A compilation of management case studies concerning public administration in Pakistan and accompanying teaching notes, this document is intended to foster discussion in classes such as the advanced management course in public administration at the National Institute of Public Administration in Lahore, Pakistan. Included are case studies entitled "Introduction of Combined Delivery System of Mail at Lahore GPO" (Ahmad, Samad); "The Ombudsman Decides: The Contested Inspection" (Malik, Haq, Azim); "Basic Manufacture of Pharmaceutical Raw Materials" (Ahmad); "The Overlooked Proposal for Computerized MIS (Rafique, Safdar, Majeed); "Mehrpur Dam: The Unfulfilled Promise" (Anjad, Khan); and "What Happened to the Matching Grants?" (Mustafa, Mahmood). The teaching note following each (Rafique, Safdar, Majeed); "Mehrpur Dam: The case typically includes this information relevant to the case: topical area or classification, learning objectives, place in sequence of advanced management course, target population, supplies needed, summary, time allocation, possible approaches, issues to be considered, possible solutions to questions, additional questions, actual outcome, theoretical or conceptual base, and technical notes/supplemental readings. (CML)
PAKISTAN-SPECIFIC CASES
FOR THE ADVANCED MANAGEMENT COURSE
IN PUBLIC ADMINISTRATION

Sponsored by
Management Training Division
Academy for Educational Development
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Edited by:
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July, 1989

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INTRODUCTION

The case studies and teaching notes contained in this publication were developed under my direction during my visit to Pakistan on a project described in: McLean, G.N. (Ed.) (1989). Pakistan-specific case development for the Advanced Management course in Public Administration at the National Institute of Public Administration (NIPA), Lahore, Pakistan, June 9 - July 15, 1989, final report. Washington, DC, and Islamabad, Pakistan: Academy for Educational Development.

The cases were developed by faculty members at NIPA during a workshop designed to produce cases that could be utilized within the Advanced Management course, a four-month course required of all civil servants before they can be promoted from Grade 19 to 20. For many of the faculty, these cases are the first they have written in which they have had to research the information before writing the cases.

My role was first to present a formal workshop on writing cases and teaching notes to establish a format to be followed by all participants. My role from that point onward was to assist in the selection of the intended target agencies; to review the questions to be used during the interviews to collect data; to assist in the gathering of information from the interviews and secondary data; to review, edit and rewrite drafts of the studies and teaching notes; and to assist in the revision of the cases and teaching notes based on the experience of using each of the cases in the workshop.

At the time of writing,

21.08 Rupees = $1 (U.S.) or
Rupee 1 = approximately 5 cents (U.S.)

Counting units may be confusing to those in the west reading these cases:

One lakh (or lac) = 100,000
One crore = 10,000,000

It should also be noted that commas are used to set off large numbers in groups of two, after the thousands units, e.g., 34,56,980, which would be written in the west as 3,456,980.

Most of the users of these cases have not had previous experience in using the case method. Thus, questions for discussion have been appended to each case. When used with experienced persons, or if used for some other objective, these questions should probably not be reproduced.

As with all cases, the cases included in this publication are not intended to present illustrations of either correct or
incorrect handling of public administration problems. Their intent is to provide classroom or workshop discussion only.

Likewise, in most cases, the identity of the persons and agencies involved, as well as some locations and financial figures, have been changed to protect the identity of those actually involved in the cases. The basic features of all cases, however, are real.

All of the authors wish to express our appreciation to those officials who gave so generously of their time and knowledge for the sake of advancing public administration objectives in their country. I would like to express my own appreciation to the faculty for the outstanding job they did in developing the cases and for their partnership throughout the project.

My hope is that this collection of cases might be just the beginning of a much more extensive collection that can be used throughout Pakistan (and, indeed, throughout South and Southeast Asia) in support of the further development of public administration officials.

Gary N. McLean
Islamabad, Pakistan
July, 1989
INTRODUCTION OF COMBINED DELIVERY SYSTEM OF MAIL AT LAHORE GPO

by

Iftikhar Ahmad, Sr. Instructor, and
Rehana Samad, Sr. Research Associate, NIPA-Lahore

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The new Postmaster General (PMG), Naseer-Ud-Din, had just recently been appointed to this position. To familiarize himself with matters of concern to his new assignment, he held a meeting with Latif Chaudhry, a former Deputy Postmaster General. One of the matters of importance which was raised was the system of delivery of mail in Lahore. At the present time, three daily deliveries (one for unpaid or accountable items and two for paid or unaccountable items) are scheduled in central Lahore from the Lahore General Post Office (GPO), while the rest of Lahore (served from town delivery centres) receives only one. From the Lahore GPO, deliveries are scheduled as follows:

<table>
<thead>
<tr>
<th>Paid (Unaccountable) Delivery</th>
<th>Unpaid (Accountable) Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st at 0900 hrs.</td>
<td>One delivery only at</td>
</tr>
<tr>
<td>2nd at 1300 hrs.</td>
<td>1030 hrs.</td>
</tr>
</tbody>
</table>

For many years now, there has been a proposal for modifying deliveries, but as yet no changes have been made.

One proposal explained by Mr. Chaudhry was the introduction of a combined delivery system throughout Lahore. The objectives of such a proposal include streamlining operations, improving efficiency, improving the post office's public image, reducing manpower and financial requirements, and so on.

The staff strength of postmen was not likely to be affected. As discussed with the labour union, the plan would include no reduction or retrenchment. Rather, it was possible that the demand for staff would increase under the proposed combined delivery system.

Unpaid delivery dealt with accountable items, such as money orders, registered letters, insured items, etc. Postmen entrusted to this task were generally found to be responsible in their behaviour, with accountability for their work built into the system. The difficulty was with the other two sets of postmen involved in delivering paid mail. The behaviour and performance of some of the postmen were found to be generally unsatisfactory, some were often found to be absent or on leave on some pretext, and some were informally exchanging and shifting responsibility. As a result, this put an extra burden on the postmen of the other shift. All of this resulted in some inefficient delivery or non-delivery and even some loss of paid mail for which there was less accountability.
Such behaviour was a matter of concern to the postal administration. Those posted to unpaid delivery were not willing to work in delivering paid mail because they then lost the opportunity for extra earnings through the receipt of tips. Many of the problems could be taken care of, it was felt, through the introduction of a combined delivery system.

But there were practical problems. There was some resistance to the idea from the unions. And there was a problem with physical requirements, such as adequate space and furniture, and perhaps staff, as well. Finally, some people believed that the success of the combined delivery hinged on the introduction and acceptance of a postal code system which was required to meet the needs of the rapidly developing localities of the city and its rapidly growing population and institutions. Likewise, it was felt by some that the postal code system could not be introduced until the combined delivery system was in place.

The Director General, Post Office Department, in Islamabad, had directed that a map be prepared to show the permanent beats to permit the allocation of code numbers. He had also directed verbally that the third delivery at 1300 hrs. be abolished, expediting the combined delivery system with shorter beats.

To determine the current status of the proposal, Mr. Naseer called Mr. Ahsan Basir, Deputy Postmaster General:

Naseer: Hello, Basir, how are you?
Basir: I am fine, sir. Thank you.
Naseer: Basir, I am calling to obtain information regarding the delivery system of mail in the Lahore GPO. I have been briefed on the subject, but I feel that there are still some missing links. I would like to benefit from your first-hand knowledge of the subject.
Basir: Of course, sir. I'd be delighted. What exactly would you like to know?
Naseer: Could you give me a brief account of the delivery system as it now exists and the proposal regarding its reorganization and change? Also, I'd like to know the stage you're at with the proposal.
Basir: Sir, at present we have 23 delivery offices in the city, including the 8 delivery zones at the Lahore GPO which cater to the central city's needs. While the other 15 delivery offices operate on the basis of a single delivery system, the Lahore GPO, as you know, operates on the basis of three separate deliveries. The proposal is to combine the three deliveries into a single delivery.
Naseer: Don't you think that the unions will react negatively to such a proposal?

Basir: Yes, but this factor has been taken into account. There was, of course, apprehension on their part that the postmen would become surplus. We have explained, though, that this is not our intent. In fact, when we institute the postal zone system, with shorter beats that are also closer to the delivery offices, and develop beats to serve the rapidly growing suburbs, we may even need to increase our manpower. Certainly we will save a lot of waste and duplication. The anticipated workload for each postman will remain almost the same as it currently is.

Naseer: I understand. Do they have other concerns?

Basir: Yes, sir. Under the proposed system they would have a reduced area of command. That would reduce their kingdom.

Naseer: I understand. What's being done to implement the proposal?

Basir: The main problem is that we may need to be able to accommodate over 250 postmen at one time in the sorting area if we have a combined delivery system. We are currently in the process of changing the existing layout. The present hall is under renovation. Some modifications are planned to expand the existing areas used by the postmen. We expect our new Lahore GPO building to be completed by the end of 1990.

Naseer: With all of these problems, how can we accommodate the union's concerns?

Basir: Out of the three unions, two have basically agreed to the proposal for a single delivery, though they have requested additional furniture, space, and manpower. The third group, the smallest, wants to have two deliveries instead of one.

Naseer: What has been the reaction of the administration, especially the people concerned with implementation?

Basir: I think I can safely speak for my colleagues in saying that an injustice has been done to those areas not covered by the Lahore GPO. A unified system is essential. Moreover, the existing system at the Lahore GPO is not working satisfactorily. There have been complaints from different sources about non-delivery, late delivery, limited deliveries, lost items, and so on.
Naseer: Thank you, Basir. You have been a great help. I would like to have some more facts, especially about your existing setup for sorting the mail and its distribution, and the role and reaction of union officials. I'd like to send Mr. Ashraf, one of my senior aides, to see you and to meet the union officials. Would that be all right?

Basir: Certainly. I shall be more than happy to accommodate him.

Naseer: Thanks. He'll be there tomorrow morning at eleven.

As agreed upon, Mr. Ashraf showed up the next day promptly at 11:00 a.m. He was warmly greeted by Mr. Basir and given a tour of the facilities. He learned about the historical perspective of the proposal regarding combined delivery of mail; the various alternative proposals and their related issues; the question of the public interest and its implications in the context of the proposal for change; and the financial and other implications. He visited various sections related to sorting and handling the mail. (See Appendix 1 for photos of these facilities.) In the process he also had an excellent opportunity to talk with and listen to the office bearers of the union, as well as various other employees, as they discussed the proposal at length with Mr. Basir, stressing their points of view and pointing to practical difficulties that they experienced in their day-to-day work.

Mr. Ashraf also discovered the situation regarding the union. The Collective Bargaining Agent (CBA) had two factions. Both factions seemed to be united on their stand regarding the proposed change in the delivery system. In fact, they did not seem to be very clear about the implications of the change, though it had been clearly explained to them by Mr. Basir.

Mr. Ashraf was informed about some objections held by the workers/postmen and others concerned. As Mr. Basir commented in talking with the employees, "I'd expect some resistance from you even if, as we think it is, the proposed change is in your own interests."

Labour raised the following objections:

1. Sorting/checking will need to move from 10-12 postmen per sorter (one pigeon hole per postman), as it currently is, to 24, which is too many. Basir's response was that postal regulations currently permit 48 pigeon holes per sorter. Labour further objected—that would require the sorter to reach too far. Basir's rejoinder was that the sorter area could be redesigned into a U-shaped area where the reaches would be no longer than they currently are.

2. Financial objections were also raised. At present, when
volume exceeds a certain limit, a postman is provided with a coolie/porter or an additional allowance is provided to the postman. The concern with a smaller beat is that such opportunities will not then be available to them. Basir quickly responded by pointing out that, in fact, the chances are good that there will be increased opportunity because the volume will not change. Each postman will have a smaller beat, but in that smaller beat will deliver what is currently being delivered by three postmen.

3. Mix-ups may occur more frequently because the paid and unpaid items will be combined. Basir then asked: "How is it that this doesn't happen throughout all the rest of Lahore where there is currently only one combined delivery? Are they better than you are?"

4. Dividing existing beats into smaller beats will be a problem if the current beats are only divided in half. Labour feels that the beats should be divided into thirds, providing for 250 postmen, creating the space problems discussed earlier. Basir, however, stated that 180 postmen plus reserves would be sufficient. With that number, there is currently enough space, and there would be no barrier in implementing the system immediately.

There were presently 256 postmen on the approved staff list, with an additional 25 postmen on leave reserve.

Mr. Ashraf also discovered that there were actually three alternative proposals for reorganizing the work, not just one as had been previously thought:

1. Eliminate one of the two paid deliveries, leaving two deliveries— one paid and one unpaid.

2. Eliminate the two paid deliveries and the unpaid delivery, and replace them with one combined delivery per day only.

3. Eliminate all of the separate deliveries, and provide for two combined deliveries, one at 0900 hrs. and the other at 1100 hrs., each having 125 beats and a total of 250 beats under the system. The first combined delivery would include everything— ordinary mail, money orders, registered letters, parcels, and unpaid letters. The second combined delivery would contain only ordinary mail and registered letters.

With regard to proposal number 1, Mr. Ashraf learned, off the record, that in practice there was only one paid delivery, and it was made at 1000 hrs.

With respect to proposal number 2, many viewpoints were presented:
a) This step was necessary to bring service at the Lahore GPO at par with the delivery system existing outside the Lahore GPO.

b) Such a decision would remove the public's complaints of injustice to people residing outside the areas covered by the Lahore GPO.

c) If such a decision is made, it would be essential to satisfy all of the concerns of the unions.

d) To respond to management's concerns for efficiency in the system, a work measurement study would be essential.

With respect to proposal number 3, Mr. Ashraf learned that the existing arrangement of the clerks giving delivery to postmen would stay as it is, though labour may insist on additional manpower.

Having completed his investigation, Mr. Ashraf gathered relevant files for the PMG to study and returned to the PMG's office, very satisfied with his visit. The next morning, he presented his report to the PMG along with copies of important documents gathered from the files. (See Appendix 2 for copies of these documents.)

Now that the new PMG had received all relevant facts, he realized that the decision was long overdue--it was now into July, 1989, and no firm decision had yet been made. It was within the PMG's jurisdiction to make the decision and begin implementation without forwarding the proposal to the Director General of the Post Office Department.

Questions for Discussion:

1. Identify the issues that must be considered in making the decision.

2. With these issues in mind, if you were the PMG, what proposal would you accept? Why?

3. What steps would you follow in implementing the proposal?
APPENDIX 1
PHOTOGRAPHS OF LAHORE GPO SORTING AND POSTMAN FACILITIES

Cancelling Paid Mail
Sorting Mail by Zone
Sorting Mail by Postman
APPENDIX 2
FILE DOCUMENTS*

[  * All documents in this Appendix have been typed as they were in the original files, with corrections only in obvious typing, spacing, spelling and punctuation errors.]

PAKISTAN POST OFFICE
EXPRESS LETTER

No. PPC/S.O.-Dely; Dated Lahore the 1.10.1985.

TO The Postmaster General, Central Circle, Lahore.


It is intimated that presently the beats are lengthy and 3 postmen are working in a beat. In order to introduce combined delivery and post only two postmen in a beat, as desired by your honour verbally, the beats are to be shorten'd. Therefore all beats are being revised.

Under these circumstances, it is regretted the requisite MAP showing beats and delivery jurisdiction cannot be prepared during this month.

Postmaster (Delivery) Lahore GPO.
This case relates to introduction of Post Code system in the Pakistan Post Office Department. The worthy Director General Pakistan Post Office, Islamabad has desired that:

i) A map showing beats be got prepared for the allotment of Code numbers.

ii) Beats be made permanent.

iii) Any change if any be made now.

iv) Provision of any intended change be made.

Some localities of Lahore are fastly developing and population increasing day by day. So many changes will have to be done at the most after 5 years. But the worthy Postmaster General verbally has desired that 3rd delivery of paid mail presently being made at 1300 hours be abolished. Consequently all the beats which are 1st paid 83 beats, Unpaid 94 beats, and 3rd paid 83 beats will have to be measured afresh and re-numbered after mitigating the present area of each beat. In some cases the heavy beats will have to be divided into two beats and in some cases into 1 1/2 beats.

Under these circumstances, it is regretted, no beats map can be drawn up. However further guidance is solicited.

P.M. (D)

DPL/PMG.

[The following has been appended in handwriting:] The C.O. may be informed that as a result of briefing by the A.D.D.C. (Post Code) on 2.10.85, the beats are being revised on the basis of combined delivery by a single postman in a beat as found in the revised beats lists & maps will be ready by the last week of this month.

5.10.85
No. PPC. 1-12/83

Islamabad, the 20th Fe., 1987

The Postmaster General,
Central Circle,
Lahore

Sub:- POSTCODE SYSTEM FOR LAHORE POSTAL AREA

The Asstt. Dy. Director General, Asstt. Director and Asstt. Supdt. of Postcode branch visited Lahore from 7-2-87 to 13-2-87 for assigning postcodes to the Lahore Postal area. The plan prepared by them is being enclosed for your comments. salient features of this plan are given below.

1. The present 80 combined beats under Lahore G.P.O. have been converted into 251 single beats. The Chief Postmaster Lahore GPO. has told that new beats will be given effect after the repair and renovation work of the GPO building is completed.

2. The present complicated alpha-numerical and haphazardly assigned beat numbers have been replaced by simple and systematic numbers. The numbering will certainly facilitate sorting in delivery post office.

3. The present 8 zones under Lahore GPO have been subdivided to make 31 zones comprising about 10 postmen beats each. Care has been taken while demarcating new zones that the boundaries of present zones are not disturbed.

4. The Lahore GPO has been assigned number 54000. The zone in which GPO is situated is given next number, i.e., 54010. All the other numbers have been assigned to zones in the anti clockwise direction. 500 numbers have been reserved for this area. The GPO area end up with zone number 54310 which is adjacent to Multan Road Post Office under the jurisdiction of City Supdt. West Division. From 54500 to 54599 numbers have been earmarked for remaining area of Lahore which include City Supdt. Post Offices West, North and South Division and Lahore Cantt. H.O. So Multan Road Post Office is allotted number 54500. Again the numbers are increasing as we move anticlock-wise and end up with Shadra Post Office with number 54950.

5. Sufficient numbers have been kept in reserve where necessary for future expansion.
2. Provision of space and requirements of additional staff may be assessed in the Sorting and Air Division, Lahore accordingly.

3. It will be appreciated if your comments in this respect, if any, are received at the Dte-General by 7-3-87.

(S. ALTAFHUSSAIN SHAH)
Dy. Director General (Operations)

Encls (As above)

[Five pages were appended listing the detail of postal codes assigned to each beat. These pages have been omitted for the purposes of the case.]
PAKISTAN POST OFFICE
EXPRESS LETTER

No. PPC/SO/Dely dated Lahore the 7-3-87.

To The Postmaster-General
Central Circle, Lahore.

Subject: Post Code System of Lahore Postal Area.


The plan on the subject received with your letter cited above has been examined. The present 8 delivery zones of Lahore GPO have been increased to 31 in which 251 beats of Postman have been made in case only combined delivery is effected. Presently paid deliveries are effected at 09.00 12.00 hours while unpaid one at 10.30 hours, consisting of 83 and 93 beats respectively. The timings of combined delivery are proposed to be at 10.30 hours on all working days except Saturday and day after postal holidays. On such days the delivery would be out at 11.30 hours.

2. To achieve the desired result in case the system of post code is introduced and only one combined delivery is ordered, this unit has forecast the following main requirements which may be considered:-

   i) Space for seating arrangement for postmen and operating staff.
   ii) Provision of additional furniture.
   iii) Additional staff.

3. The space problem will be solved after completion repairs and renovation work in the existing delivery hall. 251 Postman will be seated at a time. The additional seats with tables for 75 Postman will have to be arranged. Similarly sorting of mail is presently being done in 8 Zones. It will have to be done in 31 Zones for which sorting cases will have to be changed accordingly 16 sorting cases with 36 pigeon holes (2 Zones for each sorting case) will have to be supplied.

4. To overcome the delay detention and timely delivery of mail to the proposed 251 beats some additional staff would be necessary as per following proposed requirements:-

<table>
<thead>
<tr>
<th>Category of Staff</th>
<th>Sanction Strength</th>
<th>Addl Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Sorting Postman</td>
<td>23</td>
<td>10</td>
</tr>
<tr>
<td>ii) Postman</td>
<td>283</td>
<td>-</td>
</tr>
<tr>
<td>iii) Clerks</td>
<td>110 (Operative)</td>
<td>8</td>
</tr>
<tr>
<td>iv) Packers</td>
<td>51 ( = )</td>
<td>8</td>
</tr>
</tbody>
</table>
5. The present mail arrangement would be revised. The mail of 8 Zones now being received from Lahore TD MSO will be received in 31 Zones in addition to other bags already prescribed (Viz VP, Ins DC etc).

The mail received upto 08.30 hours would be included in the proposed combined delivery.

6. The mail presently received at 10.00, 11.00, 12.00 hours which is approximately 12000 articles would suffer detention in the proposed system.

7. It is submitted that beat lists of proposed 251 beats have since been prepared.

8. The public will have to be informed about the codes number of their mail through wide publicity.

Postmaster (Delivery)
Lahore, GPO.
PAKISTAN POST OFFICE  
EXPRESS LETTER

No. PPC/SO/Dely dated Lahore the 6-5-87

To Mr. Mohammad Arshad,  
Assistant Dy. Director General (POST CODE)  
Islamabad.

Subject: Implementation of Post Code.

Reference: Your No. PPC/1-2/83 dated 20.4.87.

It is submitted that introduction of new Postmen beat numbers is not possible at present as the renovation of the building of Lahore GPO is still under progress and presently there is no space to house 251 Postmen for the purpose. Postmaster General Central Circle has already been informed about the following requirements in the absence of which we are not in a position to implement the new single beat system.

i. Space for seating arrangement for Postmen and operative staff.
ii. Provision of additional furniture.
iii. Additional staff.

Postmaster (Delivery)  
Lahore, G.P.O.

Copy to:

The Postmaster-General Central Circle, Lahore for information please. In continuation to this office report dated 7.4.87, it is further submitted that the proposed 31 Zones of Lahore GPO can be reduced if some more offices are converted into delivery office, like Sanda, Punjab Sectt, Ravi Road, etc. A detailed report in this respect will follow shortly.

Postmaster (Delivery)  
Lahore, G.P.O.
### DELIVERY POST OFFICES IN LAHORE POSTAL AREA.

