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AN ANALYSIS OF ADMINISTRATIVE REFORMS IN PAKISTAN'S PUBLIC SECTOR

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PhD

2014

UNIVERSITY OF BEDFORDSHIRE

AN ANALYSIS OF ADMINISTRATIVE REFORMS IN PAKISTAN'S PUBLIC SECTOR

By
FAISAL IQBAL

A thesis submitted to the University of Bedfordshire in partial fulfilment of the
requirements for the degree of Doctor of Philosophy

December, 2014

DEDICATION

*I dedicate this thesis to my beautifully united family. The credit of which goes to my lovely parents who strived for it, they taught us to value our relations with love, forgiveness and sacrifice. Of which the picture is painted by my whole family during this testing time of my PhD. They have not only showered their unconditional love, but also backed me with their financial and physical presence
- I love you all.*

AN ANALYSIS OF ADMINISTRATIVE REFORMS IN PAKISTAN'S PUBLIC SECTOR

FAISAL IQBAL

ABSTRACT

Context: Despite a long history of reforms, Pakistan's public sector (PS) is still considered cumbersome, corrupt, and inefficient by its citizens, government and international development community. Recent reforms were operationalised in 2001 under a new economic policy called the Poverty Reduction Programme (PRP) designed to facilitate the New Public Management (NPM) influenced transformation. The overarching objectives of these reforms were to strengthen the market and public sector simultaneously and so that they complemented each other. The PS reform actions taken under this strategy were mainly based on the World Bank's (WB) experience of developing countries which identified the state's weak institutional capacity as bottleneck to this transformation. Therefore, with the view to removing these impediments, actions to train the public servants, improve their salaries, and enhanced the use of information technology (IT) were included. However, many recent reports and indicators confirm the situation in Pakistan has remained unchanged. Various generic explanations of these compromised results have been provided; however, the concrete reasons in a Pakistani setting are still unknown.

Research Questions: This study aims to investigate the reasons why Pakistan's PS organisations appear to be resistant to reform and why the repeated attempts at reform appear to have had so little impact. It addresses the following questions:

- What effects, if any, have NPM-inspired reform attempts had on the way that public sector organisations function?
- What have been the intended and unintended consequences of reform attempts?

Research approach: This case study aims to bridge this gap through analysing the effects of administrative reforms in the federal tax agency where these actions have been revived as a part of the comprehensive reform programme.

This study is qualitative and adopts a social constructionist approach. This case study is ethnographically oriented and works within pragmatist criteria of truth and validity; the case study organisation has been conceptualised as negotiated order (Strauss, 1978); and the initiatives of training, salaries and information technology are understood as managerial attempts to reshape organisational structures, processes, and the employment relationship with employees in line with the requirements of NPM.

This research mainly depends on the interpretation and analysis of data gathered through 22 semi-structured interviews, participant observation and documentary

sources of information including public and classified reports from donors and government repositories as well as published scholarly articles. The data were analysed in two stages: 1. abstract analysis took place during data collection, arranging, cleaning, and extraction of themes and patterns; and 2. firm analysis happened through an iterative process of comparing these themes, patterns, and field notes to make the sense of data.

Findings: The findings suggest that the desired results of efficiency, transparency, fairness, and controlling corruption could not be achieved due to the takeover of prevalent contextual corrupt practices of nepotism, favouritism and recommendation at the time of its implementation. Moreover, this content-focused approach has also ignored the context and processes that led to compromised results. I have supported these findings through the identification of these contextual problems at the organisational and national levels.

Contribution: This research contributed to a greater understanding of the initiation and implementation processes of the NPM-inspired PSR in Pakistan through the identification of factors limiting its results at organisational and national levels. In turn, it helped to highlight the problems behind reformer's taken for granted assumptions of quick-fixing the institutions through rapid dosage of reform. The results will also be valuable to reformers as they will not only help reformers to understand the reasons affecting its intended results but also help them to include these in the list of safeguard.

ACKNOWLEDGEMENTS

I start with the name of Allah almighty for making this gigantic task possible for me. After that there are a number of people who qualify to be acknowledged for their contribution towards the completion of this thesis. In the following paragraphs I will now express my gratitude to all of them.

Above all, the credit goes to competent and dedicated supervisory teams I have had. Initially, a team consisting Dr. Alison Hirst and Professor Stephen Perkins helped me to start my journey; then, the inclusion of Dr. Christina Schwabenland, as appropriate replacement of Professor Perkins and finally the addition of another experienced mentor, Dr. John Clark, helped me through the final stage. I would like to acknowledge their exceptional professional and human qualities and pay sincerest gratitude to them. However, I am highly indebted to Dr. Alison Hirst, for her generous time, detail guidance, patience, and support throughout my research. Here I would also like to acknowledge the role of the University of Bedfordshire and Research Graduate School (RGS) for facilitating this journey. Especially, I would like to mention Ms. Kim Potter for being so helpful and supportive.

I am very grateful for the innumerable sacrifices made by my younger brother, Muhammad Adnan Shahid, and his family for co-financing my research at a time when all my calculations went wrong. He, despite of all his constraints, never made me feel that either I, in the UK, or my family, in Pakistan, were a burden on him.

I would also like to extend my thanks to all my PhD fellows and friends for their moral and professional support; especially Arshad Ali Cheena, Nadeem Iqbal, Dr. Naveed Iqbal Chaudhry, Sonal Godhania, Shahzad Akbar Bajwa, Tasnim Khair, Asif Tanveer, Mazhar Sidhu and Sajjad Muneer Randhawa. They helped me on this journey, and without their support it would not have been the same.

I am also indebted to my parents and sister whose prayers have always been with me in all my endeavours; and, last but not least, my love and gratitude to my wife Mehwish and two little girls, Zakia and Zara, who along me suffered the roller-coaster of consequences following my decision to undertake a PhD.

Declaration

I declare that this thesis is my own unaided work. It is being submitted for the degree of PhD, at the University of Bedfordshire.

It has not been submitted before for any degree or examination in any other University.

Signature:

Name of candidate: Faisal Iqbal

Date: December, 2014

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List of Abbreviations:

ARC	Administrative Re-organisation Committee	NCGR	National Commission on Government Reforms
ADR	Alternate Dispute Resolution	NIPA	National Institute of Public Administration
ADB	Asian Development Bank	NPM	New Public Management
BPR	Business Process Reengineering	OECD	Organisation for Economic Co-operation and Development
CBR	Central Board of Revenue	PASC	Pakistan Administrative Staff College
CAA	Civil Aviation Authority	PARC	Pakistan Agriculture Research Council
CSP	Civil Services of Pakistan	PRAL	Pakistan Automation Revenue Authority
CTP	Common training program	PCS	Pakistan Civil Service
DFID	Department for International Development	PPS	Pakistan Public Sector
DR&S	Directorate of Research & Statistics	PRS	Pakistan Revenue Services
DO	District Officers	PTR	Policy & Tax Reform
EAD	Economic Affairs Division	PRP	Poverty Reduction Programme
EGD	Electronic Government Directorate	PRSP	Poverty Reduction Strategy Paper
ED	Establishment Division	PD	Power Distance
FBR	Federal Board of Revenue	PAD	Project Appraisal Document
FPS	Federal Pay Scales	PDO	Project Development Objectives
FPSC	Federal Public Service Commission	PICRR	Project Implementation Completion and Results Report
GG	Good Governance	PIP	Project Implementation Plan
G2B	Government-to-Business	PCS	Provincial Civil Service
G2C	Government-to-Citizens	PSCBP	Public Sector Capacity Building Project
G2E	Government-to-Employees	PSR	Public Sector Reforms
G2G	Government-to-Government	RTO	Regional Tax Offices
HRM	Human Resource Management	SMC	Special Monitoring Cell
ICS	Imperial Civil Service	STP	Specialised Training Programmes
ICS	Indian Civil Service	SOE	State Owned Enterprises
ICT	Information Communication Technology	SAP	Structural Adjustment Programme
IMS	Information Management System	SAI	Supreme Audit Institution
IT	Information Technology	TARP	Tax Administration Reform Programme
IJP	Internal Job Posting	WB	The World Bank
ICG	International Crisis Group	TNA	Training Need Analysis
IFIs	International Financial Institutions	TI	Transparency International
IMF	International Monetary Fund	UA	Uncertainty Avoidance
JD	Job Description	UN	United Nation
LTU	Large Taxpayers Units	USAID	United States Agency for International Development
MoF	Ministry of Finance	USAS	Universal Self Assessment Scheme
NACS	National Anti-Corruption Strategy	WDR	World Development Report

Chapter 1. Public sector reforms in Pakistan

1.1 Aim and Introduction

Since its inception in 1947, Pakistan has made successive but unproductive attempts to reform its public sector. The espoused aim of these reforms has been to create a more responsive, transparent, efficient and affordable public sector so as to improve the quality of services and strengthen the national economy. The latest phase of these efforts was initiated by the Government in the year 2001 as part of its Poverty Reduction Programme (PRP). This PRP was based on an understanding made through the Poverty Reduction Strategy Paper (PRSP)¹ between the Government and International Financial Institutions (IFIs) whereby financial assistance was linked to a wide range of structural, financial and governance reforms. The areas covered under governance reforms were civil service, tax administration, financial management, procurement and devolution. The adopted strategy of poverty reduction viewed the reforms of the public sector as a means to encourage responsive governance and as the main contributor to the reduction of poverty in the country. The IFIs, on the basis of their lessons learnt through past experience of PSR, suggested institutional reforms to strengthen the human, organisational and institutional capacities of Pakistan in order to improve the functioning of its public sector.

To do this the government adopted a two-pronged strategy: the first was to address the generic problems prevalent in the public sector as a whole; and the second prong was to introduce comprehensive reforms in selected key organisations through specially designed programmes. Besides improving the ‘rules of the game’, general measures taken included improved training and career planning, taking a strict stance against corruption, enhanced salaries, reduction in

¹ The Structural Adjustment Programme has been renamed and replaced with PRSP.

the size of Government and promotion of the use of IT (ADB, 2001). These measures were again invigorated in the federal tax agency between the years of 2005-2011 as part of the comprehensive reform programme. This time again the reformers demanded the public sector to be more effective, responsive, economical and transparent. Consequently, the organisational leaders were under pressure to bring suggested changes to promote professional practices which could help to achieve this goal. These influential social structures are considered in this project under the umbrella of New Public Management (NPM) which offers a menu of choices to governments for attaining the objectives of cost-effectiveness, responsiveness, transparency and efficiency (see chapter 3 for details).

Haque (2004) argued that the weaknesses or failures of traditional state bureaucracy such as its monopolistic nature, unmanageable size, managerial inefficiency, public inaccessibility, economic inertia and self serving agenda are the most common explanations provided for adoption of NPM-type reforms. The aim of such reforms was to reduce the scope and role of public bureaucracy, transfer resources and services from the public sector to the private sector, and restructure the public service in the image of business management. This is because the private sector was believed to be more competitive, productive, efficient, innovative, responsive and customer friendly.

Despite these efforts Pakistan's public sector is, however, still held in low esteem by the public who regard public servants as unresponsive and corrupt (ICG, 2010). The World Competitiveness Report 2012-13 ranks Pakistan at 124 out of a total of 144 countries and counts its inefficient government bureaucracy as the second leading cause of this lack of competitiveness after corruption. Transparency International² (2011) ranked Pakistan's public sector as the 134th most corrupt out of 182 countries. There has been very little systematic national or international evaluation of these reforms, but recent poor indicators and rankings suggests that overall they appear to have had little effect on its functioning. These

² Transparency International represents itself as the global civil society organisation leading the fight against corruption.

reforms are reliant on scarce national resources and international loans. Therefore, evaluating their efficacy is critical.

I was working for the federal tax agency when it was selected as a key federal organisation to undergo a comprehensive tax administration reform programme the model of which, according to Polidano (1999) “is an African variety of NPM which has been adopted in Ghana, Kenya, Malawi, Tanzania, Uganda and Rwanda, and it is also being exported elsewhere—notably to Pakistan” (pp. 7). In this approach the tax department is converted “into corporatized national revenue authorities. Corporatisation has allowed these bodies to raise wages, shed poor performers while hiring better-qualified staff, offer bonuses in return for meeting revenue targets, and operate on a self-financing basis” (ibid.). To implement these reforms a new wing was established within the organisation and this wing was led by a very senior officer. Along with other colleagues, I was posted to assist him in this task. None of us, including the reform leader, had any prior experience of driving administrative reform. However, as public servants, we had been subjected to prior and on-going generic reforms introduced in the public sector. As a recent Masters graduate in Business, direct involvement in the implementation of reform was a unique opportunity for me. As a member of the reform team I got involved in its implementation and my interest also started growing gradually as I gained greater access to documents and proceedings. I started understanding the reform process from all three of the perspectives involved: the Government, the donors and the public sector employees. At about the time when the reforms were bedded in, the person leading the reform quit the job (for details see chapter 4). This situation caused adverse effects on the morale of the reform team and on the reform process. Subsequently, I also decided to resign from the public sector and moved to the development sector. However, despite my separation from the public sector I could not separate myself from the reforms. Questions such as why, how and when to reform kept buzzing in my mind, and finally I decided to follow my questions in the form of this research project, guided by experts in the field.

This research, therefore, aims to investigate the impact of administrative reforms on the functioning of Pakistan's public sector organisations. It does so by using a case study of the Federal Board of Revenue (FBR) where administrative reforms have explicitly been introduced as part of a comprehensive organisational reform programme. There are three main reasons why the FBR is an interesting site for this investigation of broader public sector reform in Pakistan: the first and the most important, which alone can justify is its unique feature of representing the three³ elite civil service groups (Income Tax, Sales Tax, Customs and Excise) constituting Pakistan's largest federal bureaucracy, which cannot be found in any other public sector organisation; second, its national importance, as it was part of the structural adjustment programme, poverty reduction programme and governance reforms; and, third, similarity of identified problems between the national and organisational diagnosis (i.e. red-tapeism, inefficiency, corruption, manual system, etc). This study aims to investigate the reasons why Pakistan's public sector organisations appear to be resistant to reform and why these repeated attempts of reform appear to have had so little impact. It addresses the following questions:

- i. What effects, if any, have NPM-inspired reform attempts had on the way that public sector organisations function?
- ii. What have been the intended and unintended consequences of reform attempts?

In the rest of this first chapter I summarise the research context and rationale, the research methods I adopted, the fieldwork, how empirical materials were analysed, and the main contributions I make.

1.2 Research Context and rationale

Poor economic conditions were the first challenge faced by Pakistan on its independence in 1947. Therefore, to survive as an independent country the first challenge for Pakistan was to gain economic viability (Bhatia, 1979; Yusuf, 1988). Burki (1999) stated that against all odds, Pakistan survived economically.

³ After reform, these groups have been rationalised into two categories: the Inland Revenue Service and Pakistan Customs Service

Its economy kept moderately growing⁴ during the period of war and even after dividing into two parts (Easterly, 2001); however, during 1990s Pakistan's economy performed very poorly and that period is now remembered as the 'lost decade' (Stern, 2001). The major reasons for this lost decade are political instability (nine elected and caretaker governments changed during this period) and subsequent policies as well, corruption (Pakistan topped the list), global recessions, various Gulf crises and the imposition of international economic sanctions due to nuclear tests. General Pervaiz Mushraf, after overturning the civilian government in October, 1999, took charge of the country at a time when Pakistan was trying to recover from this so called 'lost decade'. Following the 9/11 crisis, Pakistan became a U.S. ally in the 'war against terror' and qualified for international assistance for its economic development.

The Government utilising this opportunity accepted the loans from International Financial Institutions (IFIs) along with its conditions under PRSP. Consequently, it launched wide-ranging structural, economic and governance reforms under the PRP in the year 2001. Ever since, consensus has emerged that good governance is a *sine qua non* for development and poverty reduction, it has been made a compulsory part of the donor funded reform programmes. One of the major strategies to bring about good governance that followed is the reform of the public sector (Brillantes, 2001). In Pakistan this approach meant the government declared the adoption of a holistic approach to revamping the civil services at all three levels of federal, provincial and district.

This research is based on the Federal Board of Revenue (FBR) where, as part of governance reforms, the Tax Administration Reform Programme (TARP) was implemented during the period of 2005-2011. The FBR, as the federal tax agency, is responsible for the collection of all federal taxes and levies from across Pakistan. The reform of the FBR was agreed as conditions of the Structural Adjustment Programme (SAP) in the year 1998. However, its implementation was delayed twice, first because of political resistance from within the ruling party and then due to a sudden change in the ruling regime (details in chapter 5).

⁴ During first 40 years average GDP growth remained above 5%.

Nevertheless, during this time the background work on its reorganisation continued through the constitution of a task force with the financial and technical assistance of the WB. The military-led government was not politically constrained and, realizing its importance for the country's economic growth and resource mobilization, supported this initiative and launched TARP in the year 2005 under PRP. These reforms targeted two areas: policy reforms and administrative reforms. This thesis focuses on the latter as managerial control attempts were made through increased salaries, more training, workforce rationalisation, improved working conditions, reengineering of business processes, enhanced use of information technology and reorganisation on functional lines (separating the core and support functions) under this initiative. These reforms were designed by the WB through their project appraisal document (PAD) along the lines of recommendations made by the Government's appointed task force. The project implementation plan (PIP) for these reforms was prepared by a United Kingdom (UK) based international consulting firm. The reforms were implemented through an internal wing within the organisation – the Policy and Restructuring Wing. This wing was technically supported by the WB through its offices in Pakistan and Washington, D.C. and also backed up by various international technical assistances and IMF missions (details in chapter 5).

These types of administrative reforms have been tried in several countries under different labels. Manning (2001) argued that, despite its complex and diverse nature, from the time its pattern emerged in the 1980s NPM was seen as a useful model for developing countries to pursue. Since then these reforms have been imposed by the IFIs with SAP as precondition for financial assistance with the belief that this model will increase flexibility and dynamism in the public sector (ADB, 2004; The World Bank, 2002). Thus, financially wretched developing countries are guided in adopting market-led policies and restructuring their public sectors based on business sector principles found in the NPM. However, the results of these reforms in developing countries do not present a healthy picture. In his extensive review of PSR in developing countries Batley (1999) finds mixed results at best. Walle (2001) and Kiragu et al. (2003) also highlight the scarcity of PSR success stories. The WB (2008) also reported a huge failure rate of 55% in its

PSR activities during the period of 1999-2006. It also admits that systematic evidence on what works, and why, in civil service reforms is lacking.

In this regard, Polidano (1999) argues that “there is little examination of the outcomes of such NPM reforms as have been tried in developing countries” (pp. 4). Furthermore, rather than based on empirical assessments answering what has worked, most reform assessments have been based on *a priori* reasoning about what seems to be suitable for the developing world. Batley (1999) also noted the lack of research on the outcomes of reforms. Nunberg (1995) argued that administrative reforms in developing countries are driven by operational wisdom instead of empirical research, as their impact on government performance has still to be evaluated – particularly on organisational and structural (process) aspects. More recently, Goldfinch et al. (2013), in their extensive review of 49 low-income countries, found only a few documents linking PSR with implementation and even fewer documents assessing its outcome. They noted that “evidence is often lacking on the implementation of reforms. Evidence is also lacking on improved services or outcomes seen as encouraged through public administration reform and implementation of these reform agendas” (pp. 50). The WB (2011) itself admits lack of explicit theories and evidence-based research for understanding the factors positively influencing the PSMR (details in chapter 3).

Nunberg (1995) argued that little evaluation evidence is available because of the adolescence of these reforms in developing countries. Polidano (2001) stated that in many developing countries reforms failed because it was not possible to get to the implementation stage and not on account of unsatisfactory results after implementation. Consistent with the analysis of Polidano, in Pakistan none of the government’s reform initiatives completed the reform cycle during the last six decades due to frequent government changes. Thus, the practical evaluation stage never arrived (details in chapter 2). However, during recent attempts at reform, donor and recipient have both evaluated the results periodically against the agreed benchmarks for the release and receipt of the next tranche of funding for these reforms and have confirmed modest improvement. However, as of yet, no independent and systematic research evaluating the reasons behind the limited

impact of PSR reforms has been made. This research is an endeavour to work in this direction.

After explaining the background and providing justification of the research, now I will present my account of the methods I used to investigate the reforms in the case study organisation.

1.3 Methods

This study investigates what effects the reforms have had on the functioning of PS organisations and why their effects seem to have been limited in Pakistan's public sector. To achieve the objectives set for this research I have endeavoured to conduct a sociological analysis of the consequences of reform interventions on the functioning of FBR and its social structure and processes. The key social structure for the FBR was the demand by government and IFIs for transforming itself into a more efficient, effective, transparent and responsive organisation so that it can facilitate economic growth as a key national institution and also so that it can better mobilise resources the government needs to run the country's affairs. To represent the both the government and IFIs in this thesis I have used the term 'reformers'.

This research considers organisations as socially constructed phenomena that appear to have an objective reality when patterns of actions and meaning are internalised by their members (Berger and Luckmann, 1996). Together with the 'process relational' ontology is taken which regards social relationships as originators of reality. This approach acknowledges the relations between individual, human motivation and emotions, hence this approach helps to analyse the organisational change while equally considering the both practical thinking and the complex interconnection of emotions, needs and desires of an individual. These ontological assumptions lead towards related epistemological assumptions and I align believe about knowledge with constructionsim. As truth or meanings are constructed through interaction with the realities therefore, I have adopted an epistemology of inter-subjectivity and ontological belief that reality is socially constructed and consist of people's subjective experiences of outer world. Reality is an 'ongoing human production' (Berger and Luckmann, 1996). It is made by

human processes and relationships (becoming ontology). Therefore, I am trying to find out about these processes and relationships from people who participate in them as well as by using my knowledge as a former insider.

This investigation is based on the assumption that reality is socially constructed and can be understood through the interpretation of people's actions and the meanings they express. As Strauss (1978) argues, that 'order' emerges from the interaction of formal (rules, procedures, structures) and informal (norms, beliefs, values, attitudes) dimensions of an organisation. So, even the rules depend on 'negotiations' for them to work. Strauss's (1978) idea of 'negotiated order' has been used to conceptualise the FBR where 'order' is the result of social interactions between the senior managers on behalf of the reformers are leading the reforms and other employees with all their respective personal and professional interests as part of the whole society. As Fagenson (1993) argued, "an individual and his/her organisations cannot be understood separately from the society (culture) in which he or she works; and when the individual, the organisation or the system in which they are embedded changes, the other components change as well" (pp. 6). And Watson (2008) notes that "even the smallest utterance or mundane piece of dialogue can be linked back to the wider culture, social structure and processes of the society in which it takes place" (pp. 42). Further, I endeavoured to use Mills' (2000) 'social imagination' while analysing my field work and to relate conversations and events to broader social structures.

To do this, I have adopted an ethnographically oriented approach. The working definition of 'ethnography' in this thesis is the same as that of Watson (2008): "a written account of the cultural life of a social group, organisation or community which may focus on a particular aspect of life in that setting" (pp. 100). In the case study organisation, organisational restructuring, altering business processes, increased salary, providing better work conditions, training and extended use of IT are considered as managerial control attempts in-line with NPM requirements. Gouldner (1954) argues that in all such managerial control attempts both intended and unintended consequences are inevitable.

The research is divided into two broad phases. The first phase consisted of thoroughly analysing the theoretical dimensions of the PSR in Pakistan by reviewing a large range of documentary evidence such as published and unpublished reports from the government's and IFIs repositories, scholarly articles and academic research theses. The second phase consisted of exploratory study in the field to conduct semi-structured interviews and make field notes through participant-observation. Thus far, the impacts of public sector reforms in the Pakistani context have not been extensively researched. Therefore, I opted to use an exploratory case study approach as the most suitable for this research considering its uniqueness and the lack of availability of contextual literature (Yin, 1998, pp. 236). According to Strauss and Corbin (1998) 'qualitative study' refers to "any type of research that produces findings not arrived at by statistical procedures or other means of quantification" (pp. 10-11). Since reform is not a formula, but rather a concept which needs to be interpreted and acted upon by the individuals within their social and organisational context, and keeping in mind the subjective and complex nature of this study, qualitative research methods have been used for this investigation.

The data required for this research was collected from the FBR through my own personal links. The interviewees were selected through the snowball sampling technique. During fieldwork, I conducted 22 semi-structured, in-depth interviews with FBR managers and representatives from donor organisations. I also recorded notes on participant observation of a period of three and half months. My interpretation also draws inevitably on my prior experience as a full participant while concluding this research.

1.4 Structure of thesis

This thesis is divided into seven chapters. Having provided an aerial view of my study in this first chapter, in the second chapter I review relevant literature on Pakistani bureaucracy. The historic aspect of bureaucracy is usually restricted to introductory remarks in the designing of public sector reforms. Recognition of its role is important while analysing 'what is' and 'what can be' as it hinges on 'what has been'. The historical heritage of 'what has been' brings more clues for PSR

analyses and understand ‘what is’ and ‘why’ (Brösamle, 2012). To cover this aspect, this second chapter has been included. It covers the bureaucratic heritage of Pakistan, including its origin, evolution, structure, role and future vision. It also takes stock of the major public sector reform efforts made under different governmental eras. While this chapter introduces the reader to the functioning of the Pakistani PS, it also provides the basis for the reader to understand the responses given by the research participants in the empirical chapter (chapter 6). In the second chapter published and unpublished reports from the government and international agencies as well as published work from researchers are the main sources of information.

The third chapter is the second part of the literature review. This draws discussions from literature on two of the most relevant streams of organisational studies and public administration. I start by defining ‘public sector’ and considering the problems that have been attributed to it and which have led to widespread reform interventions. Then I examine the established model of a public sector, i.e. bureaucracy, and its ideal type and characteristics as conceptualised by Max Weber. The literature evaluates the effectiveness, advantages and disadvantages of bureaucracy as a means of organising and providing public services. The criticising literature highlights the gap that provided the space to NPM. The main charges levelled against bureaucracy are wastefulness, red-tapeism, rigidity and inefficiency. Thus, I review the literature on NPM for understanding its claims of economy, efficiency, responsiveness and flexibility. Here I start with locating its origin, which is arguably based on a union of new institutional economics and managerialism. Although there are differences even amongst leading advocates of NPM regarding both new institutional economics and managerialism, I noted considerable consensus on the conceptual bundling in two groups. The first group comprises ideas regarding management improvement and restructuring (managerialism) and the second group contains ideas related to competition and the role of the market (institutional economics). Finally, this chapter covers the governance literature discussing the state’s capacity issues that are, according to the reformers, hindering the progress of NPM-type reforms.

The fourth chapter explains and justifies the methods I used for investigation, analysis and interpretation. I start by explaining the basic and philosophical assumptions and explain the ethnographic-oriented approach that was adopted in order to illustrate the conceptual framework upon which the research is based. I then set out the research design. Following this I reflexively explain my position as researcher and as an ex-employee of the case study organisation. After that, the fieldwork is elaborated in chronological order and I discuss the issues faced during it. Finally, I explain how I analysed and interpreted the data.

Chapter five is the first empirical chapter of the thesis. In this chapter I analyse the official change intentions of the reformers to make the federal tax agency more efficient, effective and transparent. After briefly introducing the organisation I explain the main reasons and areas of reforms identified by the reformers to bring improvements. Then I analyse the aims and strategy opted by the reformers to introduce major reform initiatives in the case study organisation. This chapter primarily relies on documentary evidence of project data from classified and public documents of the reformers. The main government documents I analyse in this chapter are a report from National Commission on Government Reforms (NCGR), a report from the Task force on Reform of Tax Administration, the approved Strategy Document and documents from the WB including the PAD and the Project Implementation, Completion and Results Report (PICRR). Classified documents included various internal memos, presentations and PIP prepared by UK based consultants. From the review, it appears that the reformers have divided the reforms in two categories: policy and administration. Policy reforms targeted the actions relating to the elimination of procedural difficulties in the conduct of the organisation's affairs while administrative reforms mainly consist of managerial control attempts involving salaries, training, workforce rationalisation, business process reengineering, structural changes in the organisation and enhanced use of IT.

The sixth chapter is the second empirical chapter of the thesis. In this chapter I have analysed the employees' experiences and accounts of organisational reforms. The focus is on the issues the research informants thought were central during the

reform process. It also addresses the questions raised by research participants of the case study organisation on the role of donors. The interviews mainly surrounded the process of reform such as its conceptualisation, its implementation and results. The information gained was used to identify what impact the reforms have made on PS employees, their work, their organisation and the public sector as whole.

Seventh Chapter is the last chapter of this thesis. It starts with a brief overview of the main concepts discussed in the thesis and reviews the research questions. Then it discusses the issues found in the case study organisation in relation to three analysed reform measures: training, salaries and IT. Following this, the contextual issues at the institutional and national levels are discussed which leads to highlighting the gaps in assumptions held by reformers through an analysis using NPM theory. After that I discuss the issues that informants raised as important for the Pakistani setting yet were missing from the reform programme. I endeavour to explain throughout this chapter that how ignoring the local context of Pakistan react against the content based technocratic assumptions hold by the reformers at organisational and national levels. The issues present in the local context not only counteract the intended change in the public sector, but also generate unintended consequences. This research contributes to a greater understanding of the initiation and implementation of NPM-inspired reforms in Pakistan and it identifies contributing factors to its limited results at organisational and national levels.

Chapter 2. The historical evolution and future direction of Pakistan's public sector

2.1 Introduction

The historical perspective of the bureaucracy is often ignored by the reformers while conceptualising and designing the public sector reforms. This is simply ignorance of the historical effect of 'what has been' on 'what is' and 'what can be' (Brösamle, 2012). Painter and Peters (2010, pp. 13) argues that the public sector is subject to 'legacy effects' as 'inheritance exerts its influence in the face of pressures for change'. Also, a number of scholars (Peter and Pierre, 1998; Pollitt and Bouckaert, 2004; North, 1990) have recognised the 'path dependence' of institutional change. According to North (1990) path dependence "means that the history matters" (pp. 102). Historic institutionalists Hall and Taylor (1996) also argue that the reforms are path dependent. This position "rejects the traditional postulate that the same operative forces will generate the same results everywhere in favour of the view that the effect of such forces will be mediated by the contextual features of a given situation often inherited from the past" (pp. 941). Tambulasi and Codesria (2010) argue that path dependence could also help to understand why reform fails. Peters (2005) suggested that reforms are "path dependent and once launched on that path they will persist in that pattern until some significant force intervenes to divert them from the established direction" (pp. 20). Greener (2002) also noted that the established operating procedures "become so institutionalised and historically embedded that it's become nearly impossible to break free from the established path" (pp. 164).

Therefore, this chapter, the first of the literature review, covers the historical emergence and current role of Pakistani bureaucracy. In this chapter I explain its origin, heritage, evolution, structure, role and future vision. Then, this chapter

explains the roots of the current problems and their long history to assess its proposed remedy through NPM type reforms. For this, I also examine the past efforts made by various governments to reform the Pakistan's public sector. This chapter provides the reader a holistic view of the Pakistani state and the functioning of its Public Sector. More importantly, it binds the basis for the reader to better understand the responses given by the respondents in the empirical chapter six. The main sources of information for this chapter are public and embargoed reports of the National Commissions / Committees government formed to assess the administrative problems and suggest changes. Particularly, following important reports have been analysed: Munir, Egger, Gladieux, Ahmed, Cornelius, Power, Meer, Haq, Patel, Anwar, Chattah, Pasha, Imam, Choudhary, Hussain, National Reconstruction Bureau and the World Bank. These reports contain the unique historical account of PPS evolution and suggested remedies over time. Alongside, published works of historical and contemporary researchers are also consulted to shed light on the process.

2.2 Heritage of Pakistani bureaucracy

In 1872 the East India Company (The Company) started administering the revenue collection and regulating the civil service in three states of Indian sub-content (Braibanti, 1959 cited in Braibanti, 2003 (Reprint), p. 7). Next year in 1973, the Company introduced the system of seniority in promotion⁵ and started the custom of preparing the young man for lifelong service. To educate, train and shape the early lives of 'writers', as Company named them, Fort William College was established in 1800 in Calcutta. However, just after six years in 1806 The Company decided to establish another superior college called Haileybury in England and restricted the role of Fort William to train in oriental languages only. The young guardians were educated, trained and moulded for two years. Thomas Babington Macaulay, explaining the adopted education philosophy in his famous minutes of February, 1835 noted:

“We must at present do our best to form a class who may be interpreters between us and the millions whom we govern; a class of persons, Indian in blood and colour, but English in taste, in opinions, in morals, and in

⁵ Braibanti, 1959 cited in 33 Geo. III, Cap. 52, section 26 (1793)

intellect. To that class we may leave it to refine the vernacular dialects of the country, to enrich those dialects with terms of science borrowed from western nomenclature, and to render them by degrees fit vehicles for conveying knowledge to the great mass of the population.”

In the year 1854, on the recommendation of the Macaulay Committee, the foundation stone of the modern Indian Civil Service (ICS) was laid. It recommended the replacement of patronage based system of the East India Company with a competitive examination to promote the merit. It also recommended the recruitment of Oxford and Cambridge graduates to improve the quality of recruits. The East India Company accepted the recommendation of the Committee and from 1855 started a merit-based induction system. Until 1922, when the Company decided to recruit locals in the ICS and started competitive exam in India, it kept recruiting its officers from the Universities of Oxford and Cambridge. Therefore, ICS is generally called an ‘Elite Service’ (India, 2008).

In 1886, on the recommendation of a Commission headed by Sir Charles U. Aitcheson, a series of reforms were introduced to organise the Indian public service. On its recommendation the distinction between ‘covenanted’⁶ and ‘uncovenanted’ was eliminated and new terms ‘Imperial Civil Service’ (ICS) and ‘Provincial Civil Service’ (PCS) were introduced. On its recommendation it was also agreed that ICS will only be consisting of a limited number of corps d’elite while the rest of the civil servants would be placed in PCS. Furthermore, the members of corps d’elite (ICS) would be selected through open competitive exams held in England only and their salaries would be higher than officers of PCS. Cadre system was also introduced as part of these reforms which divided the services into four classes according to degree of responsibility. This division clearly made the ICS more prestigious than PCS. The policy behind preparing such a group, which was highly trained and empowered, was to prepare the executive for controlling the key position of district officers (DOs). The nomenclature used for these officers was Deputy Commissioner. These officers were responsible for all the affairs in the district they were controlling. The district officers were prepared to represent the crown at the smallest

⁶ The senior officials of the company who usually signed employment contract were called ‘covenanted’ and the junior officials who do not ‘uncovenanted’

administrative units. Therefore, the DOs at the district level were heading all functions like revenue collection, policing, magistrate and registration of land records. This unique combination of responsibility also gave them unprecedented authority. As Lord Macaulay said in the House of Commons (cited in Braibanti, 2003, p. 17):

“The collector of revenue in many parts of India is the sole consul of a great province, the district assigned to him being about the size of one of the four provinces of Ireland, of Leinster or of Munster, and the population therein probably about 1,000,000 of human being. In all that district there is not a single village – there is not a single hut – in which the difference between a good and a bad collector may not make the difference between happiness and misery..... Such power as that which collectors of India over the people in India is not found in any other part of the world possessed by any class of functionaries

It is pertinent to note here that these civil servants were not accountable to any elected body or people’s representative but direct servants of the Crown. Hence, they themselves were ‘political bureaucracy’ not only maintaining the administration of the district, but also taking decisions on a variety of political, social, economic and judicial issues. Commenting on the colonial civil service Robert Heussler suggested that:

“The colonial administrators have not been civil servants in the usual sense, that is, servants of elected or appointed governments whose higher officers hold the lion’s share of whatever power there is to be exercised. They themselves were the Government. Spread thinly over the ground, relying on their wits, personalities and physical stamina, they have embodied in their own persons virtually all the stuff and substance of rule.”⁷

When it became independent in 1947 Pakistan inherited this steel-frame⁸ of the British Administrative system, which was adopted by Pakistan with minor adjustments (Kennedy, 1987). The ICS cadre was renamed the Pakistan Administrative Service (PAS) in 1947 and from 1950 known as Civil Services of Pakistan (CSP).

⁷ Mavis Puthuchery, *The Politics of Administration: The Malaysian Experience* (Oxford University Press, 1978, pp. 24)

⁸ Prime Minister Lloyd George in his speech to British Parliament in 1922 famously referred to the Indian Civil Service as “the steel frame” that held together the British Raj.

2.3 Bureaucracy and its historical role in Pakistan

Despite Pakistan's inheritance of a weak and inexperienced political leadership, to run the affairs of the new state, the British trained and organised civil service started performing their role immediately. They started to work on a long list of monolithic tasks faced by the Government on independence, including the settlement of a flood of refugees coming from India, maintenance of law and order, allotment of land and the establishment of a fully functional system of sovereign state (Gorvine, 1965). Despite the administrative difficulties like lack of trained manpower, places for offices and allied equipments to be operational they faced at the time of partition, the trained civil service took up the challenge. Braibanti (1963) highlighted this when he argued that on independence the most serious administrative problem faced by Pakistan was an acute shortage of managerial talent. At partition, only 157 officers (including 95 Muslims) from the total number of 1,157 Indian Civil Services (ICS) officers decided to join services in Pakistan. The main reason for such a low Muslims representation in the ICS was their traditional anti western education stance, which kept them handicapped from joining the ICS. To fill the gap, a number of British officers were retained in various positions, including the very important positions of provincial governors and Secretary Establishment (Sayeed, 1958; Ziring and Laporte, 1974). The following presents Muslim representation in ICS on independence.

Table 1: Muslim representation in ICS

Province	British	Hindu & Others	Muslims	Total
Assam	20	17	2	39
Bengal	74	75	18	167
Bihar	53	45	4	102
Bombay	62	66	5	133
Central Provinces & Berar Madras	38	38	3	79
Madras	63	86	12	161
N.W.F. Province & Orissa	32	9	5	46
Punjab	93	32	27	152
Sind	19	5	5	29
United Provinces	83	67	16	166
Princely States	71	8	4	83
Total	608	448	101	1,157
Total Percentage	52%	39%	9%	100%

Source: LaPalombara (1963), pp. 365

This small group also encountered difficult physical problems. They started their operations without any offices or office equipment in miscellaneous buildings across Karachi. Huntington (1968) noted that despite this, the Pakistani bureaucracy passed the first test and provided a much needed start in the shape of leadership and security. According to him “The best tribute paid to the competence of these civil servants is the fact that Pakistan did not collapse in its first 90 days” (p. 322).

