacity building costs
			Cases of assets beyond known means to be sent for scrutiny to NAB by the Election Commission.	Priority in 1st year	Election Commission	

Legislature and Political System

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			President, Ministers, Party leaders and Parliamentarians to make asset declarations public	Priority in 1st year	Election Commission	
History of legislators interfering in executive functions	Prevent legislators' interference in the executive		Training for new legislators on responsibilities of legislative policy and administrative decision making through seminars	Priority in 1st year	GOP and NGOs	
			Develop code of ethics preventing legislators from interfering in executive functions. Political parties to have their own Ethics committees	Priority in 1st year	Political Parties and Election Commission	
Ineffective standing committees	Enhance effectiveness of Standing Committees		Review role, function and capacity of Standing Committees, and strengthen them	Priority in 1 to 3 years	Parliament	
			Committee proceedings to be open to media	Priority in 1st year	Parliament	

Executive: role and function of the state

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Pervasive government	Withdrawal from non-core areas and privatisation	Privatisation is GoP policy with entities to be privatised identified and timetable set	Review of all public sector corporations and statutory bodies, and other areas of non-core government activity, against pre-agreed criteria to determine their future role, function and form	Priority in 1-5 years	Ministries of Finance & Privatisation	
			Review and monitor privatisation timetable	Priority in 1st year	Ministries of Finance & Privatisation	
			Undertake privatisation of all public enterprises under Integrity Pacts.	Priority in 1st year	Ministry of Privatisation	
			Ensure level playing field between public and private sector entities	Ongoing	Federal and Provincial Govts	
		NAFDEC closed down	Withdraw from non-core areas with resort to outsourcing where feasible e.g health services, education, transport, housing to employees	Ongoing	Federal and Provincial Govts	
Intrusive and extractive functions	Deregulation; reduced government intrusion into business sector	Deregulation is stated policy of Federal Government, with Interministerial Task Force established	The task force must finalise its findings and proposals at the earliest.	Priority in 1st year	Interministerial Task Force on deregulation	
		Recommendations already submitted by BOI identifying areas requiring deregulation				
		Isolated reforms, e.g. Sindh Government	Issue formal guidelines for deregulation through removing or streamlining regulations	Priority in 1st year	Interministerial Task Force on deregulation	
			Review and repeal, where necessary, rules, regulations and procedures falling within a particular description, unless specific areas have been identified and justified to an impartial and competent committee responsible for its scrutiny	1 to 5 years	All govt depts	
			Each department to report on specific deregulation measures to be implemented or adopted	Quick win;	All govt depts	
	Business process re-engineering to reduce opportunities for extraction of rents	CBR Reforms and Restructuring	Reform procedures in line with strategy under public interface functions. In the case of tax, this will mean reducing opportunities for corruption by reforming: tax reporting formats; tax assessment process; tax collector's discretion; official/taxpayer interface	Priority in 1 to 3 years	All govt depts	
Excessive, complicated and non-transparent taxes	Simplification of tax regime, reduction of number of taxes and rates	CBR Reforms and Restructuring, Sindh tax reforms	Reduce the number of taxes to reduce opportunities for intrusion, reduce discretion, simplify procedures	Priority in 1-5 years	Min of Finance, CBR and Provincial tax authorities	

Executive: Public sector management

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Civil service reform agenda						
Over-sized civil service in need of reform	Comprehensive Civil Service Reform strategy for all levels of GoP	NRB has formed Civil Service Reform Think Tank	Expedite NRB's Civil Service Reform proposals for approval and implementation	Priority in 1st year	Cabinet Secretariat	
		Piecemeal and scattered Civil service reforms	Comprehensive reforms at federal level - Roll out reforms to the provinces and districts	Priority in 1-5 years	Establishment Division and provincial govts	
	Redefine role of public sector to have a rightsized government		Expedite implementation of Committee for Rightsizing and Restructuring recommendations at federal level	Priority in 1 to 5 years	Cabinet Secretariat and Establishment Division	Rightsizing costs
			Rightsizing targets to be set and implemented for provinces and districts	Priority in 1 to 5 years	Provincial and District Governments	Rightsizing costs
		CRR has defined mission, vision and performance indicators for all federal govt. ministries and divisions. Rules of Business also contain an elementary form of these. Budget submissions for federal contain some	Strategic review of key institutions to determine appropriate mission, strategy, institutional structure and functions required for greater efficiency	1 to 3 years	Relevant institutions	
	Strengthen civil service management capacity		Introduce modern HR management systems, and build capacity to use systems to effectively manage civil service	Ongoing	Establishment Division and provincial govts	Capacity building costs
Institutional leadership						
Crisis of leadership	Enhance quality of institutional leadership in the public sector	Quality leaders have had major impact	Consider recruitment to senior posts to wider range of candidates on meritocratic and transparent basis. Develop person specifications and job descriptions for all senior posts and vacancies. Advertise all senior posts widely.	Quick win	All govt depts	
			Create new models of government which provide for enhanced autonomy (HR, financial, operational) with increased accountability of institutional heads e.g. executive agencies	priority in 1 to 5 years	All govt depts	
			Provide greater job security with fixed tenures to senior posts, linked to performance and accountability requirements. Ensure transparency of justification for exceptions to fixed tenure	Priority in 1st year	Federal and Provincial govts	

Executive: Public sector management

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Skill upgradation of senior managers in the areas of institutional leadership and change management	Ongoing	Establishment Division (Training Institutes), Provincial govts	Training and Training Needs Assessment (TNA) costs
	Strengthen accountability of senior officials in particular		Clearly set out, and widely publicise, senior managers' objectives, responsibilities, resources, and system of accountability	Priority in 1-5 years	All govt depts	
			Require senior officials to issue annual performance objectives and achievements targets	Priority in 1-5 years	All govt depts	
			All organisations to publish annual reports giving performance against planned annual objectives	Priority in 1 to 5 years	All govt depts	
Recruitment						
Lack of meritocracy in some recruitments	Meritocracy in all recruitments		Introduce transparency and strict compliance with rules in all recruitments	Ongoing	All govt depts	
			Public Service Commissions to be involved in recruitment to the maximum possible extent	Ongoing	Federal & Provincial govts	
			Review lateral entry system to determine how it can be reformed to avoid nepotism	Priority in 1st year	All govt depts	
Remuneration						
Low pay exposes officials to temptations of corruption	Increase pay to living wage, monetising where possible	January 2002 increase in pay	Increase pay to living wage standards	Priority in 1st year	Pay and Pensions Committee of Ministry of Finance	Cost of pay increase
			Adjust pay structures according to nature of the job	Priority in 1st year	All govt depts	
			Prioritise the areas where increase in remuneration can bring about immediate reduction in corruption e.g Public service delivery, anti corruption agencies etc	Priority in 1st year	Federal and Provincial govts	
			Review perks and privileges system with a view to introducing monetisation wherever possible	Priority in 1st year	Ministry of Finance and Provincial Finance depts	
			Increase HR autonomy of key institutions, allowing them to optimise staff and remuneration levels.	Priority in 1-5 years	Federal and Provincial govts	
Job security						
Lack of job security results in politicisation	Increase job security, balanced with improved accountability		Review means by which job security could be improved, with focus on senior officials and those in vulnerable positions.	Priority in 1st year	Federal and Provincial govts	

Executive: Public sector management

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			No mass purges on arbitrary criteria	Ongoing	Federal and Provincial Govts	
			Eliminate OSD culture	Ongoing	Federal and Provincial Govts	
Transfers, postings and promotions						
Limited meritocracy in transfers, postings and promotions	Introduce meritocratic and transparent procedures in transfers, postings and promotions		Enforce code of conduct on influencing transfer, posting decisions	Priority in 1-5 years	All govt depts	
			Introduce modern career management and planning systems	Priority in 1-5 years	All govt depts	
Competencies						
Skill deficiencies throughout public sector	Increase competencies		Introduce formal training needs assessment techniques	Priority in 1-5 years	All govt depts	TNA costs
			Introduce continuous training at all levels	Ongoing	All govt depts	Training costs
			Rollout training in key areas: Information Technology, management skills, customer service	Ongoing	All govt depts	Training costs
			Institutional strengthening of key training institutions	Priority in 1-5 years	Federal and Provincial Govts	Training costs
			Improve Human Resource Management functions in every department/organisation	Ongoing	All govt depts	
			Cross institutional exchange/attachment programmes	Ongoing	All govt depts	
			Exposure to international working/learning	Ongoing	All govt depts	Training costs
Ethics management systems						
Weak integrity systems in place	Enforce meaningful ethics framework		Review and improve ethics framework for entire public sector with wide participation of government civil society, media and private sector	Quick win	Establishment Division, Provincial Govts and State Owned Enterprises (SOEs)	
		Conflict of interest provisions in the proposed Police Ordinance, 2002	Include a comprehensive clause on conflict of interest in code of ethics	Quick win	Establishment Division, Provincial Govts and (SOEs)	
	Reinforce ethics framework on regular basis		Agree, adopt and publish departmental integrity pacts	Quick win	All govt depts	
			Include integrity and ethics as major feature of induction programme	Ongoing	All govt depts	
			Each individual to sign off on compliance with code of conduct on appointment	Ongoing	All govt depts and SOEs	