<table>
<thead>
<tr>
<th>NAME OF DELIVERY OFFICE</th>
<th>DELIVERY ZONE NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lahore GPO.</td>
<td>Lahore 1 to 8</td>
</tr>
<tr>
<td>2. Baghbanpura</td>
<td>Lahore-9</td>
</tr>
<tr>
<td>3. C.M.A. Cantt.</td>
<td>Lahore-10</td>
</tr>
<tr>
<td>4. Gulberg Colony.</td>
<td>Lahore-11</td>
</tr>
<tr>
<td>5. Walton.</td>
<td>No more delivery</td>
</tr>
<tr>
<td>6. Lahore Cantt.</td>
<td>Lahore-13</td>
</tr>
<tr>
<td>7. Model Town.</td>
<td></td>
</tr>
<tr>
<td>8. Moghalpura.</td>
<td>Lahore-14</td>
</tr>
<tr>
<td>9. Ferozepur Road.</td>
<td>Lahore-15</td>
</tr>
<tr>
<td>10. Allama Iqbal Town.</td>
<td>Lahore-16</td>
</tr>
<tr>
<td>11. Punjab Governor's House.</td>
<td>Lahore-18</td>
</tr>
<tr>
<td>12. New University Campus.</td>
<td>Lahore-19</td>
</tr>
<tr>
<td>13. P &amp; T Audit.</td>
<td>Lahore-20</td>
</tr>
<tr>
<td>14. Multan Road.</td>
<td>Lahore-21</td>
</tr>
<tr>
<td>15. P.M.G's P.O.</td>
<td>Lahore-25</td>
</tr>
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<td>16. Shama P.O.</td>
<td>Lahore-26</td>
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<td>17. Secondary Board.</td>
<td>Lahore-27</td>
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<td>18. Engineering University.</td>
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<td>19. Harbanspura.</td>
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<td>20. Shahdara Bagh.</td>
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<td>22. Camp Jail PO.</td>
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</tr>
<tr>
<td>23. Chah Miran PO.</td>
<td>Lahore-38</td>
</tr>
<tr>
<td>24. Lahore Township PO.</td>
<td>Lahore-39</td>
</tr>
<tr>
<td>25. Bhatta Kohar PO.</td>
<td>Lahore-40</td>
</tr>
<tr>
<td>26. Defence Housing Society.</td>
<td>No more delivery</td>
</tr>
</tbody>
</table>

### POST BOXES

<table>
<thead>
<tr>
<th>Post Boxes</th>
<th>Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.P.O. (Lahore)</td>
<td>1 - 2999</td>
</tr>
<tr>
<td>Gulberg. (Lahore)</td>
<td>3000 - 3999</td>
</tr>
<tr>
<td>Multan Road. (LHR)</td>
<td>4000 - 4999</td>
</tr>
<tr>
<td>Model Town (LHR)</td>
<td>5000 - 5999</td>
</tr>
<tr>
<td>Lahore Cantt.</td>
<td>6000 - 6999</td>
</tr>
<tr>
<td>PMG's P.O. (LHR)</td>
<td>7000 - 7999</td>
</tr>
</tbody>
</table>

19
## Statement Showing the Strength of Delivery Unit, Lahore GPO Grade-Wise/Category-Wise

### Designation of Post

<table>
<thead>
<tr>
<th>Designation of Post</th>
<th>Grade No.</th>
<th>Permanent</th>
<th>Temporary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postmaster.</td>
<td>16</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Deputy Postmaster.</td>
<td>11</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>ASPOs.</td>
<td>11</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Asstt: Postmaster.</td>
<td>9</td>
<td>14</td>
<td>1</td>
</tr>
<tr>
<td>Town Inspector.</td>
<td>9</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Clerk.</td>
<td>7</td>
<td>100</td>
<td>11</td>
</tr>
<tr>
<td>L/R Clerk.</td>
<td>7</td>
<td>22</td>
<td>-</td>
</tr>
<tr>
<td>Typist.</td>
<td>7</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Head/Stg/Overseer postmen.</td>
<td>6</td>
<td>33</td>
<td>1</td>
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<tr>
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<td>4</td>
<td>247</td>
<td>9</td>
</tr>
<tr>
<td>L/R Postmen.</td>
<td>4</td>
<td>25</td>
<td>-</td>
</tr>
<tr>
<td>E.D. Messenger.</td>
<td>2</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Packers.</td>
<td>2</td>
<td>43</td>
<td>4</td>
</tr>
<tr>
<td>Frash.</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Orderly Peon.</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Contingent Cooley.</td>
<td>1</td>
<td>1</td>
<td>-</td>
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</table>

### Branch

<table>
<thead>
<tr>
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<th>No. of Seats</th>
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</thead>
<tbody>
<tr>
<td>Admin. Br.</td>
<td>10</td>
</tr>
<tr>
<td>VP Claims Br.</td>
<td>11</td>
</tr>
<tr>
<td>Delivery Day/Deposit</td>
<td>10 + 6</td>
</tr>
<tr>
<td>Delivery Night</td>
<td>1</td>
</tr>
<tr>
<td>M.O. Paid</td>
<td>19</td>
</tr>
<tr>
<td>Registration Import</td>
<td>44</td>
</tr>
<tr>
<td>Parcel Import</td>
<td>11</td>
</tr>
</tbody>
</table>

20
On 8.8.88, Jamil Haider Shah, Member, Wafaqi Mohtasib (ombudsman) Secretariat, was seated in his office in Lahore when a complainant entered his office. A middle-aged man walked in and introduced himself as Mr. Imran, the sole proprietor of Messrs. Imran Engineers. Mr. Jamil asked him what his problem was. He replied, "I am a contractor and my company is registered on the approved list of contractors of National Corporation. In 1985, I was awarded a contract for painting and whitewashing the Corporation's Zonal Building in Multan. The work was completed within 20 days as laid down in the work order/contract, but although I submitted the bill for final payment of Rs. 51,308.52 on October 1, 1985. The payment has unjustly been withheld."

Mr. Jamil was listening very carefully. After Mr. Imran had finished talking, Mr. Jamil asked him, "What do you have to support your allegations?"

Mr. Imran placed on the table a thick file saying, "All the correspondence between National Corporation and Messrs. Imran Engineers is here."

Taking the complaint seriously, Mr. Jamil wrote to National Corporation to request information supporting their point of view. From information provided by both parties (see appendices for the work order, certificate, National Corporation's perspective, Champion Paints' test results, the complainant's response, National's response, and the billing statements—samples only from a very thick file), Mr. Jamil discovered the following.

Messrs. Imran Engineers, Lahore Cantt Office, has been on the list of "approved contractors" of National Corporation of Pakistan, a statutory body, for about ten years. During this period, the company carried out numerous jobs for the Corporation. In September, 1985, Mr. Shahid, Deputy Manager (In charge), Real Estate Division, Lahore, vide his work order of 10.9.85 (Appendices 1 and 2) awarded a contract to Mr. Imran of Messrs. Imran Engineers for the whitewash and painting of National Corporation Building, Multan. According to the work order, the tender for the work was accepted based on the unit rates quoted by Imran Engineers for each item of work. According to the contract, work was to be executed strictly in accordance with the tender specifications and the general engineering practice. The best available material was to be used and work was to be executed in accordance with standard engineering practices. In determining adoption of standard engineering practice, the decision of National Corporation was to be final.
Work under reference was to be supervised by National Corporation's Civil Engineer, and Messrs. Imran Engineers was to work under his instructions and carry out the work on his orders/advice.

Completion period of the entire work was fixed as September 30, 1985. Failure to complete the entire work within the stipulated period would make Messrs. Imran Engineers liable to pay the Corporation liquidated damages @ Rs.50/- per day. In case the entire work was not completed within ten days after the scheduled completion date, the contract would be terminated. The balance of the work would be done by another agency and the costs recovered from the payment due to Messrs. Imran Engineers.

Running payment would be made to Messrs. Imran Engineers on the submission of bills for the work done and duly approved and accepted by the site Engineer. The minimum payable amount of the approved work was not to be less than Rs.25,000/- at any stage of payment, except for the final bill. Retention money equal to 5% would be deducted from each bill. This amount would be released after expiry of three months from the date of completion of work, and on production of a satisfactory certificate of the Corporation's Civil Engineer.

As provided in the work order, Messrs. Imran Engineers submitted three running bills. These were cleared by National Corporation on verification by Mr. Rizwan Khan, a qualified and competent Civil Engineer of the Corporation who was designated to supervise the work at the National Corporation Building at Multan (Appendix 3).

The work had been placed on top priority because the Inauguration Ceremony of the Corporation's Multan Zonal Office, which was to be housed in the building, was scheduled for 4.10.85 at which a number of senior executives and important politicians were invited. According to Mr. Imran, Mr. Rizwan Khan remained present on the site throughout the period of completion of the work.

The entire work was completed on 30.9.85, and the fourth and final bill was submitted on 1.10.85 to Mr. Shahid who marked and sent the bill to Mr. Rizwan Khan. Mr. Rizwan Khan certified on the final bill that "work has been completed in accordance with the required specifications and satisfaction." However, he pointed out that an amount of Rs.1,38,705.30 had already been paid to Messrs. Imran Engineers against three running bills. He instructed that 5% retention money, amounting to Rs.2,788.50, and income tax at 3%, amounting to Rs.1,573.10, were to be deducted from the final bill. The net payable amount of the final bill came to Rs.51,306.52. This was verified and sent to Mr. Shahid who sent it to the Corporation's Multan office to Mr. Inam-ullah, Zonal Head, who also certified that the job had been completed and was satisfactory. A voucher for the net payable amount of Rs.51,308.52 was then prepared and sent to Mr. Wajid, Assistant
General Manager (Admin.), Lahore. He approved the payment and sent the bill to the Corporation's Internal Audit Department, Lahore.

National Corporation cleared the three bills of Messrs. Imran Engineers but did not clear the fourth and final bill. While the fourth bill was still being processed, the Internal Audit Department suspected that the material used in the painting was not up to the desired specifications and tender requirements. The general practice in the Corporation's Internal Audit Department is that running bills are treated as ad hoc payments, while the checking of the quality is conducted only after the submission of the final bill. In this case, too, the Audit Department received the final bill and decided to check the quality of the work and its measurement.

Mr. Imran claimed that the Assistant Manager Audit, Mr. Junaid, asked Mr. Imran in his initial meeting with him to carry out chip flooring work at his house, with which he did not comply. Therefore, instead of approving the bill, Mr. Junaid objected to the clearance and remarked that substandard material had been used.

Internal Audit, Lahore, requested Internal Audit, Multan, to investigate. A qualified person from the Multan Development Authority was asked to verify the above work. He found that the material used was not up to specifications. Vinyl emulsion paint had been used instead of plastic emulsion paint. He also claimed that Durocem Paint had not been applied on the external surfaces. Instead, it was reported to be ordinary vinyl paint. The quality of the paint was also examined by a private party, Champion Paint Industry. The sample of paint examined was reported to be substandard (Appendix 4).

The case was then referred to the Corporation's Principal Office in Karachi on 5.2.86, and they ordered a reinspection of the work. A qualified junior engineer, Mr. Ahmed, from Karachi was sent to conduct the inspection. He certified that the internal surface was not applied with pure plastic paint and that there had been mixing of inferior material. He agreed that, on the outer surface, plastic emulsion paint was not found.

After detailed checking, it was recommended by Mr. Ahmed, the engineer, that items 1, 2, and 4 of the bill (Appendix 4) should be devalued by at least 25% because proper specifications in accordance with the desired requirements had not been followed. The final bill was revised in accordance with these recommendations. The results of the inspections were communicated to Messrs. Imran Engineers for the first time in writing by the Corporation's letter dated 9.7.86 (nine months after completion of the work—Appendix 5). All inspections and reinspections were carried on without notice to the contractor. The time and date of inspection were never communicated to him.
As implied by the Corporation, he may have had his bills passed by the site engineer for some consideration.

National Corporation authorities tried to convince Messrs. Imran Engineers to accept the final settlement of the bill at the devalued rate of 25% less than the agreed rate. National Corporation was ready to release the retention money of Rs.7,655.00, provided the contractor accepts the revised bill at 25% devaluation. Mr. Imran refused to accept such a devaluation. He felt that his claim was fully justified.

To determine the accuracy of the facts, Mr. Jamil called for repeated hearings. Both parties presented their case, but nothing new emerged from these hearings. National Corporation offered to reduce the devaluation to 12 1/2%. Messrs. Imran Engineers continued to reject the devaluation offer, demanding full payment.

Questions for Discussion

1. If you were Mr. Jamil, in the ombudsman's office, what additional information would you want? How would you get it?

2. If you were Mr. Jamil, with only the information contained in this case, what decision would you make and why?

3. If you were in charge of the Real Estate Division of National Corporation's head office in Karachi, what changes in the system would you recommend to prevent a similar reoccurrence and why?
APPENDIX 1

Dated: 9th Sep., 1985
REAL ESTATE DIVISION

Sub: PAINTING MULTAN BUILDING
Ref: OUR NOTE OF DATE PLACED BELOW

Matter was discussed with Deputy Manager (Incharge) RED, Lahore who was asked to prepare feasibility for execution of the above cited work.

2. The following has been confirmed:-
   i) Following four contractors were invited to give their rates:-
      a) Messrs. Imran Engineers [3 other contractors were listed]
   ii) Rates were negotiated by a Joint Committee attended by:
      a) DM (Incharge) RED, Lahore
      b) Civil Engineer, RED, Lahore
      c) AGM (PG&S) RED, Lahore

3. Messrs. Imran Engineers have agreed for the execution of the above cited work on the following rates:-
   a) Internal Emulsion Paint @ Rs.1/50 per sft
   b) Emulsion in External Areas @ Rs.2/00 "
   c) Emulsion paint on doors/windows @ Rs.1/50 "
   d) External Durocem @ Rs.2/25 "
   e) White Wash @ 15% sft

4. The work will be supervised by Civil Engineer RED, Lahore. Total expenses on supervision will be within Rs.6,000/00 including all TA/DA.

5. The case is, therefore, submitted for approval so that go ahead signal be given to RED Lahore.

DEPUTY CHIEF ENGINEER
NATIONAL CORPORATION
APPENDIX 2
NATIONAL CORPORATION
LAHORE ZONE

10th September, 1985

Messrs. Imran Engineers
Lahore Cantt.

sub: PAINTING OF NATIONAL CORPORATION BUILDING, MULTAN

Dear Sir,

We are pleased to inform you that your tender for the above work is hereby accepted based on the unit rates quoted by you for each item of work.

2. The work shall be executed strictly in accordance with the tender specifications and the general engineering practice. You will use the best available material and shall execute the work in accordance with the standard engineering practice and adopt the same for workmanship and materials. However, please note that in determining adoption of standard engineering practice decision of National Corporation will be final.

3. Please note that all rates quoted by you are inclusive of cost of material, Labour, Duties, Taxes, Surcharges, Overhead and Profit etc., etc., and no claim will be determined for any extra or additional payment in this regard.

4. Please note that work under reference will be supervised by our Civil Engineer and you will have to work under his instructions and carry out the work on his orders/advice.

5. The completion period of the entire work will be upto 30th September, 1985. Please note that in case of your failure to complete the entire work within the stipulated period you will be liable to pay the corporation liquidated damages @ Rs.50/00 per day. Please further note that in case of your failure to complete the entire work within 10 days after the expiry of scheduled completion date your contract will be terminated and the balance work will be got done by another Agency at your own risk and expenses and the cost of all such work will be recovered from the payment due to you under the above contract.

6. Running payment will be made to you on submission of bills for the work done and duly approved and accepted by the Site Engineer. The minimum payable amount of the approved work shall, however, be not less than Rs.25,000/00 (Rupees Twenty-Five Thousand only) at any stage of payment except the final bill.

7. Retention money @ 5% will be deducted from your bill which will be released after expiry of 3 months under
satisfactory certificate of our Civil Engineer.

8. This letter is being issued to you in duplicate. Please sign and return the duplicate copy of this letter in token of your acceptance of the terms & conditions contained herein.

9. You are also advised to contact our Civil Engineer before start of work.

Thanking you,

Yours faithfully,

DEPUTY MANAGER (INCHARGE)
REAL ESTATE DIVISION
LAHORE

[Accepted and initialled by Mr. Imran]
APPENDIX 3

NATIONAL CORPORATION
LAHORE ZONE

12th January, 1986

CERTIFICATE

This is to certify that Messrs. Imran Engineers, Lahore Cantt., were recently awarded painting and minor repair works at National Corporation, Multan, for the total cost of Rs. 2,02,923.00.

They completed the work under my supervision within stipulated period of 20 days.

The firm accomplished the job to our complete satisfaction. I appreciate them for executing the work in a good manner.

Civil Engineer
Real Estate Division
APPENDIX 4

CHAMPION PAINT INDUSTRIES
Lahore, Pakistan

(This note was handwritten, and one word is not decipherable. It is marked ***.)

TESTING REPORT

Sample of Emulsion Paint received to check the quality of Paint.

Analytical report: From analysis test we come to the conclusion that the %age of *** of is test of vinyl emulsion, i.e., Solid %age is equal to vinyl emulsion.

GENERAL OBSERVATIONS: Applied Paints Comparatively on Wet ABRASION SCRUB TESTER to check the durability and washability. From comparison test we found that the Sample received for testing of quality is vinyl emulsion.

So we give certificate that the Emulsion Sample received for testing of quality is vinyl emulsion.

So, finally, we say that the emulsion quality is the same as that of vinyl emulsion.

4/2/86

CHIEF CHEMIST
APPENDIX 5
NATIONAL CORPORATION OF PAKISTAN
Karachi, Pakistan
Real Estate Division

DATE: July 9, 1986

REGISTERED

Messrs. Imran Engineers
LAHORE CANTT.

Sub. PAINTING WORK AT NATIONAL CORPORATION
BUILDING, MULTAN - PAYMENT OF FINAL BILL
Ref. YOUR LETTER NO. IE/14/86 OF 22-5-1986
AND IE/15/86 OF 11-6-1986.

Dear Sirs,

We acknowledge having received your Final Bill for a net payable amount of Rs 51,064.82 submitted by you on 1-10-1985 to the Deputy Manager (incharge), Real Estate Department, Lahore.

2. During process of checking of the bill it came to light that the material used in the work is not to the desired specifications and the tender requirements. The matter was studied by the Local Committee through the advice of experts which revealed that Vinyile Emulsion Paint was used instead of Plastic Emulsion Paint. It also came to light that Durocem Paint was also not applied in the external surfaces. It was reported to be ordinary vinyile paint.

3. The matter was referred to this office for investigation and detailed inspection. We sent our qualified Engineer from here for inspection of the works who certified that the internal surfaces were not applied with pure Plastic Emulsion Paint and instead some mixing has been done of inferior material. On the external surfaces Durocem or Plastic Emulsion paint was also not found.

4. Detailed checking revealed that mixing was done both for internal and external painting works. It was recommended by our Engineer that these items should be devalued by at least 25% for not following proper specifications in accordance with the tender requirements. Accordingly, your rates were de-valued and the final bill was revised and the Deputy Manager (Incharge), Real Estate Department, Lahore, was intimated vide our letter of 6th May 1986, of our decision to convey you the position of your final bill.

5. The Deputy Manager (Incharge), Real Estate Department, Lahore, discussed the matter with you and explained the things in
detail about inferior material and de-valuation of the items. A copy of the abstract of final bill after de-valuation of the rates of Emulsion Paint and Durocem is enclosed herewith for your information.

6. Since the works were not in accordance with the tender requirements and your agreement, we are unable to pay full amount of these items particularly in view of reports of the various authorities and our Engineer.

7. As regards release of your retention money amounting to Rs 7,655.00 the same can be done on acceptance of the final bill as per abstract enclosed herewith for a net payable amount of Rs 6,754.00. The total amount payable to you including the amount of retention money comes out to Rs 14,409.00 which will be paid to you in full and final settlement of this statement which has already been explained to you by the Deputy Manager (Incharge), RED, Lahore.

8. You are, therefore, advised to give your consent in writing to reach this office by 30-7-1986 so that the above-mentioned payment can be released.

Yours faithfully,

DEPUTY CHIEF ENGINEER

Encls: as above.
APPENDIX 6

July 9, 1986

NATIONAL CORPORATION BUILDING, MULTAN.

Sub: PAINTING WORKS IN MULTAN BUILDING.

1. Name of Contractor: Messrs. Imran Lahore Cantt.
3. Abstract of Final Bill:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Item:</th>
<th>Quantity:</th>
<th>As in Tender</th>
<th>Devalued Rate</th>
<th>Amount as per devalued rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Durocem.</td>
<td>29,788</td>
<td>2.25</td>
<td>1.69</td>
<td>50,341.00</td>
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<tr>
<td>2.</td>
<td>Emulsion Paint (Internal).</td>
<td>42,458 &quot;</td>
<td>1.50</td>
<td>1.12</td>
<td>47,552.00</td>
</tr>
<tr>
<td>3.</td>
<td>Enamel Paint.</td>
<td>19,976</td>
<td>1.50</td>
<td>1.50</td>
<td>29,964.00</td>
</tr>
<tr>
<td>4.</td>
<td>Emulsion (External).</td>
<td>16,839 &quot;</td>
<td>2.00</td>
<td>1.50</td>
<td>25,258.00</td>
</tr>
</tbody>
</table>

Total amount of work done.................... 1,53,115.00
Less payment received.......................(-) 1,38,705.00
Balance Due 14,410.00
Less Retention Money 5%.....................(-) 7,655.00
NET PAYABLE AMOUNT: Rs.6,774.00

NOTE: This abstract has been prepared taking basis from Contractor's final bill referred to above.

Deputy Chief Engineer
Real Estate Division
National Corporation of Pakistan
Karachi
Deputy Chief Engineer,
National Corporation,
Principal Office,
Karachi

Dear Sir,

Re: PAINTING WORK AT NATIONAL CORPORATION
BUILDING, MULTAN - PAYMENT OF FINAL BILL

Please refer to your letter dated 9th July 1986, on the above subject.

2. We confirm having sent you the following telegram on 28-7-86, which is self explanatory:-

"PLEASE REFER YOUR LETTER 9TH JULY REGARDING PAINTING WORK AT MULTAN. DEVALUATION OF RATES AS INTIMATED VIDE YOUR ABOVE LETTER NOT ACCEPTABLE TO US. OUR DETAILED REPLY TO YOUR LETTER Follows. PLEASE ALSO REFER OUR LETTER 8TH JULY ADDRESSED TO YOUR DEPUTY MANAGER (INCHARGE), REAL ESTATE DEPARTMENT, LAHORE COPY TO CHAIRMAN KARACHI. KINDLY EXPEDITE REPLY."

3. As the undersigned remained occupied in connection with some other affairs and was away from Lahore, therefore, we regret for the inordinate delay in sending you our detailed reply to your above letter.