Even in the very early days of Pakistan’s independence, the civil servants started receiving political pressures for favours. While this came to the notice of the founder Mr. Jinnah, he addressed the civil servants within only eight months (i.e. April, 1948) of independence at Peshawar and spelled out the guiding principles for the civil servants:

“The services are the backbone of the state. Governments are formed, Governments are defeated, Prime Ministers come and go, Ministers come and go, but you stay on and therefore there is a very great responsibility placed on your shoulders. You should have no hand in supporting any political party or leader. This is not your business. Whichever government is formed according to the constitution, and whoever happens to be the Prime Minister coming into power in the ordinary constitutional course, your duty is only to serve that government loyally and faithfully, but at the same time, to fearlessly maintaining your high reputation, your prestige, your honour and the integrity of your service. I wish also to take the opportunity of impressing upon our leaders and politicians in the same way, that if they ever try to interfere with you and bring political pressure to bear upon you, which leads to nothing but corruption, bribery and nepotism - which is a horrible disease and for which not only your province but others, too, are suffering - if they try to interfere with you in this way, I say they are doing nothing but disservice to Pakistan.” (Ahmad, 1970, p. 23-24)

Such open political support from the founder of the country (who was also the Governor General of Pakistan) should have raised the morale of the newly formed Pakistani bureaucracy. This clear message also kept the politicians and opportunist businessmen away from the affairs of the Administration initially and the structure of the Government was successfully built within months of independence. The essential departments like banking, posts and telegraph, trade and commerce and railways started functioning. Also diplomatic function of the

Government was enabled to represent Pakistan internationally. Despite of their entire numerical and physical constraints, this small band of men recorded unprecedented achievements (Ahmad, 1970).

The expanding role of Government also demanded an increase in the number of its functionaries. Hence, a number of officials were recruited to serve in the various Government departments. However, the quality of the recruits was compromised due to various compensatory actions taken by the Government in the wake of the unavailability of suitable candidates, as discussed above. According to the Pakistan Public Service Commission's report of 1952 strong exceptions to candidates' education and suitability were provided to make them eligible for joining the public service. This included relaxation in educational qualification, age limits, so much so they were exempted from the comprehensive tests used to be required to enter the ICS. Furthermore, the introduction from of a provincial quota system also undermined the merit in the selection process of civil servants. This expansion facilitated the government to run its affairs with additional workforce, but it also provided another opportunity to politicians for interfering with the state services due to the unfortunate deaths of the founder and his faithful companion. Ahmad (1970) noted that "The Ministers not only failed to fulfil their obligation, but also instead of looking to the people, they relied on the Services to consolidate their positions and sought favours for their relatives and friends in government services and private business" (pp. 86). An early sign of this shift appeared the same year in the shape of an extraordinary price hike of essential commodities at the end 1952. A number of 1,134 persons were trailed under FER Act and Hoarding, and Black-marketing Act, including 735 civil servants (PID special release on 04.07.1952). This was the first time when the prestige and clean character of Pakistan civil service was polluted in desire of joining the rich class of the Pakistani society (Ahmad, 1970, pp. 83). Since then the state bureaucracy has not been able to regain respect in the eyes of common citizens and it considered to be an ineffective, unresponsive and corrupt institution (ICG, 2010). Again, in 1969 again, 303 class-I (including very senior) gazetted officers were suspended by then President on the charges of corruption, misuse of power and misconduct. In the country's post split scenario of 1971 some 1,300

civil servants were compulsorily retired by the then Prime Minister Mr. Z. A. Bhutto, who blamed bureaucracy for the country's many ills (discussed in some detail later in this chapter). In his own words:

“No institution in the country has so lowered the quality of our national life as to what is called Naukarshahi [bureaucratic rule]. It has done so by imposing a caste system on our society. It has created a class of ‘Brahmins’ or mandarins, unrivalled in its snobbery and arrogance, insulated from life of the people and incapable of identifying itself with them”⁹.

He initiated the first ever comprehensive reforms of the PPS in the year, 1973 and thereafter a number of attempts were made by various governments to bring improvements. However, instead of improving the situation kept on deteriorating and PPS became an alleged source of red-tape, corruption and financial burden. Wilder (2009) argued that “over the course of the past six decades, the so-called steel frame of the civil service that Pakistan inherited from colonial India has become decidedly rusty” (pp. 19). This unique historical journey of PPS reforms might have helped the reformers to improve the results of the latest attempts if they had considered it in designing and implementation stages due to its acclaimed path dependent nature subjected to legacy effects.

Having reviewed the history of the Pakistan civil services I will now turn to considerations of the succession of attempts that have been made to reform the Pakistan's public sector.

2.4 History of Pakistan Public Sector Reforms

In the public perception, Pakistan's 2.4 million civil servants are widely seen as unresponsive, corrupt and bureaucratic procedures are cumbersome and exploitative (ICG, 2010). Almost all the Governments since its independence have recognised this and various scattered attempts have been made in the past to improve the performance of the public sector as Governments greatly relies on their executing hand for the conversion of their policies into action.

⁹ Quoted in W. Eric Gustafson, “Economic Reforms under the Bhutto Regime,” *Journal of Asian and African Studies* 8 (July-October 1973), 256.

There have been frequent attempts to make the PPS effective during almost all the country's democratic or autocratic ruling eras. However, most of these attempts remained unsuccessful owing to frequent switchovers of political-military ruling regimes. Both political and military administrations successfully overturned each other's rule either before the recommendations were finalised by their appointed committees/ commissions or rolled back opponents' initiatives by labelling them unsuitable for the country. As argued by Polidano (2001), reforms have failed in many developing countries because they were never implemented rather than because of unsatisfactory results after implementation. Consistent with Polidano's analysis, in Pakistan as well, none of the government's reform initiative was able to complete the full reform cycle.

In Pakistan, during the last six decades more than twenty studies have been made on administrative reform by different government committees and commissions (Wilder, 2009). These reports proposed a number of actions to make changes to the country's administrative system, but only a few recommendations to curb bureaucracy were implemented (Ishrat et al., 2008). Most of these attempts remained on the shelves owing to frequent switchovers between political setups or military takeovers. In addition, none of the elected governments completed its tenure¹⁰. The only exception is the last government, which has just recently completed its tenure and for the first time in the history of Pakistan, rule has been passed to the next elected government. The following table shows the politico-military switchovers in Pakistan.

Table 2: Dictator and Democratic ruling pattern

Eras	Period	
First democratic era	1947–1958	
First military era		1958–1971
Second democratic era	1971–1977	
Second military era		1977–1988
Third democratic era	1988–1999	
Third military era		1999–2007
Fourth democratic era	2008–present	

Source: Author's compilation

¹⁰ In total 18 civil Prime Ministers took oath during four democratic stints

In a nutshell, the colonial legacy, the political instability and army rule have contributed greatly to the shaping of the present Pakistan Public Sector. As noted earlier a number of committees and commissions were constituted by the respective governments to suggest improvements in the public sector over the years. A summary of some important studies / reports on administrative reforms, their main recommendations and progress have been placed at appendix - B.

By looking at these reform attempts, we can divide last six decades into three main phases i) 1948-1971 formation period of just after independence: during which the focus remained largely on the establishment of basic government departments and their governing rules to run the affairs of the country. Although Pakistan gained independence in 1947 together with India, but India inherited more settled and streamlined institutions than Pakistan. This was due to two main reasons: first, Delhi was the capital from where the British was ruling the sub-continent and hub of all bureaucratic activities went under, its control and second, the majority of the civil servants were either Hindus or Sikhs who opted to live and serve in India rather than Pakistan; ii) 1973-1990 consolidation period in the country's post split scenario: Sadly, in 1971 Pakistan got split in two parts and Bangladesh came into existence which once again brought the Pakistani public sector into jolts as a large number of Bengali nationalist bureaucrats preferred to serve Bangladesh over Pakistan. Therefore, majority of reform time and efforts spent over the formation, organisation and reorganisation of the public sector at a very basic level, i.e. structure, size, authority, pay and powers, etc. Two significant actions taken during this period were bringing bureaucracy under the political leadership through constitutional amendments to control them and nationalization of private corporations. This situation kept the Pakistan handicapped from modernising its public sector with global pace to reap the potential benefits of globalisation. Moreover, frequent changes in ruling regimes and their fluctuating policies also flattered the economic growth of the Pakistan, which set the path for Pakistan to seek International Assistance; and iii) 1990-onwards NPM inspired reforms have been initiated by various governments to recover Pakistan from deep rooted fiscal problems and improve its public sector functioning, but no substantial achievement could be made. The governments

seem to be taking ambitious actions on two streams: of altering its role from leading to facilitating and reducing the size and cost of the government by exiting from the market through privatisation and deregulation; and promoting private sector practices through managerialism in the public sector to gain more from less through efficiency and economy. These actions seem to be changing the PPS's institutionalised character of centralisation, nationalisation, bureaucratisation and rule-bound with decentralisation, privatisation, innovation and disaggregation. From the year 2000 the Military led government in Pakistan, with the assistance of International developing partners, paid special attention to modernise its public sector under the agenda of good governance. These institutional reforms were arguably aimed at accelerating growth and poverty reduction, particularly in the areas of tax administration; financial management, procurement, and devolution of power to local governments are worth mentioning.

After explaining the reform efforts that have taken place over-time in the Pakistan public sector, I will now explore the donors' intentions behind the latest reforms initiated with the assistance of the World Bank.

2.5 Development, policies, institutions and capacity

Historically, the donors have considered the development as technocratic challenge. The underlying assumption of the donors was that prescription of good policies will be implemented by good governments through its competent executive branch (The World Bank, 2000). This assumption led the donors to develop consensus on a set of economic policies which presumably can help the struggling countries to grow. In the academic literature, it has often been argued that Washington consensus was based on the agreed economic policies, OECD countries used over-time from mid 70s to recover from financial crises and achieve development goals. Encouraging experience of these policies during the 1990s in some East Asian countries by the IFIs set the stage for its export in developing countries. The key elements of the Washington consensus were: fiscal discipline, prioritising public expenditure, tax reform, deregulation, promoting foreign direct investment, financial liberalisation, stabilising exchange rate, trade

liberalisation, privatisation and property rights (Alesina and Perotti, 1996; Williamson, 2003).

From the 1990s, Public Sector Reform (PSR) in Pakistan was also started as a precondition of Structural Adjustment Programme (SAP). The SAP is a set of policy changes in the country's economic structure for stability and development (Anwar, 1996). Usually, these policy changes are imposed onto the receiving nations by the IFIs as conditions of loan to remove the bottlenecks which they believe are the reasons for economic destabilisation and underdevelopment. Three key promoted benefits of these programmes are the elimination of balance of payments and public sector deficits, achieving economic growth, and installation of protective shield for future shock prevention (Ahmed and Lipton, 1997). The SAPs are supposed to allow the economies of the developing countries to become more market oriented. This forces them to concentrate more on trade and production so they can boost their economy. As a beneficiary of the SAP Pakistan initiated major structural reforms, including the tax legislation, trade reforms, privatization of State Owned Enterprises (SOEs), financial sector reforms, human resource development and social protection. It was believed that the objectives of sustaining high growth, low inflation, and external payment viability could be achieved through removing structural barriers prescribed through SAP (Pakistan, 2006-07). However, the poor results of SAP did not support this supposition hold by SAP (Moser, et al. (1993), Batley and Larbi (2004)). The seminal research of Douglas North in 1980s argued that institutions are the 'rules of the game' and the countries with better rules of the game have more chances of growth and development. The World Development Report, 1997 also recognises the policies and institutions of equal importance for development. These researches at a time when the IFIs were also trying to locate the reasons behind the poor results of SAP attracted their attention and they realised:

“Providing good policy advice is not enough; the Bank needs to focus even more than it has in the past on helping governments develop the processes and incentives to design and implement good policies themselves. Only through such institution-building will countries be able to achieve the ultimate goals of poverty reduction, inclusion,

environmental sustainability, and private sector development.” (The World Bank, 2000, pp. ii)

Hence, by the end-1990s the institutional development and capacity building moved to centre stage of PSR efforts.

2.6 PSR in Pakistan – change in donors’ perspective

A main lesson learnt by the International Financial Institutions (IFIs) from their experience with SAP in various developing countries was that the overarching objective of development cannot be achieved without prior placement of strong institutional mechanism. Therefore, they started including it in their reform agenda. The World Bank (1983) for the first time acknowledged the importance of state institutions besides policies. This report analysing size, role and managerial efficiency of the state noted:

“Policy and institutional reforms are complementary. Policies are relevant only if there is the institutional capacity to carry them out, while strong institutions are ineffective- even counterproductive – if the policy framework discourages efficiency.” (pp. 126).

This change in the Bank’s strategy was emerged after identifying governmental incapability for effective implementation of prescribed policies as a major threat for the successful development. Particularly, with its recent experience of Africa Region where extreme incapacity of the government compromised the expected results. Therefore, it started pushing institutional reform in its Country Assistance Strategy (CAS) from the margins in the mid-forties to centre in late-nineties. Alongside this, another notable change was a global consensus in favour of smart but efficient government and an extended role for the private sector in replacing the existing model of government led development (The World Bank, 2008). In Pakistan as well, the poor civil services were seen as weak institution that hindered effective implementation of the policies by the IFIs. Thus they suggested its reformation as part of Governance reforms. Particularly, the World Bank (1998) through its report titled ‘A Framework for Civil Service Reform in Pakistan’ identified following shortcomings which needed to be addressed immediately:

- i. Over-centralised structure and excessively rule bound: due to which official system is slow and over-occupied by rules and procedures. This

- causes slow response to general public/ clients and also distracts seniors from strategy formulation, policy making and result oriented management.
- ii. Unbalanced skill mix: excessive employment at the lower levels of Government has created an unbalanced public sector. This is mainly because of the state's historical role as employer to accommodate low skilled citizens.
- iii. Accountability: both internally and to the public is missing. This is partly because of colonial heritage and military rules civil servants have remained unanswerable to public. But internal mechanisms have also failed to ensure the accountability of civil servants.
- iv. Political intrusion: has reduced the professionalism and effectiveness of public service and also they have continued to fail to perform their oversight function in public favour.
- v. Tug-of-War between different cadres of civil servants has also compromised the effectiveness of the civil service.
- vi. Corruption: across all branches of Government have seriously undermined the effectiveness of Government.
- vii. Huge PS wage bill a source of non developmental expenditure.

The World Bank, (1998) further recommended a comprehensive instead of a piecemeal approach to resolve these interrelated problems for better results. But before that, they recommended to craft a clear vision regarding the role of the state in Pakistan's development. The proposed guidelines for crafting such vision were:

- i. Classification of core public sector functions
- ii. Identification of accurate means (financing/regulation) to perform these functions
- iii. Assessment of private sector capacity to perform the non-core functions excluded from public sector

Furthermore, the World Bank (1998, pp. ii) viewed following essential changes in the role of the state to support the above vision:

- i. Exit from commercial activities in favour of the private sector
- ii. No more generating direct employment for society
- iii. Fair and effective regulation mechanism
- iv. Focus on provisioning of basic social services
- v. Public information sharing
- vi. Maintenance of law and order and provisioning of justice

The WB resembling the Pakistan's shared history with Commonwealth countries supported the valuable lessons from the United Kingdom, Australia, and others. Whereas, referring various researchers the report suggested not to replicate the New Zealand model, but adopt it with precautions in the absence of presupposes developed contractual relations and markets that are not normally found in

developing countries including Pakistan. However, the report emphasised the development of appropriate institutional capacity to support the future endeavours in this direction. The donors for the effective implementation of their recommendation attached these reforms with the poverty reduction programme (PRP) they negotiated with Pakistan. It was argued by the donors' that by following this strategy Pakistan will be able to regain its financial stability.

2.7 Government's vision and strategy for Reforms

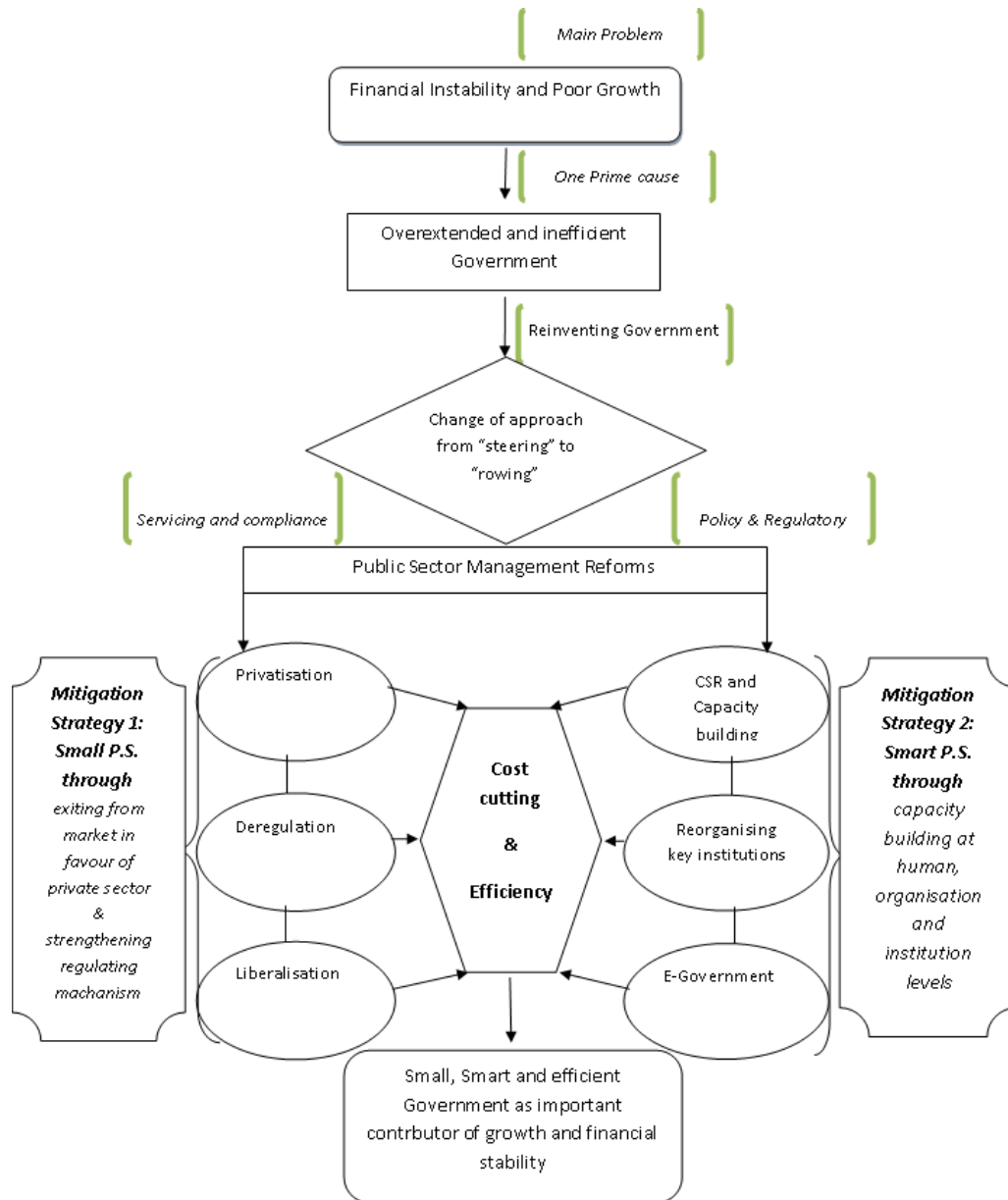
Following the international advice, Pakistan first produced 'Vision 2010' in the year 1998 and then its updated version 'Vision 2030' in the year 2007 conveying Pakistan's vision about the state. Vision 2030 delineating Pakistani State's role in future said:

“In today's world, emphasis has to be laid on stabilisation, liberalisation, privatisation and de-regulation as key pillars of economic policy. This separates government from the task of running businesses, which latter is better handled by the entrepreneurship of the private sector, allowing the government to concentrate on its core functions of regulation and essential services. The future world will require Pakistan to make its own variation on these basic themes to suit its national requirements and conditions” (Pakistan, 2007b, pp. 38).

The above statement clearly shows the persistent stance of the Government to withdraw in favour of the private sector from the commercial activities and focus on the basic functions of the state. To do this, it reiterated its position to re-invent the stronger institutions to ensure good governance in the public sector for efficient public service provisioning and sustainable economic growth.

Changes in the public sector being the executing hand are inevitable to be aligned with the government's new strategy of reinventing itself as 'small but smart government'. In practical terms, it means complete reorientation of the public sector from being representative of the government essentially 'everywhere' to be a systematic facilitator and regulator 'where-needed'. This strategy, which government adopted meant to be working both ways, i.e. i) by exiting from the market and decreasing its size through privatisation, deregulation and liberalisation and; ii) strengthening public sector capacity for improved performance. The following diagram depicts both strategies.

Figure 1: Government's strategy of public sector reforms



Source: author

As argued earlier, the desired outcome of this transformation was getting more from the less, or controlling costs and gaining efficiency. Therefore, its usefulness should be measured against these two parameters. Although, following this strategy, the government was able to reduce its size through privatisation of some of the state owned assets in Banking, Telecommunication and Oil and Gas sectors which resulted in long term benefits like relieving from monthly salaries, retirement benefits and operational costs etc. and also short term financial support

from its sales receipts. However, the impact on the responsiveness, efficiency and transparency of the remaining public sector are yet to be noticed, as it is being persistently ranked poorly by various international indicators, as explained in the first chapter. Ideally, as envisaged by the reformers, after reducing the size of the public sector by involving specialists from the private sector and focused efforts to improve the efficiency in the remaining public sector the quality of these institutions should have been improved. But practically, the process till now has helped the government to reduce its size and costs only.

Undoubtedly, managing such extraordinary transformation also bring its own challenges for the government and public sector managers. One of the biggest challenges both faced was the poor capacity of the institutions, organisations and human resources to alter the institutionalised bureaucratic character of the ways of work. Therefore, government is constantly pushing its public sector to perform better through different capacity building programmes being run with the help of international agencies under governance agenda.

Now, after reviewing the government's strategy to reform Pakistan public sector, I will now discuss some of the major action taken by the government and referred by the research informants to bring improvement and become 'smart' in the remaining public sector. However, I am not including the actions taken to become 'small' (i.e. privatisation and downsizing) as they are out of the scope of this study.

2.8 Actions taken by the Government to improve its public sector

To improve the functioning of the public sector, the government seems to be addressing capacity issues at all interrelated levels of individuals, organisations and institutions. The government seems to be adopting the WB's advice by adopting the twofold strategy of: comprehensive reforms of key national institutions, and; addressing the generic problems of the public sector. It would not be possible to include all the actions taken by the government on both the accounts, however, I will briefly discuss the actions more relevant to this study.

2.8.1 Comprehensive reform of key institutions

From the year 2000, the federal government with the assistance of International developing partners, paid special attention to modernise its public sector on scientific patterns and introduced an NPM-inspired, ambitious and comprehensive reform programme mainly to stabilize the economy and accelerate growth and poverty reduction. At the federal level, four key institutions were selected for undergoing the major reforms with the aim to improve their functioning resulting in better performance. These institutions were i) Central Board of Revenue (CBR), which is responsible for the collection of all federal taxes i.e. Income Tax, Customs, Sales Tax and Federal Excise from all corners of the country ii) Pakistan Agriculture Research Council (PARC), mandated to undertake, aid, promote and coordinate agricultural research; arrange expeditious utilization of research results; and develop scientific manpower, iii) Supreme Audit Institution (SAI), which is the primary National Institution that partners both executive and legislature in promoting accountability and good governance in public sector management and iv) Civil Aviation Authority (CAA) which is responsible for all kinds of Civil Aviation related activities including the regulatory, air traffic services, airport management, infrastructure and commercial development at the airports. This research involves analysis of these reforms in one of the selected key institutions. Now I will explain some of the generic actions introduced across the public sector.

2.8.2 Compensation

Besides other independent research on pay differentials, a number of studies conducted by the Government itself have already suggested that the existing pay structure is deficient and recommended a substantial increase in the salaries of public servants. However, due to the fiscal stress, the Pakistan Government could never address the problem completely (NCGR, 2008). During the last six decades following six national commissions and committees categorically addressed this issue and presented their findings. Five out of six confirmed the substantial pay gap between the public and private sector employees, particularly at higher positions and suggested its improvement to provide the public servants a decent

living wage. The only exception is the report of 1948, which recommended reduction in public servant's salary (reasons already explained above):

- i. Report of the Pakistan Pay Commission, Vol-I 1948
- ii. Report of the Pakistan Pay Commission, Vol-II 1950
- iii. Report of the Pay and Services Commission: 1959
- iv. Report of the Pay Committee, 1983
- v. Pay and Pension Committee, 2001
- vi. Report of the National Commission for Government Reforms, 2008

Partially implementing recommendations of these committees and commissions, the Government had raised the salaries of public servants marginally every time, which, though increased the burden on the exchequer by swelling wage bill, but was never able to convey a clear message to public servants that we have done our part, now it's your turn to perform honestly and efficiently. These increases could never satisfy the employees need and they kept looking for other legal and illegal means of income (NACS, 2002). As a result, many of public servants became involved in financial corruption. I know from my own experience that the employees who avoided the financial corruption got involved in the moral corruption in the shape of absenteeism, late-attending and early-leaving the offices, working too slow or not working at all, thus saving their energies to work or business in their private capacities. Although it is illegal for all government servants to work parallel in the private sector or conduct private business, but the majority of the financially clean government servants does this to meet their necessities (details in chapter six). This is very common in the important areas of health and education, where doctors and teachers operate their clinics and conduct teaching in private capacities. The junior level officials take clerical assignments in the private sector and supporting staff do odd jobs like gardening, cooking and gate keeping in the posh areas. However, the main hurdle comes in the way of officers who are generalist in nature and exposed to a particular type of administrative experience finds themselves in trouble. They, due to their status in government machinery and social structure neither can do clerical work nor odd jobs to meet their financial needs. The Government doesn't provide sufficient financial assistance to their employees, however, provides enough discretionary powers, which they may use to generate extra money.

Though it is very difficult to showcase the benefits arising from increased salary in an ordinary environment, but in the established context of Pakistan it can directly help to gain commitment and reduced corruption from government servants by providing them a living wage. The latest assessments of the government and the World Bank points that still the Pakistani public servants are not getting the living wage. I have discussed this issue in the chapter six alongside the responses of the research participants.

2.8.3 Capacity building through trainings

As part of an overall strategy to improve the efficiency of the Pakistan public sector, the government with the help of International Agencies identified that the skills of its workforce are not sufficient and need to be upgraded for better results. It is also a fact the resources earmarked for Human Resource Development in Pakistan public sector are not sufficient. The Committee on Civil Service Reforms noted that only 0.5% of the compensation is being spent on training. To address the gap and build the capacity of public sector employees a project named ‘Public Sector Capacity Building Project’ (PSCBP) was launched by the Government with the financial assistance of the World Bank. The total financial outlay of the project was set at USD 61 Million. Through this project officers (grade 17 and above) were financed for professional degrees and courses in reputable local or international institutions. However, it ignored the capacity related problems of the majority of civil servants working in grades 16 and beneath. According to Project Appraisal Document (PAD) of PSCBP, the prime objective of this project was to create ‘champions of change’ at middle and higher level to promote reforms and modernisation. And create a workforce comprise of qualified analysts, decision makers and implementers (The World Bank, 2004).

To strengthen the domestic training institution, the faculty has been trained and curriculum has been updated under this initiative. Where needed new recruitment of qualified individuals was also made to improve the quality of training. Also a superior institution has been established by the name of National School of Public Policy after merging Pakistan Administrative Staff College (PASC) and National Institute of Public Administration (NIPA) at Lahore (The World Bank, 2004).

According to NCGR's report (2008) during 3 years of PSCBP's project life a total of 327 scholarships was awarded to mid-level officers (17-19). A tracer study conducted with 178 officers on this initiative provides the following information:

- i. Most officers opted for a programme which is more suitable for their professional career outside the public sector
- ii. No proper TNA was conducted before the programme is launched.
- iii. Out of 173 officers 63 are on unsuitable assignments after training

These results of the Government's own tracer study present dismal situation. It is clear that though money and efforts are being spent on staff training, but the desired output is missing. This study has also tried to find the reasons behind it in empirical chapter six with the help of answers given by the research informants during the fieldwork.

2.8.4 Promoted use of Information Technology or E-Government

The focus on e-Government in Pakistan is quite recent. The concept of e-government entails establishing an environment wherein the Government and all its partners and stakeholders can interact digitally. The roots of this initiative can be traced just a decade back when the Government approved the National IT Policy and Action Plan in 2000. The Federal Government attributed this initiative as well towards economic development and competitiveness as it provides transparent, effective and economical environment for citizens and businesses to access public services. To proceed and accomplish this, four areas were focused on: Government-to-Government (G2G) to increase efficiency between different levels of government i.e. between Federal and Provincial and between Provincial Governments; Government-to-Business (G2B) to promote partnership with entrepreneurs and business communities; Government-to-Citizens (G2C) for greater contact and facilitation of general masses and Government-to-Employees (G2E) for effective and efficient communication between Government and its employees.

To achieve these broad objectives of E-Government, the Federal Cabinet in 2005 approved the 'E-Government Strategy & Five Year Plan'. The emphasis of this strategy was firstly to build the basic infrastructure of IT base in the public sector through acquiring necessary equipments and establishment of a networked

environment within and between the government departments. Then identification of common application to perform standardized officials businesses and finally development of specialized applications for each agency. To create the enabling environment for making this happen, it was also agreed that the Federal Government will take the lead and provide all required financial and legal support and the agencies individually will own their projects and prepare their staff through trainings and positive campaigns.

This initiative has achieved its first milestone of establishment of basic IT base and has provided easy access of information to the citizen through organisation specific websites. Now most federal and provincial organisations not only have sufficient equipment interlinked in a networked environment, but also operating their independent web sites (NCGR, 2008). However, argued reasons for limited progress of second and third stages are at a halt due to the involvement of huge business process reengineering before the development and installation of generic and specialized softwares. The NCGR found the progress of the entire initiative very slow and recommended Government's patronage at top level to achieve important milestones ahead. The slowness of further development can also be interpreted as mal-intentioned on the part of political and bureaucratic leadership as if IT enabled environment is established it may also create an internal firewall against the actions that are possible to perform without it. Another ground reality is illiteracy and digital divide amongst the public which also raise questions about its efficacy as well. This issue is also addressed in empirical chapter for deeper understanding.

2.9 Summary

In Pakistan, during the last six decades more than twenty studies have been made on administrative reform by different government committees and commissions. These reports proposed a number of actions to makes changes to the country's administrative system, but only a few recommendations to curb the bureaucracy were implemented (Ishrat et al., 2008) to bring them under political influence. From the late 1970s, Pakistan landed into massive politico-army turmoil which took Pakistan into deep financial crises by 1990s. To regain its financial

sovereignty Pakistani leadership negotiated SAP with the IFIs but, its results were not impressive like many other developing countries. Based upon the IFIs experience of PSR, from the year 2000, the Government has initiated the NPM inspired governance reforms to reorient its role and improve the functioning of the public sector. To facilitate the smooth transition and create the favourable environment for NPM type reform various human, organisational and institutional capacity building initiatives have been taken. However, yet no substantial breakthrough has been made to improve its efficiency, economy or quality. In public perceptions, the PPS is widely seen as unresponsive, corrupt, and exploitative (ICG, 2010).

Having reviewed the historical perspective of Pakistani bureaucracy and the efforts of its reformation, the next chapter covers the theoretical perspective to map and discusses main concepts of PSR relevant to this project.

Chapter 3. PSR – transforming bureaucracies in developing countries

3.1 Introduction

In 1970s the established model of ‘Bureaucracy’ was challenged for its wastefulness, red-tapism, rigidity and inefficiency by the new models with the claims of managing the public sector more economically, effectively and efficiently. In this chapter I explore them for binding the theoretical foundation of this thesis, as in Pakistan the Government is also making efforts to introduce NPM-type reforms to replace the bureaucracy.

Before exploring both the contrasting models in detail I have defined the public sector, its jurisdiction, examine argued reasons of its reformation. Then I turn towards the established model of bureaucracy, how it was conceptualised, how it has emerged historically and why it had become the ‘normal’ form for the provision of government services. After that I explain the alternative model of New Public Management to understand its origin, claims, rise and appropriateness as an option to replace the prevalent model of Bureaucracy. This debate will take us to locate the challenges posed by this transformation in developing countries and I will discuss the main issue of state capacity which is being addressed by the reformers under the ‘Governance’ agenda.

3.2 What is claimed to be wrong with the PS and why to reform it?

Before proceeding to explain the reasons of public sector reforms, it would be useful to define what it is. A broad definition of public sector can be any institution or organisation that helps government to form and execute its policies to perform its functions. Depending on the country, its levels can vary, i.e. Central

and Provincial or upstream core Ministries and central agencies like Finance and downstream sector agencies, i.e. health, education which delivers and regulate the services (The World Bank, 2011).

At the end of World War II both development and development economics were born (Rajan and Zingales, 2001). It also began the era of great struggle between capitalism and communism where both wanted to establish large governments to create close regulatory welfare states (Haque, 2007). Hence, the policy paradigm that governments will lead the development was established (Haque and Montiel, 1994). As a result an era of government-led development had begun that proliferated public sector organisations to make, plan and execute state's policies. The countries that appeared as a result of World War II also tried to follow the footsteps and established the large governments in the search of development. But soon these financially struggling poor countries realised that it was difficult to sustain such huge public sector institutions. To finance them they had to borrow internally and externally. Mukherjee and Manning (2002) noted that during the 1970s and 80s the size of the government in developing countries was so ballooned that after covering its cost (i.e. wage bills) there was hardly any budget left for the public investments.

Also, in developed countries where this phenomenon had touched its peak, people started highlighting problems and demanded efficiency from their governments (Kelly, 1998; Kettl, 1997). Explaining the situation Jones and Kettl (2003) argued:

“Critics have alleged that governments are inefficient, ineffective, too large, too costly, overly bureaucratic, overburdened by unnecessary rules, unresponsive to public wants and needs, secretive, undemocratic, invasive into the private rights of citizens, self-serving, and failing in the provision of either the quantity or quality of services deserved by the taxpaying public” (pp. 1).

This situation demanded a paradigm shift for the provision of public service. Hence, the public voice besides growing fiscal stress forced its leaders to rethink and recast the role of government (the ideologies of Keynesian and New Right are discussed later in this chapter). Reflecting the same “Ronald Reagan, Margaret Thatcher, and Brian Mulroney proclaimed that government was not the solution to

societies' ills but a major part of the problem" (Ingram and Romzek, 1994, pp. 1). This changing philosophy initiated an unending reform process in the developed industrial economies.

According to Manning (1996) during the past 30 years, these massive reform waves have initiated in the developed world, where political leadership was pressurised by their citizens to not increase taxes, control expenditure and also maintain the high standards of public service and welfare. Whereas mainly in developing countries such reform has been initiated as a condition of Structural Adjustment Programme (SAP). Whereby, initially, recipient governments were suggested to reduce the size of public sector employment and control the wage bill (The World Bank, 1999). But as the crises deepen, the agenda grew wider and the struggling countries were prescribed a set of measures consisting of a set of economic policies being followed by the Organisation for Economic Co-operation and Development (OECD) countries to regain the financial stability and development track. However, the poor results of these policies in the shape of high inflation, unemployment and a rise in the poverty level pushed the reformers to reassess their approach. Their experience, coupled with international trends and scholarly research highlighted the importance of institutions in development. This time, the focus of transforming the administration and government was mostly towards the techniques and practices from the market and private sector (Larbi, 1999). Summarising the reasons of reforms he asserted that these reforms are driven by multiple factors and not by single alone. The seven factors he explained were:

- i. Economic problems and fiscal pressures were faced by governments globally during 70s and 80s, which badly affected the developing parts of Asia and Africa. This brought governments under fiscal stress due to enhanced debt burden, trade imbalances and public sector deficits.
- ii. Increased public criticism on ineffective and inefficient public service through bureaucratic institutions. The classical public administration was being criticised for being too slow, rule bound, inefficient and unresponsive.
- iii. Political consensus on neoliberal agenda (e.g. 'Reganomics' and 'Thatcherism') in favour of small government and big market during 70s and 80s.
- iv. Marketing and proliferation by the international management consultants.

- v. For developing and transitional countries, advocacy, prescription and imposition as lending condition of the Structural Adjustment Programme (SAP) by the International Financial Institutions (e.g. IMF & WB).
- vi. Changes that have emerged as a result of expansion of global markets in other countries are forcing the public sector to transform.
- vii. The introduction and expansion of Information Technology have also helped to transform.

One of the central beliefs of reforms was that the state had overextended itself, even to the spheres where the market can perform better (The World Bank, 1997). Therefore, the main focus of administrative reform initiatives was to create small but efficient governments while involving the private sector and society as well. These strong waves of Administrative reform after crossing developed economies reached to developing nations in search of efficiency, economy and effectiveness through the carrier of IFIs.

The weaknesses and or failures of traditional state bureaucracy such as monopolistic nature, unmanageable size, managerial inefficiency, public inaccessibility, economic inertia and self serving agenda are the most common explanations provided for adoption of NPM type reforms. The new agenda was to reduce the scope and role of public bureaucracy, transfer resources and services from the public sector to the private sector, and restructure the public service in the image of business management, because the private sector was believed to be more competitive, productive, efficient, innovative, responsive and customer friendly (Haque, 2004).

However, this transformational journey which seems to be simple and linear on paper actually has not turned so. During implementation it has posed a number of challenges to reformers in developed and especially in the context of developing countries (details later in this chapter). This involves the transformation of large, comprehensive, hierarchical, functionally uniform organisations led by strong democratic governors with the support of neutral and competent civil servants for the service of citizens (Ostrom, 1974) to an organisational society which many of its functions performs through multi-organisational programmes. These programmes are “interconnected clusters of firms, governments, and associations

which together within the framework of these programmes” (Hjern and Porter, 1981, pp. 212-13). These implementation structures operate within a notion of governance as the concept of NPM shifts the responsibility from the government to society within which these implementation structures operates. Therefore, the governance approach is seen as a “new process of governing, or a changed condition of ordered rule; or the new method by which society is governed” (Stoker, 1998, pp. 17).

It appears from a holistic review of the PSR conversion process that the concepts of Bureaucracy, NPM and Governance are central to this transformation. It would therefore be useful to explore these interlocked concepts before embarking upon the empirical chapters of this thesis.

3.3 Exploring Bureaucracy

The word bureaucracy is extracted from Greek words ‘bureau’ means office and ‘Kratos’ means rule or power. Therefore, term bureaucracy is used to refer officialdom or power of the office (Hummel, 1998, pp. 307). The term ‘bureaucracy’ can be found in the mid of the 18th century (Albrow, 1970, pp. 16). However, bureaucracy as a concept in the social sciences was introduced by Max Weber in the 19th century. This concept has been interpreted by different sociologist differently according to their own theoretical standpoint. In administrative sciences bureaucracy has long been recognised as a major branch (Gouldner, 1954).