Executive: Public sector management

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Workshops and training, using case studies, role play and discussion, to regularly reinforce ethic systems	Ongoing	All govt depts and SOEs	
			Publicise and reward cases of integrity and high performance	Ongoing	All govt depts and SOEs	
Organisational structure, culture and internal accountability						
Non participatory organisational culture	Introduce participatory culture		Institutions required to involve staff in key initiatives e.g to develop new code of conduct, determine new process or staffing needs	Ongoing	All govt depts and SOEs	
			Strengthen feedback mechanisms e.g Question & Answer sessions of senior officials and staff	Ongoing	All govt depts and SOEs	
	Ensure streamlined and transparent organisational structures		Increase transparency of operational matters to staff e.g. organisational charts, budgets, responsibilities of other staff and functions	Ongoing	All govt depts and SOEs	
Centralisation of power and authority	Promote delegation of responsibility, with accountability		Restructure management, cascading management authority and responsibility with managers held a accountable for the performance of their staff	Priority in 1-5 years	All govt depts and SOEs	
Staffing imbalance between officer and non-officer grades	Redress officer to non-officer imbalance	CRR has set targets for ministries and divisions at federal level to redress the staffing imbalance	Implement CRR's target ratio of 2.5:1 for the staff: officer ratio for the Secretariat	Priority in 1-3 years	Cabinet Secretariat	Rightsizing costs
			Develop targets and guidelines for achieving these for SOEs, attached departments, provincial and district levels, and implement accordingly	Priority in 1-5 years	All govt depts and SOEs	Rightsizing costs
Absence of modern accountability mechanism	Link jobs to institutional objectives	Activity based job descriptions introduced at Federal level in some institutions	Output oriented job descriptions based on institutional objectives	Priority in 1-5 years	All govt depts and SOEs	
	Effective performance evaluation system	Improved performance evaluation system at Federal level	Improved performance evaluation system to be rolled out at all levels across government. System to include: objective and target setting; self-assessment; independent evaluation of quantifiable results/tangible achievements by a cross section of managers not to be confidential and to have an inbuilt continuous feedback and counselling mechanism	Priority in 1-5 years	All govt depts and SOEs	

Executive: Public sector management

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Internal controls						
Weak internal controls	Implement sound internal controls in line with International Organization of Supreme Audit Institutions (INTOSAI) best practice	CGA Ordinance requires CGA to develop internal controls for each government institution	Assign clearer responsibility for internal controls to senior officials and each layer of management in letters of appointment and job descriptions	Quick win	All govt depts and SOEs	
	Increase public sector capacity in internal controls		Refresher sessions guidance for key officials, including Principal Accounting Officers (PAOs), in internal controls, particularly risk management	Quick win	Government Training Institutes	Training costs
	Strengthen reporting and monitoring of control environment		Require senior officials to undertake formal risk management yearly and report on how they intend to minimise risks of corruption	Quick win	All govt depts and SOEs	
			Series of anti-corruption workshops for govt departments	Quick win	Anti corruption agencies	Training costs
	Focus on implementing controls in high risk areas	CBR and Police reforms envisage separation of key functions	Separation of functions/ deconcentration and rationalisation of functions	Priority in 1 - 5 years	All govt depts and SOEs	
			Widespread automation	Priority in 1 to 5 years	All govt depts and SOEs	Infrastructural Investment
Detection and punishment						
Low chance of detection	Strengthen assets disclosure mechanisms		Strengthen assets/income disclosure and monitoring mechanisms, introducing random monitoring, financial year to be disclosure period	Quick win	All govt depts and SOEs	
	Introduce vigilance on need basis	Successful vigilance unit established in Railways	Establish non-intrusive vigilance units on need basis reporting direct to institutional head. Create legal cover and protection; ensure adequate financial resources; transfer vacant posts to vigilance units to tackle petty corruption; recruit externally to tackle middling corruption	Quick win	All govt depts and SOEs	Infrastructural Investment
	Discourage collusive working atmosphere		Whistleblowers recourse and physical legislative protection	Priority in 1st year	All govt depts and SOEs	
			Formalise system of job rotation, starting with high risk functions	Priority in 1 to 3 years	All govt depts and SOEs	
Weak implementation of disciplinary procedures	Strictly implement existing disciplinary procedures	Removal from Services (Special Powers) Ordinance 2000 supplements Efficiency and Discipline Rules	Highlight PAO responsibilities maintaining robust and speedy disciplinary procedures	Quick win	All govt depts	
			Need for disciplinary powers at middle tiers for lower level employees	Priority in 1 to 3 years	Establishment Division and Provincial Govts	
			Training in disciplinary procedures	Ongoing	All govt training institutes	Training costs

Executive: Public interface functions

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Complicated laws, rules and procedures	Simplify and consolidate laws, key rules and procedures		Undertake review of all laws, rules and procedures, removing the redundant and modernising, simplifying and standardising the remainder	Priority in 1 to 3 years	Ministry of Law, Provincial law depts, SOEs and service delivery government depts	
			Collection of relevant laws, rules and procedures to be gathered in one accessible document, which is translated into Urdu and made freely available	Priority in 1 to 2 years	All service delivery depts and SOEs	
			Summaries of rules and procedures in local languages to be freely available to customers and conspicuously displayed	Priority in 1 to 2 years	All service delivery depts and SOEs	
			Simplification of forms (used by customers)	Priority in 1 to 2 years	All service delivery depts and SOEs	
Complex, non-standardised, non-transparent processes, relying on manual systems and discretionary powers	Business processes to meet customer needs and reduce opportunities for corruption	Automation of selected processes e.g. e-govt in Punjab, CBR reforms reducing official/customer contact	Business process re-engineering to simplify and configure around customer need, increasing standardisation and maximising automation, e.g. including one window operations; open plan offices; reducing/randomising official/customer contact	Priority in 1 - 5 years	All service delivery depts and SOEs	Infrastructural investment
			Seek suggestions for improvements from staff and from customers, with rewards for corruption reducing/business process improving/cost-saving ideas	Initially a priority in 1st year and then ongoing on periodic basis	All service delivery depts and SOEs	
			Variety of routes for service delivery: phone, e-mail, in person, e-government	Priority in 1st year	All service delivery depts and SOEs	
			Establish widely publicised standard fees and charges for services, having undertaken cost analysis and customer willingness to pay survey	Priority in 1 to 3 years	All relevant service delivery depts and SOEs	Potential for increased govt revenue
			Undertake review of discretionary powers and rationalize where possible	Priority in 1 to 2 years	All service delivery depts and SOEs	
		Section 24-A of the General Clauses Act, 1897 inserted in 1997	Issue and publicise guidelines for using discretionary powers	Priority in 1 to 2 years	All service delivery depts and SOEs	
Lack of customer orientation and service availability	Customer needs orientation and access		All institutions to report on, and implement plans to ensure customer orientation and increased access: more convenient opening hours, based on customer need; customer reception facilities; publicised automatic right of access to senior managers	Priority in 1 - 5 years	All service delivery depts and SOEs	

Executive: Public interface functions

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Customer service training for front line staff	Initially a priority in 1st year and then ongoing on periodic basis	All service delivery depts and SOEs	Training costs
			Requirement for all public service delivery functions to undertake service delivery surveys, corruption experience surveys etc and report on how to plan to address service delivery failures and corruption	Priority in 1-5 years	All service delivery depts and SOEs	Survey costs
Secretive and disempowering government	Introduction of transparent culture of openness and empowerment of the customer	Draft Access to Information Law prepared	Enact Access to Information Law	Quick win	NRB, Ministry of Information. Cabinet Division, Ministry of Law	
			Amendment of Rule 55 of The Rules of Business, 1973 and similar rules in Government Servants (Conduct) Rules 1964 and Rules of Business of provinces	Quick win	Cabinet Division, Law Division and Provincial govts	
			All govt institutions to report on plans to increase transparency and access to customers, e.g. hotlines, websites, local radios, notices at govt offices etc. Implementation monitored.	Quick win	All service delivery depts and SOEs	
			All govt institutions required to publicise: how to access services, rules and procedures, customers' rights, officials' responsibilities, complaint/redressal procedures	Quick win	All service delivery depts and SOEs	
			Educate and empower customers via local media, roadshows etc.	Priority in 1st year	All service delivery depts and SOEs	Advertising costs
Weak external accountability mechanisms	Strengthen external accountability, principally through transparency and participation	Accountability mechanisms in Police reforms and devolution plan	Mandatory requirement for institutions to report against planned objectives, strategies, plans, accounting for what achieved for given resources; publicise widely	Priority in 1-5 years	All service delivery depts and SOEs	
			Strengthen feedback mechanisms e.g Question Answer sessions with customers, both via electronic media and open forum, in the tradition of <i>Khuli Katchehry</i>	Priority in 1-5 years	All service delivery depts and SOEs	Advertising costs
			Service standards/Citizens charters for all customer serving functions	Priority in 1 - 5 years	All service delivery depts and SOEs	

Executive: Public interface functions

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
		Citizens Police Liaison Committee (CPLC) model will be replicated throughout country under AJP	Form customer or citizen liaison functions throughout government, particularly Health and Education	Priority in 1 to 3 years	All service delivery depts and SOEs	
Complaints redressal						
Complaints functions lack independence, objectivity and efficiency	Introduce effective complaints redressal mechanisms		Create/strengthen complaints redressal mechanisms: cells to report directly to the head of the institution; External officials to be brought in to review complaints at the middle level; Allocate adequate resources	Priority in 1 - 5 years	All service delivery depts and SOEs	Infrastructural Investment
			Set and publicise standard procedures and timetable for investigation and redressal of complaints, ensuring right of access to senior official in the event that customer still dissatisfied	Priority in 1st year	All service delivery depts and SOEs	
	Introduce alternative complaints redressal mechanisms		Establishment of citizens' advice centres, with support of NGO sector	Priority in 1 to 3 years	All service delivery depts SOEs and NGOs	