4. Ever since we completed the job and submitted our 4th and final bill on 1st October last year, it is for the first time that National Corporation has intimated to us in writing that during the process of checking the bill, the material used in the work was not found to the desired specifications.

5. Before we give our comments on what you have stated in your letter, we feel it necessary to submit the following facts, alongwith the relevant details, which will depict the true picture of the case and would also enable you to ascertain the malafide intention of making dispute of our final bill:-

(a) The job was awarded to us vide Work Order No. LRD/SBL-M/85, dated 10-9-85, issued by your Deputy Manager
(Incharge), Real Estate Department, Lahore. We completed the work strictly in accordance with the terms and conditions laid down in the Work Order and used the same material as specified in our Quotation which was obtained and accepted by National Corporation as per Work Order dated 10-9-85.

(b) As required under Clause Nos. 4 & 5 of the Work Order, the work was completed within the stipulated period of 20 days, ending on 30-9-85. It was carried out under the direct supervision, instructions and orders of Mr. Khan who was one of the Senior and qualified Civil Engineers of National Corporation and who was specially assigned to personally supervise the work which had to be done on priority basis, as the Chairman and Directors of National Corporation and also the Speaker of National Assembly and a number of other Senior Executives were scheduled to attend the Inaugural Ceremony of Multan Zone on 4th October 1985. The Civil Engineer, therefore, remained present on the Site throughout the period and as such, we could hardly think of using any sub-standard or inferior material in his presence.

(c) As provided for under Clause Nos. 6 & 7 of the Work Order, we submitted three Running Bills for the portions of the work completed by us from time to time and on each occasion, the Civil Engineer checked the work, including measurements and quality of material that was being used by us and then he verified the bills for payment and while doing so, he certified on each bill that "the work has been done in accordance with our specifications and satisfaction."

As each Running bill was duly checked and verified by the Civil Engineer under whose supervision the work was being done and since the competent authority had approved the payments, therefore, your Internal Audit Department, Lahore, also passed the bills for payment, without making any investigation, raising any objection or recording any observation whatsoever and as such, Running payments were immediately made available to us, after making deduction of Retention Money @ 5% and also the Income Tax @ 3% on the amount of each Running bill.

(d)(i) After completion of the entire work by 30-9-85, we submitted our 4th and final bill on 1.10.85 to Deputy Manager (Incharge), Real Estate, Lahore, who subsequently marked the bill to the above said Civil Engineer. He, as usual, physically rechecked the work, including measurements and quality of materials used in the work and while certifying on the bill itself that "the work had been completed in accordance with our
specifications and satisfaction", he verified the bill for net payment of Rs.51,308.52, after making deduction of 5% Retention Money, amounting to Rs.2,788.50 and 3% Income Tax, amounting to Rs.1,673.10 only.

(d)(ii) Thereafter, Deputy Manager (Incharge), Real Estate, Lahore, sent the bill to Multan Office for further verification. The Deputy Manager (P&GS) and the Deputy Manager (B&A) of your Multan Office issued a Note on 19.11.85, confirming that we had completed the white wash and painting work satisfactorily.

(d)(iii) As per his letter No. LRD/85/794 dated 25-11-85, Deputy Manager (Incharge), Real Estate, Lahore, again sent a copy of the bill which was duly verified by the Civil Engineer, to Zonal Head, Multan, and requested him to counter-sign the Satisfactory Note furnished by his above-named two Officers. He also stated in the letter dated 25-11-85 that "according to Principal Office instructions, the work was to be carried out under supervision of the Civil Engineer and your honour (i.e., Zonal Head, Multan)." It was further mentioned in his letter dated 25-11-85 that "this would enable us to make final settlement of the Contractor's bill".

(d)(iv) We would also like to mention here that Deputy Manager (Incharge), R.E.D., Lahore, handed over his original letter dated 25-11-85 along with its enclosures to the undersigned for onward delivery of the same to Zonal Head, Multan. The undersigned, therefore, personally delivered the letter to Zonal Head, Multan, who, in turn, countersigned the Satisfactory Note that had been furnished by his two Officers.

(d)(v) On receipt of the relevant papers, Deputy Manager (Incharge), R.E.D., Lahore got the Payment Voucher prepared for net payable amount of Rs.51,308.52 and sent the same to the Asstt. General Manager (P&GS), Lahore, for approval of the payment. After the payment of Rs.51,308.52 was approved by A.G.M. (P&GS), the documents were passed on to Internal Audit Department, Lahore.

(d)(vi) As a matter of fact, the Internal Audit Department, Lahore, should have straight away passed the payment as the bill was duly checked and verified by the same qualified and competent Civil Engineer on whose verification and authority they had previously passed our three Running bills. Moreover, the final bill was further supported with the Satisfactory Certificate of Zonal Head, Multan. They, however, asked for
details of the measurements which were immediately provided by the said Civil Engineer to the Asst. Manager, Internal Audit, Lahore, but even then he did not pass the payment and after keeping the bill with him for about a week's time, he got the matter referred to Internal Audit Department, Multan, for which, as you would kindly agree, there was no justification at all.

(d)(vii) The Asstt. Manager, Internal Audit, Multan, returned the bill alongwith his observation to Lahore on 28.12.85, but the Asstt. Manager, Internal Audit, Lahore, did not confirm to us about the receipt of the bill till 3rd week of January 1986. It was only then that he verbally informed us that according to the report of the Asstt. Manager, Internal Audit, Multan, the measurements given in the final bill were found to be correct. The report further stated that wherever required, we had applied the Durocem Paint, Eramel Paint and even the Plastic Emulsion Paint on the external area, as specified in the bill and wherever required we had also done the white wash, but wherever Plastic Emulsion Paint was required to be used in the internal area, it was reported that we had applied Oil Bond Distemper.

(d)(viii) After a few days, the Asstt. Manager, Internal Audit, Multan, was transferred, and the new Asstt. Manager, Hamid Raza, was asked by his Superiors to recheck the work and submit his report.

(d)(ix) During the course of checking the work, the new Asstt. Manager, Internal Audit, Multan, contacted the Area Representative of M/s: Berger Paints Pakistan Limited in Multan who confirmed to him that we had purchased VIP Emulsion Paint from M/s: Rafique Brothers, their authorised dealers in Multan. The Area Representative also informed him that, as it was obligatory on his part, he had been visiting the site, so as to ensure that we were using the same material purchased by us from their authorised dealers. He further stated that as required by his Company, he himself had damaged the empty tins of the Paints and certificates to this effect were issued by him on behalf of the Company. Besides this, the new Asstt. Manager also got it confirmed from his other sources that we had actually purchased and applied the specified paints and after checking the entire work, he submitted a complete report to the Manager, Internal Audit, Lahore, on 25-1-86, and recommended that payment of the bill should be released without further delay. We understand
that he also endorsed a copy of the report to his Departmental Head at Principal Office, Karachi.

(d)(x) In the meantime, we had provided photo-stat copies of the following to the Manager, Internal Audit, Lahore, for necessary consideration:

1. Certificate from the Regional Manager of M/s: Berger Paints Pakistan Limited, Lahore, confirming that M/s Rafiq Brothers, Multan are their authorised dealers.

2. Certificate from M/s: Rafiq Brothers, Multan, confirming that we had purchased the specified paints from them and that the same had been consumed by us at National Corporation, Multan.

3. Three Certificates issued by the Area Representative certifying the number of empty tins of VIP Emulsion Paint damaged by him at site.

(d)(xi) Even after receiving the report of the Asstt. Manager, Internal Audit, Multan, the payment was not released by the Internal Audit, Lahore. Instead, they officially sent one of their clerical staff member, for re-checking of the work who reported that the material used by us was neither Plastic Emulsion Paint nor Durocem Paint.

(d)(xii) It is pertinent to note that Internal Audit Department, Lahore, did not consider the observations made by their Assistant Manager and instead they relied upon the report of their clerk and as such, Manager, Internal Audit, Lahore, vide his letter No. IA/LZ dated 5-2-86 sent the bill along with the enclosures to D.G.N. Internal Audit, Principal Office, Karachi, who, subsequently, referred the matter to your goodself for investigation and detailed inspection.

6. We now refer you back to your letter dated 9-7-86. In Para No. 2, you have stated that the matter was studied by the Local Committee through the advice of experts which revealed that Vinyle Emulsion Paint was used instead of Plastic Emulsion Paint while on the external surfaces, ordinary Vinyle Paint was applied instead of Durocem Paint. In Para No. 3, you have informed that when the matter was referred to you for investigation and detailed inspection, you sent a qualified Engineer for inspection of the work who certified that the internal surfaces were not applied with Plastic Emulsion Paint and instead, some mixing of inferior material was done, while on the external surfaces, neither Plastic Emulsion Paint nor Durocem Paint was found.
7. As a matter of fact, Local authorities of National Corporation had not obtained the advice of any expert. They had actually relied upon the observations made by some of the non-technical staff members of Internal Audit Department who did not have any knowledge about proper checking of the material and as such, their observations can hardly be considered as valid and authentic. Even if these observations are taken into account, the same are not conforming with each other. According to the report furnished by the Asst. Manager, Internal Audit, Multan, all the work was done as per specifications with the exception that in the internal area, we had allegedly applied Oil Bond Distemper instead of Plastic Emulsion Paint, while the clerk's report was that we had not at all used Plastic Emulsion Paint or Durocem Paints, whereas Asst. Manager, Internal Audit, Lahore, after probing into the matter in details, confirmed in his report that the entire work had been completed in accordance with the specifications.

As for report of the Engineer sent from your end for re-inspection of the work, we may point out that the work had been completed by 30-9-85, whereas the said Engineer is stated to have carried out the re-inspection after the lapse of a period of more than seven months and on the other hand, the Maintenance period of 3 months, as provided for under Clause No. 7 of the Work Order dated 10-9-85, had already expired on 31-12-85. Furthermore, even if we take it for a while that Local authorities of National Corporation did obtain the advice of some experts before referring the matter to Karachi in February 1986, the said advice, as detailed in para No. 2 of your letter, is somewhat different from the report furnished by your Engineer who carried out the re-inspection in April 1986, as detailed in Para No. 3 of your letter. We also understand that the Engineer deputed by you was not as Senior, qualified and competent Engineer as the Civil Engineer who had personally supervised the work and remained present on the site throughout the period of completion of the work and whose report was that we had done the work in accordance with the specifications.

8. It is, therefore, obvious from the above that National Corporation authorities are reluctant in owning the verification of the qualified Civil Engineer of National Corporation who was a competent authority to check and verify the work as per Clause No. 4 of the Work Order. However, since we had completed the work under his supervision, instructions and orders, therefore, we were answerable to him. Moreover, National Corporation authorities have also ignored the certification of the work by Zonal Head, Multan.

9. Our above version is further supported by the contents of letter No. LRD/85/794 dated 25-11-85, addressed to Zonal Head, Multan, in which Deputy Manager (Incharge), Real Estate, Lahore, had stated that "according to Principal Office instructions, the work was to be carried out under the supervision of the Civil Engineer and your honour (i.e., Zonal Head, Multan)" and while
requesting to the Zonal Head, Multan, to counter-sign the Satisfactory certificate, he had also mentioned in the letter that "this would enable us to make final settlement of the Contractor's bill".

10. This also mean that it was not obligatory on the part of Internal Audit department to have physical checking of the work through their non-technical staff members as it had already been checked and verified by the competent and qualified Civil Engineer of National Corporation.

11. If at all the Internal Audit Department had to have the physical checking of the work for a number of times and if you too had to send the Engineer for detailed inspection of the work, we, as a matter of principal, should have been asked to make ourselves available at the appropriate time but we regret to point out that we were not at any stage invited to participate in repeated checking of the work, neither by the Internal Audit Department nor by the Engineer sent from your end.

12. It is further pointed out that Internal Audit Department and other concerned authorities of National Corporation did not give due consideration to the documentary evidence produced before them and also to the statement given by the Area Representative of M/s: Berger Paints Pakistan Ltd. in Multan to your Asstt. Manager, Internal Audit Department, testifying the fact that we had purchased and used the same material as specified in the quotation.

13. Even if the specified material was not used in the work, it was obligatory on the part of concerned authorities of National Corporation to inform us in writing before expiry of 3 months Maintenance period that had ended on 31-12-85. The only written intimation to this effect which we received from the National Corporation was your letter dated 9-7-86, i.e. after the lapse of a period of more than 9 months.

14. We may also mention here that in spite of our numerous requests, written as well as verbal, our Retention Money has not so far been released which, in fact, should have been paid to us immediately after expiry of 3 months' Maintenance period, as per Clause No. 7 of the Work Order.

15. Keeping in view the above narrated facts, including certain other facts which have not yet been brought on record, we firmly believe that Internal Audit Department, in connivance with some other authorities of National Corporation, un-necessarily and with malafide intention, delayed the matter and made a dispute of our final bill so as to deprive of our lawful right. It is merely an allegation that the material used in the work was not according to the specifications.

16. We, therefore, regretfully state that the decision taken by the National Corporation regarding devaluation of the rates of
certain items of material used in the work, to the extent of 25%, as conveyed to us vide your letter dated 9-7-86, is not at all justified. This act of National Corporation is rather illegal, without any foundation or lawful authority and as such we cannot possibly accept the payment as detailed in the abstract of our final bill.

17. While drawing your kind attention to the copy of our Regd.A.D. letter dated 8-7-86, addressed to Deputy Manager (Incharge), Real Estate Department, Lahore, and also our subsequent telegram sent to you on 28-7-86 we regret to state that no action has so far been taken in the matter. However, we, once again, request you to kindly arrange payment of our final bill, amounting to Rs.51,308.52 and also the Retention Money amounting to Rs.9,723.80 alongwith the amount of interest thereon at Bank rate for the period involved, latest by 18th September 1986, failing which we shall be constrained to take further appropriate action in the matter and National Corporation will be held responsible for all the consequences.

18. A statement showing the details of the payments already made to us against our Running Bills after deduction of Retention Money and Income Tax and also the amount now payable to us is enclosed for your kind perusal. [Omitted from case material.]

19. It would oblige us if at least the Retention Money amounting to Rs.9,723.80 is released immediately on receipt of this letter.

Thanking you and assuring you of our best services at all times,

Yours faithfully,
for MESSRS. IMRAN ENGINEERS

Proprietor

c.c. to: Chairman, National Corporation, Principal Office, Karachi, for information and with the request to kindly look into the matter personally.

c.c. to: Deputy Manager (Incharge), Real Estate Department, National Corporation, Lahore, for information and with reference to our letter dated 8-7-86. Please expedite final settlement of our bill, at the earliest.
APPENDIX 8
NATIONAL CORPORATION OF PAKISTAN
KARACHI

[NOTE: Annexures referenced in this letter are not included in the case material because they duplicate information already given.]

Date: October 02, 1988
Division: REAL ESTATE

BY COURIER SERVICE

Additional Secretary/Member,
Wafaqi Mohtasib (Ombudsman)'s Secretariat,
Regional Office,
LAHORE

Sub: COMPLAINT FROM MESSRS. IMRAN ENGINEERS
WITHHOLDING OF PAYMENT OF RS.51,308.52

Dear Sir,


I am directed to inform you as under:

Renovation work in respect of National Corporation Building, Multan, was awarded to Messrs. Imran Engineers, the complainant, under approval from P.O. Karachi (copies of approval and work order attached as annexure 'A').

The work as per letter of award was to be supervised by our then Civil Engineer whose services stand terminated since 23-2-1986. By the time the work was completed, the contractor was paid Rs.1,27,608.86 towards three running bills verified by the said Civil Engineer. The contractor completed his work and submitted his 4th and final bill for Rs.2,06,280/- which was verified by our Civil Engineer for net payment of Rs.51,308/52 and the same after approval of AGM (P&GS) Lahore was forwarded to IA&E Lahore.

The Internal Audit Department got the work checked by their own staff and also by some outside agencies and they concluded that according to their reports the work done by the contractor was not satisfactory. As such Manager Internal Audit suggested to his DGM vide his letter of 5th February, 1986 to frame a committee to investigate the matter thoroughly for final decision. Copies of said letter alongwith reports of the then Assistant (IA&E) Lahore, then Asstt: Manager (IA&E) Multan and of M/s Champion Paint Industries Ltd., manufacturers of paints and chemicals, Lahore, are attached as annexure 'B'.

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The case was then sent to Deputy Chief Engineer (RED) P.O. Karachi who deputed another Civil Engineer of RED Karachi to visit Multan for final checking of the work done by the contractor. Our Deputy Chief Engineer vide his letter of 6th May, 1988 (copy attached as annexure 'C') informed that the work had been inspected by their Engineer and it was observed that the same had not been done according to the required specifications. Items No. 1, 2 and 4 of the bill were therefore devalued by 25% and advised Dy. Manager Incharge RED Lahore vide the said letter to contact the contractor discuss the position with him and to communicate contractor's consent on devaluation of his bill.

The matter was accordingly discussed with the contractor who refused to accept devaluation in his bill and the same was communicated back to Deputy Chief Engineer vide Deputy Manager RED's letter No.RED/86/90 dated 26th May, 1986 (copy enclosed as annexure 'D').

Decision of National Corporation regarding devaluation in rates by 25% was officially communicated to the contractor by Deputy Chief Engineer (RED) vide his Registered letter of 9th July, 1986 copy attached as annexure 'E'.

In his complaint to Wafaqui Mohtasib, the contractor has raised three points to justify his claim:-

1) Messrs. Imran Engineers have alleged that since he did not 'oblige' an officer of Internal Audit & Evaluation Deptt., his final bill therefore, was not approved by him. This is a frivolous allegation because this contractor had never made such complaint against any employee of Internal Audit Department during last 10 years since contractor's enlistment as approved contractor in National Corporation. Even in regard to his very bill the contractor wrote a 6 paged letter to our Deputy Chief Engineer where in he had given his detailed comments on the observations of IA&E and had disagreed with the decision of National Corporation but the contractor did not complain against IA&E Department. (Copy attached as annexure 'F'.) It is a general practice in Internal Audit Department that they treat the running bills as ad hoc payment. As such they do not make checking of quality and/or measurements of the works till submission of final bill. Audit Department after having received the final bill checked the works done by the contractor and simply referred the case to higher authorities with their suggestion to get the work rechecked by some other competent authority.

2) According to Contractor National Corporation has disowned verification of Supervising Civil Engineer and that of Zonal Head Multan and had relied upon the observation of non technical staff of Internal Audit & Evaluation Department. The contractor is entirely mistaken, National Corporation management when found such a glaring difference in supervising Civil Engineer's Report and in the observation of Internal Audit
Department, it deputed another Civil Engineer to check the work and give his report. It is, therefore, incorrect that National Corporation had decided to devalue contractors rates on the report of non technical staff of IA&E Lahore. The Civil Engineer rechecked and reported that the contractor had used ordinary veny emulsion instead of Plastic Emulsion and Durocem and therefore had suggested to devalue his rates to settle his final bill.

3) As per contractor, he did not receive any official intimation in writing with regard to any discrepancy in the work till 09-7-1986. It is correct that National Corporation did not intimate in writing to the contractor till 09-7-1986, however, the contractor remained in touch with us. Each and every progress/movement in his file was in his knowledge which is evident from his above referred 6 paged letter addressed to DCE (RED) P.O. Karachi.

Thanking you,

Yours faithfully,

DEPUTY GENERAL MANAGER
REAL ESTATE DIVISION

Encl: as above.
APPENDIX 9

Excerpts from:
OMBUDSMAN ORDER, 1983

... 2. Definitions:—...

(2) "Mal-administration" includes,

(1) A decision, process, recommendation, act of omission or commission which (A) is contrary to law, rules or regulation or is a departure from established practice or procedure, unless it is bonafide and for valid reasons; (B) is perverse, arbitrary or unreasonable, unjust, biased, oppressive, or discriminatory; or (C) is based on irrelevant grounds; or (D) involves the exercise of powers, or the failure or refusal to do so, for corrupt or improper motives, such as bribery, jobbery, favouritism, nepotism and administrative excesses; and (III) neglect, inattention, delay, incompetence, inefficiency and ineptitude, in the administration or discharge of duties and responsibilities.

... 9. Jurisdiction, functions and powers of the Mohtasib [Ombudsman]:

(1) the Mohtasib may on a complaint by an aggrieved person...undertake any investigation into any allegation of mal-administration on the part of any agency or any of its officers or employees:...

(3) For carrying out the objectives of this Order and, in particular for ascertaining the root causes of corrupt practices and injustice, the Mohtasib may arrange for studies to be made or research to be conducted and may recommend appropriate steps for their eradication....

10. Procedure and Evidence:...

(3) A complaint shall be made not later than three months from the day on which the person aggrieved first had the notice of the matter alleged in the complaint, but the Mohtasib may conduct an investigation pursuant to a complaint which is not within time if he considers that there are special circumstances which make it proper for him to do so....

11. Recommendations for Implementation: (1) If, after having considered a matter...the Mohtasib is of the opinion that the matter considered amounts to mal-administration, he shall communicate his findings to the agency concerned.

(A) To consider the matter further.
(B) To modify or cancel the decision, process, recommendation, act or omission.
(C) To explain more fully the act or decision in question.
(D) To take disciplinary action against any public servant
of any agency under the relevant laws applicable to him.

(E) To dispose of the matter or case within a specified time.

(F) To take action on his findings and recommendation to improve the working and efficiency of the agency within a specified time or

(G) To take any other step specified by the Mohtasib.
On the second day in his office, Mr. Hassan, Federal Secretary Health, Islamabad, received a telegram from Secretary, Pakistan Pharmaceutical Manufacturers Association (PPMA), Karachi, congratulating him on his new assignment and seeking an appointment, at an early date, for a PPMA delegation to call on him. Among other things, the PPMA delegation wanted to discuss matters relating to the Government's Policy on Basic Manufacture of Pharmaceutical Raw Materials. The Secretary Health called in his Personal Secretary, Mr. Yousef, and handed him the telegram, with the instruction to return it to him the next morning with the file on PPMA, if there was one. Mr. Yousef recalled that a PPMA delegation had met the outgoing Secretary Health, Mr. Rehman, a few weeks ago. The Drug Controller, Mr. Fa'li, and the Deputy Director General, Quality Control (QC), Mr. Zaheer Jan, had also attended the meeting with PPMA which focused on basic manufacturing and related issues. The file was with Mr. Jan. Mr. Yousef had no problem in getting the file for Mr. Hassan.

The file contained minutes of the meeting the outgoing Secretary, Mr. Rehman, had with the PPMA delegation. From the record it appeared that Mr. Rehman was very keen to implement the Government's Policy on Basic Manufacture of Pharmaceutical Raw Materials based on local starting materials. At the same time, Mr. Rehman was ready to look into the genuine difficulties of manufacturers. He had promised them all possible support. To look into their problems regarding the said policy, he had asked them to submit a position paper within two to three weeks. Three weeks had already passed. The position paper was not in the file. Mr. Hassan wanted to know about the objectives of the Policy, the exact nature of PPMA's activities, and their stand on issues related to the policy. He called in Mr. Zaheer Jan, Deputy Director General (QC) responsible for implementation of the scheme.