Max Weber is known for development of more comprehensive concept of ‘bureaucracy’ along with its characteristics. The roots of Weber’s concept of bureaucracy are in his study of authority. In his effort to explain as to why people have obeyed their rulers in history, he identified three ‘ideal-types’ of authorities, i.e. traditional, charismatic and legal-rational (Stillman, 2000). The last form of authority, i.e. legal-rational which is based on “a belief in the legitimacy of the pattern of the normative rules and the rights of those elevated to authority under such rules to issue commands” (ibid. pp. 51) also provides the foundation to the concept of Weber’s bureaucracy. Unlike traditional and charismatic authority where power remained with the personalities, this form of authority gives the

power to ‘office’ and not to ‘person’, so any person who occupies the office can exercise the power ‘according to rules’. Hence, “obedience is owed to a legally established, impersonal set of rules, rather than to a personal ruler” (ibid. pp.55). According to Weber, knowledge was the basis of exercising control in an administrative function. Due to its rational-legal structure Weber promoted bureaucracy as most effective and effective organisational form which ensures the acceptable behaviour both on seniors and juniors part according to the established hierarchy.

As noted by Meier and Hill (2005 pp. 52); Pollitt (2009); Wren (1994) and Watson (2003) the basic characterises of bureaucracy Weber provided were:

- i. The labour is divided according to their authority and responsibility
- ii. Functions and tasks are performed in a hierarchal manner from top to bottom to ensure the chain of command
- iii. Any communication or orders travel through the hierarchy (up or down) without escaping any step.
- iv. The workers are selected according to their technical expertise after passing test or on the basis of training or education
- v. The workers are selected, not elected.
- vi. The workers are paid according to their place in the hierarchy and they are career officials
- vii. The positions are not owned by the office holders
- viii. The official working is done through written files to record the proceedings
- ix. The decisions and judgments are made on merit with any partiality, emotions and prejudice.

Based upon these characteristics, Weber claimed technical superiority of bureaucracy over other forms of organisations. According to him:

“Experience tends universally to show that the purely bureaucratic type of administrative organisation—that is, the monocratic variety of bureaucracy— is, from a purely technical point of view, capable of attaining the highest degree of efficiency and is in this sense formally the most rational known means of exercising authority over human beings. It is superior to any other form in precision, in stability, in the stringency of discipline, and in its reliability. It thus makes possible a particularly high degree of calculability of results for the heads of the organisation and for those acting in relation to it. It is finally superior both in intensive efficiency and in the scope of its operations, and is formally capable of applications to all kinds of administrative tasks”. (Weber, 1978, pp. 223, cited in Gajduschek, 2003)

Hence, he claimed bureaucracy as the most efficient form of organisation to accomplish administrative tasks (Weber, 1978; Heugens, 2005). He also claimed bureaucracy “among the social structures which are hardest to destroy” (Weber, 1978, pp. 987). Emphasising further, Weber said precision, speed, clarity of command, accord, and economy were the technical advantages of this form. In his words:

“The decisive reason for the advance of bureaucratic organization has always been its purely technical superiority over any other form of organization. The fully developed bureaucratic apparatus compares with other organizations exactly as does the machine with non-mechanical modes of production. Precision, speed, certainty, knowledge of the files, continuity, discretion, unity, strict subordination, reduction of friction and material and personal costs—these are raised to the optimum point in the strictly bureaucratic administration, and especially in its monocratic form.” (Weber, 1978, p. 973)

Weber himself realised that the tendency of Bureaucracy to impose excessive control on employees will be similar to putting them in ‘iron cage’, in his own term (Weber, 1978).

A number of scholars (Merton, 1957; Gawthrop, 1969; Perrow, 1972; Jaques, 1992; Wren, 1994; Robbins, 2003; Du Gay, 2005) has extended arguments in support of Weber’s concept of bureaucracy. Amongst the early work done by Robert King Merton in 1957 through his book ‘Social theory of social structure’ he praised the work of Weber. He advocated the concepts of authority, hierarchy, rules and merit at the workplace. Wren (1994), while highlighting the importance of legal authority wrote:

“rational-legal must provide the basis for a bureaucracy, since it (1) provided a basis for continuity of administration; (2) was rational, that is the member occupying the administrative office was chosen on the basis of competence to perform the duties; (3) provided the leader with a legal means for exercising authority; and (4) clearly defined and carefully delimited all authority to the functions necessary to accomplish the organisation’s task” (pp. 196).

Joining Merton and Wren, Gawthrop (1969, pp. 8) argued three interrelated advantages of bureaucracy i) bureaucracy brings simplification to complex tasks by subdividing the tasks on the basis of specialisation, ii) this subdivision and

specialisation ensure quality and efficiency, iii) and this subdivision of tasks at various levels the decision making is made more objective and impersonal. Jaques (1992) stressing the importance of bureaucracy notes,

“With 35 years of research have convinced me that managerial hierarchy is the most efficient, the hardest, and in fact the most natural structure ever devised for large organisations. Properly structured, hierarchy can release energy and creativity, rationalize productivity and actually improved the morale.” (pp. 382).

He also re-validates Weber’s stance that for large organisations bureaucracy is the most suitable structure. His emphasis is on better understanding of managerial hierarchy rather than a quest for a new form of organisation (ibid. pp. 382-383). Perrow (1972) recommended the bureaucratic approach for straightforward tasks being performed in stable environments requiring standardisation and precision (pp. 40-44). Lorsch (1992, pp. 322-323) argued another advantage of the managerial hierarchy is optimum coordination between the functions and units. Robbins (1990) while talking in favour of the characteristics of the bureaucracy pointed:

“We can single out the attempt to eliminate the use of irrelevant criteria for choosing employees; the use of tenure to protect employees against arbitrary changes in skill demands, and declining ability; the establishment of rules and regulations to increase the likelihood that employees will be treated fairly and to create stability over time; and the creation of a vertical hierarchy to ensure that clear lines of authority exist, that decisions are made, and accountability over decision is maintained.” (pp. 311)

Responding to scholars who claimed the demise of the bureaucracy or absoluteness of its structure he argued that still bureaucracies are everywhere. For most private and public sector organisations bureaucratic structure still provides the most efficient way to organize. Robbins (2003) has strongly argued that: “In spite of some changes, bureaucracy is alive and well in many venues. It continues to be a dominant structural form in manufacturing, service firms, hospitals, schools and colleges, the military and voluntary associations. Why? Because it’s still the most efficient way to organize large-scale activities” (pp. 444).

While Weber's concept of bureaucracy was supported by many it was also questioned and criticised by several academic scholars, i.e. Merton (1940, 1952), Bennis (1965), Mouzelis (1967), Fergusson (1985), Blau and Meyer (1987), Johansen and Swigart (1994). They questioned the concepts from almost all possible directions, i.e. authority, ration-legal, rules, discipline, hierarchy, efficiency and economy.

One of the frequently raised criticisms on the Weber's bureaucracy is on his claims of 'ideal-type' or 'fully developed'. Scholars contending it said that Weber's own idea of bureaucracy lacks many social and political dimensions and no such thing as 'ideal-type' exists. However, Weber fully recognised this fact and he proposed it as an analytic concept. On this Blau and Meyer (1987) argued:

“Weber's writings on bureaucracy present what he termed an 'ideal type'. This is a methodological construct, a device used by Weber to generalize about the bureaucratic form of organization. It does not represent an average of all existing bureaucracies (or other social structures) but a pure type, derived by abstracting the most characteristic bureaucratic aspects of all known organizations. Since perfect bureaucratization is never fully realized, no existing organization precisely fits the ideal type.” (pp. 25).

Another limitation of Weber's concept of bureaucracy appears as his focus on the formal elements of the organisation i.e. rules and ignores informal elements of the organisation. Barnard (1979) defined informal organisation as “the aggregate of the personal contacts and interactions and the associated grouping of people” (pp. 115). Highlighting its importance he asserts that “informal organizations are necessary to the operation of formal organizations as a mean of communication, of cohesion, and of protecting the integrity of the individuals” (ibid. pp. 123). These informal organisational structures that evolve amongst employees to maintain the practice have also been illuminated by Anselm Strauss (1978) through his theory of 'negotiated order'. Hummel (2007) extending the Barnard's argument resembled the bureaucrats with mechanistic technicians as they are free from all human characteristics of emotions, society and humanity. Bodley, (2003) argued that organisational identity replaces the human identity, character and will (pp. 75). In this way human surrenders their personal judgments, feelings in favour of rules and instructions. Consequently, they also, in Hummel's term start

dealing with ‘cases’ instead of ‘human beings’ (Hummel, 2007, pp. 28). Thus, he saw the bureaucracy and society as polar-opposite and argued that “all attempts to humanize relationships between a bureaucracy and society must therefore be considered as suicidal or window-dressing when they come from within bureaucracy itself, and as declaration of war when they originate in society” (ibid. pp. 41). However, du Gay (2000) defending it argued that bureaucracy is necessary if you have to allocate scarce resources. Also, one can’t do this fairly unless he/she recognises that the person in front of him isn’t the only one in need, therefore some sort of criteria are needed in order to judge the importance of need.

Robert Merton (1940, pp. 562) analysing the structure raised concerns on career structure, rules, similar work conditions and impersonality. Commenting on graded career structure his concerns were that it may encourage the bureaucrats to cross expected lines of discipline, discretion and process. Furthermore, he argued that the bureaucracy will create a group of people whose internal conflict may be less due to its rule of seniority based promotion, but it will form a self-serving behaviour which will resist the change and cause conflict with citizens (ibid, pp. 565).

So much so that Warren Bennis (1965) concluded that:

“It is my premise that bureaucratic form of organization is becoming less and less effective; that it is hopelessly out of joint with contemporary realities; that new shapes, patterns, and models are emerging which promise drastic changes in the conduct of operations and managerial practices in general.” (pp. 31).

He thought this transformation will be made between 25-50 years. After explaining the concept of bureaucracy, its ‘ideal-type’ and characteristics from Weber’s point of view, exploring its praises and dysfunctions by various scholars, now I will explain its argued replacement of NPM.

3.4 Understanding New Public Management (NPM)

Hood (1991) argues that the doctrine of NPM has emerged from the bureaucratic administrative reform agenda followed by many OECD countries at the end 1970. The seven components of NPM doctrine he narrated are (pp. 4-5):

- i. Hands-on professional management in the public sector
- ii. Explicit standards and measures of performance
- iii. Greater emphasis on output controls
- iv. Shift to disaggregation of units in the public sector
- v. Shift to greater competition in public sector
- vi. Stress on private- sector styles of management practice
- vii. Stress on greater discipline and parsimony in resource use

Hood (1991) argues that NPM is a result of marriage between the sets of two converging ideas i.e. new institutional economics and managerialism. First partner, new institutional economics is derived from the public choice theory (PCT) and principal agent theory (PAT) based on the work of Arrow (1963) and Niskanen's (1971) revolutionary theory of bureaucracy. Contrary to the traditional concept of bureaucracy where the emphasis is on the hierarchy and elimination of duplication, new institutional economics facilitated the wave of administrative reforms based on the concepts of user choice, transparency and incentive structure (Hood, 1991; Ostrom, 1974). The second partner managerialism emerged from the traditions of scientific management movement which placed technical expertise as less important to professional management (Hume, 1981; Pollitt, 1990). Managerialism generated a set of portable (Martin, 1983) professional management practices based on trusting the manager's abilities with a free hand to achieve results and create appropriate cultures (Peters and Waterman, 1982) for better organisational performance. It appears as the reforms in developed countries were primarily motivated by the second partner, while in the financially struggling developing countries the first partner was the main motivator of PSR. As argued by (Zifcak, 1994; Greer, 1994; Kettle, 1997) the PSR in the western countries is driven by the changes on the economic, social, political, technological fronts. Whereas, in developing countries PSR is being used as driving force to motivate economic, social and technological changes.

Hood (1991) highlighted that many academic commentators have associated the rise of NPM with the political rise of the 'New Right'. Signifying this Farnham and Horton (1993) asserted that NPM influenced managerialism "was a distinctive element in the policies of the New Right towards the public services" (pp. 47). George and Wilding (1992) explaining the central idea behind the New Right

declared the “freedom, individualism and inequality” as the fundamental social values (pp. 19). Larbi (1999) argues that the crisis in the developed countries caused by the Keynesian policies of welfare state turned them to “search for alternative ways of organizing and managing public services and redefining the role of the state to give more prominence to markets and competition, and to the private and voluntary sectors” (pp. 2). Explaining it further, he puts it, “The Keynesian paradigm was confounded with stagflation, and this led to the ascendancy of the monetarist alternative. This paradigmatic shift meant that the market economy was best left to correct itself without active government intervention” (p 2). A number of New Right theorists (i.e. Friedman, 1960; Hayek, 1960) criticised the Keynesian policies of economic management and huge expenditures on public welfare. George and Wilding (1992) argued that the basic reservations of these critics were that since the public services do not face any competition, therefore they are inefficient, costly and cluttered by bureaucracy as well as this limits the individual’s options of choice.

In the advanced industrialised countries the fashion of NPM is commonly associated with the dominance of neo-liberal governments in the 1980s, in particular with the Thatcher regime in UK and the managerialist reforms in New Zealand and Australia. However, in the United States (US) the momentum of NPM-type reforms was set after the publication of a landmark study of Osborne and Gaebler (1992) named ‘Reinventing Government’. In this study, the authors presented the case of an entrepreneurial government to make it more efficient and effective. Through their seminal work they argued that the Government should ‘row’ instead of ‘steer’. By which they maintained that the Government should concentrate on supervision rather than direct provision. They saw such reforms as an enabler to create ‘entrepreneurial governance’ and presented 10 essential elements of reinventing the public sector:

“Entrepreneurial governments promote competition between service providers. They empower citizens by pushing control out of the bureaucracy, into the community. They measure the performance of their agencies, focusing not on inputs but on outcomes. They are driven by their goals – their missions – not by their rules and regulations. They redefine their clients as customers and offer them choices – between schools,

between training programmes, between housing options. They prevent problems before they emerge, rather than simply offering services afterwards. They put their energies into earning money, not simply spending it. They decentralize authority, embracing participatory management. They prefer market mechanisms to bureaucratic mechanisms. And they focus not simply on providing public services but on catalyzing all sectors – public, private and voluntary – into action to solve their community’s problems” (Ibid. pp. 19-20).

Osborne and Gaebler (1992) argued that bureaucratic organisations increasingly fail us because extremely flexible and adaptable institutions are needed, “that lead by persuasion and incentives rather than commands; that give their employees a sense of meaning and control, even ownership” (pp. 15). Massey (1999) said that NPM style reforms are aimed at reducing the size of the public sector and reorienting the focus of public sector organisations away from their old bureaucratic producer-dominance mode to a new customer qua citizen mode. Minogue (1998) argued that such reforms being undertaken as part of the worldwide quest towards greater efficiency and cost savings which is said to be the driving force of the NPM. With its emergence as a response to the global economic malaise and the need to tackle the high costs associated with public services, NPM offered the promise of improvements in administrative efficiency and performance through the introduction of market-type conditions and ideas (MacCarthaigh, 2012). Pollitt (1990) also asserts that the ideological thought system was based on importation of ideas from private to public sector. Summarizing it, Larbi (2003) argued that NPM is a trend of responses by various countries in different stages of: “Rethinking and reshaping government and its role; Restructuring and repositioning organisations; Redesigning and improving service delivery; reforming systems of performance and accountability; and Revitalising human resource capacity and organisational performance” (pp. 2-3). The following table is extracted from the work of Denhardt and Denhardt (2000) which compares both the organisational models against each other:

Table 3: Comparison between old Public Administration and NPM

Criteria	Old Public Administration	New Public Management
1. Primary theoretical and epistemological foundations:	Political theory, social and political commentary augmented by naïve social science.	Economic theory, more sophisticated dialogue based on positivist social science.
2. Prevailing rationality and associated models of human behaviour:	Synoptic rationality, “administrative man”.	Technical and economic rationality, “economic man” or the self-interested decision maker.
3. Conception of the public interest:	Politically defined and expressed in law.	Represents the aggregation of individual interests.
4. To whom are public servants responsive?	Clients and constituents.	Customers.
5. Role of government:	Rowing (designing and implementing policies focusing on a single, politically defined objective).	Steering (acting as a catalyst to unleash market forces).
6. Mechanisms for achieving policy objectives:	Administering programmes through existing government agencies.	Creating mechanisms and incentive structures to achieve policy objective through private and non-profit agencies.
7. Approach to accountability:	Hierarchical – administrators are responsible to democratically elected political leaders.	Market-driven – the accumulation of self-interests will result in outcomes desired by broad groups of citizens/ customers
8. Administrative discretion:	Limited discretion allowed administrative officials.	Wide latitude to meet entrepreneurial goals.
9. Assumed organizational structure:	Bureaucratic organizations marked by top-down authority within agencies and control or regulation of clients.	Decentralized public organizations with primary control remaining within the agency.
10. Assumed motivational basis of public servants and administrators:	Pay and benefits, civil service protections.	Entrepreneurial spirit, ideological desire to reduce the size of government.

Source: adopted & amended from Denhardt and Denhardt, 2000, pp. 554.

Pollitt and Summa (1997) conceptually bundles the NPM in two groups: first group comprises of ideas regarding management improvement and restructuring and second group underlines the competition and the role of the market. Larbi (2003) in his work identified main themes of NPM in action and also categorised them in these two groups. The following table is extracted from his work to explain these themes in practice for clearer understanding:

Table 4: The two streams of NPM in action

Ideas / themes of NPM	
Managerial and Structural (Managerialism)	Markets and Competition (New Institutional Economics)
<ul style="list-style-type: none"> • Creation of function-wise specialised agencies to replace huge bureaucracies i.e. separation of policy and operation functions. These offices will have contractual arrangements with parent ministries, e.g. executive agencies in the UK. • Introduction of flatter, flexible and more responsive structures around specific processes e.g. licensing instead of long hierarchies and traditional functions e.g. finance. • Separating function of funding and provisioning of goods and services. Which means it is not necessary that if the government is providing the funds it will also provide the services i.e. private sector can be invited. • Decentralising authority by allowing managers to manage with clear responsibility. • Decentralising financial control to allow managers thinking about other efficient methods of service provisioning. • Tighter budgets and transparent financial controls. • Shift from input to output-orientation. 	<ul style="list-style-type: none"> • Contracting-out: Provisioning of goods and services through contracts with private providers after fair competitive bidding process. • Internal Market: Segregating contractors into feasible sized agencies to allow competition amongst them. This open's the more options for user's choice. • Vouchers: or Coupons are given to a service provider by the service user instead of direct funding to them. Hence, best service providers get more service users and also more vouchers or coupons to reclaim the amount from the Government. • User charges or a fee: Putting a price on public service. In this case the government may shares or refund fee to the user. This is done to promote more responsive behaviour on the side of the consumer. • Emphasis on quality: by reorienting the traditional role from 'user' to 'client'. This gives a voice to customers that shape service provision. • Changing employment relations: by offering short contracts instead of lifelong employment, monetised incentives, pay for performance, negotiated pay.

Source: Adopted from Larbi, 2003

From the above discussion, it is evident that the emphasis of the NPM - type reforms is twofold: on one hand, they are changing the role (what it does) of public sector and on the other hand they are focusing the functioning (how it does) of the public sector. Regarding the role it is being argued that the government should promote competition and let the market flourish. While in term of functioning it is emphasised that the focus should be on efficient in term of costs, effective in term of improved service provisioning and responsive by giving greater say to citizens as customers.

Reverting back to the point of steering and rowing made by Osborne and Gaebler (1992) it can be understood that new role demanded by the government is a policy making alone rather than its traditional double role of policy making and service delivery. Making such radical change in the public sector itself brings a great challenge to the reformers. Even, the advanced industrialised countries like UK, USA and Australia with strong political support and strong institutional capacity have found this transformation quite challenging (Bangura, 2000; Kickert, 1997). This task becomes even daunting when the developing countries aim to reorganise the structure and functioning of its public sector with prevalent capacity¹¹ problems (Bangura and Larbi, 2006). Schick (1998) argued against the use of NPM in developing countries due to missing of rule-based governments and robust judiciary. Hughes and Teicher (2004) argued that use of NPM principles can create more complexity in developing countries. Many scholars, including Grindle (1997) and Batley and Larbi (2004) have argued that for the successful PS reforms an effective state is a prerequisite for which its capacity building is sine-qua-non. Batley (1999) argued that “There has been considerable research on the difficult process of adjustment, but little on the capacity of governments to manage the consequences, little on the outcome of reforms” (pp. 756).

3.5 The Governance approach to build state capacity

The entrepreneurial approach was criticised mainly on the premise that the main difference between a business and a people's representative government remains

¹¹ For more detail review on capacity and public sector reforms success see Grindle and Hilderbrand (1995), Heredia and Scheider (1998) and Franks (1999)

the welfare of the state and the nation instead of profit or income. Therefore, the main concern of any government is the national social and economic development through effective planning and implementation. Hence pendulum started trying to get the midpoint of a capable government in-between the debates of too much government and too little government. To balance this argument, and acknowledge the importance of the state in development along with market economies, the notion of good governance was introduced so that it can satisfy the criticism of political right, centre or left. As noted by Grindle (2010):

“Despite some differences in the definition, the idea of good governance has also resonated across a wide political spectrum. For those on the political right, good governance has meant order, rule of law, and the institutional conditions for free markets to flourish. For those on the political left, good governance incorporates notions of equity and fairness, protection for the poor, for minorities, and for women, and a positive role for the state. For many others found along the continuum from right to left, the concept is attractive for its concern about order, decency, justice, and accountability.” (pp. 2).

The World Bank (1992) provides a brief and a narrow definition of governance as “the manner in which power is exercised in the management of the country’s economic and social resources” (pp. 1). However, the updated version of the World Bank report (1994) provides a comprehensive and broad definition that: “Good governance is epitomized by predictable, open, and enlightened policymaking (that is, transparent processes); a bureaucracy imbued with a professional ethos; an executive arm of government accountable for its actions; and a strong civil society participating in public affairs; and all behaving under the rules of law” (pp. vii). The above conception of good governance clearly suggests emphasis on improving public sector management. A number of scholars (Lynn, 1998, 2006; Terry, 1998; Peters and Pierre, 1998) have argued that NPM and Reinventing Government have put the Governance theory in practice. Minogue et al., (1997) asserts the good governance and the new managerialism as twin outcomes. Chalker (1993) presented that the good governance agenda, not only include accountability of the public sector, but also creating an enabling environment for the private sector.

As argued above NPM type reforms are implemented to change the role of government and import the private sector practices in the public sector to increase its performance through managerialism. The core idea of managerial reforms is that the government should give broad discretion to managers to ‘let managers manage’ and hold them accountable against results. This involves decentralisation and delegation of authority about all resources from the centre to the operational level. But before letting managers manage, it is crucial to reach at an agreement as to what is expected, against what targets these results will be measured and also what will be the financial / performance auditing parameters (The World Bank, 2000). Even the developed countries during the decentralised management reforms faced the capacity problem. As the prerequisites for such efforts are operational monitoring, inspection and information systems, firm budgetary control systems, development of reliable performance indicators and measurement, and capacity to manage them (Bangura, 2000; Larbi 1999). Kickert (1997) argued that the Netherlands faced such challenges in mid-1990s as the most elementary mechanisms for supervision, inspection and monitoring were absent from many agencies. Bangura (2000) reports that New Zealand reform also faced the challenges of strategic capacity in mid-1990s.

However, in developing countries this problem is much more worsening as Grishankar (2001) notes “Weak capacity is an acute problem in many developing countries. In many low-income countries, civil servants are not equipped with even basic complementary inputs such as stationery, furniture, computers, and other specialized technology to carry out their day-to-day tasks” (pp. 7). Even then, many developing countries have adopted the NPM type reforms, but have fallen into the trap of corruption and abuse as the basic PS institutions, i.e. “rule of law, an independent judiciary, sturdy property rights, a formal civil service system based on merit and rules, proper and efficient use of public funds, and robust internal controls” (ibid, pp. 33) are not sufficiently developed. Olukoshi (1999) argued that in an attempt to introduce the NPM influenced managerial reforms in the Nigerian civil service during 1988 resulted in intensified corruption. Also a number of examples of gross abuses can be quoted, i.e. Sri Lanka, Zimbabwe, Mongolia, Ghana or Nigeria (Larbi, 1999; Bangura 2000; Ayee, 1994).

The emergence of the 21st century also brought the challenge of globalisation, which further impetus for governance reforms. This literally put countries against each other. It was argued by the IFIs that winning countries can improve the wellbeing of their citizens through markets, trade, investment and exchange. However, this called for a capable state which can nurture and create markets that promote competition, act against collusion and monopolistic practices, supply opportunities information to all participants, transparently set the rules of the game, protect and guarantee property rights and provide fair, equitable and speedy adjudication mechanism. The prerequisite for performing these functions were enhanced capacity, competency and responsiveness of the state institutions along with upgraded rules, enforcement mechanisms, organisational structures and incentives.

The IFIs also links the capacity building initiatives with the efforts of poverty reduction. They argue that reducing poverty in the world's poorest countries fundamentally depends on a substantial effort from the countries themselves, especially in implementing reforms needed to improve economic performance. But unfortunately, poor countries often lack the capacity to implement needed reforms or even to make the best possible use of foreign assistance. It suggests as if the good government is promoted when policies are formulated and implemented by competent public servants, the public organisations perform their work effectively, and fair and authoritative rules for economic and political interaction are regularly observed and enforced. As Grindle (1997) argues “Getting good government means, among other things, efforts to develop human resources, strengthening organizations, and reform (or recreate) institutions in this sector” (pp. 8).

Considering this, the next steps taken by the IFIs were towards the institutional development and capacity building of these crisis states under governance agenda to increase its efficiency, effectiveness and responsiveness and create an enabling environment for such reforms. Similarly, Lamb (1994) assert that the PSR is an integral part of the donor funded prescription for good governance and the World Bank (2000) acknowledges this “Indeed, institution-building components exist in

almost all Bank loans” (pp. ii). This report further says that institutional development is essentially synonymous with capacity building which is sometime used interchangeably with institutional reform.

A number of scholars, including Grindle and Hilderbrand (1995), Grindle (1997), Franks (1999), Levy (2007) and the World Bank (2005) suggest that the public sector capacity building needs to address on the following three dimensions:

Table 5: Dimensions of public sector capacity

Dimensions	Levy, 2007	The World Bank, 2005	Franks, 1999	Grindle, 1997	Grindle and Hilderbrand, 1995
1. Human	Individual's capacity to provide service	Individuals with the skills to analyse development needs; design and implement strategies, policies, and programs; deliver services; and monitor results	Human resource development	Supply of professional and technical personnel	The capacity of the public servants
2. Organizational	Administrative and Financial capabilities	Groups of individuals bound by a common purpose, with clear objectives and the internal structures, processes, systems, staffing, and other resources to achieve them	Strengthening of managerial systems	Management systems to improve performance of specific tasks and functions; micro-structures	The organisational structure, resources, process and style of management

3. Institutional	National checks and balances on institutions	The formal “rules of the game” and informal norms—for example, in collecting taxes, reporting on the use of public resources, or regulating private business— that provide the framework of goals and incentives within which organizations and people operate.	Creation of enabling environment along with suitable legal and policy frameworks	Creation of enabling environment and institutional development	<ul style="list-style-type: none"> - The action environment of the country, i.e. Socioeconomic and Legal-Political - The institutional environment, i.e. the rules and procedures along with financial autonomy
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The first dimension is related to capacity aspects of public servants - the skills, experience and knowledge that are vested in the people. It is often argued that the capacity of public servants in the developing countries is justifiably low. This not only adversely affects policy making, but also service provisioning. Grindle (1997) asserts that the aim of such initiatives is to develop human resources so that they can fulfil their responsibilities efficiently and effectively. For this improvement he suggested enhanced training, appropriate salaries, better working conditions and improved recruitment process as the activities which needs to concentrate upon (pp. 9). Frank (1999) argues that this is performed through adding and polishing skills, expanding knowledge and improving attitudes. The generic actions to build human capacity includes: education, trainings, workshops, seminars. Furthermore, Grindle (1997) suggests that interventions to improve human resource development (HRD) are aimed at recruiting and retaining talented employees while ensuring competitive salary structures and improved working conditions.

The second dimension of capacity building is organisational capacity. Grindle (1997) argues that parallel to human capacity building, the enhanced organisational capability to utilise them effectively is mandatory. He suggested improved rules of game for economic and political regimes coupled with policy and legal changes and constitutional reform. Franks (1999) described three important aspects of the institutional capacity building: enabling policies, legislative framework, and the financial structure. The organisational capacity building initiatives are also in line with the NPM type reform programmes. The usual issues addressed under this include: improved incentive system, effective utilisation of human resources, improved managerial structures, improved communication and healthy organisational culture (Grindle, 1997; Franks 1999).

The third dimension of public sector capacity is institutional. The institutional capacity building efforts are aimed at creating a conducive and a stable institutional environment for the improved PS functioning. Grindle and Hilderbrand (1995) divide it further into two sub-categories: i) the institutional environment, i.e. the rules and procedures along with financial autonomy; and ii) the action environment of the country consisting Socioeconomic and Lego-political. According to North (1990) and Scott (2001) the institutional context consists of norms, values and beliefs which shapes the conduct and behaviours of the people. It is, therefore, vital to understand what is acceptable in the society, and more importantly the mechanism through which the capacity building initiatives are being internalised. Such efforts, therefore, should consider the institutional context of the society while deciding about the changes and also ensuring harmony with the organisational and human dimensions of the capacity. Grindle (1997) stressing this point called for ‘good-fit’ capacity building initiatives after due consideration to the country specific realities i.e. the history of the PS, social and cultural context, rather than a ‘one size fit for all’ approach. The second aspect of action environment consists of country specific fiscal condition, state of the civic society and private sector, political stability and judicial system. The results of the Grindle and Hilderbrand (1995) study of eight developing countries reported that the action environment as one of the critical contributing factors for poor or better public sector performance. In their conclusion they argued that

public sector performance cannot be improved until basic conditions of the economic development, political commitment, and social stability are not put in place. Highlighting this, Grindle (1997) said "the development of legal systems, policy regimes, mechanisms of accountability, regulatory frameworks, and monitoring systems that transmit information about and structure the performance of markets, governments, and public officials" (pp. 19).

3.6 Summary

Max Weber conceptualised in the early 1900s bureaucracy as the most effective and efficient organisational form due to the bureaucratic rational-legal structure provided the basis for stable and predictable behaviour on the part of both subordinates and superiors. In this model, the behaviour of subordinates is rendered reliable through the division of labour, the specification of role, and the clarity of hierarchical authority. Bureaucratic institutions, dominant from above a century are based on rules, hierarchy, impersonality and vision of labour. In early 1980s, these institutions came under attack due to fiscal crises of governments, poor performance of the public sector, stiff bureaucracy, un-accountability, corruption, changes in people's expectations and better service delivery options. Citizens' voice, fiscal stress and development of information technology brought political leaders to a consensus where they started looking bureaucracy a problem and initiated actions to reform its public sector. Hood (1991) captured these reform trends under the term 'New Public Management', defining it as a move away from centralization and hierarchical consolidation within the public sphere towards structural desegregation. In search of efficiency, effectiveness and economy the focus of these efforts to transform the administration and government was mostly towards the techniques and practices from the market and private sector

Influenced by strong reference of its emergence in the OECD countries, adoption in USA and inspired from its results in some East Asian countries, IFIs, in response to poor countries' request for financial assistance suggested NPM type PSR as precondition to replace the existing model of bureaucracy. However, the results of these reforms remained unsatisfactory. The biggest challenge identified

by the reformers hampering this transformation successfully was the weak capacity of the crisis state and its organs, therefore they included the capacity building at human, organisational and institutional levels as an integral part of these reform attempts.

The next chapter explains the basic and philosophical assumption, conceptual framework and methods I have used for this research and justify them.

Chapter 4. Investigating reforms in Pakistan public sector

4.1 Introduction

The previous chapter, after reviewing the relevant literature, ended by identifying a research gap. This chapter explains and justifies the methodology and methods I have adopted to investigate the reforms in the case study organisation. It begins by explaining the basic assumptions I hold and the criteria of truth and validity. It then explains the ethnographic-oriented approach I adopted throughout the thesis. After that, I provide the case for a research approach using a reflexive account of fieldwork. After that I clarify the ethical issues before providing details of the fieldwork. Finally, this chapter ends with a discussion of measures taken to maintain research quality.

4.2 Basic assumptions and criteria of truth and validity

In this section there will be an examination of the core principles by which research has been conducted. My research treats organisations as socially constructed phenomena which appear to have an objective reality when patterns of actions and meanings are internalised by their members (Berger and Luckmann, 1966). Also the ‘process relational’ (Watson 2002) ontology is taken which regards social relationships as originators of reality. The process-relational perspective “acknowledges the pluralistic, messy, ambiguous and inevitably conflict-ridden nature of work organisations” (Watson 2002, pp. 375). This attitude pays attention to the relations between individual, human motivation and emotions; therefore, this approach helps to analyse the organisational change while equally considering the both practical thinking and the complex interconnection of emotions, needs and desires of an individual. These ontological

assumptions also set the path of related epistemological assumptions. I align believe about knowledge with constructionism, as truth or meanings are constructed through interactions with the realities. Therefore, I have adopted an epistemology of inter-subjectivity and the ontological belief that reality is socially constructed and consists of people's subjective experiences of the external world. My research focuses on the context and people working in the case study organisation, as they are the ones who actually have experienced the reforms.

Reality is an 'ongoing human production' (Berger and Luckmann, 1996). It is made by human processes and relationships (becoming ontology). Therefore, I am trying to find out about these processes and relationships from people who participate in them as well as by using my knowledge as a former insider. Chia (1997, 2002) claims that from an epistemological point of view there is a need for a robust theory that enables us to develop a more insightful understanding of the phenomenon of the organisation. Making sense of human behaviour in organisations also requires understanding about social processes, emotions and bodily knowledge (Ropo et al., 2002). Instead of analysing organisations as stable entities, this line of research identifies itself with the organisational ontology of process relational (Watson 2002).

In this research I use pragmatist criteria of truth and validity, and I regard knowledge as a socially constructed artefact which usefully informs action. As Watson (2000) argued, pragmatist knowledge claims are non-representational; thus, they are not aiming to provide a mirror image of the world. However, by using cultural language "they inevitably talk or write about a reality which is their own construction" (Watson 2000, pp. 501). However, it is possible to evaluate a knowledge claim on account of its ability to empower people to address their specific state of affairs. As Joas (1993) says, "truth is no longer to do with getting a correct representation of reality in cognition; rather, it expresses an increase of the power to act in relation to an environment" (pp. 21). This facilitates judging among rival knowledge claims because, as Watson (2000) argues, "one story is truer than another to the extent to which it more effectively guides, practice in that, or a similar, setting" (pp. 500). As Johnson and Duberley (2000) argued,

“justified knowledge is a socially constructed artefact created so as to aid humans in their practical endeavours of settling problematic situations” (pp. 159).

4.3 About the ethnographically-oriented approach I adopted

Through the use of an ethnographically-oriented approach (Humphreys and Watson, 2008) I have investigated the changing social realities in the case study organisation. I used both the pillars of participant observation and interviews of this approach to understand and describe this reality that explains the totality of the changing organisation and social relationships. The data were gathered considering the organisation as part of the society to which they belong, not separate, as the intended output of this project is a sociological analysis. ‘Ethnography’, in this thesis, is taken as a form of writing and not as a research method (Hammersly and Atkinson, 2007) while others have assimilated it with participant observation. The working definition of ‘ethnography’ in this thesis is the same as that of Watson (2008): “a written account of the cultural life of a social group, organisation or community which may focus on a particular aspect of life in that setting” (pp. 100). I see the writing ethnography as ‘wrapping up’ a specific concern within broader attention to a cultural whole (Baszanger and Dodier, 2004). Using Baszanger and Dodier’s (2004) concept of ‘cultural whole’ I am doing a sociological analysis of organisational events and processes; hence, I am looking at the employees’ experience of change in the wider cultural whole of case study organisation and Pakistani society.

The particular techniques of qualitative research I used were semi-structured interviews, participant observation and analysis of official and unofficial documents. As Rosen (1991) argues, if it is assumed that reality is socially constructed, then investigations of reality must include an understanding of the knowledge, meanings, assumptions, ideas, values and norms of social actors involved in the enactment. Jansen (2008) expresses the importance of researchers’ presence in the field to understand the role of a particular place in the social construction of reality. I am a former employee of the Pakistan public sector with almost a decade of work experience. Also, as part of this project, I undertook

more than three months of dedicated fieldwork which helped me immensely to understand the changing phenomena of the organisations.

The purpose of ethnographic study is bridge the gap between an outsider's (etic) interpretation of social order and reality and the understandings held by those who are under study (emic). Thus, ethnographers "understand and reproduce the logic-in-use of the subject on the social scene because that is the material of social life" (Rock, 2001, pp. 31), attempting to study social experience from within, drawing on the concepts used by actors when they interact and create meaningful experiences (Denzin 1989).

Undoubtedly, it's an uphill task to understand meanings and knowledge that inform the enactment of culture. As Potter and Wetherell (1978) noted, the accounts that people give of their actions and understandings are highly context dependent and therefore stable meanings cannot be reliably inferred from what people say (Alvesson and Kärreman, 2000). This challenge gets more daunting when an organisational culture is under investigation as Strauss's (1978) analysis of the negotiated order concludes that the emergent order arises from the interplay of both official and unofficial dimensions. However, employees are often pressured to portray the image that only official processes are being followed. The demand for portray this may require an employee to engage further in unofficial processes (Brewer, 2001) during which they use official, or 'legitimate', language to conceal unofficial political activity (Atheide and Johnson, 1998).

Goffman (1959) argues that meanings are often communicated tacitly, through behaviour and gestures (Larsen and Schultz, 1990) as well as through oral or written communication. People's responses are often tacit and embodied through movement, gestures, dress and personal artefacts for instance (Elsbach, 2003). The organisational, social reality is thus complex and shifting, and meaning is frequently conveyed in hints and in tacit ways; thus, participant observation alone cannot overcome all problems and the researcher's use of methods like surveys or formal interviews runs the danger of touching upon the organisation's official dimension only. On the other hand, an ethnographic approach that consists of participant observation gives importance to the actions and accounts of the people

under study as they act within the particular social setting (Hammersly and Atkinson, 2007; Jorgensen, 1989) and counts the researcher's own experience of participation as an important and legitimate source of data (Brewer, 2000).

While intensive participation is an important research method, as Charmaz and Mitchell (2001) warn, "the researcher needs to share experiences, but not necessarily viewpoints, with those being studied" (pp. 163). Schutz (1964) notes that the insiders may not be aware of fundamental beliefs that shapes their culture and may consider particular settings as simple as 'how the world is' (Hammersley and Atkinson, 2007) against the 'socially produced'. Mills (2000) observes that people generally ignore wider institutional and social structural environment while making personal predictions. Therefore, the ethnographer's role gets more important while analysing the 'raw materials' gathered from participants during fieldwork against concepts, theories and methodological assumption (Humphreys and Watson, 2008).