Executive: Local Government

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Absence of key management arrangements to guard against corruption	Implementation of key controls and integrity measures		Complete and finalise Rules of Part 1 of Fifth schedule to guard against corruption	Priority in 1st year	NRB/Local Govt depts	
			Educate members of the local Governments on roles, authority and responsibilities at all levels	Ongoing	NRB/Local Govt depts	Training costs
			Develop codes of conduct for local Governments officials in a participative manner, with staff and public representatives	Priority in 1 to 3 years	Local Govt depts	
			Training sessions in codes of conduct	Ongoing	Local Govt depts	Training costs
			Adequately equip local Governments with resources (officers, offices, equipment, staff, budgets etc) needed to perform their functions	Ongoing	Finance and Local Govt depts	Infrastructural investment
			Widely publicise the duties and service standards of the local Government functions and officials	Priority in 1st year	All tiers of Local Govt	Advertising costs
			Establishment and capacity building of internal audit functions	Priority in 1 to 2 years	All tiers of Local Govt	Infrastructural costs
			Institutional strengthening of Provincial Local Government commissions, with creation of reporting obligations of local Governments and regulation and monitoring from the Local Government Commissions (LGCs)	Priority in 1 to 3 years	Local Govt depts	
Delays in convening public participation and monitoring mechanisms	Prioritise public participation and monitoring mechanisms		Each district to draw up timetable, with implementation monitored by province to enable rapid convening of Village and Neighbourhood councils, Citizens Community Boards etc.	Priority in 1st year	District Govts	
			Ensure that all Council and CCB meetings are open to the public	Quick win	All tiers of Local Govt	
			Expedite implementation of local public participation in development planning, resource allocation, project appraisal, project monitoring etc (as recommended throughout the report)	Quick win	All tiers of Local Govt	
			Introduce transparency and public participation specially in employment, procurement contracting and developing service delivery systems	Ongoing	All tiers of Local Govt	
Weak accountability of executive to local population	Evolve performance evaluation and accountability systems		Create systems and processes to generate information which can form basis of accountability including performance indicators of individual local Government offices	Priority in 1 to 3 years	Provincial Governments. LGC	
			Expedite establishment of Zila Mohtasib and Complaint cells	Priority in 1st year	Concerned Authority	

Executive: Development, procurement and contracting

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Development planning and project identification						
Failures in mechanisms to ensure sound use of development funds	Introduce rigour, wider participation and transparency in development process		Institutional strengthening of the Planning Commission and Provincial Planning and Development Departments	Priority in 1-5 years	Planning Commission and Provincial Govts	
			Review formal prioritisation mechanism to see how it can be strengthened; publicise prioritisation criteria; encourage public debate about criteria and development options	Priority in 1st year	All govt depts and SOEs	
			Development projects to be based on independent community needs assessment with broad local public participation	Priority in 1st year	All tiers of Local Govt	
			Laid down requirements for details of all projects to be made public at planning stage, either in local community (local projects) or in the media (national projects)	Quick win	All concerned organizations	
			Aid agencies and International Finance Institutions (IFIs) to be required by law to publicise their assistance and the terms of loans	Priority in 1st year	GOP	
			Donor agencies to commit publicly to NACS and report publicly on how they aim to prevent corruption in their projects	Mar-03	Donor agencies and IFIs	
Weak expertise in development projects with frequent changes in management	Continuity in project management to ensure ownership and responsibility and build capacity for implementation		Tenures to be fixed for Project Directors. In case of short duration projects of upto three years, posting for the entire project period. For projects of longer duration, there must be a criteria of minimum three years	Quick win	All concerned organizations	
			Strengthen project and programme management expertise via training cadre of professional managers	Ongoing	All concerned organizations	Training costs
Procurement and Contracting						
Absence of a standardised procurement regime	Formulate modern transparent procurement system	World Bank undertook country Procurement Assessment Report in June 2000	Review recommendations of the World Bank's Country Procurement Assessment Report on Pakistan for implementation	Priority in 1-5 years	Public Procurement Regulatory Authority (PPRA)	
Absence of repository of procurement expertise in government	Develop procurement expertise and promote as a specialist discipline within government	Public Procurement Regulatory Authority (PPRA) Ordinance created	PPRA	Priority in 1st year; start January 2003	GoP	

Executive: Development, procurement and contracting

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Lack of clear, standard, coherent and transparent set of laws and procedures	Create standard, coherent and transparent set of laws and procedures	PPRA has mandate to prepare laws and procedures	PPRA to establish timetable and plan for implementing procurement reforms, and specifically for revised procurement procedures, and for integrity pacts, and integrity premiums	Quick win; March 2003	PPRA	
			Comprehensive and transparent public procurement law	Priority in 1st year	PPRA, Ministry of Law	
			Either the Pakistan Engineering Council (PEC) byelaws or the World Bank guidelines should be uniformly implemented until such time the Public Procurement Regulatory Authority prepares its own laws and procedures	Quick win	GoP	
			Creation of standard clear procedures for procurement of works, goods, and consultants, removing anti-competitive conditions, and requiring clear audit trail of justification of decisions. Develop via participative process with involvement of stakeholders	Priority in 1st year	PPRA, Ministry of Law, FPCCI, American Business Council, Overseas Investment Chamber of Commerce and Industry	
Procurement rules and practices outdated, anti-competitive, non-transparent	Ensure that new law and procedures facilitate fair competition, transparency and public participation	World Bank, FIDIC, ADB and PEC have reviewed and amended procedures, but they need further revisions	World Bank. FIDIC (International Federation of National Associations of Consulting Engineers), Asian Development Bank, Pakistan Engineering Council and other donor agencies and IFIs to review their procurement procedures, and revise them accordingly to reduce potential for corruption	Priority in 1st year	Donor agencies and IFIs	
			High value and high profile procurements in particular, above Rs 5 Million for procurement of services, and over Rs 50 Million for procurement of works, goods and equipment, to be based on Integrity Pacts. These shall serve as model for inclusion in law	Quick win	All concerned organizations	
			All consultancy contracts except single source selection of engineering experts, should be processed on the two envelope system, evaluated on the basis of technical competence with minimum passing marks of 75%. The financial proposals of firms lower than 75% should be returned unopened, the remaining financial proposals should be publicly opened, and the contract awarded to the lowest bidder	Mar-03	PPRA	

Executive: Development, procurement and contracting

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Project specifications to be widely publicised/circulated/ advertised with defined minimum period before invitations to bid	Mar-03	PPRA	
			Advertisement requirements for changes in bids tenders to be at the same level as the original invitation	Mar-03	PPRA	
			Procurement process (requirements, deadlines etc) to be widely publicised, generally and at time of invitation to bid	Mar-03	PPRA	
			Bill of Quantity (BOQ) Format requires change, to include breakdown against each BOQ item cost of material, equipment, labour & overhead costs	Mar-03	PPRA	
			Evaluations should be on pre-determined and pre-publicised criteria	Mar-03	PPRA	
			Evaluation committees for pre-qualification, shortlisting and award of each contract should be established	Mar-03	PPRA	
			Evaluation committees for procurement over defined amount should include members of civil society, for example from Institute of Chartered Accountants, PEC and FPCCI	Mar-03	PPRA	
			Evaluation reports should be made public, e.g. by placing on website or locally by the clients 10 days prior to award of contracts to invite any objections from any sector for the purpose of making any re-evaluation, if needed	Mar-03	PPRA	
			Final contract awards and major revisions also to be notified widely and publicly	Mar-03	PPRA	
			Introduce standard systems of required documentation, reasons for decisions and procedures for audit	Mar-03	PPRA	
Foreign governments, multinational/ national companies and donor agencies encourage or fail to prevent corruption	Build the willingness, capacity and confidence of the governments/ multinational/ donor agencies to fight corruption		Provide further support and impetus for the coalition of multinational/ national companies and governments convened to implement the OECD Convention to Combat Bribery of Foreign Public officials. Coalition to meet regularly to determine ways of reducing corruption in procurement (and indeed all government business interactions)	Priority in 1st year	Transparency International (TI) embassies, donor agencies and PPRA	

Executive: Development, procurement and contracting

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Members of coalition to sign integrity pact, monitored by civil society representatives	Mar-03	Ministry of Finance	
			Include foreign embassies, donor agencies, and a larger number of multinationals in anti-corruption/OECD coalition and integrity pact	Mar-03	Ministry of Finance	
			Create system to enable effective blacklisting of companies breaching integrity pacts or undertaking corruption in other procurements	Mar-03	PPRA	
			Government policy decision to pursue and prosecute/seek prosecution of bribers	Mar-03	PPRA, NAB	
			GoP and embassies to develop guidelines to deal with cases of alleged corruption involving foreign nationals	Mar-03	Embassies, donor agencies, NAB and PPRA	
			Legal requirement for all facilitation payments/commissions/performance bonuses to be disclosed by all foreign companies and their local agents, at the time of bidding and six months afterwards	Mar-03	PPRA	
			Provide guidance to all businesses to inform their employees about the tougher anti-bribery arrangements, and the definition of bribery i.e. includes entertainment of officials etc.	Mar-03	FPCCI, TI Pakistan, American Business Council, Overseas Investment, Chamber of Commerce and Industry	
			All companies operating in Pakistan to have Code of Conduct, Good Governance Corporate policies, including no bribery provisions in conformity with US Foreign Corrupt Practices Act and the OECD Convention etc.	Mar-03	FPCCI, TI Pakistan, American Business Council, Overseas Investment, Chamber of Commerce and Industry	
Honest bidders dissuaded from bidding	Reform procedures and practices to incentivise wider group of bidders		GoP to put in place arrangements to guarantee swift payment of consultants, contractors' invoices	Mar-03	PPRA, Ministry of Finance	
			Introduce system of milestone payment release system, i.e. opening of local Letter of Credit (LC), and development funds for projects should be placed with Bank for opening of LC for full duration of Project	Mar-03	PPRA Ministry of Finance	
			Effective system for blacklisting corrupt contractors	Mar-03	PPRA Ministry of Finance	