Hassan: Come in, Zaheer. I was wondering if you could tell me briefly about the objectives of the Government's Policy on Basic Manufacture of Pharmaceutical Raw Materials.

Jan: Sir, as you know, our pharmaceutical industry is an import substitution industry. Raw materials are mostly imported. Import of semi-processed and processed materials is not allowed. The idea of basic manufacture based on local starting materials is to reduce dependence. The objectives behind the Government's support for basic manufacture of pharmaceutical raw materials are:
(1) to save foreign exchange by avoiding transfer prices.
(2) to increase quantum of local value added, wherever possible.
(3) to transfer sophisticated technology into the country.
(4) to develop local basic pharmaceutical industrial units which would grow in size to bring about self-sufficiency.

Hassan: What medium is to be used for implementing the policy, to achieve the objectives you have stated?

Jan: Sir, the policy is to be implemented through the medium of the existing pharmaceutical industry in the country. That is how PPMA comes in. It is the sole Government-recognized trade body that represents quality pharmaceutical manufacturers, local as well as foreign-based, many of them multinational companies.

Hassan: I understand. But don't you think basic manufacture is a different field of activity, distinct from producing formulations/specialties ready for use by patients suffering from a variety of diseases?

Jan: You are right. This is, in fact, the argument of the PPMA. They think they are being pushed into an activity beyond the scope and limit of their resources. As they say, basic manufacturing is a separate and distinct field.

Hassan: Is the Government extending any incentives to those going into basic manufacture?

Jan: The Government has announced fiscal incentives for those pharmaceutical manufacturers who undertake the basic manufacture of raw materials from local starting materials.

Hassan: Tell me why the former Secretary had asked for a position paper from PPMA? What were the background and the motive?

Jan: As I put it earlier, though differently, the PPMA delegation had argued that the basic manufacture of pharmaceutical raw materials was not the function of the pharmaceutical formulations segment of the industry. As they said, basic manufacturing was entirely a separate sector of the industry and was termed the Basic Pharmaceutical Industry, where all fine chemicals, industrial chemical solvents, and pharmaceutical intermediates were consumed. The former Secretary wanted to understand their arguments better.
Hassan: Besides making this distinction, what else had they said?

Jan: They argued that the prerequisites for setting up the industry in the country for manufacturing basic pharmaceutical raw materials were not satisfied.

Hassan: What prerequisites had they in mind?

Jan: They thought that a petrochemical industry was an essential base for the proposed manufacture of pharmaceutical raw materials, but there was no petrochemical and fine chemical industry in the country. Similarly, they thought that generally speaking the proposal was economically not feasible.

Hassan: Zaheer, the telegram received the other day stated that a PPMA delegation would like to discuss problems confronting the pharmaceutical industry. Could you advise me on this?

Jan: Yes, Sir. One strong reason against the policy on basic manufacture that comes from the pharmaceutical industry is that the industry is already facing a host of problems, which, according to PPMA, need the Government's attention. From the Association's viewpoint, there existed a credibility gap resulting in a lack of trust and understanding between the government and the pharmaceutical industry. The problems of excessive government control and lack of coordination were often mentioned in the Association's representations to the Health Ministry. The industry was also not satisfied on the question of price fixation of their products (drugs and medicines) by the Ministry; treatment of Quality Control issues; import matters; and repayment/refund of customs duties paid on imported raw materials for use in the preparation of pharmaceutical specialties.

Hassan: With this background, do you think that there is a chance of the pharmaceutical industry going into basic manufacture?

Jan: As far as I know, some local pharmaceutical manufacturers have shown an interest. Some of them have even been negotiating with sources in China, India, South Korea, and other countries to secure processes and plants for the basic manufacture of pharmaceutical raw materials which have good prospects in the local market.

Hassan: What has been the progress so far?

Jan: The position is not clear as yet.
Hassan: Why is that?

Jan: With some countries negotiations take a long time. Moreover, the terms offered by them are not acceptable; their processes and equipment are very expensive. Moreover, those who sell processes and equipment offer a package deal; they like to sell their own starting materials which are at various stages of development. These chemicals are called intermediates. As such it becomes semi-basic manufacturing. The possibilities of achieving the objectives of basic manufacture through modification of existing equipment and facilities are not very many. The greatest difficulty is perhaps the lack of opportunity to undertake the basic manufacture of pharmaceutical raw material, based on local starting materials. The PPMA delegation in their last meeting pointed to that problem. As they stated, there were hardly any starting materials in the country to begin with.

Hassan: But is their statement true that local starting materials are hardly available in the country?

Jan: Local starting materials are available, but they can be counted on one hand. Furthermore, all the available local starting materials may not serve the purpose. So the availability is extremely limited, if not negligible.

Hassan: What are other possibilities to implement the policy?

Jan: Sir, I shall be able to say something after the receipt of PPMA's position paper which should arrive any time now.

Hassan: All right. Keep me informed. We shall fix a meeting with the PPMA delegation after their position paper has been received and carefully studied by our experts.

The Secretary Health then instructed Mr. Jan to acknowledge receipt of PPMA's telegram and also indicate that a meeting with the PPMA delegation would be fixed after receipt of their position paper. A telegram was sent addressed to the Secretary, PPMA. The PPMA's position paper (See Appendix 1) was received by Mr. Hassan a few days later. The covering letter stated that some delay in submitting the document had occurred because its draft was first circulated vide PPMA communications dated November 16, 1987, to all members of the Association for their information, approval and comments.

The Health Secretary noticed that the paper covered many of the points he had earlier discussed with Mr. Jan. While appreciating the Government's desire for prompt implementation of the policy on the basic manufacture of pharmaceutical raw
materials, the Association indicated some practical difficulties. Some of the points in the paper were a confirmation of the difficulties the PPMA delegation had discussed with Mr. Hassan's predecessor, Mr. Rehman. The size of the market, the import policy of the Government, and extreme rigidity in regard to drug prices were some of the limiting factors. The paper contained a counter proposal and alternatives suggested by PPMA to achieve the policy objectives.

The position paper stated that, in the context of the policy objectives and limited range of availability of chemicals locally, a distinction between full basic manufacture on local starting materials and full basic manufacture on an imported commodity chemical was not very helpful. When the starting material was a generally available commodity chemical, the fact that it was imported in no way diminished the achievement of any of the policy objectives.

Although the Government wanted to promote local basic manufacture based on local starting materials, the PPMA wanted the Government to extend fiscal incentives, already announced for basic manufacture based on local starting materials, to semi-basic manufacture based on intermediates or imported commodity chemicals as starting materials. Furthermore, the position paper contained a third alternate, namely, a monoreaction basic manufacture proposal (small scale manufacturing programme for unemployed graduates) for which fiscal incentives could also be extended by the Federal Government Ministries of Finance and Health.

Whereas incentives for basic manufacture from indigenous starting materials were announced by the Government in terms of a) duty rebate; b) protection against import of substitutes; c) prices; and d) removal of price control on finished drug based on raw materials so produced, the position paper laid down conditions and qualifications for incentives under the two alternate proposals and stated what incentives should be offered. The Government was requested to accept and approve the alternate proposals and the corresponding incentives.

From the position paper it further appeared that PPMA wanted the Government to consider the limitations of basic manufacture and in that connection treat full basic manufacture based on imported commodity chemicals (from basic stage and not an intermediate stage) as starting material, at par with full basic manufacture based on local starting materials, and accordingly not deny incentives for basic manufacture where companies propose to undertake full basic manufacture, i.e., from basic stage and not an intermediate stage of an imported commodity chemical.

Considering the last point, there were three sets of proposals for full basic manufacture, and one proposal for semi-basic manufacture:
Basic Manufacture

1) Full basic manufacture on local starting materials.
2) Full basic manufacture on an imported commodity chemical (from basic stage and not as intermediate stage)
3) Monoreaction basic manufacturing (small scale industry/cottage industry)

Semi-basic Manufacture

4) Semi-basic manufacture based on intermediates or imported commodity chemicals

According to the position paper, all four proposals could help achieve the objectives of the Government's Policy on Basic Manufacture, whereas the Government had provided incentives only for proposal No. 1.

The Secretary Health sent the position paper along with the file containing previous papers relating to PPMA matters to Director General Health, Dr. Khan, with the remarks, "Please examine the paper and report."

The Director General, after having gone through the position paper, was under the impression that the members of PPMA were afraid of going into basic manufacture for a variety of reasons, such as economy of scale, resource constraints, high capital investment, unfavourable investment-output ratio, lack of basic fine chemical and petro-chemical infrastructure in the country, and unfavourable noncompetitive landed cost of imported starting materials.

Dr. Khan particularly noted the PPMA's observation that the total cost, therefore, is bound to be higher than if the materials were to be imported from free international sources. The question arises whether it is desirable to encourage local manufacture when it means higher cost and consequently higher prices to the consumers. All developing countries are faced with this problem for almost any industrial activity because anything could be imported cheaper than when manufactured locally. That was a dilemma. If a country opts for cheap imports, then its economy must remain totally dependent on imports.

In view of PPMA's observation on the existing position, the Director General thought that the fundamental issue was not simply of selecting the right strategy or combination of strategies, but it was the policy option, in this case, basic manufacture. Dr. Khan knew that PPMA understood the importance of the basic manufacture policy of the Government. Only if there was the will and the commitment to achieve desired results would
the task be possible. He therefore suggested that even with zero base (in basic pharmaceutical), the pharmaceutical industry in Pakistan, with its high level of technological and existing facilities, had the capacity as well as potential to undertake additional activity in the form of basic manufacture. He was further of the view that with some modifications the existing facilities of pharmaceutical manufacturers could be utilized to undertake basic manufacture of pharmaceutical raw materials such as aspirin, ampicillin anhydrous and trihydrate, chloramphenicol levo and palmitate; sulfamethoxazole and rifampicin, etc. (The list of raw materials for basic manufacture had been issued by the Health Ministry before 1984.) The Government could consider ways and means to help overcome various limitations. He suggested that, since multinational companies had both the resources and experience, they could take the lead in this context. Regarding financial implications and conditions and qualifications attached to various alternatives suggested in the position paper, the Director General recommended further discussion for clarification before putting the issue to the joint body of Finance, Central Board of Revenue (CBR), and Health.

The Director General submitted a note (Appendix 2) to the Secretary Health for his information and necessary action. Now the file was back on the Health Secretary's desk. Mr. Hassan was wondering how to approach the problem. The Government had exercised a policy option; various strategies to accomplish policy objectives were suggested; limitations of the medium through which the policy was to be implemented were also known. Whether or not the Government could provide incentives and allow the use of various alternatives for basic manufacture was not yet known. Mr. Hassan was also not sure of the multinationals' reaction if a directive were to be issued making it compulsory for them to undertake basic manufacture.

Questions for Discussion

1. If you were the Secretary Health, what additional information would you like to have before reaching a decision?

2. What do you think of:
   a) the policy option exercised by the Government?
   b) the alternate approaches/strategies for basic manufacture in relation to policy objectives:
       1) strategy allowed by the Government?
       2) strategies proposed by PPMA?
   c) limitations of pharmaceutical industry/basic manufacture?
   d) proposal to direct multinationals' pharmaceutical manufacturers in Pakistan to undertake basic manufacture?

3. What do you think of basic manufacture policy in relation to other related policies of the Government?
4. Improved relationship between the Government and the pharmaceutical industry was essential for successful implementation of the basic manufacture policy. What would you suggest to enhance that relationship?
APPENDIX 1

POSITION PAPER* on BASIC MANUFACTURE OF PHARMACEUTICAL RAW MATERIALS
SUBMITTED TO: MINISTRY OF HEALTH

[*only spelling errors have been corrected in the copy; otherwise, this appendix reproduces the position paper as it was submitted.]

Introduction:

It is accepted by all concerned that the Pharmaceutical Industry in Pakistan, so far as the formulated drugs are concerned, has made tremendous technological development but is lagging behind in the manufacture of Basic Pharmaceutical Materials.

At the outset, it is pointed out that the Basic Manufacture of Pharmaceutical materials is not the function of Pharmaceutical Formulations segment of the industry, as it formulates therapeutically effective dosage forms out of various materials and chemicals technically fused together for the treatment of various ailments of suffering patients. In fact, it is an entirely separate sector of the industry and is termed as BASIC PHARMACEUTICAL industry, where all fine chemicals, industrial chemical solvents and pharmaceutical intermediates are consumed. Everywhere in the world these two activities are carried out in separate facilities. In order to start Basic Manufacture of Pharmaceutical materials, the country should have and encourage development of Petrochemical and Fine chemical industry.

Further, the size of the market, import policy of the Government and extreme rigidity in respect of drugs prices have discouraged more of Basic Manufacture in the country.

However, as the Federal Government is earnest in the promotion of Basic Manufacture of Pharmaceutical materials through the agency of the Pharmaceutical units in the country and had extended fiscal incentive, the following is submitted for its consideration.

Government's Objectives:

The aims of the Government in encouraging local basic manufacture of pharmaceutical materials are:-

a. To save foreign exchange by evading transfer prices.

b. To increase quantum of local value added, wherever possible.

c. Transfer of sophisticated technology into the country.

d. Development of local basic pharmaceutical industrial units which would grow up in size to bring about self sufficiency.
In the context of these aims and limited range of availability of chemicals locally, a distinction between Full Basic manufacture on "local starting material" and Full Basic manufacture on an "imported commodity chemical" is not very helpful. When the starting material is a generally available commodity chemical, the fact that it is imported in no way diminishes the achievement of any of the objectives mentioned above. Since Government's objectives in promoting local basic manufacture is not achieved by manufacturing from an intermediate only, its reluctance to extend the incentives for this activity is understandable.

While basic manufacture based on local starting material is an important step towards formulation of a policy to encourage Basic Manufacture in the country, it should not be ignored that a large proportion of active ingredients are synthesised from basic commodity chemicals which because of the absence of a chemical industry in the country would have to be imported.

Government's reluctance to extend the above incentives to Basic Manufacture starting from imported chemicals arises from its apprehension that such incentives could then be claimed for manufacture based on advanced intermediates (Semi-basic manufacture) purchased from tied sources and therefore susceptible to the problem of transfer prices.

This reservation of Federal Government is understandable. However, because of their apprehension, the incentives for basic manufacture are also being denied where companies propose to undertake full basic manufacture (i.e., from basic stage and not an intermediate stage) starting from an imported commodity chemical.

To resolve this, it is very important to recognise the different categories of Basic Manufacture to identify the incentives appropriate to each category and finally to determine in which category a particular proposal falls.

**Limitation of Basic Manufacture:**

Under the circumstances, the need to provide incentives to encourage Local Basic Manufacture of Pharmaceutical raw materials arises from the following considerations:

1. Basic Manufacturing plants are capital intensive and therefore economies of scale are important. Because of the small market in Pakistan, a basic manufacturing plant is on a small Fractional scale compared to a major production unit in the developed countries. Therefore investment to output ratio is unfavourable.

2. Capital costs are further increased because of freight and local duties, thus further worsening the investment output ratio.
3. As stated above, there is no basic fine chemical and petrochemical infrastructure in the country. Most of the basic process chemicals, filter aids, and solvents have therefore to be imported. Freight and handling cost for such materials are particularly high, and landed cost is therefore significantly higher than the supplying countries' costs.

The total cost, therefore, is bound to be higher than if the materials were to be imported from free International Sources. The question arises whether it is desirable to encourage local manufacture when it means higher cost and consequently higher prices to the consumers. All developing countries are faced with this problem for almost any industrial activity because anything could be imported cheaper than when manufactured locally. If a country opts for cheap imports, then its economy must remain totally dependent on imports.

However, in the case of Basic Manufacture of Pharmaceutical raw materials, the disadvantages of higher local costs is offset by:

I. Significant reduction in foreign exchange costs, by eliminating transfer price opportunities.

II. Introduction of sophisticated technology in the country.

III. Development of local demand for chemicals which would lead eventually to the development of a local Fine Chemical and Petrochemical Industry.

Incentives - Indigenous Starting Materials:-

In consideration of these factors, the Federal Government Ministries of Finance and Health have extended the following incentives for local Basic Manufacture of Pharmaceutical active ingredients.

From indigenous starting materials:-

a) Duty Rebate:-

I. Imported plant and machinery are exempt from Custom Duty - vide SRO 502(1)/84 dated 14.6.84.

II. Duty paid on imported process chemicals is refundable.

b) A protective duty of 85% plus 20% Sales Tax will be charged on the imports of their substitutes, i.e., active ingredients and formulations thereof.

c) Prices:-

I. From the date of the approval of the project @ 20% price increase followed by annual price increases equivalent to inflation rates, subject to a maximum of 6%. If the project is not completed within 2.5 years,
a penalty would be applied to claim back these benefits.

II. After the production of raw materials through basic manufacture, the finished drugs manufactured from these materials are free from price control subject to the condition that prices of such drugs are not more than 25% in excess of retail price from free International Sources.

Semi-Basic Manufacture:

As a result of preliminary study of Technical field, it would be quite evident that the subject of synthesis for Basic Manufacture of Pharmaceutical Raw Materials is Technologically complex in nature, due to non availability of Technical know how either in the country or abroad. The synthetically produced drugs being mostly potent in nature, therefore in many cases relatively large volumes of basic chemicals and solvents, etc., are utilized at different stages of their manufacture. In many cases a chemical compound is converted into several intermediates, each comprising its own unit operations and being classified as a separate compound. The end product may be produced either from the commodity chemicals (Basic manufacture) or from intermediate (Semi Basic Manufacture); depending upon the type of equipment and the extent of Technology applied. As a general rule of economic safety, beginners prefer to start from the intermediates closest to the end product and gradually move upward after gaining control over the elementary technology. It is safer to master the initial phase of technology and then gradually expand the activity towards the very basic initial starting chemicals. If all the activity is taken up simultaneously then the chances of error become quite significant thus making success remote. Therefore the field of Semi-Basic Manufacture cannot be ignored.

To make a modest beginning towards achievement of Government's objectives in promoting local Basic Manufacture, the incentives should also be provided to the proposals of Semi-Basic Manufacture (starting from intermediates) that meet the following conditions:

Qualifications for Fulfillment of Semibasic Manufacture:

1. Intermediates & chemicals etc. should be importable from non-tied international sources, and at free international market prices.

2. No royalties would be claimed on this account.

3. Repatriation of profit on this account would not be permissible exceeding the total C&F [Cost and Freight] value of the imported machinery.

4. Local chemicals, solvents, etc., whichever & whenever being made available, would be utilized even after making
necessary adjustment in the process to accommodate minor shortcomings of such materials with regard to their Physical/Chemical specifications.

5. Machinery & Equipment exceeding the C&F value of Three million rupees would be imported under NRI [Non-Repatriable Investment] scheme.

6. If the proposal does not require repatriation of profits/investment on account of Semi Basic Manufacture activity then New/used machinery of plant and equipment would be permissible for import against cash license scheme.

7. The starting materials/Intermediates would be considered with reference to original or subsequent patents of respective products, that are duty patented in Pakistan or in any internationally published compendia.

8. Starting from intermediate, synthetic route of the process should be not less than three steps of Synthesis of end product; and should include at least five disciplines of Chemical Engineering unit operations.

9. In order to protect the interest of members of PPMA and other Formulation units from monopolistic activities the manufacturer of Basic Material would be committed to sell their material at the same price which they would charge to own Formulation Products.

10. The manufacturer of Basic Material will guarantee to offer their Material to all customers without any discriminatory measures of any kind whatsoever.

11. The manufacturer will submit a guarantee to abide by all the conditions listed above. In case of default the party will be subject to penal action under civil procedures of law; to be prescribed by Ministry of Health/Finance.

12. In order to discourage and debar the non serious opportunists from blocking the Basic Manufacture programme, the entrepreneurs who fail to implement the project within 3 years of sanction shall be made to pay a penalty equivalent to the 10% of Total value of the proposed/sanctioned project.

Incentives to be applied for the semi basic manufacture proposal that meet the preceding qualifications:

1. Imported Plant and machinery are exempt from Custom Duty, Surcharge fees, levies etc.

2. Imported intermediates, solvent of process chemical and Reagent are exempt from all duties taxes, surcharge, fees and levies etc.
3. A protective duty of 85% plus 20% Sales tax on imports of the active ingredient and finished product thereof, would be charged.

4. From the commencement of the project a price increase of 20% is allowed, followed by automatic annual price increase equivalent to inflation rate, subject to a maximum of 6% to the manufacturer as well as the other formulations of these materials.

5. Income Tax Rebate to the extent of 20% on account of earnings arrived at specifically from the semi Basic manufacturing activity, for a period of three years.

**Monoreaction Basic Manufacture:**

There is an ever increasing number of technically qualified professional graduates being idle due to non employment, who are available in the country. These technocrats possess tremendous potential to contribute in the promotion and propagation of Basic Manufacture of Pharmaceutical Raw Materials.

In order to support the Prime Minister's five point programme; job opportunities could be provided on self employment basis to the Technocrat population of the country, by extending Basic Manufacturing programme to the group of unemployed graduates.

Pakistan market for individual chemicals and pharmaceutical raw materials, being quite small and large scale economic, Plants for even monoreaction materials are not feasible. Therefore smaller plants that do not require highly sophisticated technology can be established on the scale of Cottage Industry/Small Scale Industry.

Observations made in the developing countries such as India, Indonesia, Thailand, Taiwan and Korea have revealed that positive results have been obtained by adopting such policies. Even in China the beginning was made through small scale industrial units on cooperative basis in the early days of the Great Chinese Revolution. Those modest chemical communes have now become the Respectable Giants, giving significant competition to the world's conventional markets by offering materials of standard quality and at economic prices.

In order to make such a scheme successful, PPMA on voluntary basis will extend its helping hand to this cause through establishment of a pool of experts under the patronage of the Technical sub-committee, for guiding and directing the participants for the Monoreactional Basic Manufacturing Programme.
Conditions to be Fulfilled for Qualifying for Monoreaction Basic Manufacturing Proposal:

1. Sponsor should be a professional Graduate, or a cooperative group of Technocrats.
2. Plant and machinery of the proposed project should be of indigenous origin to the value of 75% of the total cost of process equipment.
3. The total cost of machinery & Equipments of the project should not exceed in value of two million rupees.
4. Total projected turn over per annum should be not more than twenty million rupees, with growth potential of 15% annually.
5. The new units will not be entitled for the Formulation License.
6. The sanction would be restricted to five units for any particular Raw Material.
7. No Royalties/Technical fees etc. will be paid outside Pakistan.
8. No profits will be repatriated outside Pakistan.
9. The scheme shall be applicable to all the items listed in S.R.O. Nos. 349 & 350.