Commenting on the tension between the emic and etic perspectives Patton (2010) argued that "the challenge is to do justice to both perspectives during and after fieldwork and to be clear with one's self and one's audience how this tension is managed" (pp. 268). A number of techniques have been identified by researchers to lessen the gap between emic and etic perspectives. At the forefront of these are participatory research and thick description. I endeavored to strike this balance through the notion of thick description (Ryle, 1949) and intensive member checking. According to Patton (2010) and Yin (2010) the use of rich descriptions coupled with the informants' own wording curtails the subjectivity level of the researcher in the data analysis process. Also from the start of my abstract data analysis (from the second interview) I invited the informants to identify categories and themes from the data. Additionally, I shared all interview transcripts with the informants for their feedback on my notes. Considering the exclusivity of subjective nature of human experience, I found Yin's (2010) contention useful that the differences between etic and emic views will always prevail. In spite of all efforts to address these differences Yin (2010) argued:

"researchers cannot in the final analysis avoid their own research lens in rendering reality. Thus, the goal is to acknowledge that multiple interpretations may exist and to be sure that as much as possible is done to prevent a researcher from inadvertently imposing her or his own (etic) interpretation onto a participant's (emic) interpretation" (p.12).

In this project the key social structures (discussed in chapter 1) that influenced this public sector organisation were the demand by the reformers to improve their functioning by replacing manual systems with computers to bring greater efficiency and transparency, to control corruption, to build and renovate buildings to provide a more conducive work environment, to improve the capacity of employees through increased training and motivating them through enhanced perks. In the financially struggling developing world, such PSR are initiated by the international development institutions, to replace the existing model of bureaucracy as precondition for assistance (Larbi, 1999; Samaratunge et al., 2008). However, forms of organisational control arising from social structures such as NPM may be taken for granted by people in the field (Jermier, 1998; Rosen, 1991). As a result, employees may think differently from the ways expected by international strategies aimed at improving the efficiency of the public sector. For example people may have found the introduction of IT is actually a block to their productivity. Thus, this analysis is set within the context of social theory; and, as Rosen (1991) suggested, it will investigate how taken-for-granted organisational arrangements are socially produced.

Having discussed the basic assumptions, criteria of truth and validity, and the ethnographic oriented approach I have adopted, I will now explain the conceptual framework. The conceptual framework was primarily used to prepare the research protocol and has tentatively guided the fieldwork of this research, and thus the following section explains the research design and fieldwork.

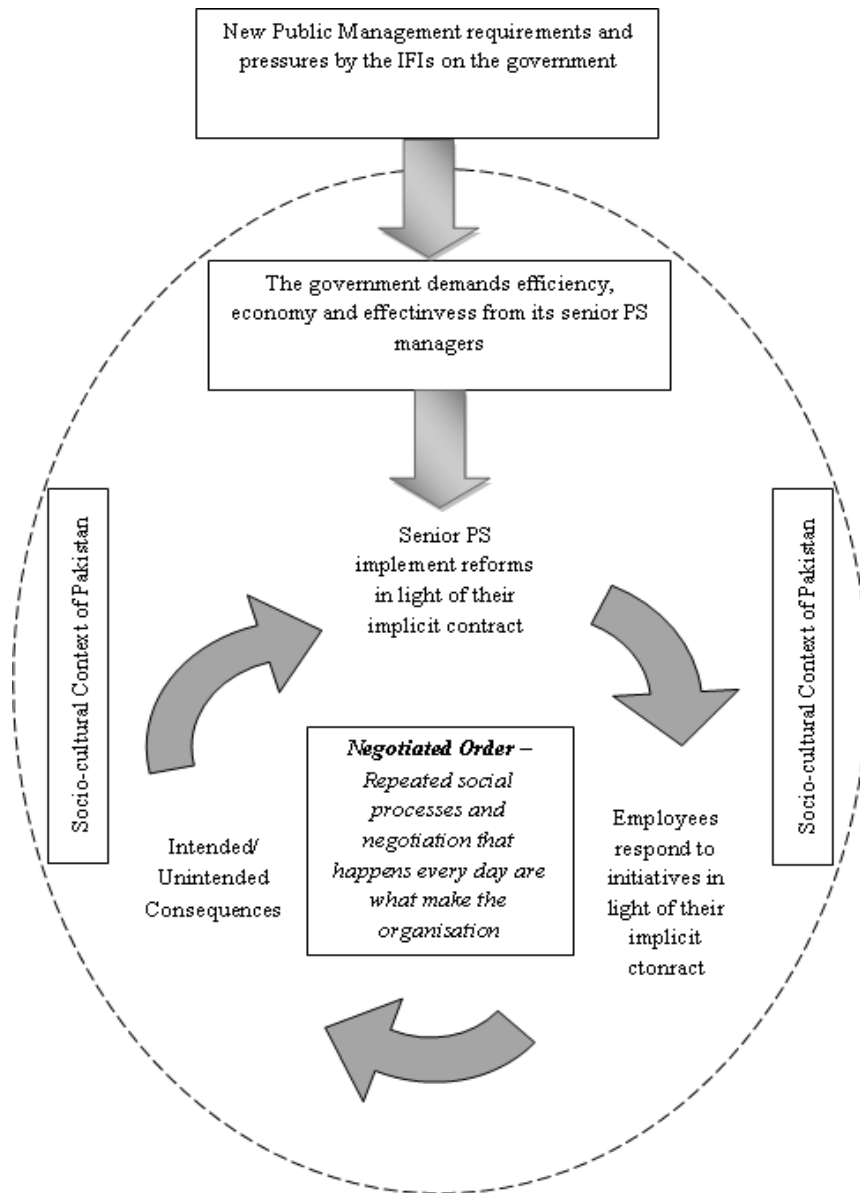
4.4 Conceptual framework

As explained in chapters 2 and 3, PSR in developing countries has been initiated as a condition of financial assistance by IFIs. Radaelli (2000) argued that commonly coercive pressure is used to initiate PSR in developing countries as a condition of financial assistance. DiMaggio and Powel (1983) argued that the

coercive pressures are “formal and informal pressures exerted on organisations by other organisations upon which they are dependent” (pp. 67). The same could be observed in the case of Pakistan, where financial assistance is linked with PSR as coercive pressure from the IFIs (as discussed in the previous chapter). While at the operational level governments entrust its senior PS managers to drive and bring about the changes suggested by IFIs, NPM devolves responsibility for implementation of reform onto the bureaucrats themselves (MacCarthaigh, 2012). These senior PS managers, under the technical guidance of IFIs, lead and set the roadmap as per their expertise and implicit contract with their employer (the national government) and initiate the reforms in the PS organisations. As I wanted to analyse the actual changes to organisational social reality related to the introduction of the new reorganisation initiatives, therefore, I used Strauss’s (1978) concept of the ‘negotiated order’ (as discussed above), and consider the individual employment relationship using the concepts of the implicit contract.

This whole reform process involves multiple human interpretations who conceive them as per their own meanings to the world. Berger and Luckmann’s conceptualisation enable us to see how people deploy alternative meanings and invent new practices in pursuit of their own purposes. As Berger and Luckmann (1966) show, people tend to deviate from courses of action designed by others and may resist definitions of their situation. However, like all organisational control attempts, the attempts to shape behaviour made through the introduction of these control attempts will have unintended, as well as intended, consequences (Gouldner, 1954). My research therefore is placing the employees of the federal tax agency in a central position with regard to their ability to answer the research question as to what has been tried to reform; how these reform attempts have affected them, their work, organisational functioning; and what the intended and unintended consequences of these reforms were. This framework will help me to analyse the details of what is happening in the FBR and also to set this within a wider understanding of the social and historical context of Pakistan.

Figure 2: Graphical representation of conceptual framework



Source: Author

4.5 Research Design

As explained earlier, this study investigates as to what reform actions have been taken and what has been their results and consequences to understand why Pakistan's public sector organisations appear to be resistant to reform and why these repeated attempts to reform appear to have had so little impact. In particular, it aims to elicit from the managers of a key government agencies 'insider' understandings of the impact of these reform interventions. According to Strauss and Corbin (1998), qualitative study is "any type of research that produces

findings not arrived at by statistical procedures or other means of quantification” (pp. 10-11). Reform is not a formula, but a concept which needs to be interpreted and acted upon by the individuals within their social and organisational context. Therefore, keeping in view the highly subjective, complex and emergent nature of the study, a qualitative research method is being used for this investigation. According to Creswell (1994), ‘qualitative study’ “is an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting” (pp. 1-2). The goal of qualitative research is to discover patterns which emerge after close observation, careful documentation, and thoughtful analysis of the research topic. What can be discovered by qualitative research is not a generalization, but contextual findings. Creswell (1994, pp. 1-2) argues that qualitative research is appropriate when:

- i. The topic needs to be explored, variables cannot be easily identified, theories are not available to explain the behaviour of population in study, and needs theory development.
- ii. To present a detailed view of the topic.
- iii. To study the individuals in their natural setting.

This is an exploratory research and it is inductive in nature, with theory development arising from the data as well as existing theories. The study employs a case study approach to investigate the impact of reforms on the functioning of a federal level public sector organisation. As Casey and Lury (1987) have argued, the application of an exploratory and inductive approach to the study of bureaucracy necessitates a case study approach. However, I chose the case study methodology as best suited for this research because, as Yin (2003) argues, this method focuses on the uniqueness of individual situations. Case studies can be explanatory, descriptive or exploratory. I opted to choose last as, according to Yin (1998), “exploratory case studies are more suitable when the available literature or existing knowledge base is poor, offering no clues for conceptual frameworks or notably propositions” (pp. 236). Case study programme evaluations also are recommended when (1) the underlying links between the programme (project) and outcome are too complex for identification by surveys or experimental methods, (2) path dependence or historical legacy are important to programme (project)

efficacy and (3) the role of programme management or administration is critical to programme (project) success but the critical characteristics are not captured in a survey.

4.6 Reflexivity: The foundations of the research

Ely et al. (1991) argued that qualitative research is by nature a reflective and recursive process (pp. 179) while Charmaz (2006) and Holloway (1997) argued that interpretive research should be reflexive. In this regard, Malterud (2001) said "a researcher's background and position will affect what they choose to investigate, the angle of investigation, the methods judged most adequate for this purpose, the findings considered most appropriate, and the framing and communication of conclusions" (pp. 483-484). Reflexivity is believed to be essential for avoiding dishonesty and bias in the research process. Acknowledging that the researcher's own experience affects the entire research process, I, as a former employee of the case study organisation, present my own account in relation to the context of knowledge creation so that the reader can distinguish the basis of my construction of meanings through the research process. As Malterud (2001) noted: "preconceptions are not the same as bias, unless the researcher fails to mention them" (pp. 484).

I worked in Pakistan's FBR, for about ten years. The FBR and its subordinate departments, namely income tax, customs, central excise and sales tax, administer Pakistan's federal tax system. Its national importance is indicated by the fact that it was one of four key institutions selected to undergo reforms. During this time I worked in various positions performing different supporting roles. For about seven years I provided services to the reform wing of FBR. I became involved in the process during late 1998 when the Special Assistant to the Chairman selected me from the Directorate of Research & Statistics (DR&S) to work as a member in a special unit – the Special Monitoring Cell (SMC). My inclusion in the cell was purely on a technical basis, as I was one of the very few available competent users of IT at that time. The SMC had been created to monitor the revenue collection by the then Chairman, Mr. Moinuddin Khan, a Pakistani international banker recruited to bring improvements in the tax administration to enhance revenue

generation, minimize tax evasion and restore the confidence of genuine taxpayers. This effort of bringing improvement to the Pakistani tax system, however, could not be sustained due to a political intervention made by the Prime Minister Mr. Nawaz Sharif who, on 6 November 1998, suddenly changed the Finance Minister and his team, including the Chairman of the CBR. Nonetheless, this initial work experience started my journey into the reforms of the organisation. On dissolution of the SMC in 1999, the organisation directed me to report back to the DR&S.

After only a few months I was posted to the new reformed unit Policy & Tax Reform (PTR), which later on was renamed Tax Policy & Reforms (TP&R). This unit was mandated to lead the reform activities in the CBR. In this wing I was supposed to help a senior civil servant working as a middle manager, and I was also responsible for helping the organisation to reengineer its business process. Here I was again picked by the head of the wing called 'Member' (a rank lower to Chairman) to strengthen his office in the area of IT as he was struggling to organise his office and keep connected with the new international counterparts, like the WB and IMF, whose routine medium of correspondence was electronic mail with attached soft files instead of traditional hard copies sent by post. This assignment not only made me prominent across the organisation, but also allowed great access to information I could have not otherwise have had.

I enjoyed this work because it enabled me to learn how the organisation worked in greater detail. After spending some time in this wing I realised that I had previously been in a state of blissful ignorance, unaware of the functioning of the public sector and particularly my organisation. Undoubtedly, it was a learning time that gave me the opportunity to look deep into the organisation I had been working in for several years. This is perhaps due to the very nature of departmentalised sort of bureaucratic public sector organisations where everyone is individually responsible for his or her desk job and does not encourage their employees to think holistically. The more I understood the functioning of the FBR, the more interested I became due to its vital national importance and massive presence in the country – having, as it does, thousands of offices and over thirty thousand employees across Pakistan.

My interest in organisational reform started developing soon after I was posted to the reform section because of the greater access I had to formal documents and proceedings. This position provided me with a unique opportunity to look into the entire process of reforms very closely. Through this window of opportunity, I was able to see across the entire spectrum and see the process from the national government's perspective, from the donors' point of view and from the employees' side. As a member of the reform team, and being the closest employee to the person leading the entire reform process, I was involved in the process from the beginning. In 2001 the IMF's report recommended its reforms, reforms which were also supported by the in-house report known as the Shahid Hussain Committee Report (2001). To formalise the process, a formal approval of recommendations was taken from the government in the same year and a supervisory council led by the Finance Minister was constituted. In the following year funds of USD 2.9 million for project preparation were issued by the WB by using which a UK-based international consultancy firm was hired to prepare the detailed strategy document and project implementation plan (details in chapter 5). As a silent spectator, I saw my seniors dancing like puppets to unfamiliar, alien beat and calling it 'duty'. This was just what one expected from classic bureaucrats tied in chain of command. There were none of us who had the experience or expertise to lead the reforms. And the idea of another imported Chairman was neither acceptable to the senior bureaucracy working in the FBR nor to politicians after the experience of Mr. Moinuddin Khan. Missions and recommendations, one after the other, were being received by the FBR from the donor agencies to initiate the reforms. Although in practice IFIs like the WB, the Asian Development Bank (ADB) and the IMF are collectively known as 'donor agencies' in Pakistan; but, strictly speaking, I don't believe the term 'donor' should be used due to their engagement in the manifold activities like imposing the component of technical assistance and earning interest over the loan (the sizeable portion of funding). However, for the sake of this thesis, I have used this term 'donor' as natives use it. From the recommendations, policy reforms like elimination of subsidies and minimisation of the rules relaxation were started implementing gradually. However, it was not that easy when it comes to the

implementation of recommendation on administrative reforms like reduction of discretionary powers, taxpayer facilitation and elimination of corruption, minimising customer and client inaction and bringing efficiency through the use of IT or reduction in the workforce.

This idea of prescribed reform was not very welcomed by the FBR employees. At all levels they were having corner meetings and gossiping about its implication and most of them were criticising it – officers due to fear of compromising their position and powers, and officials due to the fear of redundancy. Pakistan’s public service is divided into two main classes of officers and officials. Public servants working between grades 17-22 are called ‘officers’ while public servants who are performing their duties between the grades 1-16 are called ‘officials’. Similarly, officials have no powers according to the rules of business as it starts empowering officers from grade 17 gradually up to 22. I clearly remember in the start people accused the reform wing as being the devil’s servant and the heart of evil planning due to their fears of being made redundant. These sentiments became stronger once an incentive of special pay was attached to the people working in the reform wing. This incentive, which was an effort of trying to gain more commitment from employees through financial rewards to counter act the traditionally slow and unresponsive attitude of public servants posted in reform wing, also perpetuated jealousy and anger amongst the rest of the employees. This anxiety was conveyed by the colleagues directly and indirectly to the members of the reform wing. This hostility was conveyed directly in everyday meetings and encounters, and it was conveyed indirectly whenever any help was asked by the member of reform wing as such request were met with replies like: “Oh, really? The reform wing needs our support?” Or, “You are the high fliers and highly paid people, you should do it yourself.” This resentment was understandable as by virtue of law reform wing employees were equal in position to other public sector employees. This priority treatment, however, boosted the morale of people working in the reform wing.

While we, the insiders of reform wing, were equally powerless in policy matters as other public sector employees, we were more informed than the other

colleagues. Over time, this additional attribute somehow made the people working for reform very special and every other employee wanted to have links with them so that he/she could remain informed. I was working in the headquarters in Islamabad with approximately nine hundred other colleagues. Of those nine hundred I known only to a few people before my posting with Member TP&R, but soon I started realising that there was hardly a person left in that group of nine hundred who was a stranger to me after that. I started receiving smiles and handshakes while roaming around in the office as well as numerous intercom and phone inquiries about what was happening or was being planned. To my surprise, even the people like the Chiefs, Collectors, Commissioners and Directors from higher up the chain of command started extending invitations to have tea or lunch together knowing my position in the reform wing. This intrinsic reward somewhat raised my level of interest in and level of commitment to the reform process. It was really a test for me as I was entrusted by my seniors not to reveal classified information to anyone while, on the other hand, the majority of my colleagues were expecting otherwise. Though mostly I had to narrate lies, I soon realised that nobody believed what I was saying even in the instances in which I was sharing a truth. When my colleagues realised I was not telling them classified information they were disappointed and I became known as *Shah Naloo Bota Shah Da Wafadar* (A person more loyal than the king himself); but strangely the level of queries kept increasing, possibly due to the non-participatory approach adopted by the Board and also because of people's curiosity.

I remained part of this huge venture for quite a long time during which I encountered numerous situations, saw many breakthroughs and witnessed failures. My journey ended in a quite disappointing manner when the person leading the reforms was faced discrimination based on religious grounds and told that he could not proceed to the next level, i.e. to Chairman or Federal Secretary.¹² Therefore, he lost his interest in the job. At this position where the only work motivation he had was gaining professional recognition in the form of leading the organisation he served for almost 35 years – was no longer there. Having his loyalty to his country questioned was really disappointing, not only for him, but

¹² Member TP&R shared these feelings with the researcher as member of the reform wing.

also for the entire reform team. The dejected reform leader, after losing his dream, decided to quite this unfair civil service and started applying for work internationally. It wasn't a daunting task given his extraordinary tax career and reform experience. He was well-respected amongst donor agencies and recognised as a relatively effective leader. Soon he was asked to lead the reforms of a tax agency in a second world country. He accepted the offer and left FBR after taking early retirement. Soon after his departure the reforms once again went into the hands of inexperienced reformers and *status quo* bureaucrats. Unfortunately, almost at the same time the lead person from the WB Pakistan also made a career move and accepted another offer which meant leaving the WB. Even the successful initiatives that were well underway started getting halted, which caused disappointment to all the reform members. I also started applying for jobs outside the public sector and fortunately got employment in the United Nations (UN) and then with the United States Agency for International Development (USAID). But even after four years away from the Pakistani PS the seeds of questions like why reforms, how reforms and when reforms always remained stuck somewhere in my mind. To find the answers to these questions finally I decided the best would be to research the topic under qualified instruction.

4.7 An overview of fieldwork

I have based my research on empirical material consisting of interviews, participant observation and document analysis (Yin, 1994). May (2011), Punch (1998) and Patton (2002) argue that in qualitative research these three are the main methods of data collection. In this project the main pillar of data collection is the in-depth, semi-structured interviews that took the form of informal conversation. As Kvale (1996) describes, their purpose is to obtain qualitative descriptions of the life world of the subject with respect to interpretation of their meaning. I used these interviews to deepen the understanding of an individuals' perspectives by giving a sense of the multiple interpretations, as reality is made by people's interactions. I shall now discuss the each step i.e. sampling, data collection, approaching research informants, research ethics etc., involved in the fieldwork.

4.7.1 Sampling and Interviews

I used the technique of snowball sampling to extend the sample size, bearing in mind the legal constraints of informants and making the process more reliable. During the fieldwork, I assured informants that all data would be treated confidentially. This is an essential principle in all research, but specifically in Pakistan where it is illegal for any government employee to express their views about the government's actions (Pakistan, 2007). Griffiths and others (1993) suggested following criteria of privileged access interviews: a) having contracts or can easily develop contact in population, b) having personal experience or attributes making none threatening to population, c) socially and educationally equipped to collect data. My earlier experience of working in the PS qualified me to occupy this role as I am known to many informants and also possess direct knowledge of the issues prevailing in Pakistan's PS.

In total, twenty-two open-ended semi-structured interviews were conducted. From them twenty were with mid-level public sector employees, including Chiefs, Director Generals, Acting General Managers, Directors, Deputy Director Generals, Secretaries, Joint Directors, Second Secretaries, Deputy Directors, System Analysts and Assistants. And, two donors' representatives of 'specialist' level to record donor's perspective on the issues raised by the research participants of the case study organisation. During these interviews, I also felt that I should also include the point of view of the donor agencies, the WB and the Asian Development Bank, on their funding priorities and monitoring mechanisms. This was not part of the original plan. Their inclusion was thought appropriate due to some questions and observations that were raised by the respondents on their role during my interviews with them. After getting approval from my supervisors, I tried to contact the WB, IMF and ADB but only could manage to get responses from the WB and ADB. The following table contains the complete information about the interviewees:

Table 6: Complete list of interviewees

Respondent # 1 WB	Sex - Male Age - 42 Education - Masters Experience - 16 years Level Officer - Specialist	Respondent # 2 ADB	Sex - Male Age - 44 Education - Masters Experience - 13 years Level Officer - Specialist
Respondent # 3 KML	Sex - Male Age - 42 Education - Masters Experience - 18 years Level Officer - 19	Respondent # 4 FM	Sex - Female Age - 48 Education - Masters Experience – 26 years Level Officer - 19
Respondent # 5 SS	Sex - Male Age - 39 Education - Masters Experience - 14 years Level Officer - 18	Respondent # 6 ND	Sex - Male Age - 51 Education - Masters Experience – 29 years Level Officer - 20
Respondent # 7 NA	Sex - Male Age - 40 Education - Masters Experience - 18 years Level Officer - 18	Respondent # 8 UW	Sex - Male Age - 49 Education - Masters Experience - 27 years Level Officer - 19
Respondent # 9 HSA	Sex - Male Age - 44 Education - Masters Experience - 22 years Level Officer - 18	Respondent # 10 SP	Sex - Male Age - 55 Education - Masters Experience - 29 years Level Officer - 20
Respondent # 11 YK	Sex - Male Age - 51 Education - Masters Experience - 32 years Level Officer – 20	Respondent # 12 ARH	Sex - Male Age - 48 Education - Masters Experience - 27 years Level Officer - 19
Respondent # 13 SJ	Sex - Male Age - 55 Education - Masters Experience – 31 years Level Officer - 19	Respondent # 14 WA	Sex - Male Age - 44 Education - Masters Experience – 19 years Level Officer - 18
Respondent # 15 GA	Sex - Male Age - 46 Education - Masters Experience - 28 years Level Officer - 20	Respondent # 16 MS	Sex - Male Age - 40 Education - Bachelors Experience - 22 years Level Officer - 16

Respondent # 17 SA	Sex - Male Age - 38 Education - Bachelors Experience - 18 years Level Officer - 16	Respondent # 18 NQ	Sex - Male Age - 49 Education – Chartered Accountant Experience - 8 years (private sector inductee) Level Officer - 20
Respondent # 19 MS	Sex - Male Age - 53 Education - Bachelors Experience - 27 years Level Officer - 16	Respondent # 20 MZ	Sex - Male Age - 39 Education - Bachelors Experience - 20 years Level Officer - 16
Respondent # 21 SA	Sex - Male Age - 44 Education - Masters Experience - 23 years Level Officer - 18	Respondent # 22 ZK	Sex - Male Age - 46 Education - Masters Experience - 26 years Level Officer - 18

Mid-level employees were approached for two reasons: first, getting access to the top echelon is often difficult and also they mostly provide policy level guidance only, second, getting a hold on mid-level manager is comparatively easy because of their abundance and also they are the ones who actually implement the policies on the ground. They not only decode the seniors' directions, but also roll them out practically, hence they are an important part of the negotiated order. Of the 22 interviews, 17 were recorded on a digital recorder and 5 were written by me during interviews. These hand-written 5 interviews were then shared with the interviewees to get their agreement on the script I wrote during these interviews. These interviewees after reading my manuscript of their replies identified few issues of my misunderstanding and made corrections accordingly. These suggested changes were carefully incorporated in the responses of these 5 interviewees.

The interviews ranged from 29 to 101 minutes and the total time of recorded interviews is 1,129 minutes. The interviews were recorded in English or Urdu languages. In the empirical chapter six, the quotes from both the languages are separated with 'E' representing the English language and 'U' denoting Urdu. The use of language was selected considering the language-ability and time availability of interviewees. To quicken the proceedings where time was an issue,

the national language of Urdu was used. To ensure the data quality, like the manuscript interviews, English translations of the interviews recorded in Urdu were shared with the research informants for their vetting. Participant observation and compilation of field-notes also served as sources of primary data collection.

4.7.2 Participant observation

According to Bernard (1994) participant observation “involves getting close to the people and making them feel comfortable enough with your presence that you can observe and record information about their lives” (pp. 136-137). This comfort level I was able to gain after a few visits to the organisation as there were many moments from my time working there in the past helping me to reconnect with the employees of this organisation. In fact, I experienced a dual role and commuted between being involved and being detached (Simpson and Tuson, 1995). Observation took place throughout the period of fieldwork as I spent almost the entire period amongst the employees of the case study organisation, but special attention was paid to this aspect when I was conducting the semi-structured interviews with them. Here, again, my earlier experience of work in the public sector also helped me put my feet in their shoes and quickly picking up the gestures, postures, pauses, and emotions etc., of the interviewees and relate them with the answers. During the entire period of fieldwork, including the interviews, I maintained a field diary containing field notes of my research experience. This not only helped me to recall the situations, but also helped me to make sense of the experiences and interviews with interviewees.

4.7.3 Documentary analysis

May (2011) notes that alongside observational data, documentary analysis facilitates the research at two levels:

“At one level this was introduced as a means of enhancing understanding through the ability to situate contemporary accounts within an historical context. It could also allow comparisons to be made between the observer’s interpretations of events and those recorded in documents relating to those events” (pp. 191).

Secondary data consisting of various official and unofficial documents from both government and donor agencies were gathered to deepen the analysis. The main

documents analysed during this research are: public reports like Government of Pakistan's report of National Commission on Government Reforms (NCGR), Report of the Task Force on Reform of Tax Administration (TARP), President's approved Strategy Document, Project Implementation Completion and Results Report (PICRR), the Vision 2010 and Vision 2030, the World Bank's Project Appraisal Document (PAD), Framework for Civil Service Reform in Pakistan. Other sources of information include various internal classified reports and documents e.g. Project Implementation Plan (PIP) of the FBR, and the reports of the various National Commissions / Committees government formed to assess the Pakistan's administrative problems and suggest changes i.e. Munir, Egger, Gladieux, Ahmed, Cornelius, Power, Meer, Haq, Patel, Anwar, Chattah, Pasha, Imam, Choudhary and Naqvi.

In this research this source serves two purposes: I used documents to analyse the current reforms within the historical context (chapter 2) and I compared the reformers' intentions by analysing the documents (chapter 5) in light of the interpretations of the reforms provided by people during fieldwork. Scott (1990) argued that the documents should be approached by the researchers to extract meanings at three levels: intended, received and internal (pp. 34). Foster (1994) reminded that the use of documents with respect to organisational research "should never be taken at face-value. In other words, they must be regarded as information which is context-specific" (pp. 149). May (2011) suggests that "documents may then be interesting for what they leave out, as well as what they contain. They do not simply reflect, but also construct reality and versions of event" (pp. 199). While analysing the documents collected during fieldwork, I considered these precautions proposed by several scholars during data analysis to make the product more insightful, objective and reliable.

4.7.4 Interview protocol

The interview protocol was comprised of open-ended questions (Appendix A). The interview questions were constructed mainly based upon deliberations made with my PhD supervisor, the literature review and personal experience. There were six sections of the interview protocol: i.) biographical information, ii.) about

informants' work, iii.) overall impression about reforms, iv.) covering the reform need, conceptualisation and implementation, v.) attempts to reform and change in implicit contracts, and vi.) reform achievements and results.

To be sociological, I asked people: about their work and what they see as their priorities; who are the important people they need to work with (here I am asking about the negotiated order, in colloquial terms); what have been the most significant changes for them, directly in terms of their work, and as they see impacting on their organisation and the public sector in Pakistan as a whole (here I am asking about reform attempts); and how they have been affected by these changes - whether they have made it easier or harder for them to do their work (I am in effect asking about how it has changed their implicit contract).

4.7.5 Testing of the interview protocol

I also conducted a mock interview with one of the senior officials during which I realised that there are few questions whose answers were repetitive. These questions were not only irritating for the interviewee, but also increased the length of the interview to almost 90 minutes plus. I shared experience of my mock interview with supervisor and requested elimination of some repetitive questions, which was granted. Hence, I tailored the questionnaire in light of the feedback from the mock interview with the agreement of my supervisors and also translated the questionnaire into the national language (Urdu), which was to be used to conduct the interviews with the public officials who had difficulties understanding the English language or tight schedules.

4.7.6 Clarifying some ethical issues

Before I describe the fieldwork I would like to clarify some ethical issues that I encountered during the data collection. These issues were not compromised intentionally or for adventure, but because there was no way around. There are three instances in total, the first time it was when I had to enter the Red Zone (a no go area for ordinary persons) with the help of an invalid identity card where my target organisation was located. Secondly, asking the informants to give their input on governmental affairs despite knowing that as per government's

guidelines they are bound not to do so. The third instance was when I played some of the unidentifiable portions of the recorded interviews for the encouragement of other colleagues to record their interviews as well.

4.7.7 Accessing the Red Zone: a constant challenge

The first challenge that I encountered was accessing the headquarters of both the target organisations situated in the Red Zone. The Red Zone is the most sensitive area of Pakistan's capital Islamabad as declared by the Government of Pakistan located in Sector G-5 where access for the common people is prohibited for security reasons. These security arrangements are related to the current law-and-order situation Pakistan is facing due to their involvement as a global ally in the 'war against terrorism'.

To access this area, one needs an official identity card issued by the respective organisations located in this area or an invitation from a senior government officer. Since I needed to visit this organisation on a regular basis during the 3-4 month period of fieldwork I needed a solution that would allow me frequent access. To solve this issue, I called one of my ex-colleagues from the FBR who agreed to take me in a vehicle with a Government number-plate in which he crossed the check post by waving his official Identity Card (IC) at the security check post.

During my first visit to the FBR I met with several ex-colleagues who appeared to fully appreciate the purposes of my research and my ambition to achieve a PhD. Some of them expressed their apprehensions about my decision of leaving a highly valued job with USAID for this adventure. Here, when I was sharing their lunch from colourful lunch boxes which they brought daily from homes, I asked for their help regarding frequent access. Several solutions were discussed, but we all agreed on the use of my expired IC, which I knew was still lying in my drawer at home, as the only thing on the card security official checks is the photo and the confidence of the presenter. This idea worked very well in the coming days and I kept on using my expired IC for the rest of the fieldwork in order to access the

Red Zone. After getting into the Red Zone crossing the gates of the target organisations with the help of office occupants was relatively simple.

4.7.8 Approaching informants

While entering the organisation was no longer an issue for me the actual issue of getting information from the government employees in the form of a recorded interview was still a challenge. It was very difficult to convince the government employees to give interviews when the penalty for such activity could be dismissal from service (Pakistan, 2007a). To be honest, if I had ever been asked for an interview while I was serving for the government I would have refused. I would not have risked my permanent employment for the sake of someone's research. Considering the volatile economic condition and high unemployment rate, Pakistan's public service is still considered one of the safest options as it has an assured monthly salary, job security, health cover, housing benefits and pension plan.

In order to help interviewees overcome all their fears I decided to talk with an old friend who himself happened to be research officer at my parent department DR&S and who was now promoted to Secretary in one of the reformed units. He had recently completed a degree in Holland and training in the United States. Thanks to a social networking tool I was not only in contact with him, but also apprised with his developments. I requested him to be a volunteer and record his interview, I knew asking for a recording was very sensitive, but I had to record the interview for various reasons. My greatest reason for recording the interviews was the fear of losing important data while trying to note everything down on paper and also to provide stronger evidence for my research analysis. I was so sure that my interviewees would refuse to be recorded that before departing for data collection I explicitly got approval from the University's ethics committee for not providing any recorded material. But fortunately my expectations were proven wrong and this first interviewee happily agreed to record the interview under the condition that I not share the interview with anyone and keep the name and designation anonymous. It was really a breakthrough. I was not only able to secure a recorded interview, but also gain his commitment for convincing one or

two more colleagues to be interviewed. Encouraged by this first experience, I started approaching people I believed might be helpful for my cause. It was a random search with no set criteria for informant choice except willingness to participate. The second interview I recorded was of a person belonging to the statistic wing. I decided to approach him because he had a reputation for being outspoken. On my request, he asked to come for the recorded interview after office hours as he was sharing his space with other colleagues. This is a general practice in Pakistan's public sector – that senior officers are provided a private room while the middle managers share space with support staff. After recording two interviews my confidence started rising and I continued my data collection. Mainly people showed a mixed reaction to my request as they were really interested in lending their voice to the topic, but were also afraid of the potential consequences that doing so may have. In addition to my personal assurance and trust gained from the informants, I believe timing was also a factor in successfully recording of the maximum number of interviews. The organisation I targeted has completed almost 10 years of reform activities and now people are ready to speak out despite known threats. To encourage interviewees to have confidence in the interview process, and especially in letting me record their answers, I had to play a few unidentifiable portions of previous interviews with other colleagues to prove that the recordings would be truly anonymous. All the interviews were recorded in interviewees' respective offices during or after office hours. Locking the door from inside, removing the phones from their cradles or meeting after office hours were the general actions taken by the interviewees during the interviews as precautionary measures to prevent on the plea that they don't want any disturbances during their interview.

During the interviews I found that many of my informants raised questions about the donors' roles. Realising the situation, I decided to expand the scope of interviews to include the donors' representatives as well and asked for permission from my supervisor who happily accepted my proposal. Now, when I actually had to approach these agencies for these interviews I learned how daunting it could be. Despite my various calls I could not arrange even one interview with any of these agencies. They all responded to my calls in the same way by asking for an email

stating the purpose of the meeting, and then did not respond to any of my emails. This was the time when I started believing that there was hardly any difference in the functioning of bureaucracies either working for so-called lethargic Pakistan public sector or promoted proactive international organisations. I was at the point of writing another email for permission to roll back and stick to the original scheme when I found a lead during an interview with an official working for FBR. During discussions he pointed out that he usually has discussions over reforms with his brother who was working for one of the donor organisations. I told him my story of failure in securing any input from donor agencies. During the conversation he called using the intercom through exchange to a senior level official working in the same organisation where his brother was working and fixed my meeting for 30 minutes in just two days' time. I felt astonished and happy that I found a way to enter after all. It was really unexpected for me, but I started preparing myself for that interview. After recording this interview from a donor's representative I felt like completing a sketch with input from all quarters. But my concern of relying on just an interview pursued me to look for more interviews from the donor community. This concern was resolved with the help of another former colleague who was the main point of contact for another donor agency in FBR. He was the one who provides information on the progress of reforms as demanded by the donors in order to complete their obligation of reporting, so the donors couldn't reject him. Another interview from the donor representative was made with the condition that I not reveal his name or his position, nor record his voice to which I agreed. Even with conditions the interview was worth taking as it helped me to understand the situation in more depth.

4.7.9 Unrest in the Capital

Everything in the field was going smoothly until public unrest and turmoil suddenly started against the government. It was sparked off by price hikes and non-availability of basic necessity like gas, electricity, fuel etc. This seriously created problems for all the citizens of the capital. Almost every day a large crowd gathered on the roads agitating against government policies. They were burning tyres on the roads to block the traffic, and attacking and burning government

vehicles and public transport. This situation was controlled by the government in about a two-week time and law and order were restored in the capital. As this was my home-ground, I continued data collection by using my best judgement about timing and the routes by which to approach informants.

4.8 Analysis and interpretation

According to Anderson and Burns (1989), “the purpose of data analysis is to translate the evidence into a form which allows the researcher to make clear and concise statements of description and/or associations” (pp. 200). Conceptually, abstract analysis started happening from the day I recorded the second interview during the fieldwork. The first interview along with the observation provided the base by which to compare and contrast the feedback received during interviews. The process expanded along with the size of sample and soon I realised that it was no longer possible to comprehend the information without proper and systematic arrangement of the data. It became necessary to employ some techniques to make analytic sense of the raw data. As soon as I finished transcribing the data I started sorting the data according to emerging themes and termed this process as ‘bucketing process’¹³. The bucketing process involved arranging the data into themes and subthemes. The themes and subthemes were identified after segregation of data in different ‘buckets’ making similar excerpts and or containing variant of the main themes or sub-themes. During this process a clear link was ensured to track the source of these excerpts. Once the bucketing process was over I was left with transparent buckets of selected, simplified and organised data ready for interpretation. These records were then uploaded into NVivo software in order to get swift and accurate results through generating specific queries. Where this process helped me to organise the data, it also ended up categorising it for analyses through which themes and patterns were discovered. Undoubtedly, it was a very complex process as noted by Marshall and Rossman (1999) that the responses during interviews are not according to the categories determined by researchers. But, it helped me to familiarise myself with the data more closely. Hence, abstract analysis started getting firm basis of categorised

¹³ I borrowed this term from discussions with my supervisor Dr. Alison Hirst.

interviews, field notes and other material collected through fieldwork. This process helped me to relate my data to rival theories as well identified contradictory themes emerging within the data. For example, use of IT was seen as a facilitator by some and a hurdle by other interviewees. Identification of such difference upfront pushed my thoughts to explore it beyond its face value. Brewer (2000) argued that data analysis is not just about putting data into categories, but joining those categories properly. For example, enhanced use of IT was supposed to be reducing face-to-face contact between officials and clients, but it was clearly regarded as producing the opposite results. The analysis furthered as “an iterative process in which ideas are used to make sense of data, and data used to change ideas” (Hammersley and Atkinson, 2007, pp. 158). Simultaneously, the process of theory development ensued during fieldwork, and analysis and emerging theoretical ideas were recorded through analytic memos. The fieldwork was guided by the ideas that came out of the relevant literature and have been presented in the conceptual framework above were embraced by the concepts emerged during fieldwork.