Executive: Development, procurement and contracting

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Low competence, integrity and professionalism of procurement staff	Build capacity of procurement staff to withstand corruption		Professional training in procurement and contracting	Ongoing	All concerned organizations	Training costs
			Introduce integrity testing for procurement staff in selected institutions, learn lessons and replicate as necessary	Mar-03	PPRA & Concerned Organizations	
			Introduce assets/income declaration and strict monitoring for procurement staff	Priority in 1st year	All concerned organizations	
Development project implementation and monitoring						
Weak external monitoring of development projects	Strengthen transparency and external monitoring of projects		Undertake review of unfinished projects and entire project portfolio to identify projects which should be abandoned, finished and learn lessons for development project planning and implementation in the future	Priority in 1 to 3 years	Cross-sectoral task force	
		AG has introduced third party validation of project expenditure	Strengthen Auditor General department's capacity to undertake performance concurrent audit of procurements and projects, focusing on social sector projects	FY 2003-04	Auditor General dept and PPRA	Capacity building costs
Projects offer opportunities for corruption and fail to meet development needs	Strengthen functional specialisation and professionalism in technical/developmental areas		Ensure all projects planned, and payments made, on the basis of milestones and outputs	Priority in 1st year	PPRA	
			Donor agencies to design and implement more robust output measures for social sector projects and budget support	Priority in 1st year	Donor agencies and IFIs	
			In key technical/developmental depts, amend service laws to provide for: continuity of professional officers on projects and in technical departments and prevent rotation to different dept; technical depts to be headed by technical professionals	Priority in 1 to 3 years	Ministry of Law, Ministry of Finance, Establishment Division and Provincial Governments	

Executive: Financial management

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Financial management reform agenda						
Ongoing FM reforms endangered by capacity weaknesses	Invest in financial management capacity building	PIFRA has a separate training component and training needs assessment (TNA) is in progress	Continuous IT and financial management training to all financial staff, especially those at the district and tehsil level, with extensive investment in training in new financial management areas	Priority in 1st and 1-5 years; Financial year (FY) 2003-04	Ministry of Finance, Controller General of Accounts, Auditor General's dept and concerned departments	PIFRA project fully funded, training costs for departmental staff to be borne by respective depts
	Roll out reforms to provinces and districts		Continue support for PIFRA and encourage PIFRA teams to share lessons learnt with the Provinces and District Governments	Ongoing	Ministry of Finance, CGA, Provincial and District Govts	
Planning and budgeting						
Incremental, line item budgeting not linked to objectives and outputs	Transition to performance programme budgeting	At federal level, departments are now required to state their vision, mission, performance indicators etc alongwith the budget demand	Development of meaningful mission, vision, objectives, outputs, performance indicators, targets. All developed on a participative basis with key internal and external stakeholders	To be phased in the next 5 years according to priority	All government departments	
		Punjab is currently introducing a parallel system of programme budgeting	Full implementation of performance/programme budgeting at federal, provincial and district levels	Budget for the FY 2007-08	All government departments	
			Internal participation (via workshops with representatives across grades/institution) in budgeting process to ensure institutional needs adequately covered e.g. operational expenses	Budget for the FY 2004-05	All government departments	
			Training in new areas e.g. medium term budgeting framework, objective setting, performance programme budgeting etc.	Ongoing	All government departments	
Annual budgeting	Medium term budgeting frameworks	Ministry of Finance has introduced Medium Term Budgeting Framework (MTBF) for phase 2002-03	Introduce MTBFs for all Provincial and District Governments, albeit at elementary levels for a transitional phase	Budget for the FY 2005-06	Ministry of Finance and Provincial Finance departments	
Inadequate public participation in budgeting process	Public participation in budgeting process	Sporadic pre-budget seminars at federal and provincial level	Regular pre-budget seminars well before the budget so that public participation is ensured. Govt to follow up on seminar proposals	Priority in 1-5 years; Budget for the FY 2003-04	Ministry of Finance, Provincial Finance departments, District Governments	
	Increase transparency of budget process and formats		Parliamentary debates to be televised live	Budget for the FY 2003-04	Ministry of Finance, Provincial Finance departments, District Governments	

Executive: Financial management

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Simplification of budget formats and explanatory text provided	Budget for the FY 2004-05	Ministry of Finance, Provincial finance departments, district governments	
		Federal budgets posted on government website	Provincial and district budgets to be posted on respective government websites	Priority in 1-5 year; Budget for the FY 2003-04	Provincial finance departments, district governments	
Accounting and reporting						
Outdated, cash based and single book entry accounting practices	Bring accounting practices in line with international best practices	PIFRA's new accounting model (NAM) in line with international best practices approved	Continuous change management and capacity building on embed NAM	Ongoing	CGA, Auditor General deptt and all government depts	
Manual systems with high discretionary powers, lack of standardisation and poor audit trail	Automate financial systems	Under PIFRA's accounting component test site established, pilot sites at district level in progress, PIFRA aims at complete automation of financial systems right down to district level	Timely implementation of PIFRA be ensured	Priority in 1-5 years; Budget for the FY 2003-04	Ministry of Finance, Controller General of Accounts and Auditor General	
			GoP to guarantee continuity of key personnel for remainder of PIFRA, and any follow up projects	Ongoing	Ministry of Finance, Controller General of Accounts and Auditor General	
Financial controls						
Poor internal financial controls	Develop INTOSAI best practice internal controls and control culture	CGA Ordinance requires GCA to develop internal controls for each government institution	Implement overall system of internal controls as discussed in the section on "Public Sector Management Strategy"	Please refer section on "Public Sector Management Strategy"	Please refer section on "Public Sector Management Strategy"	
			Implement Controller General of Accounts Ordinance	FY 2003-2004	CGA in consultation with government office	
			Refresher courses for PAOs and training for financial staff in detailed financial control design and operation	Quic win	CGA and Auditor General's Office	
			Regular workshops to reinforce messages	FY 2003-2004	CGA and Auditor General's Office	
			Strengthen internal audit functions, ensuring clear objectives, independence, directly reporting to institutional head, clear job descriptions	FY 2003-2004	All departments	
			Develop internal audit qualification	FY 2004-2005	All departments	

Executive: Financial management

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Develop selection criteria for internal auditors re: integrity, financial skills etc.	FY 2003-2004	All departments	
			Implement strict separation of duties for key financial functions	FY 2003-2004	All departments	
		Auditor General Department's design of corruption rating index (CRI), financial governance rating (FGR), accountability index and internal quality rating for departments	Implementation, wide publicity and mechanism for designing and implementing improvements resulting from FGR	Quick win; FY 2003-2004	Auditor General's Office and all departments	
Budget monitoring, transparency and accountability						
Weak system of monitoring and lack of proper reconciliation mechanism	Strengthen monitoring of expenditure	Creation of fiscal monitoring committees at federal and provincial levels	Ensure reconciliation at district accounts office (DAO) and treasury level	FY 2003-2004	DAOs and District Governments	
		Six monthly reviews of expenditure at federal and provincial levels	Ensure monitoring of expenditure at district and tehsil level	FY 2003-2004	District Govts	
Low transparency and accountability	Enhance transparency and accountability	MoF has introduced monthly statements of expenditure, issuance of govt accounts on website on quarterly basis	Annual financial reports to be issued by each institution, linking usage of financial resources to achievement of physical objectives	FY 2003-2004	All government departments	
			Simplification of reporting format, or summary for public information	FY 2003-2004	All government departments	
		Ministry of Finance has accounts of Federal Government on their website	All governments to have financial accounts and reports to be posted on the website	Priority 1-5 years; FY 2003-2004	Provincial and District Govts	
			Supplementary grants/ budgetary cuts to be allowed only in public interest and should be submitted before the Cabinet quarterly	Budget for the FY 2003-04	Ministry of Finance and provincial finance departments	
Financial rules						
Outdated financial rules	Modernise financial rules in line with modern financial practices		Review of financial rules	FY 2003-04	Ministry of Finance and Provincial Finance departments	
Financial skills and capacity						
Institution of CGA lacks capacity to deal with its new responsibilities	Capacity building of CGA		Provision of adequate resources i.e human, financial and infrastructural to CGA	Priority in 1st year; FY 2003-2004	Ministry of Finance	

Public accountability bodies

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Auditor General's Department						
Audit function seen to lack relevance and effectiveness	Transform role to validation of control environment and qualitative audits	PIFRA reforms introducing modern audit methodologies, improved audit reports, and skills upgrading	Transform from transaction based to system based auditing through increased emphasis on systems, risk and performance audit	Priority 1-5 years	AG Office	Training costs
			Develop Computer Assisted Audit Techniques (CAAT) to enable audit of automated financial management system under PIFRA	Ongoing	AG Office	Training costs
		AG Department's design of corruption rating index (CRI), financial governance rating (FGR), accountability index and internal quality rating for departments	Hold workshops to inform departments about vision for AG Department's future role and develop joint action plan to achieve that vision e.g. by providing training in internal controls	FY 2003-2004	AG Office	Workshop costs
			Expedite development of AG Dept's indices	Quick win	Auditor General	
	Increase professionalism and competence of audit staff	162 officers have obtained professional qualifications, direct entry of professionally qualified officers at BPS 16, improvement of training syllabus and continuing professional education (CPE)	Continue focus on increasing capacity and skills of AG staff by enhancing the capacity of audit and accounts training institute specialised training in different commercial sectors	Ongoing	AG Office	
			Increase pay of auditors	Priority in 1st year; FY 2003-04	Ministry of Finance	Increased pay
			Increase investment in AG Department keeping in view its enhanced future role ie, audit of district governments, more audit coverage, increased scope of audit	Priority 1-5 years	Auditor General Office, Ministry of Finance	Increased budget
	Establish a benchmark of quality of audits	AG Department already planning to outsource small proportion of audits	Introduce sample peer review of AG's audits	FY 2003-2004	Auditor General Office	
AG lacks independence and accountability	Establish AG Dept's independence	Auditing and accounting functions were separated in June 2001	Give AG independence from Ministry of Finance, to ensure administrative and financial autonomy	Quick win	Auditor General Office, Ministry of Finance	
			Separate the AG Department from the civil service pay structure on the basis that it is a constitutional body, allowing it to set terms and conditions for staff	Budget for 2003-04	Auditor General Office, Ministry of Finance	