Incentives to be applied for Monoreaction Basic Manufacturing Proposals that meet the preceding qualifications:

1. Soft Term loans should be provided by the Financial Institutions to finance such projects, with the acceptability of Debt, equity ratio of 90:10.
2. The Raw Materials which are manufactured by all the five permitted manufacturers if they meet any official compendia namely B.P./USP/N.F./DAB/EP/PUSSR/JP/IP/BPC/etc., import of the same should be banned altogether.
3. All analytical & Testing Equipment should be imported under exemption of all duties, taxes, surcharges, fees & levies etc.
4. Until the imposition of a Ban on Imports, the locally manufactured Material and the Formulations thereof, a protective duty of 85% plus 12.5% Sales Tax should be charged.
5. Imported plant, machinery and Spares etc. to the value of 25% of the total cost of equipment of the project should be exempt from all duties, Taxes, surcharges, fees and levies etc.
6. All Raw Materials including intermediate solvent etc. available in the free international market should be exempt from all duties, taxes, surcharges, fees and levies etc.
7. Ministry of Health sanction will be considered sufficient for such projects and the lengthy procedures of Ministries of Industries/Commerce and Finance should be exempted as is the case of Small Scale Industrial Investment.

8. Zone Restrictions will also be waived for such projects considering the small size and simple nature of such projects. Only in case of hazardous operations necessary precautionary measures should be applied.

9. The Finish Products that are Formulated with these Raw Materials should be exempted of Price controls in case of non essential drugs, and price increase of 25% will be awarded for essential drugs in proportion of the quantity being utilized in the finished Drug.

10. The profits being non repatriable, therefore such units will be provided exemptions of Income Tax for a period of five years from the commencement of the project. An additional 3 years of Income Tax exemptions will be allowed, if 70% of the earnings are reinvested in the projects for Expansions, Balancing and Modernization, on biennial basis.
APPENDIX 2
RESPONSE TO PPMA POSITION PAPER
BASIC MANUFACTURE OF PHARMACEUTICAL RAW MATERIALS
Director General Health

The position paper on the above subject received from Pakistan Pharmaceutical Manufacturers Association (PPMA) indicates apprehensions of Pharmaceutical Manufacturers and what they see as some of the limitations in actual implementation of the scheme to manufacture Basic Pharmaceutical Raw Materials in the country. As regards limitations, there is no new development. These factors were duly considered when the scheme was conceived in the Ministry of Health some years ago.

One objective of the scheme is to reduce dependence on imports and ultimately to make Pakistan self sufficient in this area. If implemented in letter and spirit, the scheme can hopefully provide Pakistan with a source for earning foreign exchange since possibilities for export of locally produced Pharmaceutical raw materials will develop in the long run.

It is true that development of Petrochemical and fine chemical industry provides a strong base for the Basic Manufacture of Pharmaceutical Raw Materials. The absence of such a base however should not be a limitation. Even with zero base the pharmaceutical industry in Pakistan with its high level of technological development and existing facilities has the capacity as well as potential to undertake additional activity in the form of basic manufacture of pharmaceutical raw materials. The fact remains that with some modifications the existing facilities of pharmaceutical manufacturers could be utilized to undertake basic manufacture of pharmaceutical raw materials such as:

- Aspirin
- Ampicillin Anhydrous
- Ampicillin Trihydrate
- Chloramphenicol Levo
- Chloramphenicol Palmitate
- Ethambutol
- Isoniazid
- Rifampicin
- Sulfadiazine
- Vitamin A, B, C, D, E
- Sulfamethoxazole
- Trimethoprim

All the above said raw materials are required for essential drugs. Currently these raw materials are being imported. Local manufacture of these materials will save us foreign exchange and also increase employment opportunities within the country.

The position paper states that in many cases a chemical compound is converted into several intermediates each comprising its own unit operations and being classified as a separate
compound. And that the end product may be produced either from the commodity chemicals (Basic manufacture) or from intermediate (semi Basic Manufacture); depending upon the type of equipment available and the technology applied. It has been suggested in the paper that as a rule of economic safety and lesser degree of difficulty, beginners prefer to start from the intermediates closest to the end product and gradually move upward after gaining control over the elementary technology. The PPMA has accordingly made a proposal for incentives to be granted for semi Basic Manufacture (starting from intermediates) subject to fulfillment of certain qualifications. The kind of protection requested by PPMA for the semi Basic manufacture proposal may be discussed further. PPMA's other proposal having financial implications may also be discussed further. These aspects have to be considered jointly by Central Board of Revenue (CBR), Finance and Ministry of Health.

It is proposed that multinational Pharmaceutical Companies operating in Pakistan should take the lead in Basic Manufacture of Pharmaceutical raw materials. They have the resources and necessary experience.

The PPMA proposal for Basic manufacture by unemployed technocrats on self employment basis seems attractive. But it is not practicable. Services of unemployed technocrats should rather be utilized by the existing industry for their additional activity for Basic manufacture of Pharmaceutical raw materials.

Since parent organizations of many multinational pharmaceutical companies in Pakistan are already engaged in basic manufacture of Pharmaceutical raw materials, it should not be difficult for them to go ahead and implement the policy of the government of Pakistan in the said vital field of health.

This is submitted for information and necessary action please.

DIRECTOR GENERAL HEALTH
Mr. Akbar, an officer in the Home Department for Punjab, received a telephone call from his boss regarding the status of the report that he had requested four days earlier. He had expected to receive the report within the next two days. While Akbar was still on the line, a friend, Mr. Ali, came into his room. Putting down the receiver, Akbar said, "I am having a lot of problems getting the information I need for this report."

Mr. Ali asked curiously, "What specific information do you need?"

Mr. Akbar replied, "I am supposed to develop a report on crime control, eradication of obscenity, narcotics control, implementation of the arms ordinance, arrest of proclaimed offenders, tracking down of gangsters, and arresting of court absconders."

Mr. Ali, who had served in a district in a previous posting, and is now an officer in another Department, asked, "How are you collecting the necessary information?"

To this Mr. Akbar replied, "I have not been able to collect accurate and adequate information. I have contacted the District Administration, the District Magistrate, and the Police Department. During the last four days, I have received almost nothing. What I have received is contradictory. I cannot match the data received from different sources. For example, one of the Superintendent of Police has reported that there is a low rate of crimes in his district, while the District Magistrate in the same district has reported that the crime situation there is very severe."

At that, Mr. Ali interrupted and said, "That's not surprising. This is the situation that we find throughout government. We can never get prompt nor accurate retrieval of information. Our clerks see this information as power and so they don't want to give it up. You know that if your Personal Assistant (PA) is on leave, you are considered to be on leave, too, because you can find nothing. You know, too, that all information is recorded on proformas which have not been standardized so are different from district to district. Too, there is so much paper work that the files just keep accumulating and accumulating, so there are piles and piles of files. Whenever you want anything, everything else has to be set aside so the piles can be sorted. When I was a Deputy Commissioner, our records were equally complex and primitive. I remember one case in which we continued paying a man for five years after he
retired because no one had his records to know that he had retired! Thus, when files do exist, they are old and inaccessible, so any decision that has to be made based on the information is faulty and ineffective, ultimately leading to distortions in long-term planning."

To this Mr. Akbar responded, "You know, our Additional Secretary, Mr. Shamsi, has shared with me a paper he wrote when he had the opportunity to undergo training at NIPA. As part of the MIS phase in the Advanced Management Course, he developed a proposal based on his experience as a District Administrator to install a computerized MIS at the district level, including a full-fledged plan." He went on to explain that the Home Department had arranged a sanction for a personal computer (PC) to create a data base to retrieve information quickly.

Mr. Ali interrupted again and said, "I'd be interested in having a look at that proposal. Do you think I could get a copy?" Mr. Akbar obtained an extra copy from Mr. Shamsi and gave it to Mr. Ali (see Appendix A). Ali asked Akbar if he could provide him with an overview of the proposal. So Akbar continued, "As you know, with the advancement of technology, the private sector is already computerizing information. Some of their systems have become very sophisticated. The government, however, is slow to respond to this technological advancement. Red tape continues to be the norm, so government offices are not able to respond accurately nor efficiently to the public needs. The time will come, perhaps not for another ten years, when the whole society will be computerized, and the government will be forced to do something themselves. My hope is that district administrators in the Punjab Province would begin to computerize to overcome these problems and to provide a positive experience in improving the quality of policy making at that level."

He went on: "My reading of the proposal is that it highlights the needs of the district administration and the flaws of the present information system. It further emphasizes one of the traditional roles of district administration in controlling crimes and maintaining law and order. It is the role of the district administrator to implement government policies, act as a coordinating agent for the development schemes, and implement the annual development programmes in his district. While many of these functions have been shifted to the Chairman of the Zila Councils, the district administrator still plays an important role. For these activities to be successful and efficient, a district administrator needs accurate and reliable information. Presently, all of the administrative aspects of the office are handled manually by clerks—including the collection, communication, processing, storage, and retrieval of information. This situation leads to a paper jungle that makes retrieval of papers cumbersome and time consuming. And the mass of information is almost useless in decision-making because it is not in a usable form."
"In the proposed system, it was envisioned that there would be an interlinking network of offices spread throughout the district. The collection and processing of information would be distributed throughout the district. An integrated computer system would provide a sophisticated communication and message switching system with online access to a wide variety of data. A sufficiently large system would be needed to permit the storage of continually updated records and the elimination of old ones. Standardized proformas would be needed. A mainframe would be installed at headquarters, with terminals throughout the district. Standardized proformas would be needed; in locations too small to have a terminal, the proformas would be filled out manually and submitted to headquarters where they would be entered into the system. Reports could then be compiled at headquarters for online decision-making at appropriate levels of the hierarchy."

After hearing the summary, Mr. Ali said, "That proposal sounds good. I'm looking forward to reading it. It would appear that, if the proposal could have been shared with district administrators when it was written, there wouldn't be any problem now in getting the accurate and timely information that you need! Why do you think districts haven't computerized yet?"

Mr. Akbar said, "There are so many constraints. In the first place, NIPA was not able to share the proposal, so it just sits. Second, it is always difficult to convince people at the decision-making level to make changes because they have so much to do, they have little time to consider new ideas. Third, there will be a problem in sanctioning the necessary funds. Fourth, in our system, all policy matters are decided at the secretary level, and the proposal was about computerization of MIS at the district level. Unfortunately, there is a possibility of installing computers at the secretariat level, but the real need is at the district level. Finally, the change would be so dramatic that it would need sanctioning at the level of the cabinet. But it will change. It will just take time!"

Questions for Discussion
1. Evaluate the proposal made by Mr. Shamsi regarding computerization of district administration.
2. Suggest changes that should be made in the proposal.
3. Discuss the steps that the district administrator must take to implement the proposal.
APPENDIX

Computerization of District Administration in Punjab

by

Syed Ansar Hussain Shamsi

for

51st Advanced Course at NIPA-Lahore

The Changing Face of District Administration

The district is the most important of the territorial units evolved to administer public affairs in Punjab and elsewhere in Pakistan. Ever since the colonial days, its function has been to bring the government closer to the people. To start with, the main concern of the district administration was to adjudicate public matters and collect revenues for the government. With the emergence of local government institutions and the proliferation of the government departments, it has now come to be seen as a replica of the provincial government. Broadly speaking, the functional span of the district administration now includes the maintenance of law and order, regulation of public behaviour, control, collection of taxes, administration of rights in land, and all such measures which are necessary to provide relief in cases of disasters and emergencies.

In form and content, the district provides a most convenient arrangement to the provincial and federal governments to come into contact with the people. But over time, the district administration has become very complex and the volume of its work has increased manifold. Whereas, at the time of partition, there were hardly seven departments which operated at the district level, now there are more than forty. Each of these departments is hierarchically linked with the provincial government. This has happened because the government has increasingly assumed new roles under various types of legislation and rules framed thereunder. Although the increased involvement of government through these departments has extended some additional facilities to the people, it has, nevertheless, enhanced the regulation of their lives, also. So, for instance, the introduction of SCARP tubewells for combating waterlogging and for irrigation purposes now cuts both ways; on the one hand, the farmers get additional irrigation water to command new areas and intensify their earlier cultivation, but they have to suffer the regulation and control of the SCARP Department and their staff who more often than not tend to levy double 'abiana' in a routinized manner without checking whether their tubewells have been supplying water to the concerned farmers on the prescribed discharges to which they are entitled or whether their tubewells have been supplying water at all. The same is the case with the offices of the Food Department which may facilitate the lifting of farmers' wheat stocks in
time, but which may also discriminate among them for ulterior motives. Examples of such behaviour may be quoted from the working of almost every department at the district level when they act out of domain, use their power negatively, and go around the rules and regulations to do favours or wreck vengeance right and left. It dismays the public and gives birth to various grievances. It necessitates prompt action on public complaints and emphasizes the importance of monitoring and controlling by higher officers of the departments.

A second outcome of the proliferation of government departments at the district level is the need of a higher degree of coordination among them. In most of the cases, their working is interdependent and situations in which these departments are in conflict, competition, or disagreement continue to arise. Apart from that, there are other situations wherein a department cannot proceed with its project unless one or more other departments take a prior action. For instance, if the C & W Department has to make a road, the revenue department must acquire the land for it, and the irrigation department must allow it to cross its channels. Certain groups within the society may resist its alignment one way or the other, while others may press it for their own ends. All these aspects of administration at the district level have to be negotiated through meetings which must consider all alternatives available to resolve them. The departments must have elaborate data bases. They should be able to substantiate, amend or modify their position and carry on their work pragmatically. Obviously, all this calls for a high degree of efficiency.

On the contrary, the administration of public matters has become very difficult for all these departments due to rising aspirations of people, their exposure to various forms of media, rise in the levels of literacy and opening of the society which was previously closed, particularly in the rural areas. The all prevailing solitude of the good old days has been superceded by an aggressive individualism. "Yes" or "no" to a certain situation which was done at a collective level in village communities before is no longer possible. The task of managing public affairs has therefore become stupendous as wee as irksome for all those who still refuse to come out of the bygone reveries of colonial domination over village communities. This has happened for the better so far as the evolution of our political life is concerned. Freedom of opinion is the people's prerogative and servicing of their needs is government's obligation. But in response to this situation, the efficiency of the district administration has to be improved.

It is obvious that both on account of increasing role of the government in public affairs and also because of the sense of freedom being engendered in our political life, the responsibility of the government departments in attending to people's problems has greatly increased. Since the district is the laboratory as well as the melting pot of government policies,
the efficiency of the districts will have to be improved on this count, also, in order to enable the government departments in the secretariat to have ready feedback.

All these factors call for upgrading the efficiency of official machinery through a scheme of automation. What is now being done manually in the offices of the district departments must be done through computers. But for computers, most of the other instruments of office automation, like telephones, intercom systems, wireless sets, type machines, printers, and photocopiers are already being used at the district levels. The use of all of these instruments can be suitable merged with that of computers to carve out an efficient scheme of automated offices in the districts for attending to the needs of administration promptly. The introduction of computers at this stage will be a timely change. It will enhance the managerial capabilities of the districts in response to the changing requirements of these days. The succeeding sections of this study will, therefore, analyze how it can be done through various options which are technically available in the market.

Information Needs of District Administration

The information needs of district administration have to be assessed by functional differentiation created among various departments of the districts, by their objectives and the territorial arrangement of their field organizations. By functions, the departments of the deputy commissioner and superintendent of police, along with those of Labour, Industries and Food, are largely regulatory in nature, although the former is closely associated with the implementation of government policy for development and general wellbeing of the people. The Deputy Commissioner's office is also concerned with tax collection and maintenance of property rights in land. Other departments which are engaged in similar activity are the departments of Excise and Taxation, Usher and Zakat, and local government institutions. The departments of Social Welfare; Information, Culture, and Tourism; Health; Population Control; Planning; Education; Cooperatives; and even Agriculture on the extension side are promotional in nature. Most of the other departments/institutions like those of Communication and Works, Housing and Physical Planning, Local Government and Rural Works Irrigation and Power, Soil Conservation, District Councils/Municipalities/Local Authorities (LDA, MDA, FDA, MKDA) and Improvement Trusts, wherever available, work for development.

The district is divided into subdivisions which, in turn, are divided into police stations/marakiz, union councils and circles grouping a certain number of villages variously according to the needs of the parent departments. The departments post officers at these levels according to their organization and coordinate their work at the district level. With this setup,
the common information needs of these departments are related to the creation and maintenance of records, transmission of policy instructions, control, coordination, monitoring, feedback, forecasting, and planning.

The present system of collecting, processing, storing and retrieving of information is enshrined in the filing system. A system of returns/reports is in vogue. These reports are mostly furnished on forms and at regular intervals as prescribed. These reports are also sent on demand or otherwise without observing the regularity of prescribed intervals in exceptional circumstances of urgent nature. Such reporting is attuned to the needs of emergency administration.

To look at the setup in concrete terms, we may take the example of the deputy commissioner's office and may also use it in later sections to suggest a model design of computerization for district offices.

The functions of the Deputy Commissioner may be grouped and summarized as:

a) Land Records and Revenue Administration: Maintenance and updating of ownership, tenancy and other rights in land, collection of land revenue, consolidation of land holdings, land reforms and colonization of state land under various schemes.

b) Crime Control and Maintenance of Law and Order: Prosecution of criminals, supervision of magisterial courts and police work, administration of lockups and jails, preventive detention and coordination for the maintenance of law and order.

c) Emergency Administration: Dealing with all contingent situations arising from accidents, fires, floods, earthquakes, war or internal strife inside the country on account of politics, religious conflicts, labour trouble, students' unrest or any other kind of activity which may endanger the life, property and peace of citizens.

d) Implementation of Government Policies: Almost every new policy which comes within the realm of general administration is steered through the deputy commissioner's office for its translation into action. Many kinds of welfare schemes, assistance in usher and zakat administration, election work, price control, etc.

e) Developmental: Coordinating the activities of the nation and building departments to implement the Annual Development Program. Helping in the formulation of schemes, sites selection, acquisition of land, administrative approval, release of funds, resolution of disputes are some of the various issues which are covered by the deputy commissioner. Until recently he was also associated with matching grant schemes and other rural development projects. This work has now been
entrusted to the Chairman of the Zila Council. But for its execution, by and large, the deputy commissioner has still to play a pivotal role. The deputy commissioner regulates the working of district coordination committees and other similar committees organized at the markaz level. In some districts, he is still the chairman of the Agricultural Advisory Committee. In others, he is a member. In both cases, anyhow, his role is critical to the successful working of the committee. Lately, the deputy commissioners were also associated with the construction of buildings for shelterless schools and opening of mohallah and maktab schools in the mosques.

f) General: Public relations, meetings, conferences, visits of VIPs and delegations, sports and scouts activities, civil defence, red crescent, prisoners' and patients' welfare societies, protection of animals, and patronage of various non-government organizations.

To discharge all of these functions, the deputy commissioner's office is divided into various branches. Certain outlying offices are also partly or fully associated with it to accomplish these functions. The following table would show the information/reporting system of the deputy commissioner's office.

<table>
<thead>
<tr>
<th>Branch</th>
<th>Reports</th>
<th>Time Interval</th>
<th>Reporting Offices</th>
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<td>Receipt and Dispatch of Letters pending references and statements</td>
<td>Monthly</td>
<td>Supdt. DC's Office, AC's Office</td>
<td>DC Comm.</td>
</tr>
<tr>
<td></td>
<td>Law and Order Report</td>
<td>Monthly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Judicial Rec'd Room</td>
<td>Consignment Destruction Movement of Records</td>
<td>Monthly</td>
<td>Tehsildars ACs GA</td>
<td>DC</td>
</tr>
</tbody>
</table>

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Each district office has a hierarchy of subordinate field offices spread all over its territory. Whether it be the office of XEN Irrigation, Assistant Director of Local Government, Deputy Director of Agriculture or that of the deputy commissioner, himself, each has a hierarchy of officers to deal with public affairs of their jurisdictions down to the village level.
We shall continue with the example of the deputy commissioner's office and explain what kind of difficulties are faced by his office in collecting, processing, storing and retrieving information at various levels for the discharge of duties as specified in his different roles of being the deputy commissioner, the district collector, the district magistrate and the chief executive officer of the district.

For the purposes of the revenue administration, each district is divided into subdivisions which are headed by assistant commissioners and supported by extra assistant commissioners. A subdivision is normally coterminous with the boundaries of a tehsil which is headed by a tehsildar. A tehsildar is assisted by a number of naib tehsildars who are in charge of one or more kanongoi circles. A tehsil is invariably divided into four or five kanongoi circles in an average subdivision. Each kanongoi is headed by a kanoongo who is in charge of a number of patwaris. Each one of these patwaris is in charge of patwar circle which in itself comprises five to six villages. This hierarchy of revenue administration is responsible for the maintenance of ownership, tenancy and other rights in land. Among the important records which they have to maintain are Jama Bandis (ownership records), Khasra Girdawri Registers (cultivation and tenancy records), Shajra Parcha (field map), Field Book (written version of field map), Sharjra Nasab (blood relationships of landowners), Register Intiqalat (record of mutation which is periodically reflected in jamabandi to update it), Lal Kitab (consolidated, summarized account of important information about villages including customs and maps prepared on the time of settlement of land which is done after every 25 years or so). Among the most frequently used records are register khasra girdawri, register intiqalaat and jama bandi. Entries in Khasra Girdawri Register are made from crop to crop. Entries in Register Intiqalat are made whenever alienation of property or rights in land change hands on account of death of a landlord and consequent distribution of land by inheritance, sale or "hiba" which means giving of land as a gift. Copies of Jamabandi in particular and of all other records have also to be issued by the patwari quite frequently. In addition to this work, the record on state land has to be maintained. Reports have to be sent by the revenue officer on how state land is being utilized by various allottees/lessees of various schemes. Reports have also to be sent on demand on the acquisition of land under the Acquisition Act.

As for criminal administration, the deputy commissioner is the district magistrate also and is the chief prosecutor on behalf of the state for all types of crime in the district. He is assisted by the superintendent of police and the police administration set all over the district. Assistant Commissioners likewise are subdivisonal magistrates and are assisted by the deputy superintendent of police. Extra assistant commissioners are magistrates in charge of one or more police
stations in each case. Among the records which are prepared for this administrative setup are principally the FIRs, reports on important events, reports on anti-social elements, reports on security of key points like barrages (canal headworks), hydel (hydro-electric) stations, bridges, etc. Closely linked to this administrative setup are reports on civil defence schemes and other standing operating procedures (SOP) to deal with emergencies.