4.9 Research Quality

In qualitative research, trustworthiness terms as measures to ensure the quality of the research. In this regard, Yin (1998) suggested eleven tactics under four tests to the researchers for increasing the quality of their case study. To maintain the quality of this case study I am using seven out of eleven recommended tactics. The remaining four tests (time series analysis, logic modelling, replication logic, and review by key informants) were ruled out due to unavailability of the appropriate data required or its applicability in multiple cases. A summary showing actions taken to meet with the suggested tactics for this case study can be seen below (table 2):

Table 7: Research quality

Test	Tactic	When	Action
Construct validity	Use multiple sources of evidence	Data Collection	Interviews, documentary evidence, participant observation, field notes, published and unpublished government records and photographs.
	Establish a chain of evidence		Interview data, field notes and diary were updated simultaneously and relevant material was also taken and transferred to the computer.
Internal Validity	Do pattern matching	Data Analysis	Emerging patterns were identified and matched during detailed data analysis.
	Do explanation building		The underlying links were traced and explained during analysis.
External validity	Use rival theories within single cases	Research Design	Rival theories were consulted during designing of research.
Reliability	Use case study protocol	Data Collection	Same method of data collection was used to conduct all the interviews.
	Develop case study database		Database is maintained with the recording and transcripts of interviews and field notes.

4.10 Summary

This chapter explains the research methods I have used to study the consequences reforms have had on the way the Pakistani public sector organisations functions as well as why these organisations are resistant to reforms. This research follows a qualitative paradigm and, in particular, uses an exploratory case study approach to be able to dig deep and get rich explanations of the phenomena from an emic standpoint. In line with assumptions I hold about reality and knowledge, I have adopted inter-subjective epistemology and the ontological belief that reality is

socially constructed and consists of people's subjective experiences of the external world. The case study organisation has been conceptualised through Strauss' (1978) concept of 'negotiated order'. To do so, I have used an ethnographic-oriented approach (Watson, 2008) which treats ethnography as a form of writing. To ensure the quality of this case study I have applied seven out of eleven tests recommended by Yin (1998).

After discussing the relevant literature and setting the methodology, in the next chapter I will discuss the reform actions introduced in the FBR.

Chapter 5. Reforming the federal tax agency

5.1 Introduction

In this first empirical chapter, I analyse the reformers' (Government of Pakistan and The World Bank) expressed official intentions of reforming the tax agency to make it more efficient, transparent and effective. This organisation seems to be very important for the reformers, as it was part of the Structural Adjustment Programme (SAP) negotiated in 1990s, is part of the Poverty Reduction Programme, which replaced the SAP from 2000, and also included in the list of key national organisations by the National Commission on Government Reforms (NCGR) to improve the overall Governance. The main sources of secondary information in this chapter are Public reports like Government of Pakistan's (GoP) report of NCGR, Report of the Task Force on Reform of Tax Administration, approved Strategy Document, the World Bank's Project Appraisal Document (PAD) and Project Implementation Completion and Results Report (PICRR). Other sources of information include various internal classified reports, documents, Project Implementation Plan (PIP) and presentations of the Federal Board of Revenue (FBR). Some of the sources, e.g. donor's reports were classified documents at the time of the start of this project. However, because of my personal contacts inside the FBR, I was able to get them, along with other still classified documents like PIP. Nonetheless, the donors' reports are no longer classified. Due to their recognition of the right to information act the donors have gradually authorised their disclosure.

After analysing all the available documents, it seems that the reformers have adopted a two prong strategy: policy reforms to rationalise the tax rates, simplify the tax laws and broadening of the tax base; and, administrative reforms to increase the administrative efficiency and control through improved human

resource management (HRM), information technology (IT), business process reengineering (BPR) and structural changes in the organisation. In this chapter I briefly introduce the case study organisation and explain its functions. Then I analyse the main reasons and areas of the reforms identified by the reformers. Finally, I analyse the aims and strategy opted by the reformers to introduce major reform initiatives in the case study organisation.

5.2 Evolution and Functions of FBR

The Central Board of Revenue (CBR) was created after implementation of Central Board of Revenue Act, 1924. In 1944, it was converted in a full-fledged Revenue Division¹⁴ (RD) under the Ministry of Finance (MoF). This arrangement was altered in August 1960 when on the recommendations of the Administrative Re-organisation Committee (ARC) (see chapter 2), CBR was made an attached department of the MoF. In the year 1974, further changes were made to streamline the organisation and its functions and a full time position of Chairman CBR was created with the status of ex-officio Additional Secretary. To remove the impediments in the exercise of administrative powers of a Secretary to the Government and effective formulation and implementation of fiscal policy measures, the status of CBR as a RD was restored under the MoF on October 22, 1991. However, the RD was abolished in January 1995, and CBR reverted back to the pre-1991 position (Ahmed et al., 2005-06). Once again the status of CBR was restored as RD in 1998 which continued to exist till 2007. By the ratification of CBR Act 2007 which empowers the Chairman to exercise additional administrative and financial powers, the CBR has now become FBR. These back and forth changes made in the status of FBR over the period of time show a constant power struggle between the FBR for autonomy and MoF for its control. These changes are more frequent from 1990 onwards, due to frequent changes in ruling regimes (see chapter 2) and their reaction to address the grave financial problems. Following table presents the chronological order of the changes made in the status of FBR over time.

¹⁴ According to GoP's Rules of Business, 1973 'Division' "means a self-contained administrative unit responsible for the conduct of business of the Federal Government in a distinct and specified sphere and declared as such by the Federal Government" (pp.1)

Table 8: Fluctuating status of case study organisation

Changes in Status	Year
Creation of CBR	1924
Converted to RD	1944
Made an attached department of the MoF	1960
Appointment of independent Chairman	1974
Restoration as RD under the MoF	1991
Abolition of RD reversal to the pre-1991 position	1995
Restoration as RD	1998
Converted into FBR with more financial and administrative autonomy	2007

Source: Author's compilation

Currently, the FBR has over 30,000 employees on its payroll with its countrywide presence of 1,000+ offices at divisional, district and tehsil¹⁵ level. The FBR and its subordinate departments, namely, income tax, customs, central excise and sales tax, administer Pakistan's tax system. The constitution of Pakistan empowers the federal government to levy and collect:

- i. Taxes on income, other than agriculture income;
- ii. Taxes on capital value of assets, other than capital gains on immovable property;
- iii. Customs duties on international trade;
- iv. Excise duties, other than on liquor, opium and other narcotics and
- v. Taxes on sales and purchase of goods.

Source: (FBR, 2008-09)

In the existing setup, according to FBR yearbook 2008-09, the Chairman is the executive head of the Board as well as Secretary of the RD, has the responsibility of: (1) Formulation and administration of fiscal policies, (2) Levy and collection of federal taxes; and (3) Quasi-judicial function of hearing of appeals. His responsibilities also involve interaction with the offices of the President, the Prime Minister and Ministries of economic, trade and industry. The current organisational structure of the FBR is presented below:

¹⁵ The tehsil is the second-lowest tier of local government in Pakistan; each tehsil is part of a larger District. Each tehsil is subdivided into a number of union councils.

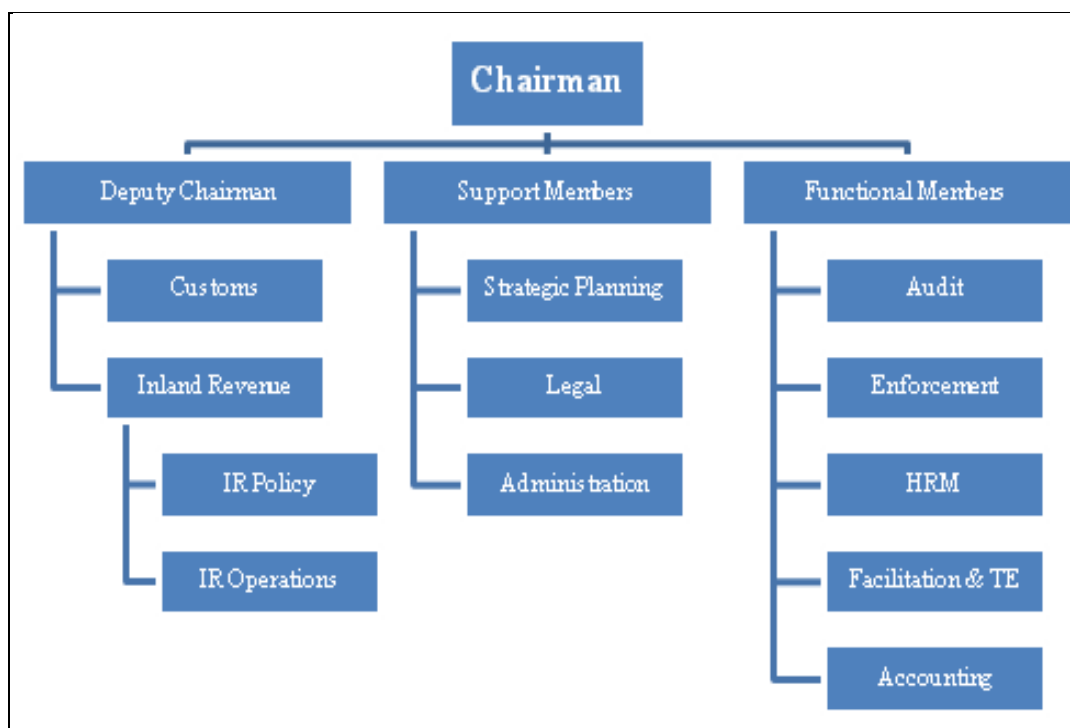


Figure 3: The current organisational chart of FBR

Source: FBR website (www.fbr.gov.pk) accessed on 14.05.2013

5.3 Tax Administration Reforms in Pakistan

Most developing countries face two similar challenges. One is poor generation of revenue from within the country and the second establishment of public organisations that can tackle the pressures of the government's budgetary constraints, face the global competitive environment, and meet peoples' rising demands (Ohemeng & Owusu, 2013). Pakistan also falls within the category of these countries whose citizens are sceptical about the performance of public sector, global competitiveness, efficiency, and governance indicators rank it at the bottom and its expenditure is far greater than its revenue. It was estimated by the IFIs that the Pakistan is collecting far less than its due taxes. The two major argued reasons behind this problem were as: complex and irrational tax rules; and, inefficient administrative mechanism.

In chapter 2, I explained that Tax Administration Reform was initially agreed with the International Monetary Fund (IMF) in the year 1998 as loan conditionality of the structural adjustment programme (SAP). Two main reasons promulgated by the Government and IMF together for tax reforms were enhanced revenue and

documentation of the economy. To achieve these objectives the tax base was set to be broadened by including the un-taxed income and sectors in the tax net. The IMF and Government also agreed on an overall tax administration reform by establishment of an independent agency to be called Pakistan Revenue Services (PRS) in place of the existing CBR. The idea was to create an autonomous organisation that can perform its functions without financial, administrative and political hurdles. In this regards, a bill to form the PRS was tabled in the National Assembly on December, 31, 1998 but could not pass from the floor of the house (Hors, 2001). This apparent reason for this was the overwhelming influence of the industrial and business communities over the ruling government, who saw it as a threat to them and their businesses.

However, soon after the General Mushraf led military government took charge of the country in October, 1999, it agreed with the IFIs to conduct an extensive diagnostic study of the federal tax agency and in June 2000 appointed a Task Force on Reforming the Tax Administration (Generally known as Shahid Husain Committee). The financial and technical support to this Task Force was provided by the World Bank (WB) and IMF together.

5.4 The Task Force and its recommendations

The Task Force was headed by a senior retired bureaucrat Syed Shahid Husain supported by a team of 10 Members and two Advisors from civil society, including retired tax officials, lawyers, charter accountant, academicians and economist. The Task Force after conducting an extensive review of the tax system, presented its findings and recommendation in May, 2001. The findings identified following main problems hindering the functioning of the organisation:

- i. Sudden and frequent legal and administrative changes
- ii. Low taxpayers' education
- iii. Substantive discretion of tax collectors
- iv. Tax policy changes are not supported by appropriate adjustments in the administrative framework
- v. Complex rules, procedures and processes
- vi. Manual operations
- vii. Inappropriate organisational model
- viii. Coercive & adversarial relationship between the taxpayers and collectors.

- ix. Deficient financial resources and logistics support not matching with the growing demands of tax administration
- x. Extremely mismanaged human resources
- xi. Extremely low wages which compel the official to corruption
- xii. Over-employment especially at lower positions
- xiii. Reduced productivity due to an inappropriate mix of officers and staff
- xiv. Inadequate physical infrastructure and poor work environment

The report, particularly focusing on the issues of BPR, Corruption, HRM, IT, Organisation of CBR and suggested a wide-ranging, comprehensive reform programme in place of the piecemeal approach adopted in the past. To do so, the report proposed a series of policy and administrative changes in the CBR. Specifically, It proposed that CBR should:

- i. Be granted financial and administrative autonomy so that it can perform its functions more effectively and without hurdles
- ii. Reorganise its existing cylindrical structure on functional lines.
- iii. Reorganise its Income Tax department on functional lines to reduce the bureaucratic layers, eliminate tax collector's discretion and gain specialisation.
- iv. Simplify of all taxes, i.e. Customs, Sales Tax and Income Tax through extensive BPR.
- v. Encourage extensive use of IT to gain efficiency, transparency and minimise face to face contact between taxpayers tax collectors to control the corruption
- vi. Improve its relationship with taxpayers and launch initiatives for taxpayers' education and facilitation.
- vii. Rationalize its workforce through an appropriate mix of higher and lower grades and skills to increase the productivity.
- viii. Concentrate on Human Resource function to address the issues like wages, recruitment, retention, training etc.

Following the Task Force's recommendation the GoP requested the IMF to send their experts for an independent assessment of the Pakistani tax system. Subsequently, IMF mission visited Pakistan in August, 2001 who presented its finding after detailed discussion with the MoF, Establishment Division (ED), the Federal Public Service Commission (FPSC) and endorsed Pakistan's tax administration reform.

5.5 Leading the Reforms

One of the highest quoted reasons by the IFIs for the failure of past reform efforts across developing nations are the issue of the lack of ownership. Therefore, learning from the past, and realising this as one of the potential risks in successful implementation of the reforms, the reformers decided to take the organisational management on board. To resolve the ownership issue of the reform process, they called top 30 managers of the CBR to attend a three-day workshop at a hill-station near Islamabad in October, 2001. It is important to note that before this workshop all the proceedings of the Task Force were kept secret from the employees of CBR, excluding the Chairman. After reviewing the recommendations of the Task Force the CBR management agreed to proposed reforms in the organisation. Strangely, despite understanding that these reforms were going to impact radically on them, their status, power and work, no opposition whatsoever was officially recorded by the senior managers in any of the documents I have analysed. This affirmative response from the government servants seems to be obvious considering their vulnerable status in front both the powerful groups of IFIs and the government. To move ahead, they came up with a strategy document consisting of the following four main components to transform the CBR along the lines the Task Force envisaged it:

- i. Organisation of the Tax Administration
- ii. Business Processes Redesigning for Income & Sales Tax and Customs
- iii. Human Resource Management
- iv. Infrastructure development

However, they themselves being part of the system raised concerns over implementation of such radical changes in the CBR within the proposed programme life of 5 years without all out political, legal and administrative patronage. To facilitate the speedy implementation constitution of a high powered supervisory council (SC) consisting of political and bureaucratic elites was recommended. The role of the SC was suggested to be acting as an independent overseeing body of the CBR's reform process which can take the important decisions like setting the national revenue targets, budget, HR policies and compensation package. To perform these tasks, it was essential that SC should have appropriate authority and power vested in it. The strategy document

therefore proposed that this council should have the status of committee of Cabinet to exercise the power on behalf of federal government. This council was supposed to be headed by Minister for Finance and assisted by Chairman CBR, Deputy Chairman Planning Commission, Secretary General Finance and Secretary Establishment and can also request any other relevant government or private sector functionary to join on need. This was an unusually strong and powerful mechanism proposed for the implementation of these reforms which needed the approval by the President of Pakistan, the then country's highest authority. A graphical representation of the SC's structure as per PIP is as follows:

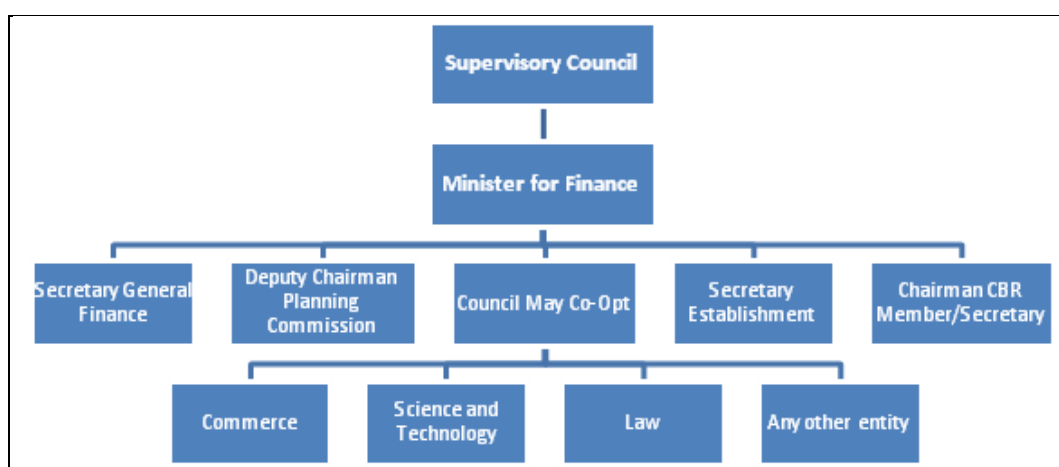


Figure 4: Structure of Supervisory Council

I interpret that the demand of such strong and unprecedented powers from the government was a tactic used by these senior managers to test the government's determination behind it. As in normal circumstances, getting approval of this mechanism alone would have taken a substantial amount of time for undergoing a massive consultative process involving the ministries of Finance, Law, Commerce, Science and Technology, and Establishment & Planning Divisions. But, it got approved by the President of Pakistan just within the period of two months showing strong support for these reforms. This also represents the unquestionable authority and the unanswerable position of the former self proclaimed President which helped him to take such quick and bold decision. Following which the reformers started preparations to launch the pilot phase for testing the proposed changes and setting the momentum before initiation of the full programme.

5.6 The Reform Package

Following the positive development of the Presidential approval, the CBR was awarded a project preparation facility (PPF) of USD 2.9 Million by the WB in 2002. This amount was granted to support the pre-reform activities for testing the proposed reform measures on a small scale and preparation of PIP. To prepare a detail PIP with timelines and costs, a UK based International consultancy firm was hired with the consultation of the WB. The remaining amount was used to establish pilot projects of the Large Taxpayers Unit and the Model Sales Tax House at Karachi and the Medium Taxpayer Unit at Lahore. This pilot phase was planned to test the new concepts of functional structure, integration and co-location of Income and Sales Tax, taxpayers facilitation, better work environment and deployment of employees through Internal Job Posting on improved salaries.

Subsequent to reports of successful pilot testing by CBR, the WB prepared the PAD for the main tax administration reform programme (TARP) in the year 2004. The total financial outlay of this five year programme was calculated at USD 123¹⁶ Million (PICRR, 2012). The project initiated at the start of 2005 was to be completed by end-2009. However, before reaching to closing date the project was restructured for another two years. The restructuring of the project was recommended by the WB's midterm review in late 2007. The main reason for this recommendation was the slow utilization of funds, especially relating to the development of IT. The total budget of the programme was also reduced to 73.90 Million. Following table presents original and revised budget of the programme.

Table 9: Original and Revised Programme Budget (Million USD)

S. No	Head	Original	Revised	Change ('+' '-')
1	Works	18.00	31.04	+13.04
2	ICT-Hardware & Software	76.00	23.71	-52.29
3	Consultant Services	14.10	7.27	-6.83
4	Training	10.00	6.36	-3.64
5	Vehicles	2.40	2.11	-0.29
6	Admin. and front fee	2.50	3.41	0.91
Total		123.00	73.90	-49.10

Source: Author's calculations

¹⁶ Excluding local component of 26 million USD.

It is evident from the above table that when every aspect of the programme was restricted, the amount was increased under the head of the Works by 13%. This trend indicates two main points: one the focus of FBR's managers more towards the development of physical infrastructure, instead of focusing on the strengthening and improvement of operations and system; and, second the unquestioned shift of money towards it by the WB. Ideally, at this point the more drastic cuts should have been made on account of the Works being the supporting component.

This point is more magnified in the following table which in the column 7 and 8 shows the percentage share of the amount spent on each activity. Row three shows the results of this generous allocation of money on infrastructure which at the end of programme constituted almost half of the total programme cost as against the originally planned share of 16%. Followed by another major spending head at row three, this shows a quarter of the total programme spending on procurement of information technology related hardware. This procurement of hardware was also contingent to software development, which was planned to be consuming the 36% of the total programme budget (row two, column eight) but ended at 4%. However, despite such huge downward revision in the revised budget of the ICT software, it still shows an increase of 1% in hardware related procurements. In fact, this head should also have gone down significantly due to non progression on the software front, for which this hardware was required. But it appears as there was neither FBR team was making coordinated efforts nor the spending driven the WB monitoring these radical alterations in the original plan. Or the focus of both the parties was on the achievement of spending targets, against which the progress of the programme was being measured. Whatever, the case was, the expenditure patterns do not reflect any synchronisation with the changes in the original project plan.

Table 10: Actual Expenditure of the Programme (Million USD)

Description	GoP Component		Foreign Component		Total		%age share revised ¹⁷	%age share planned ¹⁸
	1	2	3	4	5	6	7	8
1. Technical Assistance	11%	0.92	89%	7.27	100%	8.19	9%	11%
2. ICT-Software	2%	0.08	98%	3.83	100%	3.90	4%	36%
3. ICT-Hardware	10%	2.21	90%	19.89	100%	22.10	25%	24%
4. Infrastructure Development	24%	9.72	76%	31.04	100%	40.76	46%	16%
5. Vehicles	20%	0.53	80%	2.11	100%	2.64	3%	2%
6. Training	3%	0.20	97%	6.37	100%	6.56	7%	7%
7. Programme Management	19%	0.77	81%	3.29	100%	4.06	5%	4%
Total	16%	14.11	84%	73.78	100%	87.89	100%	100%

Source: Author's calculations

As, it was assessed by the WB's review mission that the TARP programme is going to miss its targets, therefore, they during the restructuring of the programme not only shrunk the programme budget by 51%, but also reduced the project development objectives (PDOs) from four originally set to only one and restricted the programme components from seven to four (table 5). The originally set four PDOs seem to be more specific against which the progress could have been measured individually. However, their revision to one umbrella PDO is also seems to be an effort by the reformers to cover the non-progression on achievement of individual PDOs. The following table 4 shows the actual and revised PDOs of the TARP.

¹⁷ The PICRR shows the actual expenditure of USD 87.89 Million including GoP share.

¹⁸ The PAD shows total outlay of USD 149.00 Million including GoP share.

Table 11: Actual and revised PDOs

Actual	Revised
1. Improving organisational efficiency and effectiveness of revenue administration	To improve the effectiveness of Pakistan's revenue administration
2. Promoting compliance through strengthened audit and enforcement capacity and transparent high quality tax services	
3. Improving integrity and fairness of tax administration	
4. Improving trade facilitation through modern and internationally acceptable customs procedures	

Source: CBR's internal presentation & WB PICRR

The original project was designed around seven components, however, during restructuring these components were reduced to four. The justification given for this change was the simplification and more effective implementation and monitoring. However, the above discussion suggests as this was done to mitigate the poor results and limited achievements of the programme. This revision seems to be more about framing the results in more generic components that can justify the programme spending by the end of the programme. A summary of the original and revised components is as under:

Table 12: Original and revised components of programme

Original Components	Revised Components
<ol style="list-style-type: none"> 1. Management and Institutional Development 2. Improving Revenue Operations 3. Strengthening Revenue Services 4. Creating a Tax Compliant Culture 5. Adopting Responsive I.T Systems. 6. Infrastructure Up-gradation and Development 7. Programme Management and Implementation 	<ol style="list-style-type: none"> 1. Enforcement & Audit 2. Organisation and Management for Efficiency 3. Information Technology 4. Programme Management and Implementation

Source: CBR's internal presentation & WB's PICRR

5.7 The implementation

As previously noted, Pakistan intended to reorganise its federal tax agency in 1998. However, this reform programme took more proper and substantial shape in 2000 as the TARP, a comprehensive reform of both structures and administration. Tax Administration Reform is a unique challenge in itself as it involves not only designing tax reforms, but also developing appropriately supporting tax administration. This is even complicated in Pakistani context as it involves arguably large and weak bureaucracies. Therefore, the package of suggested reforms was divided into two major categories: policy reforms and administrative reforms. The policy reforms were aimed at simplifications of laws, less dependence on withholding taxes, elimination of exemptions and immunities, the introduction of alternate dispute resolution (ADR) mechanism, tariff reduction and the introduction of the USAS Scheme. While administrative reforms targeted the reorganisation of the CBR on functional lines, amalgamation of homogenous taxes like Sales and Income Tax, improved HRM process, including trainings and salary, reengineering of business processes and automation. This arrangement shows an equal attention by the reformers to both, better policies and their efficient administration mechanism. As argued by Tanzi and Pellechio (1997), “inefficient tax administration reduces tax revenue, creates unintended distortions, or nonneutralities, in the tax system, which means that taxes affect markets in ways not intended by legislators, and introduces inequities through the tax system, for example between honest citizens and tax evaders” (p. 274). Bird (2004) also supported the above stance and assert:

“The administrative dimension is central, not peripheral, to tax reform. Without significant administrative changes, the alleged benefits of many proposed tax reforms will simply not be achieved, and, as a result, it is unrealistic to expect such changes. Too many tax reform efforts have regarded tax policy and tax administration as quite separate matters. The world is not like that. No policy exists until it is implemented, and it is the manner of its implementation which really determines its impact. Those who would alter the outcomes of a tax system must therefore understand in detail how it is implemented, and adjust their recommendations accordingly if they want to do good rather than ill.” (pp. 326)

The recommendation of the Task Force also confirms this position in Pakistani scenario and suggests simultaneous changes in the tax policy and administration.

This tax administration reform model is generally referred as Revenue Authority (RA) model. A number of scholars (Fjeldstad & Moore 2009; Kidd & Crandall 2006) have argued that the RA model has become most popular revenue administration system. Fjeldstad (2007) explaining the RA model argued that it is a “governance model for revenue administration where the revenue collection function typically is removed from the ministry of finance departments into an agency with a degree of autonomy from civil service rules to structure and manage it” (pp. 4). Crandall (2010) describing the RA model said that it involves the creation of a quasi autonomous agency, “which has a role in the processes of national government, but is not a government department or part of one, and which accordingly operates to a greater or lesser extent at arms’ length from ministry” (pp. 3). In this regard, the World Bank (2002) argues that the RAs are semi-autonomous because they “are not meant to be as autonomous as other types of public sector organizations like the central bank nor as dependent as ministerial line departments, hence, the moniker ‘semi-autonomous’” (pp. 3).

This discussion suggests that the tax agencies due to their very nature has been classified within the core functions of the government, which cannot either be privatised nor it can be declared fully autonomous. However, yet the reformers driven by the quest for efficiency wants to improve its performance. But the question which comes up as to how this very important institution can be made more effective, efficient and responsive? In this regard, Moore et al., (1994, pp. 13) asserts that the main feature of NPM is the effort to simulate the performance incentives and the disciplines of the market to those public sector organisations those which cannot be privatised. Therefore, it appears, as to import and promote the performance incentives of the market into these quasi government revenue agencies the NPM inspired administrative reforms are being made a compulsory part of the tax reform programme. Chand and Moene (1999) and Polidano (1999) argue that this model is an African variant of NPM, which has been adopted in Ghana, Kenya, Malawi, Tanzania, Uganda and Rwanda. Furthermore, they termed this model as corporatisation wherein various taxes are merged and the organisations are granted some financial and operational autonomy to make them efficient and effective

The employees of the FBR as insiders were mainly affected by the administrative reforms; either through changes in their employment patterns, altering pay packages and career development or changes in their work processes, i.e. introduction of IT to replace the manual procedures. Therefore, their concerns during the fieldwork were chiefly related to administrative changes as opposed to policy reforms, i.e. introduction of USAS or ADR which mainly affected the taxpayers as outsiders. Therefore, I will explore the administrative reforms more in details for better understanding of the concerns raised by the employees in the next empirical chapter.

5.8 Administrative Reforms

As explained above that the reforms of administration has become an integral part of modern day's taxation reforms. Acknowledgement of recent work on the importance of organisations and institutions and their quality (see chapter 3) seems be affecting the reformers thoughts, that the policy changes alone cannot be effective unless they are accompanied by appropriate and efficient implementing mechanism. Specially, in the context of poor countries where the PS is suffering with acute capacity problems. Perhaps, this is why it is said that in developing countries the 'tax administration' is 'tax policy' (Bird & de Jantscher, 1992; CBR, 2003). To meet this challenge, and bring significant improvements in the outputs of the tax machinery, the capacity building interventions were made in the areas of policy, administration, organisation and HRM. The rationale provided for capacity building efforts in the last three areas was to develop an appropriate tax administration system and competent human resource to create an enabling environment for effective implementation of policies. It seems to be perceived by the reformers that the changes in the tax policy may have only limited effects without appropriate administrative reforms, as both policy and administration are complementary and creates reinforcing effects. Therefore, this programme included a full-fledged training component, in addition the managers working for this tax agency had access to an independent PSCBP (details chapter 2). This clearly shows the complete faith of the reformers in the role of capacity building in the tax reform programme and in other development programmes targeted to strengthen the economic management.

The concept of capacity building and institutional development (see chapter 3) is conceived by various researchers differently, as Glenday (1997) argue,

“Capacity building is viewed narrowly by some as merely increasing the supply of specific types of human capital, whereas others view it more broadly as the development of both the personnel and the institutions to deliver some product or service in a sustainable fashion. Similarly, institutional development is taken by some to refer to the development of formal organizations, whereas others take it to cover both the formal and informal relationships and rules that develop in a civil society that allow the operation of governments and private sector entities.” (pp. 334).

It is therefore very important to attach specific meanings to capacity building for effective discussion in the context of tax administration reforms. In this organisation, the reformers seem to be adopting it in the broadest sense with the intention to develop the organisation and HR capacity to work together for the effective implementation of policy reforms, to contribute in a broader institutional environment of the country. The reformation of CBR seems to be addressing all three dimensions of the public sector capacity building as discussed in chapter 3. At the micro level, it involves the capacity building of the employees working in this organisation for improved productivity through trainings and salary, at the meso level, it involves the organisational capacity building to help it to generate appropriate control systems to increase efficiency, promote transparency and control corruption with the help of BPR & IT and at the macro level improvement through enabling check and balance being an important rule of the game in the action environment for private sector development.

One of the two important aspects this research covering is an understanding of why recent control measures taken by reformers under the capacity building and does not produce the desired results of efficiency, effectiveness and responsiveness. This interest ultimately dispatches towards looking at the output of capacity building, i.e. what has been planned and how it has been implemented to achieve the results. The approach could be either building ‘input-oriented capacity’ where the capacity may be judged against the high volume of training was undertaken, whereas an ‘output-oriented capacity’ focuses that emphasises

the effectiveness of the training for desired results (ibid, pp. 335). In the case study organisation it appears as the approach of 'input-oriented capacity' is opted.

As explained in the chapter 3, the capacity building in the public sector can be defined in three categories of human resource, organisational and institutional. In the case study organisation, the first two have been addressed under administrative reforms and the last under policy reforms which reflects that the social institutions of a country and sets the rules of the 'tax game'. However, this project does not cover the policy dimension and concentrate on the HR and organisational reforms introduced as part of administrative reforms. The administrative reforms, can further be subdivided in two broad categories: i) development of the appropriate mechanism; and, ii) preparation of human resource to make efficient and effective use of the new system. The first category relates to the development of an appropriate tax collection mechanism involves extensive information systems for forecasting, monitoring, assessing, collecting, investigating, processing refunds, auditing. This mechanism has three key direct stakeholders, i.e. government, taxpayers and tax collectors. The government wants maximum revenue collected in a fair and equitable manner, timely and accurate information, and an efficient and transparent business environment. The taxpayers as customers needs an efficient, helpful, friendly and hassle free tax system. And to maintain the personnel, finances, assets, budgets and many other administrative functions for arranging a large bureaucracy. To ensure the effective management of all these in an efficient and effective manner, the information technology is being used extensively in the modern tax administration. The second category belongs to the development of appropriate human resource: no matter how the advance mechanism one may install, its effectiveness relies on its users. To take full advantage of the system, it is absolutely vital to train the human resource. Considering this fact the components of trainings and salary are included in the reform package. This component seems to be added to train and upgrade the knowledge base and give decent living wage to employee for eliminating corruption and promoting positive behaviour to make them ready for the new efficient and digitalised environment. Now I will discuss the major initiatives introduced under administrative reforms in the FBR during the reforms.

5.8.1 Training

The report of the Task Force on reforms was the first ever to analyse the training system of the FBR. The report pointed out serious weaknesses and gaps in the training system at various levels. The report addressed the training issues of both the categories of employees, i.e. officers and officials. Before exploring the details, it is important to clarify that the officers of the CBR being part of the overall Pakistan civil service are the beneficiaries of the general training programmes. These mandatory training programmes are designed to prepare these officers before performing their duties on the four stages of their career.

The report for officers' training noted that the trainings provided through the existing training structure of Government are not compatible with the specialized needs of the organisation. On the first stage of the common training programme (CTP) which is provided at the time of appointment it criticised "The CTP suffers from inappropriate length, irrelevant curriculum, lack of rigour in the subject matter, and poor quality of the resource persons" (pp. 195). It also, criticised the second training stage of Specialised Training Programmes (STP) and said,

"In STP the main emphasis is on the development of technical skills and little attention is paid to areas like information technology and management skills. Officers in the field informed us that STP lacked practical orientation and was of very limited use in their actual jobs. The curriculum, training design, and faculty skills all contribute to the poor quality of the training programme" (pp. 195).

The report commenting on the third stage of training conducted at the National Institute of Public Administration (NIPA) praised the learning environment, but the training contents were found less relevant to the trainee's job assignments. The focus of this training was more administrative than technical and programme was found deficient in the areas of leadership skills, HRM and negotiation skills. However, interestingly the report commended the last leg of government training programme conducted at the highest training forum of the Pakistan Administrative Staff College (PASC). Praising its usefulness the report noted that "The National Management Course at PASC is an advanced management programme aimed at enhancing management skills. The quality, objective and duration of the course

was assessed as satisfactory and meeting the training needs of senior officers of tax administration” (pp. 195). I found it interesting because, apparently, this institution is also part of the government’s overall training system, preparing the generalist administrators; hence what made it different while evaluated by the Task Force. How did its length, curriculum, training design, and faculty suddenly become suitable for the senior officers of the tax administration?

Report on the training opportunities for the second category of official cadre noted that it was almost nonexistent. Only few opportunities are available, which are seriously deficient and impart only theoretical knowledge, ignoring practical aspects of the position. The report out-rightly rejected any positive impact of such trainings on the performance of their duties.

The analytical stance taken by the Task Force seems to be very broad and long term, as it suggests training measures of separating all training activities of the CBR’s officers and officials from the national training institutions and creation of an independent specialised training institution dealing with the specific needs of the tax agency only. Although, these recommendations make sense keeping in view the different needs of the officials working in the tax agency, but its application appears to be rather complicated. The two prime beneficial reasons for this government of Pakistan are the generalist status of civil servants in Pakistan and duplication of the training cost. Despite, allocation of different groups, traditionally the officers joining the civil services of Pakistan are trained to work as generalist rather than specialists so that they can be utilised across various government departments. The second apparent benefit of keeping this arrangement is the sorted arrangement of trainings within minimum costs, as the same established training institutions are imparting these trainings in the thousands of officers being recruited and promoted in hundreds of government departments.

During the planning phase of the TARP, PAD also accorded the training as one of the vital reform agenda. The PAD endorsing the Task Force’s finding noted that the training as one of the important factor impeding employees’ performance. Explaining further it says:

“The current training system is not geared to address the existing training needs of CBR. For most staff, there is no explicit linkage of training to career advancement or promotion, and neither training needs analysis is carried out by the local offices of CBR. Finally, lack of performance evaluation leads to a haphazard application of an essentially supply driven training” (pp.13).

However, contrary to the Task Force’s position, the WB’s PAD seems to be focusing its targets more specific due to programme’s limited life cycle. While the main objective of this initiative was the overall capacity building of the CBR employees the specific aims of this component were set as:

- i. Training the manager to formulate training strategy, budget, personal management and evaluation.
- ii. Building capacity to meet with the requirement of the new functional organisational model
- iii. To develop curriculum and training manuals for subjects relating to the reform for trainees and retraining of the selected staff in the new functional organisation.
- iv. Build-up regional training centres to meet the local capacity building and competence required for the new functional organisation.
- v. Impact assessment of the training of individuals, units and organisation to bring improvements after getting feedback and setting benchmarks.

The results of training drive envisaged were i) it would help organisation to learn and adopt the new model smoothly, ii) help to promote integration of training activities of entire organisation iii) help to conduct an objective Training Need Analysis (TNA) to link as annual development plan in the employees’ annual performance evaluation iv) help preparing annual training plan in functional areas for officers and officials and v) implementation of specialised internal induction programme to bridge the gaps not covered through general induction programmes offered by the Government.

The main stance taken by the PAD for increasing the capacity of CBR employees was to upgrade their skills to bringing them along the changing needs of modern IT enabled efficient organisation so that they can play their roles more efficiently. Therefore, the PAD under the component of Management and Institution Development addressed the issue of Training. An amount of USD 10 million was

earmarked for trainings out of which 9 million was to be spent on international trainings whereas 1 million on local trainings. Such generous allocation for the foreign trainings as compared to local suggests the reformers' full support for importation of international skills as compared to local or in-house trainings.

The officers of CBR not only got the opportunity to raise their calibre through their own organisational reform programme, but being part of the overall Pakistan Civil Service got the opportunity to get trained through another independent initiative PSCBP. This programme was run by the Government with WB's loaned amount of USD 52.00 million out of which USD 6.00 million was earmarked for the capacity building of CBR officers. The broad stated objective of this programme was also to fill the capacity gaps of public servants through appropriate trainings for the effective implementation of the ongoing Economic Reform Programme. This project was aimed at strengthening government's capacity to facilitate complementary broad-based civil service reforms (CSR). It was envisioned that the project initiatives will lead to improvement in the overall quality of policy formulation, reform implementation, service delivery, and HRM of the public sector. However, neither the PAD nor PSCBP seems to be accommodating the training needs of the officials working in lower cadres despite the equal emphasis given to both by the Task Force in its report. Another point worth noting is non-identification of training nature or types as it has been totally left at the discretion of tax agency's management to decide, this reflects the 'input-oriented capacity' approach adopted by the reformers with more focus on the number of trainings.