Public accountability bodies

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			AG should be allowed to bring important audit findings to the notice of the President/ Governor in the form of a summary report	FY 2003-04	Auditor General Office	
		AG has produced first annual report and corporate strategic audit plan	Auditor General Office's Inspection and Vigilance Wing to be given the responsibility of internal audit of the Auditor General Office	FY 2003-04	Auditor General Office	
Public Accounts Committee						
Public Accounts Committee (PAC) lacks impartiality and effectiveness	Increase the PAC's credibility		Chairman of PACs to be appointed from the opposition	Quick win December 2002	Federal and Provincial Govts	
			Provisions for appointment of PACs within 30 days of swearing in of new governments	Quick win December 2002	Federal and Provincial Govts	
	Create mechanisms for the speedy disposal of audit paras	Sub-committees formed at Federal PAC to expedite disposal of audit queries	Ensure formation of Sub-committees within all PACs	January, 2003	Chairman PACs	
			Development of prioritisation mechanism and criteria in collaboration with Auditor General Office	Priority in 1st year	Chairman PACs and Auditor General Office	
			PAC to publish annual timetable in advance, to ensure that one year's work can be cleared within the same year avoiding further backlog	March, 2003	Chairmen PACs in consultation with Auditor General Office	
Public Accounts Committee proceedings not transparent	Increase PAC's transparency	Ad hoc Federal PAC proceedings opened to the media	All PACs to be open to the media, with live TV and radio coverage	Quick win	Federal and Provincial Govts	
Ombudsman						
Ombudsman insufficiently effective	Strengthen institution of Ombudsman	District Ombudsman to be appointed under devolution plan	Establish the office of Ombudsman in NWFP	March-03	Governor NWFP	Infrastructural Investment
			Streamline and accelerate process of disposal of appeals	March-03	Ministry of Law Provincial law depts	
			Centralised database and networking for Ombudsman offices	Priority in 1 to 3 years	Ombudsman	Infrastructural investment
			Continuous training for Ombudsman's officers/staff	Ongoing	Ombudsman	Training costs
Overall						
Inadequate links between public accountability bodies and ACAs	Strengthen inter-agency operational links		Strengthen procedures for case referrals and investigative support to the ACAs	Priority in 1st year	Anti Corruption Agencies, Auditor General Office, PACs	

Anti-corruption agencies and legal enforcement

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Legal framework						
Multiple laws with inconsistent provisions	Remove inconsistencies in anti-corruption laws	Committee for revamping of provincial anti-corruption structure set up.	Provinces to replicate NAB law as per their requirement.	Jan-03	Provincial ACES and Law departments, NAB	
Deficient jurisdiction of law	Expand NAB Ordinance	Inclusion of private sector corruption of public concern in NAB Ord.	Where corruption in private sector is of public concern, the case should be cognisable under NAB Ordinance	Oct-02	NAB, Ministry of Law	
Anti-corruption institutional framework						
Existing structure – a result of quick fix approach to combat corruption – not sustainable for future challenges	Create coherent institutional framework	Anti-corruption and economic crime mandate of FIA taken away by Cabinet decision. NAB Ordinance included in Sixth Schedule of the Constitution.	NAB to be sole Anti-corruption Agency (ACA) at the federal level, with transfer of FIA's functions of anti-corruption and economic crime	Jan-03	NAB, Establishment Division, Ministry of Interior and Ministry of Law	Restructuring Costs
			NAB to continue in Provinces for the present with powers to transfer cases being investigated by Anti-corruption Establishments (ACEs) and exclusive jurisdiction over provincial legislators.			
			Provincial Anti-Corruption Establishments (ACEs) to retain their current jurisdiction. NAB to provide guidelines on awareness and prevention.	Ongoing	ACEs, NAB	
Anti-corruption effort almost exclusively enforcement based	Adopt holistic approach with emphasis on awareness and prevention	Prevention role for NAB already proposed in amendments to NAB Ord.	NAB to undertake the functions of prevention through research and monitoring, creating awareness, maintaining and sharing information by forming a coalition with society, media, public and private sectors	Quick win	NAB, Ministry of Law	Restructuring Costs
ACAs perceived to lack independence, accountability and transparency	Ensure independence, create accountability mechanisms with transparency		NAB and ACEs to have financial and operational autonomy.	Jun-03	Federal and Provincial Governments	
		Proposed amendment calls for appointment of Chairman NAB by the President after "ascertaining the views" of the leader of the opposition and the Prime Minister.	Heads of ACAs to be appointed through involvement of opposition.	Oct-02	Relevant appointing authorities	
		Proposed amendments in NAB Ord. call for a tenure of four years for Chairman NAB.	Security of tenure for key office bearers of ACAs	Oct-02	Ministry of Law and Provincial Law Departments	

Anti-corruption agencies and legal enforcement

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			National Security Council (NSC) to function as non-intrusive overwatch for NAB	Quick win		
			ACEs' overwatch to be reformed to strike balance of overwatch with minimal intrusion	Quick win	Provincial Governors	
		NAB has prioritisation criteria	ACAs to publicise clear prioritisation criteria for adoption of cases.	Priority in 1st year	Anti Corruption Agencies	
		NAB already publishes its annual report	ACAs to publish annual reports of performance.	Quick win	Anti Corruption Agencies	
			ACAs to hold regular workshops with interest groups: private sector business leaders; small traders; different sections of society to answer general concerns	Quick win	Anti Corruption Agencies	
		NAB has a media cell that liaises with media	ACAs to have own public relations unit, charged with liaising with media and civil society ensuring proper dissemination of information	Quick win	Anti Corruption Agencies	
ACEs ineffective	Institutional strengthening of ACEs	Committee for revamping of provincial anti-corruption structure set up.	ACEs to be re-organised. Their capacity to be increased to allow them to take on bulk of anti-corruption work in the provinces in the medium term.	Priority in 1st year	Anti Corruption Establishments and NAB	
Limited capacity of NAB	Enhance capacity of NAB		NAB to institute training in key areas, notably forensic investigations, money laundering, collection of evidence, cybercrime	Priority in 1st year	NAB	Training costs
		NAB has recruited investigators who will be trained in the year 2003.	NAB to have own cadre of investigators	Priority in 1st year	NAB	Remuneration costs
			Establishment of a training academy by NAB	Priority in 1st year	NAB	Infrastructural investment
			Ensure provision of adequate resources for ACAs	Priority in 1st year	Federal and Provincial Governments	
			Strengthen formal co-ordination mechanisms, including shared databases between NAB and ACEs.	Priority in 1st year	Anti Corruption Agencies	Infrastructural investment
			Strengthen formal co-ordination mechanisms for case referrals and investigative support, between ACAs and watchdog bodies, i.e. Auditor General's Department, PAC, Ombudsman	Priority in 1st year	NAB and Watchdog bodies	
Vulnerability of ACAs to Corruption	Protect ACA staff from temptation and limit opportunities		NAB and ACEs to develop and implement code of ethics	Priority in 1st year	Anti Corruption Agencies	

Anti-corruption agencies and legal enforcement

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			ACA staff to receive adequate remuneration	Priority in 1st year	Federal and provincial governments	Remuneration costs
			Review internal control procedures to reduce scope for abuse of power	Priority in 1st year	Anti corruption agencies	
			Instil professional pride through motivation and qualitative selection and training	Ongoing	Anti corruption agencies	
			Fair and transparent system of punishment and reward	Priority in 1st year	Anti corruption agencies	
			Periodic integrity testing	Priority in 1st year	Anti corruption agencies	
			Effective internal vigilance mechanism	Priority in 1st year	Anti Corruption Agencies	
International co-operation						
Money laundering	Prevent money laundering	Draft money laundering law under preparation	Expedite and support enactment of Anti-money laundering law	Quick win	Ministry of Finance and Ministry of Law	
			Support documentation of economy	Ongoing	Federal and Provincial Governments and FPCCI	
			Participate in global coalition against money laundering	Ongoing	GOP	
			Consolidate information on banks, registration authorities, tax collection agencies etc and form a centralized database available to govt agencies of revenue and anti corruption	Priority in 1 to 5 years	National Database Registration Authority (NADRA)	
			Review bearer government securities (and replace with registered securities as not to dry options for small savers) like investment bonds etc – enforce prudential regulations to prevent deposits in benami accounts	Priority in 1 to 5 years	Ministry of Finance and State Bank of Pakistan	
			Enforce ban on money transfers and remittances not made from bank accounts to bank accounts	Ongoing	State Bank of Pakistan	
			Establish Financial Investigation Unit in line with the Egmont Group	Priority in 1st year	Ministry of Finance	
		NAB law requires reporting of 'suspicious financial transactions' by all banks	Establish system of reporting suspicious transactions by all financial institutions to Proposed Financial Intelligence Unit	Priority in 1st year	Ministry of Finance	
			Prosecute/apprehend all unauthorised money changers	Priority in 1st year	State Bank of Pakistan	

Anti-corruption agencies and legal enforcement

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Enact law to stop money transfer by money changers on behalf of customers	Priority in 1st year	Ministry of Finance	
			Only cash dealings by Money changers – Strict enforcement	Priority in 1st year	State Bank of Pakistan	
Lack of Mutual Legal Assistance Treaties (MLATs) to recover assets, evidence and accused from abroad	Strengthen Mutual Legal Assistance (MLA)		Build working relationships and mutual understanding with foreign authorities through bilateral and multilateral agreements.	Ongoing	GoP	
			Build understanding in how Mutual Legal Assistance (MLA) can be provided quickly and effectively	Priority in 1 to 3 years	Ministry of Interior	
	Participate in international reform efforts	Pakistan is a signatory to the ADB-OECD Convention	Evaluate possibilities of committing to various international initiatives	Priority in 1 to 3 years	Ministry of Foreign Affairs and NAB	