For development administration, the deputy commissioner acts as chief executive officer of the government and coordinates the activities of the nation building departments for implementing the annual development programme. Reports which are prepared for this purpose are working papers for reviewing progress of various projects in the meetings of the district coordination committee. It is followed by memos, letters, etc., to implement the decisions of this committee. These letters generate reports from other departments. The work is handled by ADLG for the deputy commissioner. At the subdivisional level, similar activity takes place at various marakiz, each one of which covers the area of a corresponding police station. The chairmen of the committees at the district and the markiz level are elected representatives. The members of these committees are also elected. They also generate a number of queries for various departments from such sources which are external to their inner organizational setup and at times call for such information which is non-routine as well.

In all these administrative realms, revenue, criminal and development, the collection, communication, processing, storage and retrieval of information is handled manually through a system of office management dominated by clerks. The modes of communicating information are principally memos, letters and loose paper reports which are channelled upwards in the hierarchy of officials on prescribed time intervals, on demand, or by local initiative in exceptional situations. Downward transmission of instructions is also done similarly through letters, memos, etc.

This information system generates a great amount of paper work and results in a situation which is termed, "Paper Jungle," in almost all offices of the district administration, which is difficult to manage and makes the retrieval of information very cumbersome and time consuming. Excessive paper work is caused by "too much and too often" detail requirements, out of date data exchange practices, defective forms, overlapping authority, vague instructions, insensitivity to real needs, unrealistic time frames for execution and review of progress, duplications, lack of standardization of names, abbreviations, symbols, terms and finally the absence of a viable communication network.

Additionally, the information system generates the hegemony of clerks whose seats become storehouses of all information which, coupled with the "paper jungle" phenomenon, creates serious delays, red tape, corruption, and consequently a high
degree of public suffering all over the district. The system of administration, rather than being a source of solace and relief, becomes one of torture and tyranny for the common man.

Apart from that, the manual paper system creates problems of communication, coordination and control, and renders little help in making decisions during situations of complex nature which are preconditioned by immense data requirements and call for a choice among various alternatives which may be available to solve them.

On the other hand, the application of computer systems to this information system may simplify all these problems since it reduces paper work and enhances human capabilities to analyze various situations. It can store information on a very large scale and retrieve it at a very high speed. It helps in the communication of information locally as well as to remote destinations in no time. The computer power lies in the merger of its computational, word processing and message-switching capabilities. Its use can enhance the managerial productivity at all levels of district administration. The computer obviously has an edge over the manual system as it operates electronically, has a memory to store, operates by instructions and can perform calculations at a prodigious speed. In such a system, the current paper output will be reduced by an online interactive facility with the master database, distributed printing on exceptional basis, and through introduction of micro forms for collection and storage of information from the field offices.

Proposed Computer System for District Administration

A computer system for district administration will basically be conditioned by its information needs and the structure of the administration explained earlier. Foremost among the considerations in the design of the computer system for the district will be its territorial context. Obviously, the system will have to interlink a network of offices spread all over the territory of the district. The collection and processing of information will have to be distributed as well as integrated at the district level.

Second, a high degree of coordination will be needed on account of functional differentiations among various departments of the district. The computer system will have to provide a very sophisticated communication and message-switching system, and online access to various kinds of data will also have to be provided for the purposes of coordination.

Third, because of the inherent shyness of the bureaucratic structure, the system will have to be oriented to answer repeated queries, and emphasis will have to be placed for the same reason on providing hard copies at innumerable stages of work, in the beginning at least.
Fourth, the sheer size of work and the quantity of records—especially in the judicial and revenue areas—that have to be stored calls for a system which keeps on updating these records by adding the new ones and eliminating the old ones that are no longer needed in storage within the bounds of proper manageability and use.

Fifth, the district administration is an action-oriented system which demands quick retrieval of information and equally quick decisions. Since the offices of the district administration mostly deal with the public, it will be of great service if officers standing on counters with a computerized backup of information can immediately respond to the public demand and deliver goods like they do in the post offices and the banks.

Sixth, the frequency of meetings and conferences whereby decisions are made on complex issues in face-to-face dialogue of officers of various departments demands that the data which are to be presented in the meeting should be comprehensively arranged, giving all the alternatives which may be available to solve those issues. The computer system of the district will have to provide for this aspect also.

Seventh, apart from all of these considerations, it will also have to be borne in mind that the computer design of the district will be a function of its proximate environment. The style of information generation and its use will be an important determining factor, as will the content, timing and form of information. Unless it is an emergency, the timing in the flow of information in the district is quite protracted, and the form in which it is presented is at times abysmally loose. Hence, the computer system will have to be standardized throughout with the introduction of micro forms.

Eighth, as far as costs are concerned, the emphasis in public offices must be on sharing rather than purchasing. The computer system, therefore, will have to be economical with a wide ranging access to various subsystems in the district. But strangely, the rationalization of computer applications is never likely to be done on the basis of labour savings criteria, but on other grounds covering such areas as convenience, effectiveness, quick decisions and public service.

Finally, the computerization will have to take care of the hierarchy of the administrative structures in the district and provide for the summarization and more summarization of the detailed information through standardized proforma arrangements as it travels from operational levels in the field to the decision making levels at the district headquarters and beyond in the secretariat which presumably will also be computerized after the districts in due course.
Keeping in view the perspective given by these factors, the design of the computer system for the district administration may assume the following features: (1) it will have a main computer at the headquarters in the district with remote terminals in the subdivisions; (2) the system will allow for the use of interactive processing, with offices being in a position to interact with the computer system through computer terminals, with online storage and retrieval; (3) to maintain data integrity and to avoid its contamination, the system would provide editing at various levels through a built-in system of scrutiny for all information which is collected on standardized pro formas; (4) it will emphasize storage capacity as well as speed for the sheer size of data and files to be maintained and the necessity of prompt retrievals which are needed for quick decision making; (5) the system will combine the storage, computational, word processing, and message-switching capabilities from host station to remote headquarters.

The System Design (See Flowchart, Appendix)

The design shows the processing, storage and retrieval of information at the district headquarters after it is collected from other departments at the district headquarters and subordinate offices in the subdivisions. For its lateral integration to the outlying offices, the system may have three options which have been shown in the diagram.

Option 1

The first option provides for a terminal device at the remote station linked with a communication line using modems. The system provides for online storage and use of "electronic mail" for the distribution and sharing of information. This may not be cost-effective since dedicated telephone lines for the use of modems may be too costly and unreliable considering the frequent failings of T & T Department.

Option 2

This option provides for a separate but compatible network of micros in the outlying offices which will have offline storage facilities and will communicate with the district computer through trafficking of floppy disks and magnetic tapes, etc.

Option 3

This option excludes the possibility of any computerization in the outlying stations and restricts it to the district headquarters only because the outer stations, being situated in small places, will continue to suffer from electrical power problems; dusty, humid, and hot work places; lack of maintenance and repair facilities; and lack of technical staff.
These options from the bottom up may also be taken as the various phases of the computerization process in district administration.

Conclusion

As elsewhere, but more so in the districts, computerization is expected to end the hegemony of clerks with information. They become the storehouse of information which is fed into the district system and are always prone to create difficulties in retrieving it to solve public problems. Complexity of filing systems, their gigantic number, and sheer sizes given them good excuses to avoid public work. That is red tape which is so intensely hated and is so widely used to blaspheme the bureaucracy. Let us hope that with computerization the paper load will be taken off the executives' desks, and electronic assistance will be rendered unto them to make quick decisions in the public's interest.

Computerization of the districts will only be a beginning for its ultimate dovetailing with a similar but much larger system at the secretariat level. Which one of the two should precede the other? As a matter of principle, I would say it should be the district first. Since the policies framed at the secretariat level are translated into action and are modified, improved, or abandoned after feedback is given from the districts, so the computerization should start from the district. It will be, therefore, befitting to end this study with a proposal that the Government of Punjab should set up a Bureau of Computers to take up a comprehensive study of computerization in districts first and the secretariat later on.
It was the morning of September 5, 1985. Mr. Usman, the recently posted Deputy Commissioner of Jehlum, visited the villages of Khunda and Hittar and held an open "kuchery" (court) to listen to the problems of the people of the area. During his opening address he said:

"Gentlemen! The Government is firmly committed to solving the problem of poverty in your area. To achieve this objective, the Government has implemented a number of development schemes. An important one, the dam, is expected to be completed by the end of this year. The main features of the Mehrpur Dam are:

1) The project has been estimated to cost RS. two crores and ninety-three lacs.
2) The water stored in the dam will be utilized for irrigation purposes. It is expected that about 4,500 acres of barani area (rain-irrigated land) will be brought under cultivation through this project.
3) It is also planned to utilize the dam water for drinking water to the neighbouring city of Mehrpur and the villages of Khunda and Hittar.
4) The dam will have a pond area of about one sq. km which will also be utilized for fish breeding and for development of new recreational facilities as well.
5) The scheduled completion period of the dam was three years, and it is a matter of great satisfaction that it is being completed within the stipulated period.
6) This will increase the agricultural income of your villages significantly. There will be additional economic benefits through the supply of quality drinking water."

Mr. Usman had expected that his announcement would be followed by loud cheering. Instead, nothing of the sort happened and there was an embarrassing silence. The Deputy Commissioner looked out at the audience wondering what was wrong. He did not have to wait long as a number of people started speaking at the same time in agitated voices. This ended when a very respectable looking village elder stood up and addressed the Deputy Commissioner as follows:

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"Sahib Bahadur! Excuse me for speaking the truth. This dam, instead of increasing our prosperity, is more likely to result in our ruin."

The village elder continued:

"This dam is being raised on "Nala Nandna" and "Soka" close to the foothills of "Kala Chitta" range. We fear that it will either collapse soon after its opening, or the waters will seep beneath its foundations to ruin our villages. We have seen with our own eyes the careless way in which the foundational structure has been laid by the contractor. He has used a lot of loose stone in the foundations which will not stand the force of the hill torrent which it is expected to dam."

The Deputy Commissioner was amazed to hear this side of the story. He promptly undertook an inspection of the site and took the matter up with the concerned authorities for removal of the construction defects, if any.

The next day, Mr. Usman inspected the project along with the Halq MPA, Local Councilors and the Executive Engineer (XEN), Public Health Engineering, Jehlum.

The Project Director, Small Dams, the project engineering staff of the Irrigation Department, and the contractors were present at the site.

In his report to the Commissioner, Rawalpindi Division, the Deputy Commissioner wrote as follows:

1. The Project Director has denied the allegation of the villagers about substandard construction of the dam. He maintained that the work was being done in accordance with the given specifications on the main dam.

2. The work on the main channel and its two distributories was found to be of very poor quality. The internal plastering and the bedding concrete was very substandard. As a result of improper curing and excessive use of sand, the whole channel system was found to be very fragile and could be easily broken with gentle blows. One RCC (Reinforced Concrete and Cement) turf holding the channel had actually collapsed during the previous rains. Besides, at a number of places, stagnant water in the channel (which was very little in quantity) was found to be trickling out of the channel bed. There were cracks all over the channel structure which abundantly reflected the poor workmanship and the sharp departures from the given specifications. The Project Director Small Dams admitted these defects but gave assurances that they
would be removed. He explained that no soil testing had been done prior to the preparation of rough cost estimates, as included in the PC-I. The present project team had not been associated with the earlier planning/preparation of the PC-I.

3. A perusal of accounts revealed that a sum of Rs.43.15 lacs had been utilized for the construction of this channel system. The poor quality of work clearly reflected that a great deal of this amount had actually not been utilized for the project. Similarly, the diversion road of three miles, built at an exorbitant cost of Rs.26,12,600/-, was found to be of very poor quality. A portion of the road measuring 16 feet had totally collapsed during the previous rains. There were undulations all over the road, and very poor planning had been done to ward off rain water from the neighbouring hillocks.

4. The scheme was administratively approved for Rs.293.10 lac. The brief scope of the scheme was as under:-

   a. Main Dam                  Rs.2,17,33,021/-
   b. Outlet                      60,000/-
   c. Inspection Hut              1,59,390/-
   d. Gauge Reader Hut           55,755/-
   e. Approach Road to Hut      20,000/-
   f. Channels                 39,14,248/-
   g. Running of Vehicles       1,55,529/-
   h. Cost of Lift Irrigation Channel 8,80,037/-
   i. Land Acquisition         17,73,100/-
   j. Roads, Power Line & Telephone Diversion 3,00,000/-
   k. Special T & P (Tools and Plants) 2,65,000/-

   Total                    Rs.2,93,16,071/-
   Say                       Rs.2,93,16,000/-
   Approved for              Rs.2,93,10,000/-

5. The works had been allotted to the following six contractors (Appendix 1), after calling competitive tenders:-

<table>
<thead>
<tr>
<th>Work</th>
<th>Contractor</th>
<th>Agreement Amount (Rs. in lac)</th>
<th>Completion Date</th>
<th>Extended Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Main Dam</td>
<td>M/S Minhas-ud-Din &amp; Co. (A-Class)</td>
<td>125.00</td>
<td>30.11.83</td>
<td></td>
</tr>
<tr>
<td>b) Main Channel</td>
<td>M/S Fateh Muhammad &amp; Co. (A-Class)</td>
<td>32.00</td>
<td>19.4.85</td>
<td>25.6.85</td>
</tr>
<tr>
<td>c) Diversion Road</td>
<td>M/S Fateh Muhammad &amp; Co. (A-Class)</td>
<td>21.50</td>
<td>3.11.84</td>
<td>30.3.85/ 20.6.85</td>
</tr>
</tbody>
</table>
6. Observations on Quality of Works

a) There appeared to be a total lack of supervision and proper management of the work on the main dam. Only one concrete mixer and one small vibrator were available on the site which, besides being inappropriate, could not cope with the huge quantity of concrete being used in the dam. Appropriate testing arrangements were also not available at site, nor was the record of any test (both for steel and concrete) being maintained. As a matter of fact, no testing of steel and concrete was being carried out.

b) None of the contractors had employed any site engineer, which was required under the contract.

c) There were a number of fissures in the rocks at the dam site which could cause seepage when the dam was filled up.

d) One of the aqueducts in the distribution channels had given way because the copper joints provided in the aqueduct were not properly placed.

e) The canal distribution system was in an advanced stage of completion while the dam was still in its foundations.

f) The alignment of the channel system was meandering around various hillocks, but no appropriate system of cross drainage of rain water had been provided, with the result that channels at places had given way under rain water from the side hills.

g) In a concrete dam, having lacs of cubic feet of cement concrete/RCC work, and where about 25% of it had already been poured, no proper design of concrete mix had been carried out/prepared, either by the contractor or the Department. Without considering the size/gradation of the aggregate and compressive strength of concrete, the 1:2:4
ratio by volume mix formula had been adopted. Thus, the concrete was being poured without a proper mix design.

h) The field staff did not seem to have any concept of concrete quality control. No cubes were made for testing/checking the compressive strength of the concrete. The one cube shown was neither of proper section, i.e., 6" x 6", nor initialled by any of the supervising officers/officials for its authenticity.

i) Similarly, the footings of piers/abutments of aqueducts had been laid without proper soil investigation.

j) Workmanship of RCC works in the aqueducts was substandard as most of the RCC work had been covered with thick/weak plaster to make good the deficiency in concrete sections and to remove its unevenness.

k) Proper compaction/vibration had not been given in pouring the concrete to attain the required density which resulted in leakage/seepage of water through RCC aqueducts. To check this, thick plastering of RCC work had been used.

l) There was no site inspection register to indicate day-to-day progress, visits of the inspecting officers, and instructions of the visiting officers and the officers in charge. Even the inspection notes of inspecting officers were not made available. This resulted in poor supervision and substandard work.

7. Observations on Financial Aspects

The financial estimation did not seem to have been carried out properly (see Appendix 1). For example, against a provision of Rs.3.0 lac for road and power telephone lines diversions, Rs.38.21 lac had already been incurred. Furthermore, no provision for diversion/realignment/readjustment of gas pipeline passing through the pond area of the dam had been made. The Sui Northern was reportedly demanding over Rs.2 crore for the realignment of the gas pipelines (see Appendix 2). Similarly, there was a huge excess expenditure (about Rs.87.00 lac) on the land acquisition (see Appendix 3). As such the revision of the estimates of this scheme had become imperative. This called for early revision as the project would have to go to the Executive Committee of the National Economic Council (ECNEC) for the revised approval, as
any project costing beyond RS.3 crore is outside the competency of the Provincial Government.

Similarly, expenditures incurred on a number of other works had gone beyond the permissible excess limit of 15%. The details of such major works were:

a. Main Dam. The agreement amount (Rs.125.90 lac) exceeded the permissible 15% excess limit over the estimate of RS.103.36 lac.

b. Main Channel. Here, too, the expenditure needed to be controlled so that it did not exceed the permissible limit of 15% of the estimated cost.

c. Diversion Road. The expenditure had exceeded the amount contracted in the agreement, but the same had not been enhanced by the competent authority. Besides, against the provision (in the PC-I) of RS.3.0 lac for Road, Power and Telephone line diversion, an expenditure of Rs.26.64 lac had been incurred on diversion of road alone and Rs.11.57 lac on the shifting of electric poles by Water and Power Development Authority (WAPDA) and shifting of telephone line by Telephone & Telegraph (T&T) Department. Thus, against a provision of RS.3.0 lac, an expenditure of RS.38.21 lac had already been incurred.

d. Left Distributory. Here, also, the amount contracted in the agreement exceeded the permissible limit of 15%.

e. Right Distributory--Phase I. The expenditure incurred exceeded the 15% permissible excess limit, which warranted its revised approval by the competent authority.

f. Right Distributory--Phase II. The expenditure exceeded the permissible excess of 15%, i.e., Rs.11.27 lac.

8. Observation on Compensation for Land

Against a provision of Rs.17.731 lac, the amount of aware was Rs.104.49 against sanctioned estimate of Rs.97.31 lac. This vast difference in the amounts, reportedly, was being met out of savings achieved in the cost of construction of main dam (i.e., Rs.217.33 lac - 103.37 lac = 113.96 lac). The acquisition proceedings, which were initiated in 12/82, had been finalized in 1985, and even by 1989 full payments of compensation had not been made to the land owners.
Against final award, which was announced in 1985 for Rs.1,04,48,950/64, Rs.61,80,343/19 had been disbursed to the land owners up to September 1, 1985. The balance amount of Rs.42,58,607/45 reportedly was to be disbursed to the right holders on demand as and when they attended the office of Land Acquisition Collector, Jhelum.

9. The project had no provision to fix pipe outlets in the irrigation canals. The construction of water courses and on-farm water management works was scheduled to be done under Asian Development Bank (ADB) loan as a separate project. This would result in a delay in commissioning the project and realization of the benefits.

10. Utilization of Stored Water:

The benefits of the project can start accruing when stored water is put to the use for which it was intended, i.e., irrigation and domestic water supply. To accomplish this, not only must all components of the project be completed, but also the essential works to use water should be ready by appropriate coordinated actions within the sanctioned project scope.

For irrigation of lands for agricultural production, advanced preparation and motivation of cultivators is necessary before the water actually become s available. So far, outlet positions have not bee identified at the site, and the cultivators have not been motivated by any agency so that they could prepare their lands and construct water course in advance. This was an essential function of the Agency for Barani Area Development (ABAD). It was stated by the project officers that "the survey of the command area has been done and alignments of water courses have been marked thereon. Outlets will be constructed at proper points according to Chackbandi Plan." Paper work alone is not enough if there has been no activity in the field. There has been no provision in the Planning Commission (PC) Proforma for the construction of outlets, water courses and land preparation. Such works are expected to be done under an umbrella project of ADB for which funds are not committed and are not forthcoming so far.

Water is also proposed to be supplied at RS.4.0/thousand gallons to Municipal Committee Mehrpur and for villages Hittar and Khunda. However, no field activity in this respect is visible and reportedly the relevant authorities have made no arrangements and initiated no action for conveyance of water. It is not known whether there is any progress for constructing the necessary works at the receiving end.
The Deputy Commissioner dispatched his report and also followed it up by telephone to convey the urgency of taking immediate action.

Questions for Discussion:

1. If you were the Deputy Commissioner, what course of action, both immediate and long term, would you recommend and why?

2. If you had to plan a similar project, what different approaches, if any, would you adopt? Also give reasons in support of your views.

3. Identify any systems defects in the project history.
**APPENDIX 1**

**COST ANALYSIS**

In order to assess the control over the budgetary provision in the approved PC-I with the actual expenditure, a statement showing comparison of the rough cost estimate of various items as provided in the approved PC-I, the cost of sanctioned estimates, the expenditures incurred, and the liabilities yet to be cleared was prepared as follows:

<table>
<thead>
<tr>
<th>Sr*</th>
<th>Provision in the PCI approved estimate (rupees)</th>
<th>Amount of sanctioned estimate (rupees)</th>
<th>Expenditure incurred up to 31-12-85 (rupees)</th>
<th>Liabilities incurred to be cleared (rupees)</th>
<th>Total estimated expenditure (rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2,17,33,021</td>
<td>1,03,36,415</td>
<td>50,40,478</td>
<td>53,00,000</td>
<td>1,03,40,478</td>
</tr>
<tr>
<td>2.</td>
<td>60,000</td>
<td></td>
<td>60,000</td>
<td></td>
<td>60,000</td>
</tr>
<tr>
<td>3.</td>
<td>1,59,390</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>55,755</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>20,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>39,14,248</td>
<td>59,92,000</td>
<td>51,61,935</td>
<td>17,00,000</td>
<td>88,61,935</td>
</tr>
<tr>
<td>7.</td>
<td>1,55,520</td>
<td></td>
<td>1,00,000</td>
<td></td>
<td>1,60,000</td>
</tr>
<tr>
<td>8.</td>
<td>88,037</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>17,73,100</td>
<td>1,04,40,050</td>
<td>1,04,40,050</td>
<td>5,00,000</td>
<td>1,09,46,050</td>
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<tr>
<td>10.</td>
<td>3,00,000</td>
<td>38,90,638</td>
<td>38,53,186</td>
<td>10,00,000</td>
<td>48,53,186</td>
</tr>
<tr>
<td>11.</td>
<td>2,65,000</td>
<td></td>
<td></td>
<td></td>
<td>1,34,478</td>
</tr>
<tr>
<td>TOT</td>
<td>2,93,10,000</td>
<td>2,47,39,027</td>
<td>86,96,000</td>
<td>3,34,35,027</td>
<td></td>
</tr>
</tbody>
</table>

*Serial numbers correspond to the following works:

1. Main Dam
2. Outlet
3. Inspection Hut
4. Gauge Reader Hut
5. Approach Road to Hut
6. Channels
7. Running of Vehicles
8. Cost of Lift Irrigation Scheme
9. Land Acquisition
10. Road, Power Lines and Telephone Line Diversion
11. Special T & P

The table shows that, as far as the main dam is concerned, there was an indicated saving in the cost which is said to be primarily due to the change of site. The cost of the main channels has increased from Rs.39.14 lac to Rs.68.62 lac. The cost of land acquisition has increased from Rs.17.74 lac to Rs.109.50 lac which is a very large increase. The cost of road, power line and telephone line diversion has increased from Rs.3 lac to about Rs.48.53 lac. On the whole the project approved for Rs.293 lac was expected to be completed with an expenditure of Rs.334 lac.
The abnormally large saving in respect of the dam structure (wall) made it possible for the project staff to finance the large cost overrun on other project components through material diversion.