5.8.2 Salaries

Beside other independent research on pay differentials, a number of studies conducted by the government of Pakistan itself have highlighted that existing pay structure is deficient. And recommended a substantial increase in the salaries of public servants but due to the fiscal stress the government could never address the problem completely (NCGR, 2008). As explained in the chapter 2, during the course of the last six decades at least six national commissions and committees categorically address this issue and presented their findings confirming the substantial pay gap between the public and private sector employees, and

suggested its improvement to provide the public servants a decent living wage. As part of the government's conscious effort, the pay structure of the public servants is being continuously reviewed to provide the living wage. Though not substantial, but government since last many years has made this raise an integral part of the federal budget every year, to provide at least some relief to public servants against the inflation¹⁹. However, still several studies confirm the existing pay disparity between the public and private sector managers. There are also several evidences confirming that the main cause of corruption amongst the public sector managers is the poor wage (NCGR, 2008; NACS, 2002).

The report of the Task Force marking the compensation as a major issue in Pakistan tax administration asserted that "The present compensation packages for all employees are extremely low. Employees do not get a living wage. With this wage, even the upper rungs of the organisation cannot afford a middle class standard of living" (pp. 197). The report also marked this issue with relation to a major cause of corruption amongst employees of tax administration. The Task Force recommended that if Government wants to make the tax administration efficient and honest, it should upwardly adjust the current salaries with comparison to the market. The report also identifies the poor compensation scheme as a barrier against bright minds to attract, motivate and work in the public service. It recommended various options of increasing the salaries up to 4 times and suggested starting point of the local banks' pay structure.

PAD addresses this issue of poor compensation to improve the productivity and morale. It sees the existing pay structures as seriously deficient. Explaining the situation, it notes "In Pakistan, salaries and incentives for tax officials have been highly inadequate and fall short of what officials could earn in the private sector" (pp. 8). Going further it also relates it to the big branch of corruption and sees it as a root cause. Validating the finding of Task Force it confirms that the existing taxation system provides substantial discretionary powers to tax officials to accept or demand bribes and fostered extortion. It recommends the immediate attention

¹⁹ According to FBS figures, the average inflation between 2000-13 is calculated at 8.8%, with a maximum of 20.15% in 2008 and lowest 3.16 in 2006.

to this issue and endorses visible improvements in the compensation structure that ensure a reasonable standard of living for tax officials and their families. It is important to note here that though the PAD supports the upward revision of salary structure but no funds were budgeted for this account. The primary reason seems here is the recurrent nature of this expense, which cannot be supported by a time bound programme. Therefore, the government had to decide about the increase, which it could sustain in future.

The government decided through President's approved strategy to adopt a two step approached of short and long term to improve the compensation of FBR. First for the short term to support the reform process, it empowered the Chairman for granting the financial rewards to selected employees, to use it as a helping tool that would facilitate the reform process by shaping employees' positive behaviour and booster of commitment levels. Secondly, long term, for the post reform period, wherein, the salaries were to be raised up to a living standard subjected to successful reforms of the organisation resulting rationalised staff and placement of monitoring mechanism. This approved mechanism suggests a different approach adopted by the government by rejecting the suggestion made by the Task Force to form an independent pay structure matching the prevailing incentives given by the local Banks and approved the additional measures to compensate the CBR staff within the Federal Pay Scales (FPS). Since a permanent solution of the deficient pay structure was being sorted therefore, already prevalent practices of 'reward on detection' was discontinued. Reward on detection practice was an effort to motivate the employees to avoid bribe and get a certain percentage of the total as a reward on detection of the undeclared taxable incomes.

This system of financially rewarding the selected employees adopted as a short term solution, remained during the first year of reform, but was abandoned with the introduction of a permanent system of IJP to select the employees against a selection criterion to qualify for a permanent special allowance equalling the base pay²⁰ by 100%. This process of IJP was considered to be acting as filtering plant for selecting the employees suitable to work under reorganised, modernised and

²⁰ Base pay is the fix amount of public servant's pay scale used to calculate the various applicable allowances to make it gross pay.

automated environment. The desired number of each positions required in the reorganised CBR with selection criteria was posted on CBR's website to allow the existing employees compete for it. The employees were allowed to apply against their respective cadres and grades only to move horizontally and not against other higher or lower positions, i.e. Auditors can only apply against the positions of auditors. However, they were allowed to compete against each other on different locations, i.e. an auditor working in Islamabad can compete against the position of auditor in Karachi. This transition was to be made over the next few months could not get success as the non-selected employees started getting together and formed various forums across Pakistan. These forums starting giving strike calls which affected the organisational work and started affecting revenue collection and irritated business communities. The government and CBR could not face this pressure and surrendered in front of its agitating employees by extending this benefit to all selected and non selected employees.

The transitory periods during which the pay reforms were implemented in the case study organisation has affected the employees and their work many ways. The next chapter explores this issue in detail from the perspective of employees of FBR.

5.8.3 Information Technology

Information technology along with organisational structure and human resources is one of the three enablers for redesigning the organisational processes in the CBR. Peterson (1997) explains the process design as to "how an organization does its work" (pp. 158). Davenport (1993) argues that process design can be in two ways i.e. process improvement and innovation. The first process improvement is done to improve the existing functions gradually, while the second, innovation is about bringing radical changes to introduce the new processes across functions. This second approach is also commonly known as reengineering (Peterson, 1997). Hammer and Stanton (1994) define the reengineering as "The fundamental rethinking and radical redesign of business processes to bring about dramatic improvements in performance" (pp. 3). Business Process Engineering was one of the main tasks the reformers

endeavoured to perform during this reform attempt and IT was central to this effort. Zuboff (1985) explaining the expected benefits of IT said “managers harness information technology to their strategic goals, they usually plan to accomplish one or more of three interdependent operational objectives – to increase the continuity (functional integration, enhanced automaticity, rapid response), control (precision, accuracy, predictability, consistency, certainty), and comprehensibility (visibility, analysis, synthesis).” (pp. 7). Extending the argument Peterson (1997) argued that continuity and control promote integration, completeness, and accountability as he asserts,

“A process can be greatly simplified and integrated by using a program that requires only a few steps. Completeness is promoted by the data processing cycle, which provides a structure and discipline to work while the technology promotes monitoring to ensure that transactions are complete. Accountability is promoted by creating parallel manual and computer systems that provide extensive audit trails.” (pp. 164).

As it appears in the case study organisation, as the reformers have attempted to attain all possible benefits from the use of IT explained above. In CBR need for the use of IT was suggested by the Task Force. The committee highlighting its importance included an entire chapter on Information Management. The report reviewed the CBR’s existing IT infrastructure and compared it with its current and future needs. Though the report commended the CBR’s past efforts for keeping abreast with the changing needs of the organisation, but still it founds the organisation deficient on the multiple fronts. Categorically pointing report mentioned,

“Presently, nine data processing centres exist across the country. These are working in a standalone mode. There is no integrated database. Hence, automation has not provided any meaningful support to tax audits and expansion of the taxpayer's net. Except for some ad-hoc reports on tax collections, the system does not generate reports for control or policy formulation” (pp.18).

Thus summing-up it identified following deficiencies in the overall Information Management System (IMS): i) unidentified information requirements ii) ambiguous, disjointed and isolated application development iii) missing integrated

tax process database iv) incoherent operational facilities across country v) inadequate system of IMS report generation. To overcome these problems the Task Force suggested following measures:

- i. Rigorous mapping of information needs for designing of complete information architecture.
- ii. Creation of a dedicated position of Member IMS in CBR who should take lead in all IT related strategic and operational matters.
- iii. Outsourcing of systems and application, if needed
- iv. Introduction of single registration number, separate processing of tax document from tax audit and establishment of customer service centres
- v. Strengthening of customs electronic declaration at import and export stages and introduction of risk base management mechanism.
- vi. Automation of all core business processes.

The PAD also validates the Task Force's findings and notes that:

“Despite substantial past investments in information technology by CBR, desired results have not been achieved because the standard IT development methodology has not been followed. IT project management has been inadequate with almost no preparation for a user interface, little management ownership and isolated systems development. Moreover, the development of IT systems in the past has proceeded in an ad-hoc and unplanned manner so that most departments operate stand-alone modules that are not integrated into the main system” (pp.62).

This analysis of the WB's team also followed by suggestions on the adoption of a responsive IT strategy based on two broad principles: i) identifying a technology path that will meet the current and future requirements; and ii) enable CBR to attain its targets of reforms and revenue through creating a transparent functional environment to produce timely and accurate information for decision making.

The ultimate goal of ICT strategy that PAD sets is the move away from highly manual to an automated environment that helps decision making at various levels in organisation. To facilitate them information will be made available:

- i. To gain improved management control close to the industrialised countries
- ii. To make the organisation transparent
- iii. Reduce day to day contact with taxpayers
- iv. Better information management for increased revenues, clients and trade facilitation
- v. To adopt best international practices
- vi. To encourage e-communication under e-signature ordinance, 2002

PAD keeping in view the past poor performance on this front recommended the CBR's IT strategy should accommodate a durable information management structure for the production of accurate and timely information in a shared environment on reasonable cost. This involves the entire process and work culture reengineering. The PAD further recommended the two-tier MIS system for CBR, first to produce the numerical and projection revenue information and second to support the modules of HR, financial and asset management. The PAD concluding its importance noted that "use of information technology and automation would not only bring efficiencies within the organisation, but would help improve transparency in the process of tax collection, reduce discretion and, as a result lower the cost of doing business for the private sector" (pp.31).

The PIP recognises this issue under the component of Adopting Responsive IT Systems. It identifies two main roles of technology in CBR i.e. the main initiatives of the procedural reforms like minimising contact between the taxpayers and tax collectors, universal self assessment, risk management and audit are relying strongly on technology; and, it will help to improve its functioning and manage its relationship with taxpayers. It viewed the challenged twofold at general and specific levels that CBR is facing in effecting its IT strategy. At the general level, establishment and maintenance of large numbers of workstations and networks connecting them in an organisation like CBR with its countrywide presence is a challenge. And at the specific level, CBR is using IT extemporized and uncoordinated as various computer applications have been developed without clear direction. This further creates two main problems, i.e. duplication of data entry at different offices that leads to different reported figures and restricted benefits of computerisation due to partial automation of manual processes instead of process reengineering.

After reviewing all one can see two broad ICT lines of action suggested for CBR, in technical terms – hardware related changes and software related changes. Hardware related changes were envisaged to build strong basic infrastructure for connecting the organisation within and outside for elimination of duplication work to save cost and time, efficient and reliable information flow, and for transparent

and efficient service provisioning to taxpayers. The hardware changes on which the CBR had made little progress in the past were found deficient as explained earlier and cannot serve the purpose unless it is appropriately backed by the specialised live softwares. Therefore, it was absolutely vital for successful implementation of ICT strategy to ensure that appropriate specialised software accommodating each automated reengineered process goes live for which the hardware was prepared.

5.8.4 Restructuring of organizational design

Historically, the organisational structure of the CBR was cylindrical based on traditional lines of vertical responsibility where both the functions of policy and operations were lying together. This system was found incompatible with the concept of modern tax administration, which calls for efficiency through separation between the functions of policy and operations. First ever in Pakistan public sector, the Taskforce on tax reforms raised this issue of organisational design and suggested transformation from cylindrical to the functional organisation by separating policy and administration function of the organisation. Previously, both the functions were performed directly by the line members. This over occupy line members' attention for resolution of petty issues arising from the field and taxpayers. Further excess centralization and little functional management inhibit CBR from addressing important areas of tax policy, HR, Audit and Taxpayers' education.

The committee in its finding says:

“The central features of the suggested processes for the individual taxes are improved human resource management, audit, substantial strengthening of information management and taxpayer assistance and education. The Central Board of Revenue should, therefore, be reconstituted on a functional basis so that these critical issues, as well as tax policy, become integral features of management. Line management would be strengthened by interaction of members responsible for operations with members responsible of specialist functions. The Board itself should move from a hierarchical and command and control style to a more collegial and consultative mode, where the Chairman would be the *primus inters pares*”. (Report of the Task Force, 2001, p. 266)

Furthermore, the Taskforce proposed increase in numbers of top management with the inclusion of specialised professionals in the fields of human resources, audit, member legal, information management, and taxpayer relation and education.

One of the initial steps of reform was to redesign the managerial structure and the reorganisation was based on the ‘functional model’ where staff is organized into functional groupings, i.e., registration, information processing, accounting, audit and enforcement. Although it was official intention to convert the structure from ‘Hierarchical’ to ‘Functional’, while I looked into the details of action that organisation have taken is a mix of functional and Divisional Model instead of functional only. This mix is evident from the actions planned by the organisation to reorganising itself on functional lines, e.g. Registration, Enforcement as well, creating the dedicated units like LTU for exclusive treatment of the large taxpayers. The following table compares the intended and actual actions taken by the FBR.

Table 13: Selection of the organisational model

Models:	Hierarchical	Functional	Divisional
Focus:	Individual Tax	Function	Taxpayer
Structure:	By tax type, i.e. corporate tax, sales tax, income tax	By functions: registration, processing, enforcement, audit, taxpayer service	By type of taxpayer: Large, medium or small taxpayers
Change:	Obsolete	A mix of Functional and Divisional mode have been used by the FBR to gain efficiency, transparency and providing specialised services to each segment of taxpayers.	

Source: Author’s compilation

The advantages envisaged by the reformers of this shift from hierarchical to functional were better taxpayer service at a single point of contact, single tax number, common internal accounting framework, simplified return processing, cross checking of tax liabilities across the taxes before paying refund, coordinated

enforcement activities, easier to coordinate audit activity and allows specialisation and clear career paths. While the potential disadvantages of this transformation was foreseen as difficulty in coordination amongst standalone functions, internal power-struggle between functions to control the resources, losing sight of the ‘big-picture’, functional specialisation may eliminate the generalists.

5.9 Summary

The chapter focused on the reform initiatives introduced in the case study organisation. The review of various documentary sources suggests the CBR as a very important national organisation as the reformers are trying to reorganise it from 1990s, but could not stand successful due to political and administrative constraints. However, the latest attempt made under military-led government was able to materialise from the year 2005. This effort was started with a Task Force formed by the government to study the federal tax system and make recommendations for its improvement. The Task Force after a complete review of the organisation suggested comprehensive reform covering the organisation, Business Process Reengineering, Corruption, Human Resource Development and Information Technology. Subsequently, a strategy document was prepared by the CBR management, which not only endorsed the findings of Taskforce but also took the ownership of the reform process by leading it. This report was then considered by the WB to convert its recommendation into a project appraisal document and the allocation of financial resources. The WB recommended the adoption of RA model. To implement the recommendations of PAD, a PIP was prepared with the help of an International consulting firm from UK.

After analysing several public and classified documents relating to TARP it appears that the reformers have designed a broad reform around two main planks of Policy and Administrative reforms. Policy Changes were made to create the tax system more responsive to growth and simple to administer; and Administrative Changes to increase the efficiency of the organisation. It was envisaged that after the implementation of reforms the CBR will be transformed into a fully functional organisation. If not all, most of the functions will be performed digitally with the help of business process reengineering on IT enabled environment. The

employees will be ready to perform their duties more efficiently and effectively after getting appropriate trainings, living wages and better work environment.

In a nutshell, a trustworthy environment will be created where taxpayers can pay their taxes voluntarily without any hurdle. And the trained and motivated tax collectors can perform their duties efficiently in a comfortable workplace without any financial tension, and political pressure. Now in the second empirical chapter I will analyse the employees' account of these organisational changes and how they were affected by them.

Chapter 6. Insiders' experiences of change

6.1 Introduction

In this chapter I seek to represent the employees' experiences and accounts of the organisational reforms. I focus on the problems that they spoke of as central and requiring change, their accounts of the reforms' aims and processes, and the consequences of its implementation. It was notable that during the fieldwork, informants spoke chiefly about two strands of the reforms, which they appeared to regard as most important. These strands were Human Resource Management (training and salaries) and Information Technology (IT). During, fieldwork, the research participants from the case study organisation also raised some questions about the donors' role, which also have been addressed in this chapter through analyses of two interviews made with the donor's representative. The rest of the chapter is dedicated to explore the each category in detail.

6.2 Human Resource Management (HRM)

During the fieldwork, all 20 interviewees introduced the topic of HRM in response to my open question about what type of reforms they had experienced. In particular, they expressed strong views about the changes that had been made in terms of salaries and training and what they presented as their poor results. None of the interviewees challenged the principles behind these initiatives, but they all expressed strong reservations about the processes through which employees were selected for periodic monetary rewards or additional salary through internal job posting (IJP), and given opportunities for trainings. The great majority of my informants praised the underlying concepts of these initiatives, but criticised the ways in which they had been executed as unfair and unjust, or as

being implemented in a chaotic fashion. Almost uniformly, they argued that such poor implementation created hurdles instead of support for the changes sought through these initiatives.

As noted in chapter 5, the components of training and salary were considered to be important enabling factors, by the reformers for a successful reform of the case study organisation. The intention behind trainings was identification of employees' skills 'gaps' so that they can be effectively bridged through the arrangement of appropriate trainings. The objective behind this initiative seems to be a preparation of organisational employees to prepare and align their skill set with the future vision of an automated, dynamic and efficient organisation. Also, salaries were raised as a way of gaining the support of employees, motivate them to perform better and eliminate corruption by providing a living wage. Below I consider each factor in turn.

6.2.1 Training

In chapter 5, I discussed the details of the training initiative made as part of the reforms in the case study organisation. This initiative was designed to serve two main purposes: first, to facilitate the on-going reform through providing selected trainings to change leaders, and second, to build the capacity of all CBR staff to meet the new requirements of a reorganized, modern and automated CBR. Shahid Hussain Committee's report on Tax Reforms (discussed in chapter 5) in its review also pointed out serious weaknesses and problems in the training system used in CBR for both 'officer' and 'official' categories of employees i.e. officers and officials (explained in chapter 2). The main finds of the Committee were that:

- i. The prevalent training system was deficient and incompatible with the specialized needs of the organisation.
- ii. The curriculum was inappropriate in terms of its design, length and faculty at all levels, excluding the final stage of Pakistan Administrative Staff College (PASC)
- iii. There was no systematic procedure for the identification and recommendation of appropriate candidates for existing national and international training opportunities.
- iv. Training opportunities for lower cadres were non-existent

The Committee recommended that all the existing training facilities of the organisation, with its headquarters in Lahore and two regional offices in Islamabad and Karachi should be amalgamated to create “The Tax Administration Academy”. It was suggested that the new Academy would prepare both categories of the workforce, according to the specialised needs of the organisation, by providing both specialised and common trainings (details available in chapter 5).

Through its Project Appraisal Document (PAD) (discussed in chapter 5), the World Bank (WB) also reconfirmed the findings of the task force and suggested immediate attention to it. The PAD also viewed the lack of training opportunities as a major hurdle impeding the improvement of employees’ performance, and criticized the prevalent training system as being outdated and inadequate (detailed in chapter 5). The suggested actions recommended in PAD (pp. 49) were:

- i. To prepare a breed of change managers through extensive training in the specialized area of project management
- ii. To prepare the whole CBR workforce, according the future organisational needs
- iii. To build an appropriate training mechanism to support sustained change initiatives across the organisation
- iv. To establish a monitoring and evaluation system for continuous training quality management.

These recommendations for new training initiatives were also augmented by another standalone parallel programme named Public Sector Capacity Building (PSCBP). PSCBP was initiated by the Government with the help of The World Bank to build the capacity of government employees across Pakistan for effective implementation of ongoing economic reform programmes (discussed in chapter 2 and 5). A sizeable number of CBR officers, being part of the overall Pakistan Civil Service, were also included in this project as well.

Training was one of the most frequent areas people communicated about during the field work. All 20 interviewees agreed that it was an important initiative introduced as part of the reforms and acknowledged its positive role in any organisation, including the CBR, to perform more effectively and efficiently. As I mentioned above, there was widespread agreement, and the excerpts below represent this interesting degree of homogeneity between them.

There is a national programme called public sector capacity building project being run by the Government to upgrade the skills of its workforce. These projects build the capacity of all public sector employees through arrangements of national and international trainings and courses. This will make the organisation perform more efficiently and responsibly. (SJ, Secretary), [E]

Trainings are being imparted to improve the functioning of organisations. (NA, Deputy Director), [E]

Yes, I would say there are many positive changes made in the public sector. I would like to put them in different categories. The first thing is compulsory trainings for the officers, Government has introduced Mid-level management course to enhance their calibre, vision to bring them out of conventional setup where they can share their and learn from others and others experience. (SA, Second Secretary), [E]

The support for this initiative is evident from above statements. The interviewees appeared not only to be acknowledging its importance for the organisation, but were also predicting its positive effects on the functioning of the public sector overall. They are expressing that the government started paying attention to its existing national training systems by not only reinforcing it with new zeal, but also through top-up programmes like PSCBP which provides extraordinary opportunities of international exposure (chapter 2 and 5). From the above affirmative statements of the informants it can also be viewed that employees of the case study organisation also agree with the reformers' diagnosis of the problem that poor performance of the Pakistani public sector is due to untrained workforce. Explaining the training need and Government's recent attention towards it in the Pakistan public sector, GAJ, a Joint Secretary, stated:

The important thing is that Government [in the past] never gave importance to the trainings in the public sector. It [the government] always believed that few weeks training from NIPA and Staff College before promotion to the next grades would be enough for the officers to cope with the next assignment. This was not enough. If we do the job in routine and will not apply the innovative techniques, the quality of the services will compromise. Realising its importance now training is being given priority. [E]

KML, Director, also echoed similar views about training and said:

It's an old system, remained ignored for long. Recently, the Civil Service Reform Unit was established to modernise the Public Sector in Pakistan who worked on the capacity building and modernising the system. A lot has been done, but still the gap for improvement is there. [U]

The respondents also linked the poor performance of the public sector employees with the shortage of training opportunities and exposure to new tools and techniques. They seemed to recognize through their responses that in the past training has not been a priority agenda in the Pakistan public sector. It was considered to be a formality of completing papers to get promoted to the next level of the ladder rather than acting as a preparatory exercise for challenges that officers will face ahead. Informants appeared to regard the changes to the training system as a genuine and potentially effective way of introducing reforms. They were of the view that there is a strong link between the employees' capacity and quality of service. Most people during the responses highlighted the importance of training need for improved performance. A respondent GA, Secretary, talking about training effectiveness stated:

This [training] was not enough. Improvement in the public service is a continuous process as now you are not only competing with your colleagues in the public sector but also with private sector and internationally who can enter the public sector through various routes i.e. MP-I or MP-II²¹ as the ultimate goals for the government is to support the public. Their work should be done on priority. The things are interlinked, take my duty as an example, I am not providing service directly to the general public. But if I am unable to resolve the promotion case of a doctor who is working in a government hospital in time the mental tension that I will give him he will pass on to the public [as patient]. He/ she will not be able to perform their duties professionally and motivated. If we will keep doing our jobs in a routine manner and will not apply the innovative techniques, the quality of the services will be compromised. Therefore, training has been given the priority. [E]

²¹ MP stands for Management Position. MP-I/II/III are specially designed scales equivalent to PBS- 20/21/22 for appointment of high calibre professionals on contract from private sector against management positions. The main rationale of these positions was immediate bridging the temporary skill gaps in the public sector organisations and promoting managerial practices.

Also ZK, Deputy Director, highlighting the importance of imparting technical training for efficiency gain, said:

The point is, unless trained workforce is not available no matter how sophisticated equipment you install, it will produce zero results. [E]

Apart from building the technical capacity, trainings were also seen as a potential remedy by respondents for a major problem concerning the mindset of employees. A total of 14 from 20 respondents declared mindset a main cause of the poor performance and status quo in the public sector. Several informants commented on this issue as follows:

Of course, there is a need to change the mindset of public servants-basic thing. (YK, Director General), [U]

Basically, these reforms are necessary as we need to change our [public servants'] mindset and without it, no change can be successful. (HSA, Second Secretary), [E]

New buildings have been built, new furniture has been purchased, computers have been purchased and trainings have been arranged. Let me tell you these all are in waste because basically we are unable to change our [public servants'] mindset. (UW, Secretary), [E]

The term 'mindset' was frequently referred by the informants. They represented this as an important issue that should have been addressed through reforms to bring any visible change. They argued that the reforms have been designed as a package of material changes. Although such changes have contributed as enabling factor, they have not led to the much-needed behavioural changes which in the Pakistani case are a major challenge. 'Bureaucratic mindset' is an established term in Pakistani context, and refers to a 'ruling' attitude inherited by the civil servants that does not place value on serving the public. Furthermore, they appeared to be suggesting that the civil servants should know that if they are failing to deliver the quality services to the common people they will be penalised. The research participants argued strongly that so far, the reforms have missed this important dimension, which should have taken priority. Following are the responses received from the respondents during interviews stressing its importance:

Yes, it [training] is required to change the mindset. (ARH, Secretary), [U]

It [reforms] has ignored a very important dimension of behavioural reform, which is most needed at present. No change will work unless the bureaucratic mindset is there. (NA, Deputy Director), [E]

Buildings have been renovated. The dent in the bureaucratic culture was made through converting closed door offices to open. But unfortunately, it did not yield much, as the mind-set [attitude] of the civil servants is still the same. They do not accept themselves as a servant to the people, but ruler on them. This somehow needs to be changed. This was the actual product of the entire process - a visible change in the provisioning of service delivery. (ZK, Deputy Director), [E]

The reforms are very much required. Specially, the mindset needs to be changed as we need to be reiterated that we are Government Servants and should do our job according to our job description. (YK, Director General), [U]

Corruption, red-tapism and other problems will not resolve unless behavioural reforms of the employees are done. (SA, Data Processing Officer), [U]

Training was considered to be an effective tool by the respondents to address this problem. The interviewees appeared to be suggesting that through exposure to appropriate local and international quality trainings at the induction stage and throughout the career this problem could be addressed. Furthermore, they suggested that through effective training programmes their role may be redefined and reoriented so that the people who join the public service should be trained on serving and not ruling. Following are the views shared by some respondents as to how trainings can address this problem.

Government is facilitating officers to get trainings from abroad this will help to bring mind-set changes. (SA, Second Secretary), [E]

Currently in service training programmes do not prepare the officers to work as servants of the public. However, a dedicated part of the training programme is about how to deal with public in different situations. I think we need to re-programme the whole concept of trainings so that on induction trainee officers are clarified about their changing role and expectations. (ND, Chief), [E]

As noted in chapter 2, in Pakistan historically the function of tax collection is considered equal to policing instead of facilitation. The roots of which can be found in British-led pre-independence history. During British Raj, the taxation was enforced and collected through district officers from the strong apparatus of the Indian Civil Service (ICS) (explained in chapter 2). These characteristics were then transmitted in Pakistan Civil Service (PCS) which did not greatly alter the methods of collection and enforcement from those used by the British. The traits built in ICS officers through training were to guard and rule the empire (details in chapter 2). Philips Woodruff, a veteran ICS officer commenting on the district officer's training it said [training] "aims at producing confidence and certainty, virtues in a ruler which may degenerate into arrogance towards the ruled."²² This very strong heritage of PCS always kept the rulers' instincts alive in Pakistani bureaucracy as remnants of ICS who were nurtured under circumstances when the British Raj needed a lot of guardians instead of public servants to extend the rule of the empire. Berger and Luckmann's (1966) work helpfully explain as to how this problem of ruling mindset that has been passed down by the generations is 'internalised' by the employees of the case study organisation as 'taken-for-granted'. This internalisation has given birth to a mindset which still likes to enjoy great discretionary power and act as ruler. Government through various reforms, especially, by the Bhutto regime (chapter 2 discuss them in detail) in the past have targeted these discretionary powers, but could not succeed due to the fact that without the delegation of powers to bureaucrats the government cannot perform its functions. This mindset prevents an officer to reorient itself as a public servant. Against this background, trainings by the informants have been considered to be a medium that can bring attitudinal change through reorientation of public servants to their role. There was also a strong realisation that reforming an established mindset is not an easy task to perform, but continuous efforts through effective implementation of specialised training programmes could enable it to be achieved. Several informants considered such a continuous process:

²² Philips Woodruff, *The Guardian* (New York, 1954), p. 14. Seen in Ralph Braibanti's "The Civil Service of Pakistan: A Theoretical Analysis, in *Evolution of Pakistan Administrative System*, 2003, reprint

Change is a long process. It's not like an order which you can pass in few minutes and it will happen. To bring the change you need to change the mindsets of the people working there. People have different expectations, problems and needs. You need to address them in groups and start from the group which is affecting the most. Then keep on doing it on a continuous basis till the time it becomes culture and people start exercising instantaneously. Don't start taking U-turns on different pressures. Strong checks and strict punishments should follow it. (SA, Second Secretary), [E]

Whenever you bring changes, people have set mindset which is jolted. They don't accept willingly, but when these changes are made practice people start indulging in. It is really hard to get the people's commitment in a third world country like Pakistan. (SJ, Secretary), [E]

While interviewees appeared to be fully supportive of the spirit of the initiative, they were quite critical and vocal about the way it was carried out in their organisation during the reforms. They also argued that one of the reasons for haphazard training exercise was the intent of quick 'utilisation of funds' as donors' criteria for quantitatively measuring the reform progress instead of measuring its effectiveness as parameter of success. Research participants very openly criticised the procedure for the selection of candidates, their approval of nominations without consulting the training need assessment exercise done by the organisation and then their poor utilization on return from trainings. A respondent UW, Secretary, talking about this stated:

The trainings, believe me 99% is unplanned. People have gone to such trainings which are either not relevant to their role or has no benefit for the organisation. We are playing number game to reports more number of trainings, buildings, computers in nutshell more expenditure to report success. [E]

SA (Deputy Director) also commented:

No one is being sent on trainings after assessing needs, but only to please people and utilize the funds. No one is telling why he/she want to attend this particular course, what he/she has learnt and how it is going to help the organisation to achieve its goals. [E]

UW (Secretary) spoke further about this lack of planning and evaluation:

Professional capacity building is still missing. The money has been wasted on unwanted trainings. The people have not been sent to trainings on merit. According to latest audit report only 2 people have been sent on the appropriate trainings they needed else everybody gone to attend the irrelevant trainings to visit abroad on loan and public money. [E]

Another respondent IA, Accounts Officer, commented:

There needs to be joined-up and harmonised efforts. Likewise, we started many capacity building projects under CSRU and facilitated the graduation and masters programs for the officers, but we failed in capitalising those capacity building into improved service delivery. [E]

The above statements were representative of the views of most informants, to whom the training opportunities were never provided equally and rationally. Discussing the details of poor management of this very important initiative the respondents associated the poor results with unchanged mindsets and lack of professional capacity required to improve the performance of the organisation.

The interviewees also criticised the superficial nature of initiatives like preparation of Job Description booklets containing job descriptions (JDs) of all the position in the presence of already defined JDs by the Government which were advertised during the recruitment process. Similarly, exercise of training needs assessment (TNA) was referred as unfruitful exercise as actually it has never been referred back while approving trainings for the employees. They framed the issue as that practically nobody bothers to consult these sorts of booklets in the conduct of daily office business (i.e. while assigning official tasks or approving the trainings) they are there just for the purpose of meeting the donors' criteria and report as milestone on paper but practically they are not being referred. They were regarding, these potentially useful initiatives non-productive due to their disconnection in practice from the whole process of reforms.

Another issue raised by different respondents related to training was poor utilisation of employees after returning from trainings. They emphasized that since there was no planned exercise being undertaken by the organisation

therefore expecting placement plan for their proper utilisation on return was too much. There were various examples quoted by the respondents which indicated that officers who attended several trainings under this program were subsequently transferred to other Government departments for which the training was not relevant. SP, Joint Director, stated:

The people who were sent to trainings have been posted to other departments ignoring expenditure made over them. [E]

KML (Director) also commented:

The nominees when approved to send on trainings draws on paper a great relevance of target course with regard to their current duties which suddenly becomes irrelevant when he/she is posted to another desk even just on return. [U]

This analysis of the situation is very close to the NCGR's findings on public sector capacity building project, which concludes that the desired results of capacity building programmes are missing. The two main impediments to capacity building NCGR suggested were a lack of proper TNA and lack of proper placement of officers on their return from training.

6.2.2 Discussion

Several reports by international agencies highlight the capacity problems amongst the developing countries' public sector employees. They have claimed that low capacity of the public functionaries hinders them from performing their roles more efficiently and effectively (The World Bank, 1997, 2005) and suggested that trainings can be an effective means of building employees' capacity. A number of academic studies also demonstrate that training can have a positive impact on both individuals' and organisations' performance. Wynarczyk et. al., (1993) found a significant relationship between the training of employees and performance of an organisation. d'Arcimoles (1997) found that training is associated with effects on both productivity and profitability. Kalleberg and Moody (1994), Delaney and Huselid (1996) and Harel and Tzafrir (1999) suggested that training has a positive impact on the perceived performance of an organisation. Hence, the international

agencies, specially the World Bank have made the capacity building component an important part of any public sector reform programme (The World Bank, 2005).

In the case study organisation, on the recommendation of the task force and the World Bank the government agreed to include this component in the overall reform programme. The component of trainings in the case study organisation was included mainly due to two reasons: facilitating the ongoing reforms and preparing the workforce for the future needs of the organisation. The findings of this study, however, show that the result of this component was compromised despite its demonstrated support by the employees. The majority of employees in their responses acknowledged the importance of training for any organisation. But in their views this initiative in CBR was undermined during its implementation. They alleged the TNA and JD exercise as ceremonial and superficial. They pointed towards the absence of any objective criteria and transparent, systematic selection process of the employee training. In their opinion majority of the trainings were unrelated to the nominee's official role. The interviewees looked it as an opportunity which should have been used to address the specific problems of attitude and technical capacity building targeting current and future needs of the organisation. Instead, this process has been treated as fulfilment of criteria to meet the conditions on paper and spend money. The criticism remained on the ineffective implementation of this important initiative. It can be inferred from the responses that the reformers have assumed that once the training target in numbers and cost will be met on paper the organisation will be transformed and employees will be prepared to work under new settings. The responses are suggesting that the failure of this initiative can be attributed as a result of this false assumption leading the implementers to undertake a technical exercise that ignored the contents of trainings, by passed the genuine process of selecting appropriate candidates and overlooking their utilisation on return but focused meeting the numbers. The second important change under the human resource initiative often discussed by the research participants was salaries.

6.2.3 Salaries

In chapter 2, I indicated that the pay structure of the Pakistan public sector does not offer a living wage to its employees. Several studies have marked it is one of the leading causes of a de-motivated, non-responsive and corrupt workforce (Pakistan, 2002; Mehdi, 1996; Haq, 1978; Ashraf, 1998). The Government has made several attempts to bridge this gap through small raises but could not fully succeed due to fiscal stress. Despite putting more pressure on the exchequer, this strategy could not satisfy the financial needs of public sector employees. The absence of a living wage created a need and justification for public servants to get involved in the financial and moral corruption. Employees who were able to utilise the Government's position and power to generate extra financial resources exercised this option (Government, 2002). The remaining, who either were not in power and position to engage in financial corruption or due to any other reasons e.g. religion, did not use this option started involving in moral corruption such as absenteeism, unprofessional attitude towards work, and go-slow. These practices enabled them to use their energies and efforts somewhere else to generate additional financial means.

It is very commonly observable that professional public servants, such as doctors and engineers, started their own practices in parallel, while non-technical and generalist officers and officials are running their private businesses or doing other part time jobs in private capacity (i.e. chartered accountancy firms or corporate offices of large taxpayers in the case of organisation under study) during and after office hours. Pakistan's National Anti-Corruption Strategy (NACS) noted "...doctors and teachers deliberately providing poor services so that clients buy their private clinic and tutorial services. The Transparency International (TI) survey highlights teachers insisting on pupils buying their books through designated shops where they get commission and this benefits relatives or friends" (pp. 29). In Pakistan's case it appears as corruption has also become institutionalised as NACS further pointed on page five "Corruption is largely socially accepted as a norm and regarded as inevitable ", therefore, the people who did make a living wage are also involved in corruption. In any case, Pakistan public sector's performance was compromised, and was criticised for being a non-

responsive and corrupt institution. Chapter 5 explains that the Government's task force and WB's PAD both found that the existing pay package offered to the employees of CBR was extremely insufficient. In their findings, existing pay was neither acceptable as provider of living wage nor justified against the discretionary powers granted by law to the employees of CBR. This disparity pushed the employees towards financial and moral corruption. Both the documents also identified a strong connection between the provision of a living wage and the establishment of an effective and honest organisation, and endorsed an upward adjustment of the employee compensation package with comparison to the market. The task force also recommended workforce rationalisation declaring it highly inappropriate mix of various grades. Furthermore, the task force recommended a rationalisation of the workforce which would reduce the number of staff in lower, non-technical grades. The cost savings realised from this could then be used to finance the additional cost of wages of selected employees (details in chapter 5).

The Government, however, disagreed upfront with the proposal of downsizing due to expected political repercussions and left it to the option of natural attrition while banning the new appointments at lower levels in the organisation. The Government also, overruled the recommendations of both reports and instead approved a short term strategy of discretionary rewards and a long term strategy of an additional allowance equal to 100% of basic pay for selected employees while keeping them in the existing Federal Pay Scales (FPS). This approval was in-line with the failed strategy (chapter 2) of previous attempts of government to provide some support to employees pay in the shape of ad-hoc allowance or ad-hoc relief allowance. Two plausible explanations could be presented behind this decision: i) Government did not have enough financial resources to sustain this initiative and ii) that the Ministry of Finance is superior and supervising body of CBR along with many other financial organisations, was still drawing the low wages under FPS. However, the Chairman of CBR was given extra financial authority to reward the selected employees on his discretion. The practice of giving rewards only selected individuals continued until the people were selected through the process of Internal Job Posting (IJP) which made them qualified for

the additional allowance. The entire process of reward practice and the selection process of IJP become a mean of corruption itself and affected the employees and their work immensely.