Legal system and judiciary

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Overall legal and judicial framework						
Legal and judicial framework failing to deliver justice	Root and branch reform of the legal and judicial framework	Implementation of the AJP has been initiated	Lend support to, endorse and expedite implementation of AJP	Quick win	Ministry of Law, Provincial Law Depts, High Courts	
Legal profession						
Low quality of legal education and lack of opportunities and facilities for higher education and research	Raise standards of legal education	Already proposed by AJP	Establish a centre of excellence for legal training, higher education and comparative study of laws	Priority in 1 to 3 years	Ministry of Law, Provincial Law Depts, High Courts	
			Regulation of private sector legal education institutions	Priority in 1 to 3 years	Commission for Higher Education	
			Modernise legal education through revision of curricula	Priority in 1 to 3 years	Commission for Higher Education in consultation with Bar councils	
Lack of professionalism, regulation and accountability in legal profession	increase professionalism and accountability in legal profession	Punjab Bar Council planning qualifying Bar examination	Bar examinations and professional training for qualifying to practice law, to be developed across Pakistan	Priority in 1 to 3 years	Bar Councils	
			Set up training and research institute in each province for training of lawyers, prosecutors with the funds of grants in aid provided by the federal and provincial governments each year to the bars under section 57 of the Legal Practitioners and Bar Council	Priority in 1 to 5 years	Ministry of Law, Provincial Law Depts	
			Develop code of conduct for lawyers and mechanism for implementation and enforcement, with wide participation of the legal profession	Quick win	Bar Councils	
			Make certification and continuation of law practice subject to strict professional supervision by High courts and district and sessions judges	Priority in 1st year	Ministry of Law, Provincial Law Depts	
			Allow international law firms and lawyers to set up offices and practice law in Pakistan	Quick win	Ministry of Law	

Legal system and judiciary

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Allow and encourage lawyers to advertise their services and fees for rendering services	Quick win	Ministry of Law, Bar Councils	
			Prevent interference of political parties and vested interests in the profession. Make it part of code of conduct and then ensure its implementation	Ongoing	Ministry of Law, Provincial Law Depts, Bar Councils	
			(i) Strict implementation of the Legal Practitioners and Bar Councils Act, 1973 (ii) Make code of conduct in accordance with 'Basic Principles on the Role of lawyers' formulated by Eighth UN Congress on Crime Prevention (iii) Put limit on term of election	Priority in 1 to 3 years and then ongoing	Ministry of Law, Provincial Law Depts, Bar Councils	
Judiciary						
Low motivation of lower judiciary	Increase motivation and improve morale of lower judiciary	Proposed by Access to Justice Programme (AJP)	Increase remuneration of lower judiciary to decent level	Priority in 1st year	Provincial Government, High Courts	
		Proposed by Access to Justice Programme (AJP)	Reform career structure for lower judiciary to provide clear career progression on achievement of clear performance standards	Priority in 1 to 5 years	Provincial Law Depts, High Courts	
			Improve infrastructural facilities and work environment	Priority in 1st year	Ministry of Law, Provincial Law Depts, High Courts	
Judicial appointments system lacks transparency	Promote transparency in judicial appointments		Fix ratio for elevation to higher courts from lower judiciary	Quick win	Ministry of Law, Provincial Governments	
			Appointments to lower judiciary by High Courts only through transparent and competitive examination applied uniformly in all provinces	Priority in 1st year	Provincial Governments, High Courts	
			Ban lateral entry in lower judiciary	Quick win	Provincial Governments, High Courts	
Inadequate capacity	Build capacity in judiciary	Proposed by Access to Justice Programme (AJP)	Training and specialisation in criminal and civil areas	Ongoing	Ministry of Law	
		Proposed by Access to Justice Programme (AJP)	Strengthen institutional capacity of Federal Judicial Academy	Priority in 1 to 3 years	Ministry of Law, Supreme Court of Pakistan	

Legal system and judiciary

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
		Proposed by Access to Justice Programme (AJP)	Introduce progressive judicial education and training, including regular workshops on current issues	Priority in 1 to 3 years	Ministry of Law, Supreme Court of Pakistan, High Courts	
Lack of effective accountability in judiciary	Enhance judicial accountability and restore public confidence	Article 209 of the constitution amended	Supreme Judicial Council to have suo moto jurisdiction over the higher judiciary and also a separate secretariat for this purpose	Quick win	Ministry of Law	
			Expand membership and institutional capacity of the Supreme Judicial Council		Parliament, Ministry of Law	
		Proposed by Access to Justice Programme (AJP)	Institutionalise office of the Member Inspection Team (MIT) in all provinces providing for regular monitoring and inspection of the lower judiciary	Priority in 1st year	Respective High Court	
		Proposed by Access to Justice Programme (AJP)	Enact a law, make rules or issue instructions whereby one or more high court judges are designated to co-ordinate the MITs to review their performance or investigate complaints against lower judiciary	Priority in 1st year	Respective High Court	
			Create a code of ethics/ conduct with wide participation of the judiciary and create effective monitoring mechanism	Priority in 1st year	Respective High court	
			Strengthen monitoring of declaration of assets and incomes of judges	Priority in 1st year	Respective High court	
			No relaxation of rules in case of periodic bar on appointment to an executive post	Ongoing	Appointing authorities	
		Proposed by Access to Justice Programme (AJP)	Amend the Law Reports Act to clarify and limit judicial discretion in the publication of judicial decisions	Quick win	Ministry of Law	
		Proposed by Access to Justice Programme (AJP)	Widely publicised annual performance reporting by each High Court (AJP)	Quick win	Respective High court	
Lack of judicial independence	Enhance and ensure judicial independence		Prolonged ad hoc appointments must be done away with	Quick win	Ministry of Law	
Judicial system and processes						
Poor working conditions and lack of modern management systems in judicial support functions	Introduce modern court management and case management in judicial support functions	Proposed by Access to Justice Programme (AJP)	Implementation of High Court specific plan to professionalise its management	Priority in 1 to 3 years	Respective High court	

Legal system and judiciary

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Delays in the provision of justice	Increase the judicial system's efficiency through implementation of the AJP	Proposed by AJP	Lend support to, endorse and expedite AJP's programme for delay reduction	Ongoing	Respective High court	
		Civil Procedure Code amended	Design and implement appropriate Alternative Dispute Resolution (ADR) mechanisms, and amend procedural codes to enable voluntary dispute resolution. ADR to be mandatory for certain types of disputes	Priority in 1 to 3 years	Ministry of Law	
			Formalise pre-trial proceedings	Priority in 1 to 3 years	Ministry of Law, High Courts	
		Small and Minor Offences Ordinance 2002 promulgated	Establish Small Causes Court (AJP)	Priority in 1st year	High Courts	
			Review of Penal Code to determine if there are petty offences which should be decriminalised	Priority in 1 to 3 years	Ministry of Law Pakistan Law Commission	
		Proposed by Access to Justice Programme (AJP)	Introduce case management system and other simple methods for increasing court efficiency	Priority in 1 to 3 years	Ministry of Law, High Courts	
		Necessary amendment made in Civil Procedure Code (CPC)	Limit the number of adjournments for filing of written reply by the defendant	Quick win	Ministry of Law	
			Stipulate the number of adjournments and introduce the concept of costs for adjournments beyond the mandatory limit	Quick win	Ministry of Law, High Courts	
Judicial processes non-transparent to litigants	Increase transparency of judicial process	Proposed by Access to Justice Programme (AJP)	AJP Citizen-Court Liaison Plan includes establishment of information centres and public information campaign	Priority in 1 to 3 years	Ministry of Law, High Courts	
Prosecution lacks independence, powers and expertise	Increase independence and effectiveness of prosecution		Establish an independent prosecution service with adequate powers (AJP)		Ministry of Interior, Ministry of Law	
			Impart training to prosecution function, particularly in offences related to financial crime	1 to 3 years	Ministry of Interior, Provincial Law Depts	

Legal system and judiciary

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Legal Framework						
Subordinate legislation is generally non-transparent	Increase transparency and public participation in subordinate law making	Section 20-A of the General Clauses Act makes the publication of all circulars etc. having the effect of law in the Gazette mandatory	Legal requirement for transparency, wide stakeholders consultation and public participation of civil society before formulation of subordinate legislation	Quick win	Ministry of Law, Parliament	
	Enactment of Statutory Instruments Law		Immediate promulgation of Statutory Instruments Ordinance	March 2003	Ministry of Law, NRB, PLJC	
			Review of subsidiary legislation for repealing redundant rules, regulations and procedures	1-3 years	Ministry of Law	
			Make subordinate legislation effective for minimum defined period or it should become part of the following Finance Act	1st year	Ministry of Law, CBR, Ministry of Finance	
Plethora of confusing, contradictory, overlapping, redundant and inaccessible laws	Develop coherent and transparent legal framework		Systematic and periodic (every 5 years) review of primary statute book, to simplify and modernise laws, remove confusions and contradictions, and ensure consistency (AJP)	Quick win	Ministry of Law, Provincial Law Departments, Respective Division and Departments	
			Institutional strengthening of Pakistan law Commission to allow it to undertake continuous and effective law reform (AJP)	1-3 years	Ministry of Law, Supreme Court of Pakistan	
			Establishment of provincial Law Commissions to undertake continuous Law reform (AJP)	1-3 years	Provincial Govts	
			Translation of summaries of laws into Urdu and regional languages (AJP)	1-3 years	All Govts	
Benami Transactions	Render Benami transactions illegal, not enforceable by the courts, and punishable	Section 10 of NAB Ordinance: property acquired through corrupt monies in name of benamidars is forfeited and persons are liable to punishment	Sections 81, 82, 84, 85 and 91, 94 of the Trust Act 1882, and section 66 of CPC be repealed	Quick win	NAB, Pakistan Law and Justice Commission and Ministry of Law	
			Detailed procedure for determining nature of property be provided in the NAB Ordinance 1999 and examine implications of High Court and Supreme Court Judgements on Benami	Quick win	NAB, Pakistan Law and Justice Commission and Ministry of Law	
			The Benami and Fictitious Transactions (Prohibition) Ordinance to be promulgated along with procedure and rules and mechanism for implementation	Quick win	NAB, Pakistan Law and Justice Commission and Ministry of Law	