APPENDIX 2

REALIGNMENT OF SUI GAS PIPELINE

A 6" diameter Sui Gas Pipeline passed through the pond in 1965 when the construction of Mehrpur Dam was being planned. Accordingly, Executive Engineer Chakwal Dam Division Chakwal addressed the Sui Northern Gas Pipeline giving the blueprint copy of the plan of the pond area for relocation of the public utility service. Although much correspondence ensued thereafter, it would suffice to say that the relevant authorities were duly put on notice regarding the construction of Mehrpur Dam and the extent of its pond area. It was incumbent upon Sui Northern Gas Pipeline to take into account the above position during the relocation of their pipeline in 1972. In fact they had constructed their two new terminal stations outside the lake area and above flood levels. The pipeline was buried in the soil.

The SNGPL, when informed of the construction and commissioning of Mehrpur Dam, demanded Rs.2,10,00,000/- that SNGPL later reviewed and reduced to less than Rs.5.00 million. There was an opinion that, if SNGPL had not already fully protected their pipeline, it could be done at a substantially lower cost than the original estimate. There were no flood velocities and erosion, and submergence was the only issue. In any case, it was for the SNGPL to take suitable measures, if considered necessary. The present project director, being new, had no knowledge of this background of the gas pipeline relocation case.
APPENDIX 3

LAND ACQUISITION

The cost of acquisition of land for the pond area and the appurtenant works of the dam as provided in the PC-I was Rs. 17.73 only. Against this the amount of award made by the civil department was more than five times and was of the order of 104.5 lacs. The formal request for acquisition of land was sent to the Revenue authorities in December, 1982, and notification under section 4 of the Land Acquisition Act was issued in January, 1983. Subsequently, on the value of land assessed by Tehsildar Mehrpur on the basis of one year's average market price, the award was announced in October, 1985.

It is a common experience that as soon as the prospects of acquisition of land for Government purposes are known, the price level of land is artificially raised by speculators and anti-social elements by many devices, mainly by manipulated and non-genuine transactions at exorbitant rates, which rates are more or less mechanically accepted as the basis for determining market value of the land to be acquired. The high price paid may not necessarily reach the genuine land owners.
WHAT HAPPENED TO THE MATCHING GRANTS?

by
Surreya Mustafa, Research Associate,
and Sajjad Mahmood, Instructor, NIPA, Lahore
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Chaudhry Akhtar, a Member of the Provincial Assembly in Punjab, was elected Chairman of the District Council, Lahore, on June 11, 1989. His party members and friends arranged a reception in his honour. During that reception, he made an announcement: "This year we are going to build college buildings in the district with the District Council's revenue."

Mr. Ijaz, Deputy Secretary, Ministry of Local Government and Rural Development of the Federal Government, and other officials from that department and others were present for the reception. Mr. Ijaz had just been given the assignment to recommend ways in which the use of matching grants by local governments could be increased. This announcement by Mr. Ali was astonishing news to Mr. Ijaz, who was a concerned person who was at a loss to understand what would be the sources of revenue to complete such huge projects. He decided, as part of his assignment, that it would be necessary to explore the avenues through which revenue resources earned by the District Council could be sufficient to implement such big schemes. He knew that the Federal Government allocated some financial resources to the provinces for rural development through local councils. He also knew that the present government had revived the Basic Democracy System of President Ayub Khan with some modifications.

The revised local government system is as follows:

1. Union Councils consist of an aggregate of some villages whose population remains between 10,000 to 15,000 under ordinance 1979. One peasant member and a lady member are chosen by the elected members. The chairman of this council is elected by its members. Revenue is earned by imposing taxes on a variety of items. The members on the basis of felt needs of the rural people prepare schemes which are sent to the Markaz Council. The Markaz Council scrutinizes these schemes and then sends them to the District for approval. They then get the funds from the Annual Development Programme.

2. Markaz Council exists at the thana level. It is a statutory body. The chairmen of all the Union Councils falling under the Markaz are its members. Also, those members of the District Council whose constituency lies with that Markaz are also members of this Council. All government functionaries whose administrative jurisdiction lies with the Markaz level are ex-officio members of this Council. The chairman is elected by these members.
3. District (Zilla) Council's members are elected on an adult franchise basis from a constituency defined by the Election Authority. All the government functionaries working in that district are ex-officio members of that district's council. The chairman is elected by the elected members of the Council. The chairman acts as a Project Director for schemes financed by the Provincial Government. He is a planning and executing authority for schemes financed out of District Council revenues.

Mr. Ijaz, after pondering and reflecting on the announcement made the other day by Chaudhry Akhtar went to see Mr. Rahad, Director General, Local Government and Rural Development.

"Aslam-o-Alekam, how are you Rahad?" asked Mr. Ijaz.

"Fine, thank you," replied Mr. Rahad. It is nice that you are in Lahore in this pleasant weather and have provided me the opportunity to enjoy your pleasant company."

Ijaz: "You know, Chaudhry Akhtar, the chairman of the District Council, made an announcement the other day that he is embarking on some big projects, like the building of colleges. It is really unbelievable that he will be able to undertake such big projects to give shape to his announcement."

Rahad: "Oh yes, he is perfectly capable of doing that! You know he has been very active and efficient throughout his career as a public representative. He was first Chairman of the Union Council, then he became the Chairman of the Markaz, and now he is the Chairman of the Zilla Council. You know that the District Council is going to make a lot of earnings out of the export tax which the government has levied this year. Moreover, the earnings of the District Council have been on the increase right from the restoration of Local Councils, as you can see from this brochure, Directorate, Local Government and Rural Development, Punjab, 1987-88."

Ijaz was amazed, in reviewing the brochure, to find that the income of the Local Councils in Punjab Province had risen from 1051.1 million rupees to 9298.03 million rupees. "I see that the results of the revenue earnings of the Local Councils are remarkable. Now I can appreciate the reality of his announcement."

At that time, Mr. Rahad's friend, Mr. Hamid, came into the office. "Aslam-o-Alekam. I don't want to disturb you. I'll just sit here until you're finished."

"No, no," said Mr. Rahad. "We're just visiting; please join us." And then he asked for tea.

As they were having tea, Mr. Hamid asked, "What are you people in Local Government doing? We hear so much about Local..."
Councils and their schemes using so many different funds. What's that all about?"

Mr. Rahad then explained how the Government has taken a special interest in strengthening the local institutions and has given impetus to rural development processes through integrated efforts of Local Councils, Local Government and Rural Development, and through other governmental agencies, and has made funds available to them under various categories.

Mr. Hamid asked, "What are those categories? We often hear how influential people are having their schemes implemented through the Chief Minister's Directive."

"There are several," replied Mr. Rahad. "Some of these are: * Approved Annual Development Programmes (Appendix 1) * Unapproved Education Schemes * Supplementary Grants * Chief Minister's Directive (Appendix 2) * Funds Provided for the Local Bodies * Special Development Programme Funds (Appendix 3) * Funds provided by Women's Division/UNICEF

"That is a lot," exclaimed Mr. Hamid. "But you haven't mentioned Matching Grants. Why is that?"

Rahad: "Good question! Matching Grants are something new, starting in 1981-82 (Appendix 4). Each group of people from different areas pool their resources in the form of money, machinery, material and labour. They estimate the cost of these resources, and then ask the provincial government for an equal amount with which they can execute badly needed projects. The Project Director makes an assessment of contributions coming from various groups. The group whose contributions exceed those of others gets an amount from the government equal to the value of the people's contributions, and then their schemes are executed after approval from this fund."

"That's a very good idea. Not only does it increase resources, but it also gets a commitment from the people who are to benefit from the projects," observed Hamid.

The brochure also provided information on matching grants:
Physical Achievements through Matching Grants in the Province of Punjab, 1981-82 to 1987-88

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial Resources (in lacs)</th>
<th>Met. Roads (in miles)</th>
<th>Soled Roads (in miles)</th>
<th>Other Schemes (No.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-82</td>
<td>400.00</td>
<td>10.20</td>
<td>234.30</td>
<td>253</td>
</tr>
<tr>
<td>1982-83</td>
<td>800.00</td>
<td>34.40</td>
<td>669.60</td>
<td>694</td>
</tr>
<tr>
<td>1983-84</td>
<td>980.00</td>
<td>30.80</td>
<td>315.80</td>
<td>1842</td>
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<tr>
<td>1984-85</td>
<td>1342.00</td>
<td>175.00</td>
<td>412.50</td>
<td>3179</td>
</tr>
<tr>
<td>1985-86</td>
<td>1600.00</td>
<td>124.00</td>
<td>305.00</td>
<td>3992</td>
</tr>
<tr>
<td>1986-87</td>
<td>1488.00</td>
<td>69.40</td>
<td>228.50</td>
<td>3973</td>
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<tr>
<td>1987-88</td>
<td>744.00</td>
<td>28.40</td>
<td>210.40</td>
<td>2636</td>
</tr>
</tbody>
</table>

Hamid observed again, "It seems to have grown remarkably in the early years, but during the past two years, it seems to be declining. Why is that?"

Rahad replied, "With the restoration of Democracy, people use personal influence to get their schemes approved either through MNA's (Member, National Assembly) or MPA's (Member, Provincial Assembly) funds, or through the Chief Minister's Directive. Also, members of District Councils get their schemes approved through their funds. This year the District Councils are going to make substantial earnings through the export tax. Moreover, it is in the air that the Japanese Government has given aid to Pakistan for constructing roads, and with this aid Chaudhry Akhtar is going to construct 50 km long main road on either sides of which will fall the majority of the villages, which ultimately will be connected with the Union Councils and with the villages."

Ijaz: "That is remarkable and highly commendable."

With that, Hamid and Ijaz took their leave.

Next day, Mr. Yaqoob Bhatti, Assistant Director, Local Government and Rural Development, made a call on Mr. Ijaz, who was disturbed by the gradual decline in the matching grants. Mr. Ijaz asked for Mr. Bhatti's opinion on why the matching grants were declining. Mr. Bhatti's response repeated much of what Ijaz had already learned. But he added: "There is hardly any incentive left for rural people to contribute towards matching grants. If we make a request, they argue that if the majority of the schemes can be executed through one or another category of funds, why can't the rest of the schemes? In fact, this attitude is so widespread that you can't even believe the figures you read for matching grants. There are also places where matching grants have been provided to please a few influential people within a family or two, and the benefit has gone just to these people. This has created ill will among the rest of the people in the area."
"Another problem has to do with the lack of planning, cooperation and coordination of all the agencies providing funds for rural development. Roads which are constructed through the Highways Department cost 8 lacs rupees a mile, while those constructed by the Local Government and Rural Development Department cost only 6 lacs rupees a mile. Presently, the Planning and Development Department is giving projects to the Highway Department, and that upsets the people."

The next day, Mr. Ijaz made a call on Mr. Chaudhry Akhtar, the Chairman of the District Council, Lahore.

Ali: "Yes, sir. What can I do for you?"

Ijaz: "I have just come to see you. I know you are very busy, with so many people visiting you after that great announcement at your reception. I'd really like to hear more about your plans."

Ali: "This year we have allocated Rs.8 crores for development funds and Rs.3 1/2 crores for nondevelopment. Out of the development funds, we envisage constructing two colleges, and if circumstances remain favourable, this exercise will be repeated every year. Out of the nondevelopment funds, we are going to give scholarships to poor, industrious, bright students; supply medicines to the rural dispensaries; and also provide funds to the veterinary hospitals."

During the conversation, a friend of Mr. Ali's, Mr. Taseer, an MPA, was sitting near by. He was fascinated by the Chairman's ambitious programme. So he interrupted and said, "Mr. Chaudhry Akhtar, you have so many plans and activities. Who plans these schemes and how are they implemented? How are they monitored?"

Ali: "I am the planning and implementing authority for schemes financed through the District Council's earnings. Small village-level schemes financed from the Annual Development funds are planned at the Union Council level, then scrutinized at the Markaz, and then come to me for final approval. Focal points (Appendix 5) and such other schemes are planned by the planning wing of the Local Government and Rural Development Department, and are finally approved by the Planning and Development Department of the Government of Punjab. Then its execution funds are released by the Assistant Director, Local Government and Rural Development. The project manager sees to it that these schemes are being executed as planned. Then there is a monitor who monitors the projects and schemes. The usual methodology is that monthly reports are prepared by the project manager, with a copy sent to the monitoring wing of the Local Government and Rural Development Department and to the Planning and Development Department of the Government of Punjab."

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Ijaz thought that he was setting out to find out about matching grants. But he had discovered that financing of projects at the local level was very complex. He wondered now what he could do to improve the use of matching grants.

Questions for Discussion

1. If you were Mr. Ijaz, what reasons would you include in your report for the declining use of the matching grants?

2. What recommendations would you make for increasing the use of matching grants?

3. Evaluate the use of funds from the District Council's resources as proposed by Chaudhry Aftkar.

APPENDIX 1

ANNUAL DEVELOPMENT PROGRAMME

Under the annual development programme, some proportion of funds allocated for rural development is used for construction of roads. Roads whose length is less than five miles are constructed by Local Government and Rural Development. Those exceeding five miles are constructed by the Highway Department.

From the annual development funds, some proportion of the funds is allocated for districts of the Province of Punjab. From this, every district receives half on an equal basis, with the remaining half being divided among the districts under a formula based on population, area and other things.

APPENDIX 2

CHIEF MINISTER'S DIRECTIVE

There are certain schemes which are executed under the Prime Minister, President of Pakistan, and Chief Minister's Directive. Schemes under the Prime Minister's and President's quotas are rarely ordered. Thus, the scheme is known as the Chief Minister's Directive.

Under this scheme, rural people through their Members of the Provincial Assembly (MPA) and Members of the National Assembly (MNA), or directly, get their schemes approved and executed.
APPENDIX 3

MNA'S AND MPA'S SCHEME

This scheme was implemented in 1985-86 and 1986-87. Under this scheme, MNA's and MPA's were given funds which ranged from three lacs to five lacs rupees for meeting the felt needs of the people living in their constituencies. Most of these schemes were construction of roads. The funds given to MPA's were transferred to the Director, Local Government account for execution after its approval from the Planning and Development Department. Feasibility was prepared by the engineering wing of the Local Government and Rural Development.

Similarly, funds given to MNA's were transferred to the Assistant Director, Local Government and Rural Development accounts for execution after its approval. MPA's and MNA's have the right to exercise their discretionary power for nominating any agency that the consider appropriate. It can be a Union Council, District Council, Local Government and Rural Development, or Highway Department.

APPENDIX 4

MATCHING GRANTS SCHEMES

Out of the quota allotted for Local Government and Rural Development, some proportion is set aside for providing financial help under the matching grants schemes. This fund is equally divided among all the districts of the Province of Punjab. The District Council Chairman assesses the integrity and soundness of the parties making a request for matching grants, and then gives his decision. These schemes can be implemented through the Zilla Council or the Union Council, depending on the choice of the parties concerned.

The table given under Matching Grants indicates the financial resources made available by the government. Contributions made by the people is not given. In certain cases, this amount exceeds 50%, averaging about 60%.
APPENDIX 5
FOCAL POINTS PROGRAMME

In order to arrest rural movement to the urban areas, an effort was made to provide a basic infrastructure at the central villages. Under this scheme, focal villages were connected with main roads. Basic health units, high schools for girls and boys, veterinary units or dispensaries, sanitation facilities, water supply schemes, open surface drains, public telephones, and agro-processing industries were provided. The latest position is:

1. Total Number of Focal Points 128
2. Completed Focal Points 82
3. Ongoing Focal Points 45
4. Number of Schemes at Focal Points 300
5. Schemes Completed at Focal Points 269
6. Ongoing Schemes 31

Presently, the government does not envision developing more focal points.
TEACHING NOTE
INTRODUCTION OF COMBINED DELIVERY SYSTEM OF MAIL AT LAHORE GPO
by
Iftikhar Ahmad, Sr. Instructor, and
Rehana Samad, Sr. Research Associate, NIPA-Lahore
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1. Topical Area or Classification: Decision making; Project Implementation; Work Measurement and Simplification; Reorganization; Public Interest; Labour/Management Relations

2. Learning Objectives: Participants will be able to:
   a. identify major issues and their relationship through analysis of the situation presented in the case;
   b. identify various alternative solutions and specify the advantages and disadvantages of each; and
   c. identify important factors vital for success in implementing the option chose or decision made.

3. Place in Sequence of Advanced Management Course: Phase on Public Administration and Management

4. Target Population: Participants in the Advanced Management Course are civil servants at grade 19-20 with 15-18 years of service. While the case can be used by a single group of at least 5, normally there would be 20-25 participants, divided into groups of 4-7.

5. Supplies: In addition to the main teaching area, the case leader must have access to a sufficient number of syndicate rooms large enough to accommodate one group each. The case leader will also require the following items:
   - Sufficient copies of the case study
   - Copy of the teaching note for the case leader
   - Paper and Pencil
   - Overhead Projector, Markers, and Transparencies
   - Flipchart and Markers
   - White Board and Markers (or Chalkboard and Chalk)

6. Summary: The case relates to the system of delivery of mail at Lahore General Post Office (GPO) and the effort to rationalize the system in view of various considerations, such as, the delivery system in areas covered by delivery post offices other than GPO, interests of various publics served by the Post Office Department, the need for a streamlined/combined system of delivery, employees' perspectives as reflected by their unions; and management's approach to streamlining the process for improving efficiency. Various alternatives are possible in this case. Specifically, three daily deliveries (one for unpaid items and two for paid) are presently scheduled in Lahore GPO, while in the rest of
Lahore, there is a single delivery through 15 delivery post offices. Since 1983 there has been a proposal for modifying deliveries, but as yet no changes have been made.

Three proposals exist: a) One paid and one unpaid delivery; b) One combined delivery; and c) Two combined deliveries specifying articles to be delivered in each. Participants must select and support one option.

7. **Time Allocation:** Total 2 1/2 hours

20 Minutes: Formal study time in class to insure that reading has been done and for student review of case. (While the case would be assigned ahead of time for reading, experience suggests that participants often do not complete such assignments.)

50 Minutes: Discussion in small groups/syndicates

10 Minutes: Short Break

50 Minutes: Large Group Discussion

20 Minutes: Facilitator Summary and Observations

8. **Possible Approaches:** Alternate, suitable approaches to case analysis include:

a) have syndicate group discussion; followed by general large group discussion, or small group presentations and discussion, or brainstorming and discussion--small groups should be between 4-7 per group;

b) assign the various positions to individuals for role plays;

c) use a panel of experts to discuss the case, followed by questions from the participants; and

d) use a panel of participants, to be observed by an expert from the concerned department, who would share observations following the presentation.

9. **Issues to be Considered:** Some of the issues to be considered include:

a) the conflicting interests of various groups;

b) the protracted delay in implementing a new system;

c) the locus for ultimate decision-making;

d) the communication of consequences of implementing various options;

e) separating valid from invalid reasons for resistance to change;

f) methods for systems change and work simplification; and

g) the role of influence and lack of accountability on the breakdown of systems.
10. Possible Solutions to Questions:

Q1: Identify the issues that must be considered in making the decision.

a) It is natural to expect resistance to change when some group or groups are giving up something that is valued. Therefore, all efforts should go into insuring that resistance, if any, is overcome without unpleasant and unanticipated consequences.

b) Financial incentives for the postmen would be less during a given month than the existing system as they would be sharing the benefits which accrue out of unpaid deliveries. However, over the period of a year, with the current rotation system, the financial incentives should be the same. They will, however, have to work every day—something they are apparently not doing currently.

c) While the claim has been made that the union has been notified, they have apparently not been taken into confidence about, nor made a party to, the decision.

d) Delivery areas need to be considered. While the area will be reduced, the volume of work will not change. This could result in closer supervision and thus lead to resistance.

e) Little evidence is present in the case to suggest that any real research has gone in to the development of the three options. What is the pragmatic base for suggesting any one of the three?

f) Issues exist in the perceptions and the realities in comparing the service from the Lahore GPO and the 15 other delivery post offices. While those outside of the Lahore GPO claim injustice, the injustice may, in fact, be to those served by the Lahore GPO.

g) What facilities changes will be needed to accommodate the three options—manpower, furniture, space, sorting bins, etc.?

h) What is the cost effectiveness of each of the options? Are there other options that would be more cost effective?

i) What are the factors that contribute to the existing inefficiencies in the Lahore GPO? Are there other, better solutions than the three options proposed for reducing the inefficiencies?

Q2: With these issues in mind, if you were the Postmaster General, what proposal would you accept? Why?

An argument can be made for accepting any one of the three proposals, as well as for rejecting all three and looking at alternative options.
Option 1: One Paid and One Unpaid Delivery

Advantages: Requires the fewest changes from present
Acknowledges the reality that the second paid delivery often does not take place
Second paid delivery is too late to meet the needs of most businesses which are closed by then, anyhow
Unpaid postmen do not have their beats disturbed
Current space and furniture are sufficient
No additional personnel needed
No resistance from the unions is likely
Paid beats could be reduced in half

Disadvantages: Still provides no accountability for paid mail delivery
Perception of injustice remains because there would still be twice as many deliveries in the Lahore GPO than in the rest of Lahore
Unpaid beats could not be reduced in size without additional personnel
No cost savings would result
Additional sorting bins would be needed

Option 2: One Combined Delivery

Advantages: Uniform system throughout Lahore
Accountability for all types of mail
Equal opportunity for all postmen to earn "extra" income
All beats could be reduced in size, most by one-third, without additional manpower
Closer supervision of postmen would be possible
In the long term, with attrition, cost savings could result

Disadvantages: Opposition from at least one union faction has already been expressed
Loss of income for postmen during a given month on unpaid beats
Additional space, furniture, and sorting bins would be needed
No cost savings in the short term
The most dramatic change from present, which would increase resistance from employees as well as from consumers

Option 3: Two Combined Deliveries

Advantages: All union groups have agreed to such a change
Acknowledges the reality of only two current deliveries, while improving the service by including unpaid deliveries twice a day
Both deliveries would be completed while most businesses are open
Current space and furniture are sufficient
No additional personnel needed
Most beats could be reduced
Accountability is provided for all mail

Disadvantages: Perception of injustice remains because there would still be twice as many deliveries in the Lahore GPO than in the rest of Lahore without additional personnel
No cost savings would result
Additional sorting bins would be needed
Loss of income for postmen during a given month on unpaid beats
No cost savings in the short term

Accept None of the Alternatives

- Not enough information is available. Research is needed before any decision can be made. What would be the loss of income to individual postmen under the three options? What cost savings are possible under each option? What will be the response of the consumers? What ideas for improvement can the employees make? A work measurement study within the sorting area would be helpful. Until this information is gathered, no decision can be made.
- There could be a negative response to the above suggestion, however. The decision has already been delayed for six years. How much longer can it be delayed? If any one of the options will improve accountability, it should be taken. Modifications can be made later if more information comes to light.