During fieldwork, all 20 interviewees talked about the issue of salaries addressed during reforms and shared their experience about it. All of them argued that the not provisioning of living wage lead to a number of severe problems like corruption and red-tapism. The following statements from the respondents portray the situation regarding poor pay and its effects:

Corruption, red-tapism, everything leads from low wages. (NQ, Director), [E]

All bad things are prevailing in here like corruption, irresponsible behaviour, unaccountability, favouritism etc. The root cause of all these is poor salary structure. (MZ, Senior Auditor), [E]

I think every department requires reforms. People are not performing to their abilities. Wages are inappropriate. The mechanism of supervision is totally missing. Corruption is one of the leading problems. Corruption compels a person to disprove his capability. The corruption has spoiled our departments. (MS, Private Secretary), [E]

Corruption is one of the main effects of poor wages. It is from top to bottom. It is unfortunate that we have become a corrupt nation. (ZK, Deputy Director), [E]

Generally the respondents welcomed the increase in salaries and expressed their satisfaction over provisioning of enhanced financial perks. However, they argued that it still did not constitute a living wage and did not match their responsibilities and available discretionary powers. The respondents viewed this discrepancy as a basic cause of inefficiency and corruption. Still for them undoubtedly, this small incentive against the substantive increase recommended by the Taskforce was the biggest advantage associated with the entire reforms programme. As several interviewees commented:

The only attraction for us in reforms was [enhanced] salary. (WA, Deputy Commissioner Income Tax), [E]

Employees were in favour as they were expecting an increase in their income. The only consideration for me was financial benefits. (SA, Second Secretary), [E]

They [employees] were in its favour because of benefits attached to it like salary increase, more trainings and progressive opportunity. (UW, Secretary), [E]

By looking at the overwhelming popularity of this initiative displayed by the interviewees, one can say that, if it had been utilised appropriately, it could have served as an enabling factor for the wider reform (detailed in chapter 5). However, responses received during the fieldwork suggested that the adjustments to salaries adversely affected both progress on reforms and the overall functioning of the organisation. During the interviews employees heavily objected the process of its implementation. They alleged that the process was highly subjective and unfair and that the ‘favourites’ of power holders were rewarded. A respondent NA (Secretary) presenting the situation in his words said:

Since the people were chosen to occupy new roles on personal liking and disliking therefore, anxiety was prevailing all around. The people who were chosen were happy as they were feeling their jobs secure and getting additional allowance and people who left were questioning why they were not picked. There was no clear procedure and things were messed. A person sitting in the same room in the same rank doing similar activities for same hours was getting double the wage and without any [concrete] reason was unjustified. [E]

This account raises three important issues: unfair selection process, anxiety amongst employees, and general demotivation and distrust as contributing factors in the deteriorating work environment instead of motivated, satisfied and productive workforce foreseen at the time of conceptualization this initiative. Similar thoughts were shared by another respondent UW, Secretary, while giving his feedback on this issue:

Salaries were raised, but not linked with the performance. People were selected at their will without any proper system and eventually all were granted high salaries that actually killed the spirit of this initiative. [E]

He was backing his argument with his experience of reforms and pointing the process deficient enough to ruin the entire efforts of linking the performance with reward expected from this initiative. This spirit, he was referring to was the promotion of the healthy work competition amongst the employees through which the hardworking, efficient and honest employees were to be financially rewarded

to influence the rest. The initiative, which begun with ambitious objectives suddenly surrendered in front of agitation, strikes and go-slow policy adopted by the employees who were not selected in competition and or considered misfit in the new organisation and eventually all employees were accommodated. They were of the view that there has to have a strong foundation for such reform action before implementation otherwise its impacts will be compromised as in the case of CBR. This shaky policy of granting tiny additional allowance instead of provisioning of a living wage to all after going through a huge exercise and creating acute turmoil in the organisation yielded nothing except incurring additional financial costs towards pay bill and dissatisfied and divided workforce (chapter 5). The other beneficiaries of this amnesty were the elements involved in financial corruption also rewarded with this additional bonus. A respondent NA explaining this in his own words said:

Let's take the example of raising salaries, it does matter to them only who are surviving on salary alone and what is the point of putting a laptop on the table of a person who don't know how to use it and how these together can ensure increased performance? There has to have a wilful logical mechanism to put them all together and ensure their accountability otherwise all is wasted. [E]

Similarly ZA, Deputy Director also voiced:

Employees were happy with the increase of pay, especially, a person who is only relying on his/her salary and no other means of income. [E]

In the above statements, both the interviewees pointing towards their fellows who are already earning far more than their salary and such increases don't motivate them to stop corrupt practices. They were predicting its possible affect on the people who are involved in petty corruption or moral corruption as it was balancing their small earnings from other resources, but it is potentially an additional advantage for those who are already making big money from other illegal means (details in chapter 5). The first respondent particularly suggested a proper scrutiny process and a chain of actions for getting better results. Wages, corruption and accountability were three interrelated factors presented by some respondents together. Following are a few quotes from the interviewees explaining this relationship in their words:

Corruption is a relative phenomenon, why people are so interested in it because there is always a reflection of society which is a mindset and any person who bring-up in any society he/she adopts them. Corruption is ever increasing. Let's take the example of a taxpayer, who does not pay the tax with honesty, he/she is also involved in the corruption. If a civil servant helps a taxpayer to avoid the tax it needs to be stopped, likewise, if a civil servant is helping someone to get the contract with undue favour then the quality of work will compromise. It is very important to control it. The second is accountability, without it nothing can be achieved. It should not be applicable to clerks and lower level employees only. It should start from top to bottom. If a person allows building an extra 15 mile patch in an approved road to please a personality is a perpetual loss. It is not only increasing the current liability, but also accumulating future loss in the shape of its maintenance, fuel consumption, etc. So the accountability is a must to ensure efficiency and reduce corruption. (GAJ, Joint Secretary), [E]

WA, Deputy Commissioner Income Tax, shared similar thoughts and said:

It's a predominately related to behaviour, but another thing which I think is important that the system of reward and punishment is also fading from the PSS. The problem is of accountability. Previously, any person who does extraordinary work and let's take the example of tax collector if an officer was detecting and recovering a huge amount, 1% of it was given to him as a token of reward, then there was no need for him to make corruption. Even then, if a person was found in any corruption or malpractice he/she was either dismissed as major penalty or at least he was made ineligible for good postings. In the beginning good posting were the reward of only clean and honest people known for their character. From the time this concept of accountability has vanished and everyone has gone corrupt. They know nothing will happen do whatever you want to do. [E]

The above responses present a possible proposition where corruption is a result of low wages and unaccountability. The prime cause of the trail they see is low wages which corrupt employees use to justify their corrupt practices, partnering with their fellows working as agents of anticorruption thus unaccountability is also ensured. The responses also explain the poor effects of policies implemented over time, resulting in promoted corrupt practices and discouraging hard work and honesty. Furthermore, senior servants are not held accountable for their decisions and actions, even if they post the known corrupt official to a more lucrative

position, nobody is checking it. This process doesn't end here according to FM. It starts an unstoppable chain - reaction amongst the rest of the employees, she said:

Why people do the wrong things is the questions? This is because when he/she sees a person sitting next him is doing something wrong and he/she get away with it he start believing him/herself as a fool. Despite, the opportunity he did not take advantage. This leads to a situation where the difference between the good and bad is eliminated. Rather, a person who opted bad and got rewarded leaves a message to those who didn't that you are an idiot. A very strict monitoring and accountability mechanism is absolutely essential. Evaluations should be honest and every horse and donkey should not be treated equally. Fair evaluation and strict vigilance is needed. [U]

The effects of this action and reaction further travels across the public sector in the shape of examples and stories and spread message of being fooled amongst all honest employees that prompt them to bad-practices as well. The respondent proposed strict accountability mechanism ensuring unbiased and prompt reward and punishment practices as a potential solution of this problem. A senior rank officer YK, Director General expressed his views as:

Actually, part of accountability is totally missing. If any of us fails to perform our job we should be penalised. But again our culture comes here and we start receiving phone calls for favourable considerations. Like in Islam the punishments are hard but once they are exercised people start behaving. If a person knows that he will be caught if he crossing the line he will never cross it. [U]

Exemplifying some good examples of check and balance from other countries, though not similar to Pakistan, a respondent GA, Secretary said:

In countries like Singapore, Malaysia and New Zealand people have been rewarded handsomely, but at the same time if they fail in delivering and found in corrupt practices they are punished heavily. A similar mechanism is also needed here. [E]

The respondents were of the opinion that the public servants are underpaid and keep looking at the other means of income all the time. This situation creates two types of problems: one, financial corruption because their salaries are not good enough for survival; two, the people who are not involved in financial or moral corruption start involving as they start any other business or job in the private sector and visit offices for the sake of attendance only which results in poor

performance. This is backed by prevailing poor monitoring and accountability system in the public sector, which ignores both types of corruption and gives space to flourish it across the public sector organisations. Since, the system does not effectively blocks and punishes the people who are involved in financial or moral corruption, therefore others who are clean also start thinking on the similar lines. The point they were trying to make is that the Government should use a carrot and stick policy to improve the PPS. Carrot by ensuring paying living wages to PS employees and then stick as imposition of heavy punishments and penalties for those who are involved in any sort of corruption

6.2.4 Discussion

Like many other developing countries in Pakistan as well, the Government employees are getting low wages, even lower than their counterparts working in the private sector (Cyan, 2006; Hyder & Reilly, 2005; Ishrat et al., 2008; Kiragu & Mukandala, 2003; Nasir, 2000; Shafqat, 1999). The World Bank in its study of Africa public sector (The World Bank, 1994) noted “as government compensation falls, both in absolute terms and relative to alternative remunerative activities, civil servants adjust to the new situation. Turnover rates and absenteeism, increase; moonlighting and day-lighting become more frequent, and the latter, more blatant, recruitment and retention, especially of professionals, become more difficult. It has also been argued that petty corruption rises, including the sale of government services themselves, for example, under-the-table charges for livestock vaccinations or the extorting on payments by teachers to instruct schoolchildren” (pp. 27). Rjickegham and Weder (1997) in their analysis of civil service wage, meritocracy and corruption in 31 countries concluded that active wage policy can help in tackling corruption. The task force after analysing the case study organisation recommended substantive increase. The World Bank endorsing it as the main problem in the case study organisation also recommended plugging it through appropriate upward pay adjustment and linking it to the open market. The two basic reasons for this were i) the wages were not justified as living wage ii) it was not appropriate against the discretionary powers and opportunities available for corruption.

The government however, refused to do so and raised a small proportion of the salaries with an open window of subjective discretionary financial rewards. The main reason provided by the Government in Pakistan for not been able to correct this problem is insufficient financial resources (Ishrat et al., 2008). This study founds both the decision deficient and toxic enough to kill the spirit of initiative. The salaries were not sufficiently raised thus neither the doors for corruption were shut permanently nor motivated, dedicated and efficient workforce sought through this was prepared. On top, the reward practices and IJP selection method adopted by the organisational leadership for its implementation also seemed to be regarded inappropriate by the interviewees. This further deepened the performance issues by creating divide between privileged and unprivileged classes of workers across the organisation. The 16 respondents from the 20 accorded unanimously the selection process as unfair, ambiguous and biased. These results are aligned with the findings of previous studies e.g. (Frey & Felix, 1997; Frey & Jegen, 2001) that perception of unfair division of the performance related financial incentives could result in declining intrinsic motivation. However, interviewees displaying overwhelming popularity and reception of this initiative appeared to be convinced that through effective implementation of the recommendations it could have easily achieved the targets set at the time of conceptualisation.

While responding to the question of significant changes introduced in the case study organisation, use of information technology was mentioned by the most respondents along with, training, and salary.

6.2.5 Information Technology

In chapter 2, I explained that the Government has recently started digitalization in the public sector through approval of National IT Policy and Action Plan, 2000. To implement the E-Government programme, the Government in 2002 established an organisation called Electronic Government Directorate (EGD) under the Ministry of Information Technology. This programme was aimed towards economic development and competitiveness by effectively connecting the Government within, with citizens and with entrepreneurs. Another major step the Government took in 2005 by approving the E-Government Strategy & Five year

Plan (details in chapter 2). Though, the Government has been able to bring some improvements since then but the overall progress of the programme was found unsatisfactory by the National Commission for Government Reforms (NCGR) in its review of 2008.

Chapter 5 highlights that in the case study organisation the extensive use of Information Technology (IT) was recommended by the Taskforce constituted by the Government. The committee, after studying the entire system and evaluating current and future IT needs of the organisation pointed several deficiencies (details in chapter 5). The committee also gave a roadmap for taking corrective measures and strengthening the IT base in the case study organisation (chapter 5). The WB through its PAD also attested the committees' recommendations and suggested transformation from manual to automated work environment for effective control, bringing transparency, gaining efficiency, minimizing face-to-face contact between taxpayers and tax collectors to reduce the corruption, and availability of accurate information for swift decision making.

It seems from a quick review of intentions above that computerisation or IT was introduced as a multipurpose 'antibiotic' in the case study organisation. Mainly this was used to cure the prevalent illnesses like corruption, red-tapism, and inefficiency. It appeared that the reformers hold the assumption while designing the reforms for the case study organisation that enhanced use of IT will resolve a long list of technical and socio-cultural problems.

The effort to promote the use of Information Technology is also one of the major changes that employees have felt at national and organisational level. All 20 interviewees in their responses pointed and talked about efforts of the Government to increase the use of IT in Pakistan Public Sector (PPS). During interviews the informants in principle supported the overall idea of promoting the use of IT in the PPS as a whole and particularly in the case study organisation. But for the first time during my fieldwork, the majority of the respondents criticised the both parts of conceptualisation and implementation of any initiative at the national and organisational level.

During the fieldwork on my open question regarding major changes observed in the PPS at national level, 9 out of 20 respondents replied enhanced use of Information Technology. A few responses received from the respondents are:

The biggest improvement one can see [in PPS] is the enhanced reliance on the Information Technology which is improving its effectiveness. I think it's a challenging task and will take time to show results. (JS, Secretary), [E]

I see things are getting better with the initiatives like E-Government. This will make the organisation perform more efficiently and responsibly. (SJ, Secretary), [E]

The government has introduced IT in various sectors like PIFRA, it's a big change. Although we have yet to reap full fruits of these changes, but definitely, things will improve over the time. Similar National Database and Registration Authority (NADRA) is working very well. The passport and immigration is also transforming from manual to digital system. Also computerisation of vehicles' record and licences are being done. So all in all, things are moving in a positive direction and of course one cannot expect results in days. We need to give these initiatives time to make an impact. (SA, Second Secretary), [E]

The respondents were confirming IT's enhanced used in the PPS and also foreseeing its positive impact on performance. However, they are also agreeing and justifying its slow progress resulting in the low facilitation of common people on this account. This stance taken by the respondents is similar to NCGR's findings on E-Government initiative (details in chapter 2).

A very senior officer DG criticising the overall computerisation efforts of the Government during interview explained that although extended use of information technology in the public sector organisations is being encouraged, but it is neither improving control of managers nor delivering improved service to public. He said:

Reliance on the IT is being promoted at all levels in government to get facilitation from it. Examples of these in the public sector are PRAL, NADRA, FBS, and PIFRA. Actually, it is my favourite question; the down side of it is the expected cultural change in the PS is not there that is the biggest problem. Look technology and systems and procedures can be cosmetics or decoration piece. So the Government, state and above all people will only get benefited when governance is improved, service delivery is improved and problems of people are also decreased. For example judicial system, policing, land administration, revenue

administration, hospital, schools, where people have daily contact of life have not improved. I, unfortunately, don't see any improvement in overall organisational culture. You know how such improvement comes? It comes from the mind, from value system – here money is everything. It's a huge area of research. Look at Pakistan Railways where heavy computerisation is done and even now you cannot get tickets on the date you want without paying bribe which means that the trains are fully reserved and yet Pakistan Railways book losses of billions every year. Same is the case of Pakistan International Airlines (PIA), [E]

Furthering DG's voice, SA, Data Processing Officer, another respondent responding on the digitalisation efforts of the government said:

Though we have introduced the IT in the public sector, but the problem of facilitation is still there. Recently, I had faced problems with NADRA and I lodged the complaint through a link given on their [web] page, but get a response to my complaint I had to wait 2 weeks. Is it how technology facilitates? No, there was not any data processing involved, but still people are behaving similarly. Nobody is monitoring its effectiveness. We need to bring soul in it, i.e. promptness and accuracy. In my own organisation still the things are so poor that I myself applied for a registration of sales tax since two months and still it hasn't done so you can well imagine the effectiveness of IT. [U]

The respondents are categorically denying any current positive effects of computerisation on the public sector by quoting various examples where even after multimillion dollar investment in IT the results are not encouraging. The second response above is from a person working in the IT department of the case study organisation. Clearly he is also disappointed with the overall digitalisation efforts of the government and particularly from his own department where specific attention is paid to IT under the reforms. His response suggests alongside the investment on IT an objective monitoring mechanism which can ensure its appropriate usage and benefit.

Their concerns are technical as well as human. They said that the government through external links (websites) trying to give impressions of technical advancement and efficiency, which is not there due to two main reasons, i.e. i) missing internal technical and human capacity, and; ii) ineffective monitoring and unaccountability mechanism. The respondents were trying to make the point that

if the requests, complaints and applications are unattended for months and nobody is held accountable for their quick disposal then what is the point of using IT. They were saying that if this is the intent of technology introduction and making heavy investments on this account then it's useless. They were referring promptness, accuracy, transparency and accountability as the soul of IT initiatives. Their views are also in line with the report of NCGR (chapter 5) which notes that the Government has made some progress on this account by making information available through departmental websites and open channels of communication with the masses but lacking in streamlining their business process and development of specific softwares to increase the productivity. They were conveying that unless a logical and systematic effort is not made by the Government with the intent to facilitate the public the things will not improve only because of IT installations.

In the case study organisation the efforts to promote the use of IT was initiated even before the Government's dedicated attention to E-Government in the year 2000 (chapter 5). For this purpose, the case study organisation in 1994 decided to form its own subsidiary called Pakistan Automation Revenue Authority (PRAL) to bridge the existing IT related capacity gap, particularly in the area of data management as a revenue collection agency. This was however being done, without a consistent IT strategy and in a standalone mode, at various levels of organisation to address the specific problems being faced by individual tax departments (Income Tax, Customs, Sales Tax and DR&S etc.). The PRAL although, could not fully achieve its objectives in the case study, but it was able to promote the IT use at the individual level and raise the level of IT awareness amongst the members of the case study organisation (role of PRAL is discussed in chapter 5). The task force in its report also commended the case study organisation for its efforts of promoting IT over time (chapter 5). Explaining the computerization process at CBR, a senior officer GAJ, Secretary, said:

FBR's reform efforts were long going, previously we created an organisation within, known as PRAL to automate but it was just an effort to transform within. When we realized that it was not enough and we need to address it holistically, we did it under TARP. [E]

NA, Deputy Director also explaining it said:

It was PRAL, a small organisation of technical people, who were called to provide help on IT related problems as and when required. Now, IT is being addressed under reform programme. [E]

As explained earlier that the IT initiative was introduced by the reformers to gain multiple advantages of efficiency, transparency and control. The respondents' however, criticised the concept and alleged it was not based on ground realities. A respondent WA, Deputy Commissioner of Income Tax said:

Computerisation has been done without understanding that only 25%²³ is the literacy²⁴ rate of our country and it is also a fact that only those opt for [small] businesses those have rarely attended the schools. How will they cope with it? It's fine with the big businesses that has specialised departments to deal with it, but the majority of the taxpayers are illiterate and opted businesses because of not getting proper education. Such indigenous and cultural things should have been kept in mind while bringing changes. [E]

Another respondent, ARH, Secretary adding on the issue said:

Ideally [per the intent of the reformers] it should have been ensured that clients and we are completely disconnected. IT should have been used for it. Let's take the example of softwares we introduced for e-filing or registering are not being handled by common person doing business. They now come to [departmental] clerks and inspectors for e-filling and registration. [U]

The respondents were highlighting the conceptual issues of IT initiative. Their emphasis was while amongst the prime causes of introducing the IT in the case study organisation is to minimise the face-to-face interaction of tax collectors and taxpayers to control the corruption, this initiative is working adversely. According

²³ The literacy rate of Pakistan according to UNESCO Institute of Statistic in July 2002 is 43.2 %. The official released figure of Government is 45.09%. (<http://www.pbs.gov.pk>).

²⁴ The literacy in Pakistan is defined as: a person of 10 plus age is literate if he/she "can read a newspaper and write a simple letter, in any language."
<http://unesco.org.pk/education/life/files/Need%20Assessment%20Report%20on%20LIFE.pdf>

to them the majority of the clients are small and medium taxpayers²⁵ who are even more dependent on the tax officials and vulnerable to rent-seeking behaviour because of low literacy rate and unfamiliarity with IT.

While some of the respondents' correlated non-progressiveness on this account with inside resistance of the organisation. A few respondents suggesting this said:

People didn't like it because installation of computer means bringing transparency and forcing the people to produce quick work. (WU, Secretary), [E]

Once you start taking initiatives of reforms like introduction of IT people start taking it personal and start opposing it. (SJ, Second Secretary), [E]

Adding on this point, some of the respondents also related it to workforce intent and said since they are not supporting this initiative therefore, success in any shape either efficiency or transparency is not possible. The respondents supported their point as:

Computers still not facilitating the taxpayers because the intent is missing (UW, Secretary), [E]

Though we have involved the IT but do think we are making use of it. No, it is not. Neither we have intention to do it quicker nor is someone monitoring it. It's the issue of Intent, through IT things reaches to the people quickly, but then waits for actions which ultimately to be taken by the men. We need to reform the users not the systems. When we will understand this point we will be able to get better results even from poor systems (SA, Data Processing Officer), [U]

Although the majority of respondents criticized and confessed that in general CBR has been unsuccessful in achieving its objectives of computerization, but there were few voices lauding its achievements. One such voice was KML, Director, who said during the interview:

Yes, through effective introduction of Information technology and its extensive use, things have gone quicker, time bound and transparent as compare to earlier. [U]

²⁵ M(TP&R)'s presentation at Commissioner Conference on 28.3.2004 the small and medium taxpayers constitute 99% of the total tax base.

Explaining further, he quoted the references of development of tax specific applications like Sales Tax Automated Refund Repository (STARR), Pakistan Customs Computerized System (PACCS) and Income Tax Management System (ITMS) through which automated business processes of each tax/levy is done. While the majority of the respondents negated this claim of fully functional automated tax type softwares and discussed during the interview that CBR has achieved the objectives of physical connectivity within and outside organisation through the establishment of LANs, WANs and website, but despite laps of entire project period software developments are still in testing phases. SA, second secretary explained the situation as:

In IT we are standing nowhere. We bought the computer to replace the typewriters. The softwares which are being developed are not being done after detail studies and judging its needs. We order, then make payments, receive it and scrap it. Nobody is being held accountable for this waste. A person who was responsible is posted to another place and nobody is in the picture what to do and how. [E]

Explaining the situation another senior officer FM, Chief responded:

We remained failed in developing softwares. Let us take the example of software developed for Income Tax. We tried to buy, prepare and customize different softwares but yet we are receiving complaints about them. Now it's being developed again by our subsidiary PRAL with the name ITMS. As regards, the problems with software development, we are also not clear, to the extent I have explored it and got feedback from users it is of the operational nature. I mean that it's the users who are unable to understand and put proper data which creates performance issues. For which trainings are required and if you just want to fail the software purposefully with false entries and then start complaining then nobody can ever make perfect software. [U]

6.2.6 Discussion

I indicated in chapter 2, that enhanced growth and use of Information Technology also facilitated the public sector reforms. In contrast to the bureaucracy which emphasised on centralisation the idea of new public management focused on decentralisation along with accountability. Greer (1994) argued that IT provided the necessary tools and structures for making managerial reforms. Moreover, it

demonstrated results to bring speed, transparency and reliability also qualified it to be the central ingredient of PSR. Therefore, IT reserved the central place in the designing and implementation of reform in the case study organisation as well. It was foreseen that it will work as wide-spectrum antibiotic to cure the diseases like corruption, red-tapism, ambiguity, inefficiency and unreliability.

I noticed strong support of this initiative amongst the research participants. The major objections raised by the respondents on the conceptualisation were ignoring the ground realities like low literacy rate of the population, digital divide, difficult softwares, unresponsive PS organisations and non existence of monitoring and accountability mechanism. This to them produced the results opposite to desired, the frequently quoted example was enhanced contact between the taxpayers and tax collectors instead of restricted as desired outcome through application of softwares. While criticising its implementation strategy the respondents were discussing the undue hurry towards establishment of Hardware infrastructure i.e. laptops, PCs, Servers etc. and neglecting the part of software development for which this platform was being prepared. They also criticised the overextended planning, consultative, and experimentation phases which sabotaged the entire process of IT enablement hence no substantive achievement has been made on this front and the progress again remained till the hardware changes similar to the national efforts of digitalising public sector organisations (chapter 2).

This scenario of the case study organisation is quite similar to already discussed first phase of overall government's performance on digitalization efforts. The general reasons attributed by respondents towards the low success was i) more focused efforts to build the infrastructure and procurement of new PCs, laptops and servers etc., ii) involvement of complex business process reengineering iii) lack of reforms ownership by each tax leaders iv) negative attitude of employees towards Information Technology and fear of accountability.

6.3 The donors response to FBR's informants observations

Before concluding this chapter it seems important to address the allegations raised by the research participants from the case study organisation. The two frequent allegations raised by the research participants on donors' role in the course of

field work were: poor monitoring mechanism and stress on expenditure. I raised these important questions during my interviews with donors' representatives which I will discuss in the following paragraphs.

Both the donors' representatives viewed the progress in Pakistan's Public Sector (PPS) differently. The World Bank's (WB) representative expressed his view as that Government of Pakistan has made good progress on account of bringing improvements in the Public sector. He highlighted the increased transparency in PPS due to the contributions of media, government's own regulating organisations, international watchdogs, democratic institutions and awareness of the public. While the Asian Development Bank's (ADB) representative maintained that the situation of the Pakistan public sector has become worse. Explaining further, he said PS cannot be viewed in isolation, but it has to be seen with in a full context of society as PS is a part of it. He expressed his opinion about the Pakistani society as that its values are fading so as the performance of the public sector being part of it as public servants are the members of a shared society. He, however, suggested a solution which has worked in other places of the world sharing the similar culture with Pakistan. He framed the problem as the public sector is hugely underpaid sector where servants keep looking at the other means of income all the time. He expressed (ADB's informant):

I see the public sector as part of a whole society and not separate. And I have a firm belief that unless society overall will not improve neither of its sectors will show any significant improvement. Though some technological advantages we can spot to increase transparency, but it will not yield unless public servants will not be paid living wages and made accountable, these are two interrelated things and we want to produce results by correcting one side. [U]

He was trying to make the point that the Government should use a carrot and stick policy to improve the PPS. Carrot in the shape of paying living wages to PPS employees and then stick as imposition of heavy punishments and fines to those public sector employees who even then found involved in any sort of corruption. Further, he expressed that the way government has addressed this with the support of donors will not address the problem completely. He argued that technological changes can help a person to improve its efficiency, but cannot improve his/her

will to work. Current policies to bring improvement in the public sector are just like that we are providing modern technologies, upgrading infrastructure, imparting trainings but ignoring the main ingredient that is employee. If their commitment to change is not gained its impossible to show improvement. At this point I noted a consensus amongst the both informants as the World Bank's representative's answer was also supporting the stance of ADB's representative. The research participant from the World Bank said:

Only technical problems can be corrected with the help of foreign assistance. The main problem, which is behavioural reforms, that needs time and leadership. [E]

Another point of consensus amongst both the participants was concerns over political leadership. The interviewee from the ADB said:

Major problem if I count is missing of political will and priority of personal interests over institutional interests. Everything revolves around self interest, as in the case of the 20th amendment passed yesterday²⁶ in our national assembly. See what President wants - stand while I stand and sit while I sit. The same attitude trickles down in the Civil and Military bureaucracy who also use the institutions to serve their interests. [E]

On the issues of ineffective monitoring and stress on money spending they said:

I would say the Bank's role is to help recipient, financially and technically. This is how the Bank works. As regards, pushing on spending other developing partners like USAID direct and host contract, but the World Bank is only working through host contracts therefore, for us disbursement is the key to success. The evaluation of projects is therefore, made on disbursement basis. (The WB representative), [E]

I agree that from the Aid effectiveness point of view I think all donor agencies needs to review their system to make it more effective. We also have shortcomings as generally it is not possible to appoint a dedicated team on each project, but I agree that technical support is even more important than financial assistance to reap the full benefits. Any project which is launched should be taken care of very well from start to end. (ADB representative), [U]

Above given responses by the donor's representative concedes the observations recorded by the research participants from the case study organisation. During the

²⁶ The 20th amendment was passed by the National Assembly on 14th February, 2012 whereas I recoded this interview on the following day i.e. 15th February, 2012

interviews I noted that the World Bank's representative was giving diplomatic answers and wrapped the interview within 30 minutes. Whereas, the ADB's representative took full interest in the research and gave detailed answers. There could be two reasons behind it i) since it was World Bank funded project therefore WB's representative was quite cautious about responses as it may bring repercussions while ADB's representative was not a direct stakeholder of this project hence remained quite expressive, and ii) the other reason could be difference amongst the organisational culture.

6.4 Summary

This chapter focused on those specific organisational reform actions that employees have experienced and talked about during fieldwork. It appears from their responses that the reformers have used two prong strategies, i.e. financial rewards and IT to gain the efficiency and transparency and also to reduce the corruption while trainings have mainly been used to bridge the capacity gaps before and during the reforms.

The study found that there was strong support available for these initiatives amongst the employees. They were endorsing all three initiatives of reforms in principle and acknowledging their effectiveness. They challenged the designers of IT initiative on the grounds that it has proved to be counterproductive. They said contact between the taxpayers and tax collectors have increased instead of decreasing and ambiguities in the system have also increased in place of transparency. This situation compromised the assumptions held by the reformers of controlling corruption and bringing efficiency through IT. The prime reason they explained for it is ignorance of ground realities like poor national literacy rate and over-reliance on the global best practices. While their opinion cannot be ignored, it also seems that effective transformation from manual to automated system was also not in the favour of most employees. Therefore, I have some questions about how committed they really were to it.

However, they criticised the implementation strategy of these reforms which was left to the discretion of management of the case study organisation. They explained that the main problems of implementation were: prioritising the spending money on

procurement of hardware over development of credible and functional softwares, sending employees on useless trainings without consulting the TNA to report high numbers and claim success to donors, obliging nepotism and ignoring fairness and transparency while rewarding employees. It appears from their responses that this non-participatory and non-transparent approach adopted for implementing reforms had the effect of isolating the employees so that they lost their confidence in the process and resisted the change. They expressed their point that the compromised results of these initiatives are because of their poor management.

Chapter 7. Discussion and conclusion

7.1 Introduction

This is the final chapter of this thesis. It presents discussion on the main findings, conclusion and limitations of this research. It briefly introduces the research journey before presenting the findings and contribution of the study along with possible explanations within the Pakistani context. This leads to conclusions drawn at the end of this section. The final section of this chapter identifies the limiting factors of this research.

7.2 Summary of the findings

The two questions this research endeavours to answer are: what effects the NPM-style reforms have made on the functioning of public sector organisation; and what have been its intended and unintended consequences. I have investigated these through a case study of Pakistani federal tax agency where explicit tax administration reforms programme (TARP) as part of governance reforms has recently been implemented. To do so, I have adopted ethnographic-oriented approach with emphasis on institutional past often ignored in the PSR (for details, see chapter 3) and by using Strauss's (1978) idea the case study organisation has been conceptualised as negotiated order (figure 2). During reforms in the case study organisation a number of administrative reform measures were introduced to promote efficiency and transparency and to control corruption. These include increase in salary, more training, promotion of information technology, business process reengineering, better work environment and restructuring of the organisation (see chapter 5). These reform actions are based on the WB's global experience of PSR, who lately saw the poor administrative capacity of the state as a main challenge to development (chapter 3). Figure 1 in Chapter 2 depicts

adherence of Government of Pakistan's adopted strategy of PSR with the WB's trends. It appears as the Government is convinced and putting efforts to build 'small but smart' public sector (for details see Section 2.7 in Chapter 2). Since, this imported tactic also seems to be not working in Pakistan if we see the national and international indicators (chapter 1). Therefore, I have adopted a local approach for investigation that is based on employees' experience of reforms. This investigation is guided by a basic sociological conceptual framework (figure 2) which uses Strauss's idea of 'negotiated order' to conceptualise the FBR. And the initiatives of training, salaries and information technology are understood as managerial attempts to reshape the organisational structures, process, and the employment relationship with employees as per the demand of NPM. This approach instead of relying on experimentation based on prior reasoning that what seems to be suitable relies on asking the people working in the organisation as to what fits better in their environment (chapter 4). This approach can help us to understand the main problem which I sought to address through this research as the employees have been absent so far from the entire reform process. The employees who constitute the organisation are nurtured along the society where the organisation is located which may propose solution better fitting to their environment. However, this approach may also bring the problems of employees proposing solutions that line-up their own interests with their recommendations about organisational reform.

From the total six control measures introduced in the tax agency, the interviewees were more interested in talking about three particularly - salaries, training and information technology (IT). It is quite understandable as these three measures were directly affecting them in monetary terms, their professional enrichment and their changing work patterns in comparison to other three i.e. business process reengineering (BPR), restructuring of the organisation and better work environment whose impact was indirect. However, the last three seem to be going together in the background as the redesigning of process, functional redistribution and improved infrastructure are prerequisites to support the efforts of promoting the use of IT aimed at reducing manual process, reduce duplication of work and enhanced information sharing. In turn IT was conceived to provide efficient,

effective and transparent environment. As mentioned earlier, the research informants were more inclined to discuss the former, therefore I focused these three measures of salaries, trainings and IT to investigate, analyse and answer research questions by locating their impact and consequences. The other sources of information include participant observation, interviews with the donor's representatives, scholarly articles and published /unpublished documents of the Government and donors.

It appears from the responses of research informants that the reformers have used two prong strategies, i.e. financial rewards and IT to gain the efficiency, transparency and also to reduce the corruption while training has mainly been used to bridge the technical capacity gaps before and during the reforms. This confirms that the reformers were able to convey their message to employees about their intent as their responses reiterated the reformers intent per documents, for example, the project appraisal document and project implementation plan. It also appears from their responses that there was strong support available for these initiatives amongst the employees. They appeared to be endorsing all three initiatives of reforms in principle and acknowledging their potential effectiveness. They also seem to be convinced that all three actions were important and relevant to bring about a positive change in the organisation. But the interviewees seem to be in disagreement with the strategy that was opted by the reformers to implement the reforms in the organisation. They appeared to be suggesting that during the execution of these initiatives Pakistan public sector's contextual issues like unfairness, favouritism, kinship based favours, referrals, recommendations and nepotism were not addressed. Thus the unfair division of financial incentives and opportunities of trainings resulted in declining intrinsic motivation and meant that employees had good reasons to resist the reforms. Therefore, neither of them could achieve their objectives, instead they have caused the unintended consequences: of increased corruption opportunities due to persistent low wages, new electronic obligations of taxpayers, the absence of objective performance monitoring mechanism; lowered work productivity due to the absence of an agreed IT platform leading to workflow on two parallel streams of manual and digital; and development of a pool of employees with generalists skills due to

irrelevant trainings. As I have suggested, the bribery was endemic in the organisation and wasn't sorted out by the inadequate salary increases. It seems likely that many of the informants have accepted bribes, although they all talked about this as if only 'other people' did it. Similarly, another frequent term used by all the respondents was 'mind-set' while referring to other colleagues. It appears as if the research informants despite realising it as a problem in them self were pointing towards others. This gives a good idea of how the culture works.

My findings suggest that the main reasons of limited impact of PSR in Pakistan are due to not paying appropriate attention to the weakness of theoretical assumptions held through NPM and, ignorance of contextual issues at national and organisational levels. The issues highlighted by the research participants during fieldwork provide the empirical base for extending the research towards these contextual factors. These contextual factors in turn facilitated to highlight the contribution made through this research.

7.3 Research contribution

My research demonstrates that, counter to the more Universalist approach to management adopted by the IFIs, context matters. In the example of Pakistan, the most significant aspects of the context were different social, cultural, economic and political conditions. This study shows that the implementation of these reforms was affected adversely by a number of local factors that were ignored. These local factors include the deeply entrenched socio-cultural attitudes and practices, and the frequent changes in the politico-economic context resulting in failure, to adjust salaries on a sufficiently large scale, the failure to introduce an agreed IT platform, the failure to conduct an effective training needs analysis. The modernization of the bureaucracy in Pakistan that was to be brought about by these reforms was unsuccessful as it was based on a number of unsound premises. Firstly the local realities were not considered. Second the conduct of reform as technical exercise. Third is the problem of motivation and commitment to the reform agenda. Fourth managers lacked the experience required to lead this innovation. Fifth the staffs were not encouraged to 'own' these changes. Sixth the modernization assumes that there is in place a particular form of bureaucracy that

in practice may not be in place. Overall it is concluded that this reform initiatives were ‘context-blind’ and might have had greater chances of success if the particular nature of the Pakistani context had been recognised. Now I will show how the specific contextual factors affected the results at the organisational and national levels.