Media

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Media lacks freedom and framework for integrity	Reduce possibilities of government interference in the media		Government to commit for not using advertisements and newsprint for control over media	Quick win	Ministry of Information and Provincial Information depts	
			Control of Ministry of Information over government advertisements to be deregulated. Each public sector institution to manage its own advertisements and media policy. It may be mandated that a certain percentage of advertisements should be reserved for the local/ regional media	Priority in 1 to 3 years	Ministry of Information and all relevant govt depts	
			Remove government control over wage board awards	Quick win	Federal Govts	
	Ensure competition in, and liberalisation of, the media		Introduce corporate culture and modern management in govt owned media organisations for transparency and efficiency	Priority 1 - 5 years	Govt owned media organizations	
			Effective enforcement of legislation to avoid creation of monopolies and monopolistic practices	Priority in 1st year	Monopoly Control Authority	
			Facilitate use of information technology and use of internet for dissemination of news and information	Ongoing	All concerned organizations	
		Private ownership of electronic media being encouraged	Encourage private ownership of electronic media at national, provincial and local levels	Ongoing	Federal and Provincial govts	
	Promote integrity and professionalism		Code of ethics for journalists to be formulated and implemented with participation of all the stakeholders	Priority 1st year	Ministry of Information, Provincial Information depts & relevant Stakeholders	
			Training for editors and journalists on professional standards	Ongoing	Relevant organizations	Training costs
			Develop professional journalistic qualification	Priority in 1 to 5 years	Min of Info / Media organisations	
Reporting lacks quality, authenticity and depth	Increase journalists' capacity for quality reporting		Training and awareness raising through seminars, workshops by experts in the field of anti corruption for journalists reporting on corruption	Ongoing	Anti corruption Agencies	Training costs

Media

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Facilitate information sharing among media networks and agencies, both government and non-government involved in anti corruption activities for feedback on the successes and failures of such activities	Ongoing	Ministry of Information, Media organizations and Anti corruption Agencies	Infrastructure investment
			Training in investigative reporting and followup	Priority 1st year	World Bank Institute	Training costs
			Sufficient source protection provisions should be available in law	Priority 1st year	Ministry of Law	
Media prevented from accessing information	Increase access to information	Access to Information Law drafted	Public debate on Access to Information Law with wide participation and opportunity to determine the Law's content	Quick win	Ministry of Law & Ministry of Information	
			Access to information Law to be passed promptly	Quick win	GoP	
Government not making effective use of media to transmit anti-corruption messages	Build government media management skills		Capacity building of GoP Public Relations departments	Ongoing	Ministry of Information and Provincial Information depts	Capacity building costs
			Media to have easy access to official spokesman of each department	Quick win	All concerned organizations	
	Involve media in development and implementation of NACS	Media representatives on Steering Committee and Implementation committee of NACS	Strengthen media's involvement in NACS	Ongoing	Anti Corruption Agencies	
No effective media accountability mechanism	Establish media accountability mechanisms		Promulgate defamation and libel laws and ensure their implementation	Quick win	GoP	
			Establish a press complaints council or commission for complaints against media	Quick win	GoP	Infrastructure investment

Civil Society

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Weak civil society	Strengthen civil society/govt coalition against corruption	Broad range of civil society members consulted by NACS in formulation of Anti-corruption strategy	Creation of specialist civil society action coalition to implement civil society strategy, with support from NAB	Quick win	Implementation Committee of NACS	
			Civil Society Organizations (CSOs) and government to forge working partnership, launching with high profile joint initiatives e.g. Integrity Pacts, awareness campaigns	Quick win	All concerned organizations	
			Confidence building measures for joint government and civil society anti-corruption initiatives	Priority 1st year	All concerned organizations	
			Opinion of civil society to be solicited on all important new legislative proposals	Quick win	Federal and Provincial Govts	
	Create enabling environment for NGOs	Draft NGO law currently in circulation for comments	Enact and implement legal and regulatory framework, ensuring appropriate accountability and transparency mechanisms, code of conduct	Priority 1st year	Ministry of Law	
			Create database of NGOs/ CSOs	Priority 1st year	Ministry of Social welfare and NGOs	
	Support NGOs, celebrating success		Capacity building of NGOs	Priority 1 to 5 years	Donor agencies, NGOs	Capacity building costs
Public tolerance and acceptance of corruption	Design mass media campaign to raise awareness, build consensus and seek to change behaviour		Collaborate with media to develop articles and supplements in local languages on NACS and responsibilities of citizens, providing case studies of successes and providing contacts of CSOs involved in the fight against corruption	Quick win; October 2002	Anti Corruption Agencies	
			Encourage public debates in media on issues of corruption. Local radio important to bring debate to the community level	Priority in 1 to 3 years	Ministry of Information and Provincial Information depts	
			Use other cultural media to transmit the message e.g. soap operas, theatre groups, pop songs, Films etc	Ongoing	Information and Education depts of Provinces and corresponding Federal Divisions	
			Utilize services of popular figures in sports, media, civil society etc. to publicise messages	Priority in 1st year and then Ongoing	Information and education depts of Provinces and corresponding Federal Ministry	

Civil Society

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
	Target attitudinal and behavioural change of younger generation		Introduce anti-corruption themes, the role of government into school curricula, religious perspective on civic duties; using discussion, case studies and role play	Priority 1st year	Information and Educaiton depts of Provinces and corresponding Federal Ministries and Anti corruption agencies	
			Hold competitions for youngsters to identify anti-corruption actions with prizes being public e.g. meeting with Governor or favourite popular figure	Ongoing	All concerned organizations	
			Madrassas and faith based teaching institutions to propagate Islamic teachings in true spirit and to include social and civic issues in their curricula	Ongoing	All concerned organizations	
	Attempt revival of family values for checking corruption		Launch school campaign to encourage children to discuss corruption issues with their families, with the aim of putting moral pressure on adults	Ongoing	Information and Educaiton depts of Provinces and corresponding Federal Ministries and Anti Corruption Agencies	
	Launch public campaign to ostracise the corrupt and celebrate the honest		Publicise loan and tax defaulters, convictees of corruption and other defaluters of state dues; socially marginalize the corrupt for example suspension of club memberships	Quick win	CBR, Banks, Anti Corruption Agencies and other concerned organizations	
			Publicise high taxpayers, celebrating their honesty	Quick win	CBR and Provincial Tax authorities	
			Establish annual NAB Civil Society Award, with members of civil society being nominated for their contribution to the cause of anti-corruption: being a role model of integrity, promoting anti-corruption	Quick win	National Accountability Bureau	
Low levels of social empowerment and participation	Develop open and transparent mechanisms for ensuring public participation to fight corruption at different levels		Create broad based anti-corruption civil society coalition at the local level to co-ordinate anti-corruption initiatives, in liaison with regional NABs	Priority in 1 to 3 years	Anti Corruption Agencies and CSOs	
			Coalitions/committees to hold public meetings to ensure public participation	Ongoing	Anti Corruption Agencies and CSOs	

Civil Society

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Ensure that Monitoring Committees, Citizens Community Boards(CCBs) and Public Safety Commissions (PSCs) operate as the models of accountability and transparency at the local level	Ongoing	All tiers of Local Govt	
			Enable the CCBs and PSCs to include accountability/anti-corruption explicitly within their mandates and functions	Priority in 1st year	Local Govts	
			Develop a whistleblowing mechanism which allows the public to come forward and disclose information on corruption through a system which ensures the credibility of the information, as well as the confidentiality and security of the information provider	Priority 1 to 3 years	Federal and Provincial Govts	

Private Sector

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
Corruption at Private and public sector interface	Reduce opportunities for collusion/ extortion		Please refer to sections on reforms in executive, particularly regulatory, tax functions and procurement			
Scarce research, data or action on private sector corruption	Launch NACS on private sector corruption	Private sector reps on NACS Steering Committee and Implementation committee	Undertake study on corruption within private sector	Priority in 1 to 3 years	Anti Corruption Agencies	Project costs
Large parallel economy	Formalise and document economy	New income tax law prescribes mandatory submission of accounts	Encourage and support documentation in businesses	Priority in 1 to 3 years	Ministry of Finance CBR, provinces and private sector	
Poor professional standards and regulation	Facilitate increased professional integrity		Gather coalition of concerned professionals in each profession to promote sound regulation and ethics management	Priority in 1 to 3 years	Regulatory bodies	
			Encourage and pursue all trading and professional bodies to make members comply with code of ethics.	Priority in 1 to 3 years	Regulatory bodies	
			Institutional strengthening of trade and professional regulatory organisations	Priority in 1 to 5 years	Regulatory bodies	
Abuse of consumer rights and privileges	Strengthen consumer rights regime		Enact consumer protection legislation for all sectors	Priority 1st year	Ministry of Law and Provincial Law Depts	
			Set up consumer protection associations and societies	Priority in 1 to 3 years	GOP and NGOs	
Fraud with non residents	Legal framework for special protection against the practice		Study to examine modalities	Priority in 1 to 3 years	Federation of Pakistan Chambers of Commerce and Industry (FPCCI) , Board of Investment (BOI)	
Lack of professional management culture	Encourage development of professional management culture		Code of ethics for individual enterprises which are signed periodically for certifying adherence; Top management to lead by example	Priority in 1 to 3 years	Regulatory bodies	
			Efficient complaint redressal system	Priority in 1 to 5 years	Concerned Organizations	
Coverup of in-house crime and corruption in the corporate /private sector	Increase risk of detection		Enact law to protect employees blowing whistle on in-house corruption	Priority in 1st year	Regulatory bodies, Ministry of Law	
			Encourage employees reporting malpractices and whistleblowing in the private sector	Ongoing	Relevant organizations	
			Establish effective internal controls and internal audit	Ongoing	Relevant organizations	

Private Sector

Systemic weakness	Proposed strategy	Actions already taken	Proposed measures	Proposed timetable	Responsibility	Resource implications
			Improved management scrutiny by management through vigilance and implementation of internal checks and controls	Ongoing	Relevant organizations	
Weak standards of internal corporate governance	Promote sound corporate governance		Ensure compliance of Code of Corporate Governance by all corporate sector entities	Priority 1 to 5 years	Securities and Exchange Commission of Pakistan (SECP)	
			Regulatory bodies to report cases to ACAs for lapses that may be considered criminal in nature	Quick win	Regulatory bodies	

The Consultation Process

The consultation process started with interviews in Islamabad , followed by workshops, interviews and focus group discussions in the four provincial capitals and the districts of Mardan, Kohat and Hyderabad.

The following categories of individuals were met

1. Chief Justice of Supreme Court of Pakistan
2. Judges of High Courts
3. Federal Ministers
4. Federal Secretaries
5. Provincial Ministers
6. Provincial Secretaries
7. Judges of Accountability Courts
8. Judges of Banking Courts
9. Lawyers organizations
10. Senior lawyers
11. Officers of Anti-Corruption Agencies
12. Non Government Organizations
13. Donor agencies
14. Low income groups
15. Women groups
16. Slum dwellers
17. Business community
18. Bureaucrats of different grades including retired civil servants
19. Heads of major public sector corporations
20. Army Monitoring Teams
21. Academicians
22. Media persons

Additionally a total of eight workshops were held. The details are:

- | | |
|--------------|-----------------|
| 1. Peshawar | 2nd March 2002 |
| 2. Mardan | 4th March 2002 |
| 3. Kohat | 5th March 2002 |
| 4. Hyderabad | 13th March 2002 |
| 5. Karachi | 14th March 2002 |
| 6. Lahore | 21st March 2002 |
| 7. Quetta | 2nd April 2002 |
| 8. Islamabad | 19-20 July 2002 |

The workshops at Peshawar, Karachi, Lahore, and Quetta included upto 100 persons while those at Mardan, Kohat and Hyderabad were attended by 50 persons on average. The Federal Workshop was a larger affair with attendance by over 300 individuals in the plenary session while about 120 attended the focus groups. The individuals in each workshop were selected from a wide variety of stakeholders most of which are enumerated above.

Implementation Mechanism

Implementation of the Strategy is the responsibility of the stakeholders. However the focal point will be the Implementation Committee headed by Chairman National Accountability Bureau. NAB will operate as the secretariat to the Committee. The structure of the committee is given below:

Composition of Implementation Committee

- Federal secretaries
 - Establishment
 - Finance
 - Law and Justice
 - Interior
 - Information
 - Revenue Division (Chairman CBR)
- Any other Federal Secretary on requirement basis
- All provincial Chief Secretaries
- Representatives of
 - Auditor General
 - Federal Ombudsman
 - SECP
 - Civil Society
 - Media (Print and Electronic)
 - Academia
 - NGOs
 - Business Community

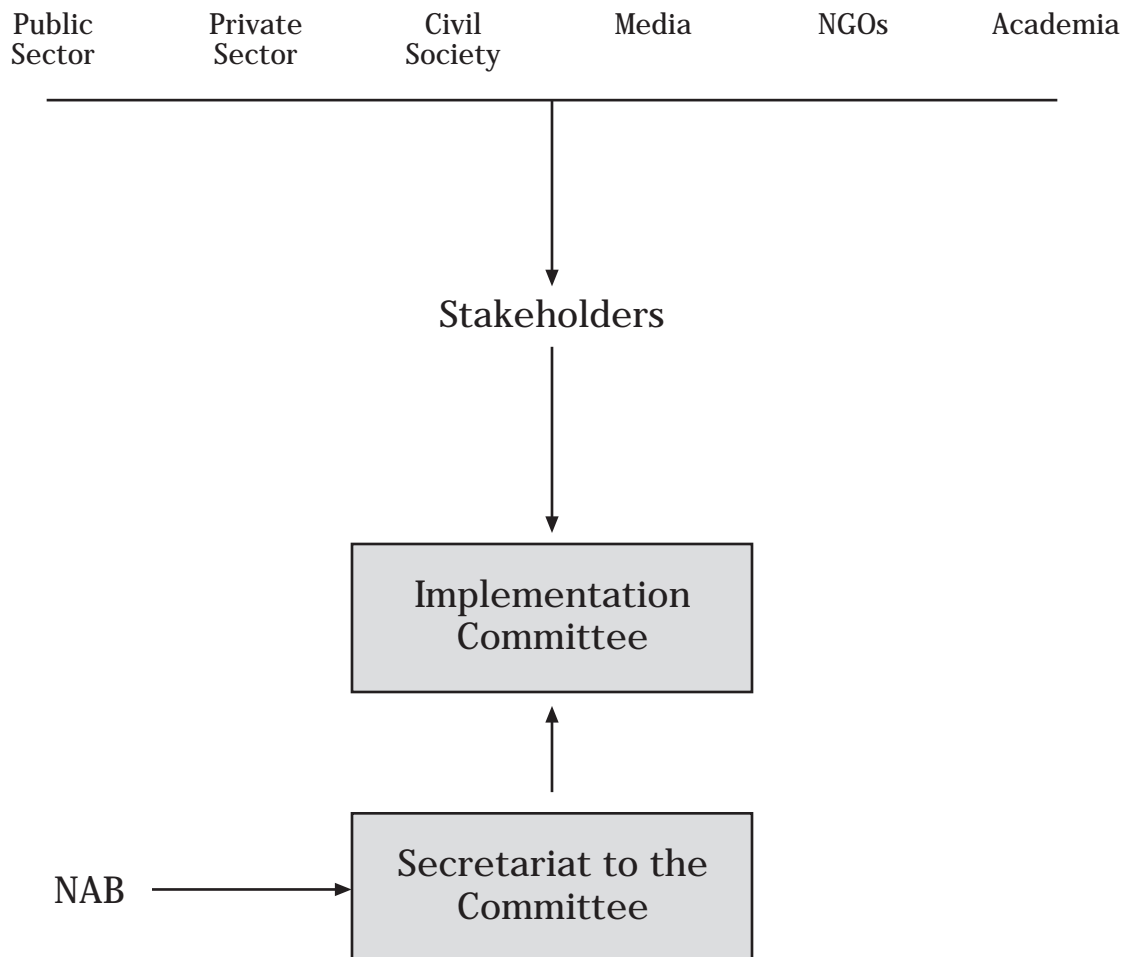
Tasks of Implementation Committee

- Review implementation process
- Provide guidance for improvement
- Interact with the stakeholders to provide expert advice

Procedure of Implementation Committee

- Chairman NAB to be Chairman of the Committee
- Committee to meet at least once in 3 months
- Members of private sector / civil society to be co-opted as per agenda of the meeting

The implementation mechanism is diagrammatically presented below:



NACS Team

Chief Project Advisor	Lt Gen Munir Hafiez	
Project Director	Brigadier (now Major General) Shujaat Zamir Dar (Feb 2002 - 08 July 2002)	
Project Director	Brigadier Tayyab Waheed (09 July 2002 - to date)	
Project Manager	Ms Juliet Osborne	
Strategic Advisor	Mr. Jeremy Carver	
Project Coordinator	Mr. Abdus Sami Khan	
HR Advisor	Ms Sabeeha Mohammad	
Working Group - 1	Legal Framework	
	Mr. Zafar Iqbal Gondal (Judiciary)	Additional Director
	Mr. Amjad Mahmood (Income Tax)	Additional Director
	Mr. Afzal Mufti	KPMG Advisor
Working Group - 2	Institutional Framework	
	Mr. Qasim Raza Khan (Income Tax)	Additional Director
	Mr. Abdus Sami Khan	Consultant
	Mr. Umar Zafar Sheikh (Accounts Group)	Additional Director
	Ms Juliet Osborne	KPMG Advisor
Working Group - 3	Anti Corruption Framework	
	Mr. Wajahat Latif	Consultant
	Mr. Munir Ahmad Chishti (Police)	Additional Director
	Mr. Sultan Azam Taimori (Police)	Additional Director
	Mr. Kamran Ahmad (Office Management Group)	Additional Director
	Ms Alison Green	KPMG Advisor

Steering Committee

1.	Lt Gen Munir Hafiez	Chairman NAB	Chairman of the Committee
2.	Mr. Justice Mansoor Ahmed	Secretary Law	Member
3.	Mr. Tasneem Noorani	Secretary Interior	Member
4.	Mr. Muhammad Yunis Khan	Secretary Finance	Member
5.	Mr. Riaz Ahmad Malik	Chairman CBR	Member
6.	Mr. Tariq Latif Mr. Naveed Qureshi	Representatives of Federal Ombudsman	Member
7.	Mr. Mohammad Mohsin Khan	Representative of Auditor General	Member
8.	Mr. Tanvir Ahmad Sheikh	Representative FPCCI	Member
9.	Mr. N. K. Shahani	Representative of Chairman SECP	Member
10.	Dr. Gulfraz Ahmed	Member – 1 NRB	Member
11.	Mr. Abdul Wahid Yousafi	Representative (NWFP)	Member
12.	Mr. Sultan Ahmad	Representative (Sindh)	Member
13.	Sardar Raza Muhammad Badini	Representative (Balochistan)	Member

Note: Mr. Khawar Zaman was nominated from Punjab but declined for personal reasons. A replacement could not be nominated till the end of the Project.

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