7.3.1 Contextual contribution at the micro level of organisation

i. Contextual factors affecting reward initiative

As argued earlier, the main reasons for increasing salaries in the FBR were to provide extrinsic motivation for the employees to enhance productivity, to control corruption by providing living wages and finally to link reward practices with the performance to create a performance driven culture. However, this study suggests that none of these objectives were achieved. My findings reveal that the government, despite realising the fact that the salaries are not sufficient, did not approve the appropriate raise for the employees. Further, no evidence was found that can highlight any progress made on linking the reward and performance together. I noticed that instead of an objective criterion, this process started with the subjective selection of employees through recommendations of the senior officers leading each wing for the financial rewards. This process allegedly promoted the sycophancy-culture in place of performance-culture, as employees instead of concentrating on their work started making efforts to please their managers. In turn, these organisational elites rewarded them not on merit, but due to their place in good books. The next step taken with the aim to replace this problematic practice was a permanent salary increase after selection through an internal vetting process. This study found that the informants allegedly declared the selection process as unfair and the salary raise as insufficient. These both points I have discussed in the following two paragraphs. This shows that how local contextual factors can kill the spirit of this initiative to reward the honest, efficient, productive workforce to create a performance culture. Following two paragraphs discuss both these factors:

This study suggests that implementation of reward strategy was influenced by the existing socio-cultural norms. The interviewees argued that initially they were

told by the organisation that the salary raise will be extended to only those employees who will qualify an internal competitive process called Internal Job Posting (IJP) costing an exam and interview. But it was claimed by the research informants that it was never followed in its true spirit as from day one people who were close to the elites of the organisation got selected and started getting additional salary without following any process. Furthermore, nepotism, favouritism and reference based selection also made the process controversial. This situation caused provoking agitation amongst other employees to which organisation could not resist and consequently raised the salaries of all employees working in this organisation. This action rewarded those inefficient and unskilled employees, who if would have gone through the proper process may not have qualified for the increase. More interestingly, I noticed that during this process, the existing practice of 'reward on detection' which was a performance based incentive stimulating the employees to perform, was discontinued in the search of performance. Another contributing factor to this seems to be with respect to the non implement of an agreed IT platform that might have provided the appropriate monitoring mechanism and the objective basis of rewarding good practice amongst employees. This situation clearly shows how reform measures when actually hit the ground is affected by the prevailing societal norms and pressures. During this research, it was strongly pointed by the interviewees that the salaries even after raise still falls much below, then what they deserve and can earn from market or through other means using their positions as tax collectors. During the reform, the salaries of the FBR employees were raised considerably above the other public servants working in different organisations. Although, this raise was not given to the level recommendation by the task force, but the only attribute which distinguishes the FBR employees from the other public servants is their greater chance of getting involved in the corruption being the tax collecting agency. Else, as we already noticed the prevalent wage condition of the entire public sector is poor and the government is also well aware of it. According to my understanding, the logical explanation of this limited increase seems to threefold: one the government due to its fiscal problems was constantly pressed by the IFIs to suppress its PS wage bill, as it is considered to be a non-development

expenditure (figure 1); two, targeting the potential honest employees involved in the petty day to day corruption which hurts the majority constituting small and medium taxpayers. Whereas, it is also predictable that those who are involved in big corruption would not stop even if the salaries are raised beyond the recommended levels; and last, Finance as the controlling ministry of FBR did not support its case of being fully autonomous and increasing the wages on the suggested pay bands equivalent to local Banks. This reflects the efforts of the Ministry to retain the powers by controlling the largest and most powerful bureaucracy of Pakistan. This ambition is understandable as the privatization and deregulation of the financial sector (figure 1), i.e. banking sector in Pakistan has already shifted its powers from the Ministry of Finance to State Bank of Pakistan as an independent regulatory body.

ii. Contextual factors affecting training initiative

As noted earlier, the component of training was included in the reform to build the technical capacity of the employees for making better policies, to enable them to work more efficiently and effectively and help them to make use of the new technologies being developed. However, this study suggests that the initiative was not implemented as it was envisaged. Theoretically, it was supposed to be starting with a Training Need Assessment (TNA) exercise providing the basis for benchmarking and then bridging the capacity gap with appropriate trainings. However, the research informants claimed that though the TNA took place, it wasn't objective, and was too generic. Therefore, trainings that resulted had no direct link with the specific needs of the organisation. Most of the interviewees asserted that the exercise done in the name of TNA was not done properly. Instead of conducting this exercise rigorously by looking deep into the organisation's capacity challenges it was done superficially with a limited sample. Therefore, it did not provide a sound basis for identifying the actual training gap of the employees. Respondents also suggested that the underlying reason for this happening was the urgency to start the process so that there would be enhanced spending and high numbers in training. Informants suggested that if the proper TNA would have taken place in the organisation, then it should have spotted the biggest issue of behavioural reform, besides specific technical capacity issues

lacking in the organisation. Even then, the recommendations of this exercise were largely reported to be ignored and a large number of employees were sent to irrelevant trainings reflect various social and cultural pressures i.e. nepotism and favouritism.

As noted in chapter six that the trainings in Pakistani PS are not taken very seriously, for some it serves as the ticked checklist box to get promoted and to some it is a time to relax and earn some money, particularly in foreign trainings with lavish allowances and tourism opportunities. These traits associated with trainings make it a form of ‘favour’ and a mean of ‘reward’ which can be used to ‘please’ or ‘accommodate’ someone superior in position or exchange against another favour. Bearing in mind that a significant amount of 9 million USD (chapter 5) was to be spent on this account, it should have become a most lucrative reform initiative providing opportunities to powerful elements of the organisation to use it to their advantage and the people they like. Particularly, these doubts gets firm basis when the majority of informants claims it and is also supported by the government audit reports confirming undertaking of irrelevant trainings.

Time and again it was mentioned by the interviewees that instead of proper assessment and identification of training needs, priority was sending more people on trainings. Thus, from the very early days of its launch foreign study tours and similar training was started. Despite the fact that TNA was carried out by the organisation nobody referred back to it while approving these trainings. Here again they raised the organisational and societal issue of the powerful elite in the management who used it to their advantage and to reward the people they like. There appeared to be two main targets achieved through it:

- i) The WB as donor measures progress of the project on the basis of spending and numbers (i.e. number of trainings and expenditure) as they do not have any alternate system to monitor and assess its success. These facts were also reconfirmed by Bank’s representative during the interview.
- ii) The attractive nature of this initiative, which not only provides an opportunity to raise the employee's personal profile, but also earns additional money during the training

Another logical explanation emerges if we see the acclaimed generic nature of these trainings alongside the deadlock on the agreed IT platform (chapter 6). As noted earlier, one of the main training objectives were preparing the FBR workforce for the envisioned future IT based environment which could not emerge. Therefore, I understand that the training mode instead of being specific should have been turned to generic to achieve the quantitative targets at least.

iii. Contextual factors affecting IT initiatives

The interviewees challenged the reformers IT's ambitions on the grounds of its contradictory results. They said that one of the main objectives of IT initiative was the elimination of manual process so as to increase the transparency and minimise personal contact between taxpayers and tax collectors. Also, the expected advantages were increased efficiency, transparency and reduced corruption. But they claimed that it has opposite effects as now taxpayers became even more reliant on tax officials. This was made worse as the system has more bugs than earlier. The reasons given by interviewees was that it ignored societal and organisational realities such as low national literacy rate amongst the majority of taxpayers who are categorised as 'low and medium taxpayers' and cannot afford to hire professionals from market to support them. This situation has made them even more vulnerable and docile for seeking rent in front of tax collectors. The face to face contact which should have decreased has increased in result of the introduction of softwares and requirements of electronic submissions. This was made worse because in its testing phase the ambiguities were far greater than expected transparency.

As a BPR exercise was undertaken, new processes devised and IT supplied which were intended to simplify the processes, reduce face to face contact (and thus opportunities for bribery) and provide a record of the transactions done (to make the organisation more accountable). This was seen as an important part of the effort to build the capacity of the FBR. But the new IT equipment was never used and therefore the processes did not change. My empirical research suggests that the senior managers did not themselves have the capability to oversee this intervention because they lacked any experience and knowledge of IT-enabled

ways of working. This shows the difficulty of imposing radical change or 'modernisation' in a situation where the managers implementing lack experience of the new expectations and instead have years or decades of embedded experience of working in the traditional 'Pakistan' way. The next challenge identified by this research is a dichotomy in term of: resolving the ownership issue, in a situation where, readymade solutions are not welcomed and exposure and capacity to produce indigenous solutions within the recipient countries is very limited. The results also suggest that the reformers were clearly lacking experienced and dedicated professionals who could have ensured the results of such massive investment and effort. Instead, it appears as whatever cooperation was required by one party was being supported by the other to complete the formalities. The shortage of appropriate experience in the FBR was pointed by me from my personal experience (chapter 4) of reforms and the donor's representatives confirm this during interviews (chapter 6). A very important challenge this research has highlighted is the missing bridge between the donor and recipients that can oversee and ensure the right track of agreed activities and can act as a balancing factor to increase the success rate of programmes and projects. An example which could be an extension of the task force's role which stood dissolved after presenting its report to the president.

iv. Reform as technical exercise

This study suggests that the implementation of reform in the FBR is very much undertaken as a technical exercise. This situation, where is highlighted by the documentary evidence, the interviews made with the public servants and the donor's representative also confirm it. All the sources suggest that the number of training, equipments and expenditure made thereof were the source of measuring the project success. This research clearly suggests that the assumption about the technocratic nature of reform is still very much exists in the conceptualisation and implementation. Though the assessment level of the problems has been narrowed, i.e., from international to national but the way their solution is being made is very much based on the same assumptions. My research does not suggest that actions taken by the reformers are not required or their diagnosis is poor. However, considering that 'x' number of training target will ensure the capacity needs of the

organisation or 'y' amount of IT investment will establish the intended digital environment reflect this approach practically.

Another point highlighted by several interviewees was an undue rush of management to buy and store, hardware equipment instead of prioritising software development. The majority of them stressed upon that even after five years, this organisation have not been able to reach on agreed IT path or software solution. According to interviewees, the money is being spent on procurement of Hardware equipments and building of its infrastructure, but software for which it will provide the base are still in testing or even in pre-testing phases of development. This rush on expenditure is understandable in the light of discussion made earlier in this chapter, i.e. to get legitimate in the eyes of funding agencies. However, I see the disagreement of common IT path or software as tacit resistance by the management as if conversion to fully automated environment will bring new challenges of performance monitoring, transparency and auditing of their actions. Accepting that the push was for the expenditure, but no evidence was found that it was sequenced bound as well: hardware first or the software; or which trainings are to be undertaken was to be decided by the organisation management leading the reforms.

Another relevant factor appeared to be about the lack of ownership. The employees seem to be showing their detachment from the reform process on the grounds that they have not been made part of it. They appeared to be saying that they were treated as an object which has no say and can be directed through orders. As suggested earlier, a competent, independent implementation mechanism that had employees support was seemed to be missing from reforms. As the important initiatives like training needs assessment, adoption of consensus on IT issues and salary raises were seems to be done either haphazardly or too slowly. Also discontinuity of organisational leadership (i.e. changing of 4 Chairman and 7 project director) was seen as an important contributing factor of poor results. A number of frequent changes at the top level were made during the period of reform.

7.3.2 Contextual contribution at the macro level of national

i. Institution building to support NPM

My findings suggest that the current push to build selected good institutions has to be accompanied by an awareness to and engagement with the country's specific stage of socioeconomic and cultural development and the related developmental needs. This study indicates that if it is decided that the public sector needed to be improved, then instead of just replicating the global trends (figure 1), restoration and strengthening of effective bureaucracy may be a better solution more fitting to the evolutionary need at the time. This point becomes more significant when we see countries like Japan, Indonesia, Thailand, Malaysia and Korea flourishing without altering the traditional public administration model. However, it is worth noting that despite differences in their contextual factors the bureaucracy successfully provided the required consistency and stability. This challenge to the assumptions based on the NPM model that bureaucracy is a limiter of economic development in Pakistan in the same way that it was in America and in European economies. In practice for Pakistan, and other developing economies, the bureaucracy could be an enabler of development more suitable to their societal evolutionary stage. Rapid or overnight progress to fair, efficient and effective institutions in this country context is unlikely to be achieved and in the light of this study seems to be an unreasonable expectation. The quick transfer of this model from other contexts is unlikely to succeed and consideration should be given to the fact that this process took several decades in developed countries and in some cases is yet to be fully reformed. Instead, this should be seen as a continuous journey towards this direction that needs to be supported carefully as it slow or stall.

This research indicates that the changes made within the public sector institutions intersect with the other local institutions and do not function well as if both are not compatible with each other. The apparent reason of this in Pakistani case is the assumptions held by the reformers regarding the existence of certain other institutions whose practical absence undermines the chance of success of these reforms. In particular, informal institutions like customs and practices, as formal

institutions to some extent are changeable with the help of written rules and laws, but to practice them still informal institutions plays a crucial part, whose change in the short term is impossible.

Another factor noted during this research, is regarding implementation of reform at once. Its implementation in the package does not seem to be suitable for developing countries, as it initiates a large activity itself in the Government's apparatus. Pereira and Spink, (1999) also in his meta-study of 15 countries also reached to the similar conclusion noted that ad hoc, piecemeal and gradual reforms are more successful than ambitious and comprehensive reforms suggested by donors. This approach further disturbed the already poorly managed ongoing operations of the public sector. One possible explanation could be that these reforms were never implemented at once in those countries from where it has been inspired. Instead in those countries, these reforms have emerged through evolution process, in response to various challenges they faced over time (Larbi, 1999). Therefore, the assumption holds by NPM promoters and proliferates to introduce it as package seems to be not very realistic. Given the path dependence exhibited by institutions, it is also not possible to reform institutions in one go. The alternative to which is the gradual reforming of the institutions. North, Acemoglu and Rodrik also supported the alternate approach.

This study suggests, that prescribed NPM model seems to be not properly accommodating contextual issues of the society and institutions where it is going to be replicated, as the societies wherein it was emerged had different challenges during their historical evolution than the countries it is being experimented. Possible explanation could be its gradual development in the western societies along with their developed civilization and institutional development over centuries. Therefore, it seems to be more compatible with advanced environment and provides a sound foundation for them. Vabø (2009) Schick (1998); Hughes and Teicher (2004); (Samaratunge et al., 2008) and (Lee and Haque, 2006) also highlighted similar problems. A relevant example is a push for more managerial autonomy in the wake of NPM type reforms which appears risky in Pakistan public sector and can accelerate already available problems of corruption. This

concern regarding developing countries has been recorded by several scholars (Mangkol, 2011; Hughes, 1998; Turner and Hulme, 1997). As argued earlier, the institutional development in the current developed countries is a result of their particular ideological struggles, political battles and legal reforms. This research suggests that the particular nature of institutions was ignored to the detriment of the reform initiatives and had the problems of replication been recognized getting the desired results in alien conditions might have been more possible. This is also emphasised by this research that, despite the efforts to create the good institutions under IFIs pressures, their good results cannot be guaranteed, unless they are effectively enforced. Creating such enforcement mechanism in the countries that are not ready will create problems. This also gives birth to related and important problems of ‘ownership’ and ‘motivation’.

ii. Motivation of reforms

This study suggests that in Pakistan, like many other developing countries PSR is being implemented as part of the conditions of receiving financial aid. Thus, it fails to reach the moral high ground and receive the support of the masses. There seems to be a lack of political will from the governments which is more interested in financial support to get rescued from financial crunch and support of public sector employees who are the targets of these reforms. People don’t support them as they see themselves subjects of entrepreneurial governments. The government implements them to get legitimating in the eyes of donors and employees resist them as a threat to their employment and favourable conditions governing it. As noted in chapter 3, that the main impetus for the changes in the public sector of OECD countries other than economic and fiscal pressures was the public attitudes and increasing criticism and demand for efficiency and responsiveness. This very important factor in the case of developing countries seems to be missing (Larbi, 1999; Mangkol, 2011) The important challenge needs to be addressed by the IFIs is to strike a balance in a situation where the consideration is either of ‘free goods’ or ‘imposed as a condition’.

As argued by (Zifcak, 1994; Greer, 1994; Kettle, 1997) the public sector management reform (PSMR) in the western countries is driven by the changes on

the economic, social, political, technological fronts. Whereas, in developing countries PSMR is being used as driving force to bring economic, social and technological improvements. Although, both share the crises in common, but the intensity of those in developing countries is much more than the advanced countries had faced (Batley and Larbi, 2004). Also, a very important and deciding factor, which makes the major difference in the results, is that the policies and actions that were taken by the advanced countries were built after ideological and political commitments to meet the rising public expectations and demands. This factor seems to be missing in Pakistan.

Frequent change in national leadership between political parties or amongst the politico-military elite and their fluctuating commitment to the reform process emerged as important issues for poor results (details in chapter 2). These frequent changes also bring changes to the national policies, including the role of the public sector. This is another contextual factor specific to Pakistan and quite different to countries where this public sector reform model flourished. In most of those countries historically political conditions remained favourable for reforms. Geoffrey Shepherd (2003) highlighting it noted that “This kind of impetus, where new political forces have gained sufficient power and legitimacy to change the way things are done, has been lacking in many developing countries” (pp. 12). This study confirms the work of Girishankar (2000) who also noted unmotivated and incapable government as the single largest obstacle to improvement in any public administration. However, the question which needs to be addressed whether a fledgling democracy like Pakistan with high political violence, the NPM-style reforms will strengthen or further weaken national stability. My research suggests, any generalisation of reform actions without paying deep attention to contextual factor may not produce the intended results.

7.4 Revisiting the Conceptual framework

The conceptual framework (CF) (chapter 4) was developed primarily to shape the research protocol, tentatively guided the fieldwork and analyse the details of what is happening in the FBR within the wider understanding of the social and historical context of Pakistan. It would therefore be useful revisiting it on

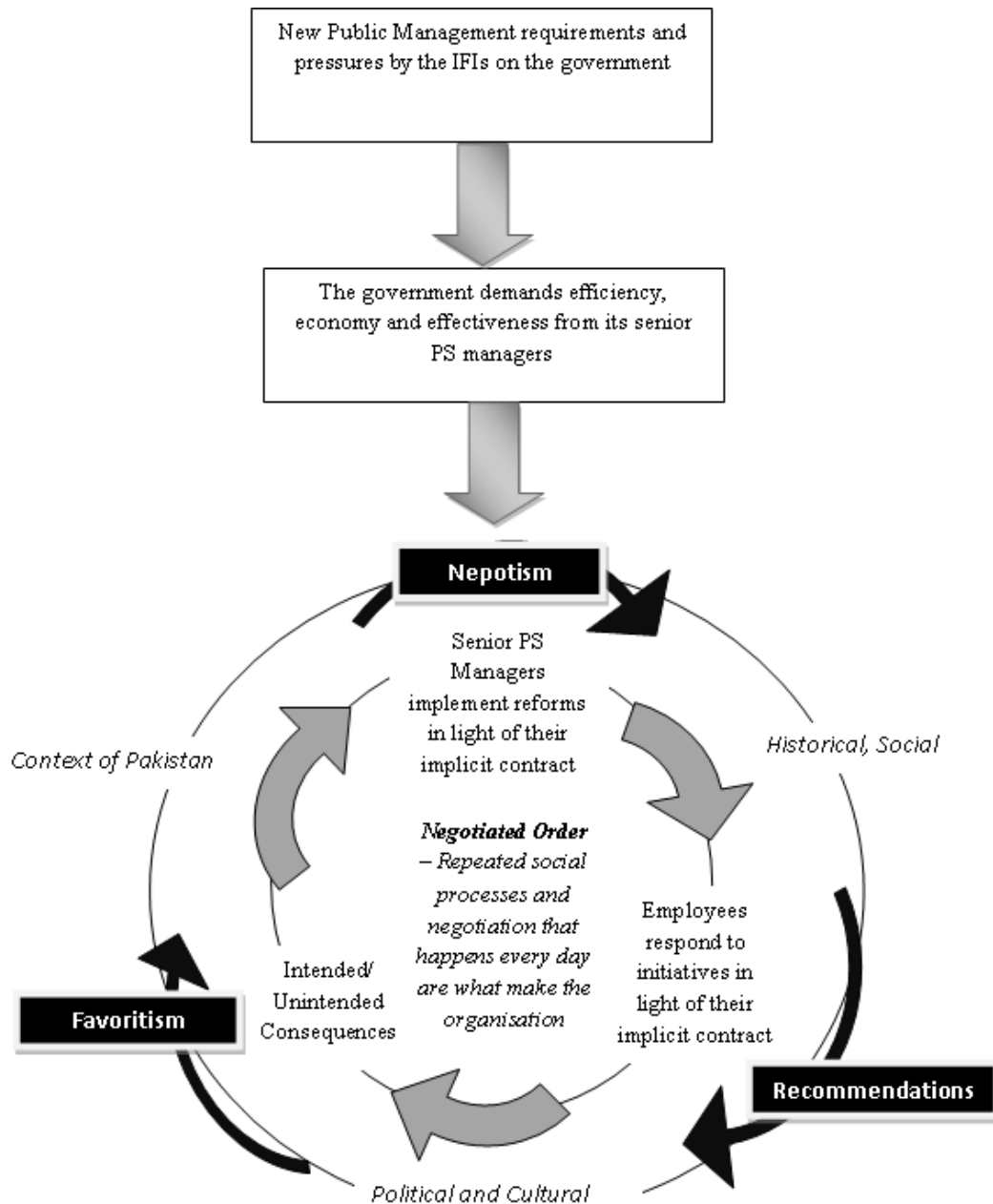
conclusion of this research to see as to what extent this CF has been successful in achieving its objectives and or influenced by this research.

Here in this section I will explain the expanding part of this CF only i.e. the negotiated order or implementation. As this research could not note any conceptual deviation in the starting two steps of this CF i.e. PSR's enforcement as condition of loan onto the recipient governments and subsequent push of these government for efficiency, effectiveness and economy from their PS.

Seeing that I wanted to analyse the actual changes to organisational social reality related to the introduction of the new reorganisation initiatives, I used Strauss's (1978) concept of the 'negotiated order' and consider the individual employment relationship using the concepts of the implicit contract (already discussed).

During this research the 'context' which was seen as a contributor emerged as the strongest factor impacting results of PSR in Pakistan which encircles the each step of the negotiated order. Although, the reform process is technically guided by the reformers but as soon as this doctrine comes into action phase and activates the negotiated order amongst the employees, Berger and Luckmann's (1966) conceptualization clearly helps us to see how people deploy alternative meanings and invent new practices in pursuit of their own motives. As he argued, people tends to deviate from courses of action designed by others and may resist definitions of their situation. In Pakistan the contextual corrupt practices of nepotism, favoritism, sycophancy and recommendation culture seems to played critical part during implementation which despite rolling out the tested reform initiatives of trainings, salaries and IT did not produced the aspired results of efficiency, transparency, fairness and controlled corruption. Following revised CF shows this effect graphically.

Figure 3: Graphical representation of revised conceptual framework



7.5 Conclusion

To achieve the objectives set for this study I reviewed the reform process through the relevant reforms documents to understand their intent and also analysed the interviews and participant observation recorded of the employees who experienced the reforms. This analysis facilitated an understanding of the ongoing negotiated order between the reformers and employees (figure 2). Certainly reform plan is important for providing overall guidance of the process, but equally

important are the actions for its implementation through everyday interactions and work processes within the broader perspective of country's historical, social, economical, political, cultural and institutional context.

This study makes contributions at two levels or organisational and national by identifying the reform actions and factor limiting the results of PSR in Pakistan. At the organisational level the study found that protection of the implementation process from the contextual issues, e.g. favouritism, nepotism and partiality is necessary to make the process trustworthy and successful. As Larbi (1998) argued that attending, the question of how to implement is equally important of what to implement. Brinkerhoff (1996) also emphasised upon the adequate attention to the implementation process. Also, it appears as the reform has been undertaken as a technical exercise which relies on the assumptions of more numbers as guarantor of improved results. Non-inclusion and prioritization of problems like accountability and ruling mindset of bureaucrats on the reform agenda was argued. More realistic and harmonised approach accommodating contextual factors to conceive the organisational reforms has been suggested.

At the national level it found the weakness behind the assumption of NPM-type PSR which ignores the history, culture, evolution, age and economics of the society in which it will be adopted. Also, its emphasis on the comprehensiveness of reforms seems a bit unrealistic considering the fact in mind that even these reforms were not implemented in one go even in those countries where it has emerged over time. Moreover, its reception as conditions also seems to be problematic despite of its promise of helping the country, it fails to reach the moral high ground amongst political leaders, public and public sector workers. This results in ceremonial reforms initiated by the government to fulfil the conditions of the loan without the support of these important stakeholders. Another important national reality in developing countries, including Pakistan is high levels of corruption which demands cautious attempt towards the experimentation of managerialism asking high levels of autonomy is risky.

This study suggests if country specific contextual issues are given due importance and addressed at the time of conceptualizing, designing and implementation of

public sector reforms, probably their results could be improved. As argued by various scholars that positive result producing human resource theories and models may not produce the similar results in different cultural settings because of differences (Aycan et al, 2000; Khilji and Wang, 2007). Khilji (2003) confirms this in the context of developing countries like Pakistan. The study concludes that failure is a result from the impact of stubborn contextual constraints that are not effectively considered during implementation. In this regard, Wilder (2009) criticised the donors for pushing governance reforms in Pakistan “without investing sufficiently in understanding social, cultural and political contexts within which the civil service reforms functions” (pp. 27). He, in the same paper quoting a former Pakistani Secretary Finance writes “Civil service reform is reduced to a technical exercise - problems are reduced to boxes and then solutions are found to fit into the boxes. The political and cultural contexts are lost in these exercises.” (pp. 27).

7.6 Limitations of the study and areas of future research

Through this research it was not possible for me to cover all dimensions of the organisational reform and look into each minute action taken by the respective organisation. Neither this was set as an objective of this research considering its manageability within the time and resources available for this project. The main objectives of this study were to find what reform actions have been taken and their justification, why such laborious and expensive efforts yields low and record its desired and undesired effects.

This study contributed to a better understanding of the initiation and implementation processes of the NPM-inspired PSR in Pakistan by identifying factors limiting its results. This in turn, uncovered the problems of reformer’s presumptions of quick-fixing the institutions through rapid dosage of reform. The results of this study would be beneficial for reformers in understanding the reasons hindering PSR’s expected results to include appropriate sustainability measures in such future programmes designed for Pakistan.

A number limitations to this research can be identified, particularly, five dimensions of PSR in Pakistan this research could not cover, including: i) the

second part of this puzzle addressing as to how the contextual problems identified through this research could be tackled, ii) it is limited to administrative reforms only and did not covered the policy reforms initiated in the case study organisation, iii) considering enormity of the overall public sector reforms initiatives in Pakistan it could not encompass other PSR initiatives taken under governance, fiscal, and judicial reforms, iv) it neither provide cross sector nor cross country comparison of the Pakistan's PSR, and v) it could not appropriate level of delving into important national factor like corruption may be considered for future researches.

Also from the ontological and epistemological perspectives this research intended to view the reform process from the employees prespective. Had this research been taken from an objectivism/subjectivism's positions, the focus of the investigation would have been entirely different because of different world view and epistemological beliefs i.e. 'how we know what we know'. This approach, where allowed me to zoom-in to the research informants level, is also subjected to crtisisms for neglecting the broader circles of the issue understudy. Similar observation can made regarding investigator's position as 'insider' as opposed to an 'outsider'. Although, I as former employee of the PPS was able to provide special insight on the process of PSR based on my experience of the field and knowledge of Pakistani language and culture. But, it can be argued that this investigation lacks scientific deattachment and objectivity that a nonmember might have brought.

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Appendix – A: Research protocol

Biographical Data

Sex		Age	
Education Level		Experience	
Officer Level			

Aide Memoire

S. #.	Theme	Questions
1.	About respondents work	<ol style="list-style-type: none"> 1. Why did you choose working for the public sector? 2. What are your main priorities at the workplace? 3. Who do you need to work closely with? 4. Who is the most important person related to your work? 5. How your work is evaluated and what constitutes success?
2.	Overall impression about reforms	<ol style="list-style-type: none"> 1. What do you think are the important changes made over the past five years at the national level in the Pakistan public sector? 2. What do you think were the reforms required in the Pakistan Public Sector and why? 3. What were the main problems prevailing in the public sector that these reforms were intended to address? 4. Have these reforms tackled those important issues? 5. What significant changes have been introduced in your organisation during the reform period?

		<ol style="list-style-type: none"> 6. What important changes have been made in your department? 7. How was the organisation reacting to the changes being introduced as reforms? 8. What (positive or negative) changes you have experienced in organisation's functioning during and after reforms? 9. Have the reforms had improved organisational synergy? Or has created more ambiguities and dark spots in the then prevailing work procedures.
3.	Need, conceptualisation and driving reforms	<ol style="list-style-type: none"> 1. To what extent do you think that the reforms were properly conceived and effectively implemented? 2. What was the general perception of other employees about reforms? Were they in its favour? 3. What role do you think the donor agencies have played in reforms initiation and implementation? 4. How well prepared do you think the organisation was to carry out the reforms? 5. Were you consulted as stakeholder during reforms' conceptualisation or implementation? 6. If yes – how? and did you taken part in the process and were those suggestions given any weight? If no, how did you felt about it?
4.	Attempts of reforms and change in implicit contracts	<ol style="list-style-type: none"> 1. How effectively these reforms have made the organisation more responsive to the public needs? 2. What changes did you felt in organisational processes, enhancing its efficiency after the implementation of reforms? 3. How these changes have affected your work? What direct changes these reforms have brought to your work? Have these reforms made your duty easier or harder to perform? 4. How these reforms have changed your feelings about the organisation?

		<p>5. What impact these changes have made on your relationship with your co-workers?</p> <p>6. How do you see these reforms impacting organisation's image overall in Pakistani society?</p>
5.	Reforms achievements and results	<p>1. Do you think that public sector reforms have achieved its goals? If yes – please explain how? if no, please explain how these reforms could have been made more effective?</p> <p>2. What do you think were the main impediments of reforms? (lessons learnt)</p> <p>3. What do you think could have been the best reforms strategy?</p> <p>4. What do you think are the important elements the reforms have missed?</p>

Appendix - B: A review of reports, recommendations and implementation status on administrative reforms in Pakistan

S. #.	Committee/ Commission/ Title	Head / or Author	Year
1	Pay and Service Commission	M. Munir	1949
2	Improvement of Public Administration in Pakistan. A report with Recommendations	Rowland Egger (supported by USAID)	1953
3	Reorganisation of Pakistan Government for National Development	Bernard Gladieux (supported by Ford Foundation)	1955
Findings and status			
<p>The first attempt made by the Government was soon after independence in 1948 by appointing three committees: the first under the leadership of Sir Victor Turner a reorganisation committee, to look into the staffing needs and also examining the working procedures of the Government. The second committee was appointed by the central legislative assembly, to review the organisation and structure of the Ministries and Departments of the Government. And the third was a Pay Commission under the chairmanship of Mr. Justice M. Munir to form recommendations on remuneration levels. There was no action taken on the first two reports, however, on the recommendations of third committee, which recommended lowering the salaries of the bureaucrats to encourage the equal distribution of talent among all sectors of society (Islam, 1989; Government, 1949). This recommendation was implemented without any resistance (Burki, 1969).</p> <p>In 1953, Mr. Rowland Egger, an international expert from the USA was invited to Pakistan to make recommendations for measures to improve the public administration system of Pakistan. The Egger report accused the secretariat system and found it inappropriate due to its highly centralised, under supervised and rusty nature (Islam, 1989). Another important factor, it highlighted was the policy formulation by the generalists for the technical departments working under</p>			

technical experts (Naz, 1990). It also recommended the amalgamation of cadres, an administrative staff college, and a programme-based budgeting system (Pakistan, 1989). Following him, another international expert from USA, Mr. Bernard Gladieux visited Pakistan in 1955 and prepared a report on the reorganisation of the Government of Pakistan. He also viewed the secretariat system as problematic where the policy was being made by clerical staff. He also recommended the unification of cadres and decentralisation (Islam, 1989; Burki 1969). As noted by Islam (1989) these reports were filed under pressure as the recommendations were challenging the elites of Pakistan's civil service. Both the reports were marked as classified and no action was taken.

S. #.	Committee/ Commission/ Title	Head / or Author	Year
4	Report of the Administrative Re-organisation Committee I & II	G. Ahmed	1958 and 1959
5	Report of the Pay and Services Commission	A. R. Cornelius	1962
6	Report of the Working Group on the Re-organisation of the Service Structure in Pakistan	D. K. Power	1969

Findings and status

On the request of the Government in 1958, a senior civil servant Mr. G. Ahmad submitted a report on reorganisation of the Federal Government. And in 1959 Mr. Justice A.R. Cornelius was appointed by the Government to head a Pay and Services Commission, which presented its report in 1962 proposing a new 7 tier structure for the services with 3-5 grades under each group. The report stressed to end the elitist character of Pakistani bureaucracy (Islam, 1989; Ziring and Laporte, 1974). But, like the past, the recommendations could not be implemented due to authoritative position of the bureaucracy (Burki, 1969), and the recommendations of these two reports were also shelved by the then governments with the previously archived reports.

In 1959 once again the Government asked Mr. G. Ahmad to revisit the issue of administrative reorganisation of the Central Government. Upon whose recommendations, the position of Section officer was introduced in the central Government with the objective to reduce the internal bureaucratic channels within a Ministry. This effort seemed to be addressing some portion from the recommendations of two international consultants i.e. R. Egger and B. Gladieux. However, the important dimension of policy formulation was still not touched (Braibanti, 1966).

Following it a Working Group in 1969, led by Mr. D. K. Power, was constituted by the Government to prepare recommendations on the reorganisation of the Public Service structure in Pakistan. The working group also looked at the possibilities of Fulton Report applicability in Pakistan, which was presented in the UK to reform the British Civil Service. The working group presented its findings,

however, as per the past no action was taken by the Government on the recommendations.

S. #.	Committee/ Commission/ Title	Head / or Author	Year
7	Implementation of Administrative Reforms	K. H. Meer	1973
8	Report of the Civil Services Commission	S. Anwar ul Haq	1979
9	Report of Services Reform Commission	Justice Durab Patel	1989

Findings and status

Another Administrative Reforms Committee was formed in 1972, under the chairmanship of Mr. Khursheed Hasan Mir, a Member of the Federal Cabinet. The Committee recommended i) the abolition of reserved key posts in Federal and Provincial Governments for the members of Civil Service of Pakistan (CSP) cadre ii) the replacement of the CSP cadre with the District Management Group (DMG) and the Secretariat Group iii) the introduction of a unified service structure with different occupational Groups iv) the introduction of national pay scales for Grades 1-22 v) the removal of constitutional guarantees for civil servants. It also opened the way to induct from the private sector into services through lateral entry. These proposed reform actions were implemented in 1973 by the then Government. These reforms were made under the Bhutto regime came into power after the split of the country. In his opinion Bureaucracy was responsible for several problems in the country. Therefore, these actions were taken to weaken the strong bureaucracy so that it could be controlled by political masters. However, this alleged political intention behind reforms (Ziring and Laporte, 1974) and misuse of the lateral entry system restored some of its lost authority by abandoning the Bhutto reforms while the government was overturned by the military bureaucracy (Islam, 2004).

In 1978 again a Civil Services Commission was formed under the chairmanship of Justice A. Haq, to revisit the 1973 Administrative Reforms and make implementable recommendations. The Commission submitted its report in 1979, recommending improvements in the status of specialists. The report further recommended that “the first step in the direction of administrative reform should be the replacement of the colonial structure of the services by a modern and scientific system, which is responsive to democratic aspirations” (Pakistan, 1979, pp. 32). This time as well, there was no concrete actions were taken, however, the bureaucracy was able to regain their position during military rule.

A Services Reforms Commission lead by Mr. Justice Durab Patel was also established in 1989 that failed in producing any consensus report.

S. #.	Committee/ Commission/ Title	Head / or Author	Year
10	Report of the Economic Commission	Raja Zafar ul Haq	1991
11	Report of the National Commission to suggest measures to improve the efficiency of the Federal Government of Pakistan	Hamid Nasir Chattah	1995
12	Report of the Committee on Downsizing of the Federal Government	Dr. Hafiz Pasha	1997

Findings and status

An Economy Commission constituted by the Government in 1991 and led by a member of the upper house of parliament submitted its report in 1992 with the recommendations of reduction in the number of Divisions of the Federal Government and abolition of 75 organisations that were found to be redundant. This was the first when the Government seems to be getting recommendations from within government to redefine its role in the pursuit of a 'smart' government. Alongside, an effort to reduce the wage bill was also recommended through controlling the employment in the public sector. Some progress was made by the then Government to implement the recommendation, but due to its dismissal in the same year not much progress was made.

In 1995, the Government appointed Mr. H. N. Chattah, to head another Commission for making broad recommendations from the size of the Government to the response time of the Public Sector. The Chattha Commission also re-emphasized the need for reducing the number of Divisions in the Federal Secretariat. This Commission was a sequence of early effort to control the expenditure and reduce the wage bill through consolidation of the size of Government. But unfortunately, this Government also could not last longer due to its dismissal on account of misconduct through presidential orders and call for a new election.

This Commission was followed by Pasha Committee constituted in 1997 under the chairmanship of Mr. Hafiz A Pasha, the then Deputy Chairman, Planning Commission who also validated the findings of Chattah Commission to reduce the size of Government. But the fact is that although a few changes were made on the recommendations of these Commissions, their proposals were never implemented in their true letter and spirit.

S. #.	Committee/ Commission/ Title	Head / or Author	Year
13	A Framework for Civil Services Reforms in Pakistan	The World Bank, Pakistan	1998
14	Report of the Commission on Administrative Restructuring on Re-engineering of the Federal Government Organisations	Syed Fakhar Imam	1999
15	Report of the Committee on Restructuring and Rightsizing of the Federal Ministries/ Divisions	Dr. Shahid Amjad Choudhary	2000

Findings and status

A framework was prepared by the World Bank at the request of the Government of Pakistan for assistance to improve its functioning. The report suggested two broad recommendations, i.e. redefining the role of government by reducing its footprint from the market and give way to the private sector to flourish and then focus on the core public sector organisations. This report suggested addressing general PS problems of salary, corruption, human, organisational and institutional capacity building, accountability, and inappropriate skill mix. The report also recommended comprehensive reforms in key sectors aligned with the Pakistan's development agenda. It suggested the federal tax agency and provincial health departments as the best candidates. Furthermore, it recommended less radical reforms in selected sectors and recommended the Ministry of Finance as the best candidate. This report also suggested adoption of a comprehensive instead of a piecemeal approach to revamp the Pakistani public sector. This report is discussed later in this chapter.

Another Commission on Administrative Restructuring lead by Mr. Fakhar Imam was appointed in 1997 for the purpose of 'right sizing' of Government functionaries and identifying surplus personnel. Although the Commission submitted its report in February 1999 but as per past the recommendations were never implemented and this time due to military takeover in the same year.

In 2000 another committee led by Deputy Chairman, Planning Commission Dr. Shahid Amjad Choudhry was formed to restructure and right size the Federal Ministries / Divisions. The Committee submitted its report in April 2001 with the recommendations to reduce a large number of staff working in the lower categories performing helping or non-technical tasks. Though some efforts were made by the Government to achieve this objective, but mainly Government could not achieve it due to anticipated strong resistance from the civil servants, especially from the lower cadre which constitutes the major part of the Pakistan civil service.

S. #.	Committee/ Commission/ Title	Head / or Author	Year
16	The Local Government Book: Explaining the vision, concept and functioning of the local government	National Reconstruction Bureau (NRB)	2002
17	Common Wealth Secretariat Local Government System in Pakistan and the Aberdeen Agenda		2006
18	National Commission on Government Reforms (NCGR)	Dr. Ishrat Husain	2008

Findings and status

From the year 2000 another massive effort was made by the Government to improve its functioning through the Devolution Plan, prepared by the NRB. Through which the Local Government Ordinances of 2001 and the Police reforms, incorporated in Police Ordinance, 2002 and the amendments thereafter. These reforms were made with the ambition to transfer the powers from bureaucracy to the elected representative of the people at the District, Tehsil and Union levels. These reform measures were rolled back by the newly elected government owing to the pressure of its coalition partners by labelling them unsuitable for the country and appointed the civil administrators to represent the Government at district levels which brought the system to zero point.

This commission was appointed by the Government to assess Government's structure, processes and human resource requirements and make suggestions for its improvement. The commission found the situation dismal at all levels of Government and suggested a complete overhauling of the system at all three levels of the Government i.e. Central, Provincial and District. However, its recommendations as well are yet waiting to be implemented.

Source: Individual reports and commentary made by Ralph Braibanti, 1966, pp. 214; C.H. Kennedy, 1987, pp. 63