Q3: What steps would you follow in implementing the proposal?

Obviously, the answer to this question will depend on how participants respond to question 2. The proposal they accept will determine the steps they would follow. Regardless of the proposal selected, responses to this item will probably include:

a) Work with all parties affected by the proposal, informing them completely as to How, What, Where, When, Why, Who. Seek their input into improving the recommended proposal.

b) Use appropriate communication tools to inform the public of the changes and the reason for the changes.

c) Provide incentives to the workers to make the system work and to replace their perceived loss of incentives in the diminished delivery of unpaid mail by each postman (if that option is selected). In any case, improved
incentives are needed for delivery of paid mail regardless of the option provided.

d) Conduct work measurement study in the sorting and pickup areas to improve efficiency on the inside.
e) Conduct a study of postman workloads to insure equivalent workloads for all postmen.
f) Before any decision is made, there must be consensus within top management, both to insure that the messages are not contradictory and to insure that sufficient personnel and finances will be committed to the implementation to insure success.

11. Additional Questions: It might be useful to pose the following question if participants do not raise the option of accepting none of the three proposals: Assume that none of the three proposals is acceptable, yet an improvement in efficiency and accountability is mandated from the Director General. What other options might be considered by the Postmaster General?

12. Actual Outcome: Since the case is presently under consideration, and no decision has yet been made, it is not possible to indicate the actual outcome. When the decision is made, this section of the Teaching Note will be updated.

13. Theoretical/Conceptual Base: While the case basically requires participants to apply common sense, some theoretical background in the following areas would be helpful: decision making, planning, reorganization, organizational structure, work measurement and simplification, and public interest.

14. Technical Notes/Supplementary Readings: Not applicable
1. **Topical Area or Classification:** Public Servant and the Citizen; Management System and Procedures; Communications; Personnel Administration; Decision-Making.

2. **Learning Objectives:** Participants will be able to:
   a. evaluate the internal systems and procedures for awarding contracts and sanctioning payments to contractors;
   b. describe the consequences of procedural lapses committed by government officials; and
   c. apply the conditions of the Ombudsman's Order of 1983 in determining the ruling in a complaint against a government corporation.

3. **Place in Sequence of Advanced Management Course:** May be used at any point in the phase on Public Servant and the Citizen or Public Administration and Management.

4. **Target Population:** Participants in the Advanced Management course are civil servants at grade 19-20 with 15-18 years of service. The case can also be used for a group of top management by revising question number 2 to be answered from the perspective of the Chairman of the Corporation. While the case can be used by a single group of at least 5, normally there would be 20-25 participants, divided into groups of 4-7.

5. **Supplies:** In addition to the main teaching area, the case leader must have access to a sufficient number of syndicate rooms large enough to accommodate one group each. The case leader will also require the following items:
   - Sufficient copies of the case study
   - Copy of the teaching note for the case leader
   - Paper and Pencil
   - Overhead Projector, Markers, and Transparencies
   - Flipchart and Markers
   - White Board and Markers (or Chalkboard and Chalk)

6. **Summary:** In this case, a public agency awards a contract for painting and white washing. The work is of an urgent nature, and the contractor completes the work within the time specified and to the satisfaction of the Site Engineer appointed by the public agency for this purpose. The Zonal Head is also satisfied with the quality and timeliness of the work. The Internal Audit Department, however, suspects,
long after the work is completed, that the quality of work has not been up to specifications. They involved outside private parties to check the quality of the work, without informing the contractor, at least not in writing. A regular investigation was started by the principal office of the corporation, also without written communication with the contractor. The agency, based on their investigation, reduces the bill by 25%. The contractor refuses to accept and refers the case to the office of the Ombudsman.

7. **Time Allocation:** Total 2 1/2 hours

- 20 Minutes: Formal study time in class to insure that reading has been done and for student review of case. (While the case would be assigned ahead of time for reading, experience suggests that participants often do not complete such assignments.)
- 50 Minutes: Discussion in small groups/syndicates
- 10 Minutes: Short Break
- 50 Minutes: Large Group Discussion
- 20 Minutes: Facilitator Summary and Observations

8. **Possible Approaches:** Alternate, suitable approaches to case analysis include:

   a) have syndicate group discussion; followed by general large group discussion, or small group presentations and discussion, or brainstorming and discussion—small groups should be between 4-7 per group;
   b) assign the various positions to individuals for role plays;
   c) use a panel of experts to discuss the case, followed by questions from the participants; and
   d) use a panel of participants, to be observed by an expert from the concerned department, who would share observations following the presentation.

9. **Issues to be Considered:** Some of the issues included in the case are:

   a) the standard practice of awarding contracts and payment procedures;
   b) the system of insuring that the quality of work is up to required specifications;
   c) the system of checks and controls for verification of work performed;
   d) the system to control the violation of rules and regulations;
   e) the appropriate jurisdictions for respective officials and units;
   f) the right system for inspection/reinvestigation of the quality of work performed;
g) malpractices and lapses of accountability in the administrative system; and
h) the role of the office of the ombudsman in rectifying such lapses.

10. Possible Solutions to Questions:

Q1. If you were Mr. Jamil, in the ombudsman's office, what additional information would you want? How would you get it?

a) Legal provisions and office practices about the verification of the quality of work performed by a contractor and payment procedures for sanctioning of bills. Source: Documents on the policies, rules, and regulations of the National Corporation and the Government.

b) The system or provision for re-investigating the quality of work performed by a contractor. Source: As for item b), above, plus interviews with relevant managing officers.

c) Information or verification from a third party appointed by the ombudsman who is qualified to give his opinion on the quality of the work performed. Source: Consultant.

d) Unfiltered information from the other parties involved in the case who initiated the inspection, who certified the work, and who conducted subsequent tests--to determine appropriate information without the bias of the Head Office or the Contractor. Source: Interviews with the respective parties, since funds are available to pay for their time, and since the ombudsman can require their presence for their testimony.

Q2. If you were Mr. Jamil, with only the information contained in this case, what decision would you make and why?

a) According to the contractor, the work was completed by him on time and according to the specifications. The work was verified to be up to the standard and specifications by the Site Engineer, as well as by the Zonal Head, Multan--both employees of the Corporation. The Agency had no reason to disown its own officials appointed for the purpose.

Even if the quality of the work was not up to the specifications, the investigation should have been started within the maintenance period, which the National Corporation failed to do.
The investigation which was initiated long after the maintenance period had elapsed was conducted without written information to the contractor, which is against good judgment. There is no way to confirm whether or not the contractor was actually informed orally by the Corporation, as claimed by them.

Under these arguments, the National Corporation is therefore liable to pay the entire amount of the bill to the contractor, including the retention fee that has been withheld.

b) Participants might also argue for continued negotiations, or awarding the contractor full payment less a devaluation of 12 1/2%, or some smaller figure.

National has already agreed to a reduction in the devaluation to 12 1/2%. While the contractor has refused this amount, it is still reasonable to suggest that the ombudsman might find to this effect. The case is clearly full of contradictions, and it may be impossible to sort out what actually happened because of the lapse of time. The Corporation has considerable amount of evidence. Thus, even though they have violated the letter of the law, there is good reason to suspect that the contractor, in some ways, violated the requirements of the work order. A reduction of 12 1/2% would be a compromise position that could be supported from the evidence in the case.

c) The argument could be made that the Corporation's offer of 25% devaluation is reasonable. The certification of the Site Engineer is suspicious, given the fact that he is no longer with the Corporation. It is possible that he was sacked because of a pattern of taking bribes from contractors to certify unacceptable work. The fact that the work was accepted by the Zonal Head, Multan, may indicate nothing, except that the man was very busy and simply signed the form as one more form that needed his signature, without paying attention to what he was signing.

It is also suspicious that the Corporation would hire a contractor from Lahore when contractors were almost certainly available in Multan who would be cheaper. This might be a clue that some "funny business" was going on between the contractor and lower level officials in the Corporation.

For the ombudsman to find in favour of the contractor just because the Corporation was late in conducting their business could be construed as the letter of the law, which could be settled in a court of law. One could argue that the role of the ombudsman goes beyond
the letter of the law and should consider whether the contractor had, in fact, met the requirements of the work order.

Q3. If you were in charge of the Real Estate Division of National Corporation's head office in Karachi, what changes in the system would you recommend to prevent a similar reoccurrence and why?

a) The work order/contract letter should be revised to include a provision for rechecking and reinvestigation of a claim against the contractor.

b) The physical checking and verification should be done by the Site Engineer, but for all jobs over an established rupee level should have a final inspection immediately upon completion of the job. This final inspection could be undertaken by a committee composed of a representative of the contractor, the Site Engineer, and a third person representing the Internal Audit Department, Real Estate Division.

c) A complete record of the communications between the National Corporation and the contractors about the progress of the work, verification of the job, inspections, payment of bills, and any objections should be maintained. Any time there is oral communication between the parties related to significant aspects of the job, there must be followup confirmation in writing.

d) Policies regarding the development of the "approved list of contractors" and receiving of bids should be reviewed. Again, it is strange that a qualified contractor located in Multan was not able to win the bid for a job such as this.

e) Job descriptions should be reviewed to insure that officials' jurisdictions are clearly established. Once these are in place, they should be enforced to insure that officers do not function inappropriately outside their areas of jurisdiction.

f) There should be a departmental inquiry to examine the matter in detail to determine if and where there were violations of office rules and regulations, or whether ethical misconduct occurred. If such are found, appropriate disciplinary action should be taken.

11. Additional Questions: Discussion might be facilitated with the use of the following questions at appropriate times:

a) What explanations might there be for the delay in making payment? in conducting the inspections?
b) What shortcomings exist in the procedures used for checking the quality of the work being performed by the contractor?

c) What role should the Internal Audit Department play in checking the quality of work performed?

d) Under what circumstances and how should outside expert opinion be sought?

e) What are the advantages and disadvantages of the centralized system that appears to be in place in the Corporation?

f) What was the effect of red tape in this case on the public? on employees in the Corporation?

g) What should be the role of the ombudsman, especially in light of the provision of courts of law?

12. Actual Outcome: The following is quoted from the ruling of the ombudsman dated February 24, 1989:

In the light of the above narration, the point whether the work was up to the standard or not is not relevant. What is relevant is that all the 4 bills after due inspection were accepted at various levels and it was the Audit Department which started its own independent inquiry about the quality of the work which lead to the withholding of the 4th bill. At no stage of checking and re-checking, the contractor was given any notice or made a party. The inspection of Mr. XXX from Karachi was also done without knowledge of the contractor.

In view of the above, it is clear that the contractor is not at fault. The negligence, if any, is on the part of the Agency specially when they failed to take any action against the Site Engineer who was allowed to go without any disciplinary action. As such, considering the evidence on record, the contractor should be given all his remaining legitimate dues as per the contract.

13. Theoretical/Conceptual Base: Some of the theoretical concepts included in the case are: ethics vs. law (or spirit vs. letter of the law), developing procedural systems, rules of evidence, balancing contradictory rights, and decision making.

14. Technical Notes/Supplementary Readings: Not necessary, though it is important for participants to read the appendices provided.
TEACHING NOTE
BASIC MANUFACTURE OF PHARMACEUTICAL RAW MATERIALS
by
Iftikhar Ahmad, Senior Instructor, NIPA-Lahore
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1. **Topical Area or Classification:** Policy Formulation and Implementation

2. **Learning Objectives:** Participants will be able to:
   a. identify important issues affecting government policy formulation and implementation;
   b. identify and discuss various alternatives that are available to carry out policy decisions; and
   c. suggest steps necessary to implement a policy decision once taken.

3. **Place in Sequence of Advanced Management Course:** This case could be used in two phases: Public Administration and Management, or Economic Development and Public Enterprises. In either case, it could be used early in the phase to introduce the concepts or later in the phase to provide an opportunity for synthesis.

4. **Target Population:** Participants in the Advanced Management Course are civil servants at grade 19-20 with 15-18 years of service. While the case can be used by a single group of at least 5, normally there would be 20-25 participants, divided into groups of 4-7.

5. **Supplies:** In addition to the main teaching area, the case leader must have access to a sufficient number of syndicate rooms large enough to accommodate one group each. The case leader will also require the following items:
   - Sufficient copies of the case study
   - Copy of the teaching note for the case leader
   - Paper and Pencil
   - Overhead Projector, Markers, and Transparencies
   - Flipchart and Markers
   - White Board and Markers (or Chalkboard and Chalk)

6. **Summary:** The case deals with the implementation of the Pakistan government's policy on the basic manufacture of pharmaceutical raw materials. The pharmaceutical industry is currently engaged in producing specialties (drugs and medicines). Basic manufacture is a distinct and entirely separate activity which has many limitations. In spite of this, the pharmaceutical industry is prepared to cooperate. However, the industry's representative body, the Pakistan Pharmaceutical Manufacturers Association (PPMA), has submitted a counter-proposal which contains several
strategies which it believes would more adequately address the needs identified by the Government. It has suggested incentives and conditions which go with each of their proposed approaches. The decision is to be made at the level of the Secretary Health, Government of Pakistan, Islamabad.

7. **Time Allocation:** Total 5 hours

- **30 Minutes:** Formal study time in class to insure that reading has been done and for student review of case. (While the case would be assigned ahead of time for reading, experience suggests that participants often do not complete such assignments.)
- **50 Minutes:** Discussion in small groups/syndicates
- **10 Minutes:** Short break
- **60 Minutes:** Continued discussion in small groups/syndicates
- **60 Minutes:** Large group discussion
- **10 Minutes:** Short break
- **50 Minutes:** Continued large group discussion
- **30 Minutes:** Facilitator summary and observations

8. **Possible Approaches:** Alternate, suitable approaches to case analysis include:

   a) have syndicate group discussion; followed by general large group discussion, or small group presentations and discussion, or brainstorming and discussion--small groups should be between 4-7 per group;
   b) assign the various positions to individuals for role plays;
   c) use a panel of experts to discuss the case, followed by questions from the participants; and
   d) use a panel of participants, to be observed by an expert from the concerned department, who would share observations following the presentation.

9. **Issues to be Considered:** There are many issues in this case. The two primary issues are:

   a) deciding among many policy options related to importing versus industrial development; and
   b) selecting from among many strategies the preferred strategy for implementing the selected policy.

10. **Possible Solutions to Questions:**

    Q1. If you were the Secretary Health, what additional information would you like to have before reaching a decision?

    There were stated to be problems falling in two categories:
1) problems of the pharmaceutical industry, and 2) problems presented to the industry as limitations of basic manufacture, if the industry undertakes basic manufacture.

Regarding problems in category 1), it would be helpful if there were some idea of the extent to which the government agencies concerned have reacted to the genuine demands of the pharmaceutical industry.

Regarding problems in category 2), due to limitations of the basic manufacture policy and their impact on the industry if it undertakes the venture, the following information would be required for a decision:

a) Results of a market study of the basic materials to be produced and consumed, comparative costs of imports and local manufacture, economies of scale, and availability of outside markets for basic materials produced in the country would be needed.

b) Investment-output ratio should be determined. Data would be required to work out the nature and direction of the investment-output ratio as an important indicator for a go-ahead or a danger signal.

c) Resource constraints would need to be determined. The private sector is usually shy where projects require high capital investment. That is why, in developing countries, the government often has to take the lead in setting up such industrial undertakings. If the required investment in basic manufacture is highly capital intensive, only financially strong companies may be willing to invest. Information is required, therefore, about: 1) size of investment required; 2) financial position of major local manufacturers; and 3) willingness of foreign-based/multi-national companies operating in the country to go into high capital investment for basic manufacture.

d) Detailed study/feasibility reports will be needed. A study regarding the various aspects of the basic manufacture proposal and feasibility reports for many different kinds of basic materials to be produced would be required to let the government, as well as the industry, have a fair idea of the various choices, risks, advantages and disadvantages of the proposals. The detailed study may go into the rationale of the policy and may provide an opportunity to determine the potential of the option exercised by the government, on financial and strategic grounds. It may further suggest conditions under which the private sector would be willing to take the necessary risk of investment.

e) A survey of existing facilities of the pharmaceutical industry would be helpful. It would provide the necessary information by unit as to which of the existing units have
the potential in terms of available equipment and machinery, as well as what more will be needed if a decision is made to undertake basic manufacture by an existing unit.

f) Can the disadvantages of higher local costs be offset? This question requires the evaluation of questions related to foreign exchange expenditures and savings; transfer prices; import of technology; and the development of local demand for chemicals, ultimately leading to the development of a fine chemical and petrochemical industry in the country.

Q2. What do you think of:

a) the policy option exercised by the Government?

Although there appear to be many problems involved in the policy option exercised by the government, and though it may not be a financially attractive proposition, yet it has its significance in terms of reducing dependence on imports and making the industry viable in the long run. On strategic grounds, therefore, the option would find its justification. In case of war or other unusual circumstances, dependence on imports will let the country down very badly with many adverse consequences. It is, therefore, a strategic rather than a short-range financial decision to go into basic manufacture. In the long run, basic manufacture will become economically viable if all necessary steps are taken to insure viability. What it requires at the present time is the will and the commitment to achieve results.

b) the alternate approaches/strategies for basic manufacture in relation to policy objectives:

1) strategy allowed by the Government?

Limitations are obvious in the context of starting material because only a few indigenous starting materials are available.

2) strategies proposed by PPMA?

Option 1--Full basic manufacture on an imported commodity basis (from basic stage and not as intermediate stage): In the absence of indigenous starting material, it sounds reasonable to treat this proposal in the same way as the government's proposal and, accordingly, provide the same facilities (incentives) as announced for full basic manufacture based on local starting materials. Whereas this alternative provides the spur to go ahead with basic manufacture, the real advantage of this option will be felt only in case starting materials cost the same in this country as they would to a manufacturer in the country of origin. Otherwise, landed cost of starting material would be comparatively high, and the production based on that
material will not be competitive. On the other hand, a continuing disadvantage of this alternative proposal exists because the starting materials will have to be imported. Either way, however, the objectives of the policy are served by this alternative.

Option 2--Monoreaction Basic Manufacture (Small Scale Industry/Cottage Industry): Until otherwise restricted to a few indigenous starting materials, this alternative is not likely to work without difficulties. The basic issue is that of starting materials. Whatever the mode and whatever the scale of production, whether it is monoreaction or multireaction, the question of dependency is not resolved. Small scale production, again, is not viable. Besides, it cannot satisfy market demands and quality issues. The proposal otherwise requires a new setup for implementation and coordination.

Option 3--Semi-basic manufacture: This alternative intends to motivate those who cannot take big risks and would like to take up basic manufacture starting with intermediates or advanced stage imported commodity chemicals, one or two or three steps before the finished product which would be used in the manufacture of drugs and medicines. This sounds reasonable as it has the advantages of low risk and low investment in equipment and process. It is obvious that the government will not be prepared to provide for this alternative the same incentives as it has announced for full basic manufacture based on local starting materials. There is scope for negotiations for the kind of incentives that the manufacturers and their association seek. The disadvantage of the scheme is the same as in the other cases--the dependency on imported starting materials. No doubt, like the other proposals, this also promotes the government's objectives for basic manufacture.

c) limitations of pharmaceutical industry/basic manufacture?

Some of the limitations include:
1) lack of available starting materials;
2) lack of existing appropriate technology;
3) economies of scale will require high prices;
4) need for appropriate product mix; and
5) lack of existence of fine chemical and petrochemical industry in the country.

d) proposal to direct multinationals' pharmaceutical manufacturers in Pakistan to undertake basic manufacture?

The original mandate under which foreign-based/multinational companies are operating in this country provides that such companies would undertake production of their research products only. However, they are not working on that mandate and are involved in production of all kinds of drugs.
and medicines. This negates the basic policy. However, if the government pressures multinationals to restrict their production to research products only, the country will lose those products which others can't produce. And now, to require them to undertake basic manufacture, they are likely to resist. As some of them may be interested in such a proposal, there is no harm in negotiating with them and seeing what their reaction is. This is a better choice from an investment point of view. But the obvious disadvantage is, again, dependence on other countries.

Q3. What do you think of basic manufacture policy in relation to other related policies of the Government?

There is a need for in-depth analysis to ensure that there is complete coordination of all concerned Ministries and that the incentives finally offered are without problems. Other industries may also demand the kind of incentives offered or that will be offered to encourage the basic manufacture of pharmaceutical products, which could be extremely costly for the government.

Q4. Improved relationship between the Government and the pharmaceutical industry was essential for successful implementation of the basic manufacture policy. What would you suggest to enhance that relationship?

To ensure results and success of the policy, there has to be an environment of trust, understanding and motivation. The industry has to understand the limitations of the government, and the government has to show a positive attitude and empathy. This might be developed through the following avenues:

a) membership of both groups on the necessary study teams;
b) a Government seat on the board of the PPMA;
c) informal social contacts on a frequent basis; and
d) free exchange of information related to technology in the pharmaceutical industry.

11. Additional Questions: The questions provided should generate considerable discussion. Additional questions might be raised as suggested by the participant discussion. A final question might be posed, time permitting, asking participants to develop a proposal in addition to those options provided in the case.

12. Actual Outcome: Since the case is presently under consideration, and no decision has yet been made, it is not possible to indicate the actual outcome. When the decision is made, this section of the Teaching Note will be updated.

13. Theoretical/Conceptual Base: Long-term planning and its requirements for developing a working industrial policy
needs knowledge of efficient management principles, as well as a working knowledge of the concerned industry, the market environment, and the workings of the government.

14. Technical Notes/Supplementary Readings: Not necessary, though the appendices are an important part of the case and should be read by participants.
THE OVERLOOKED PROPOSAL FOR COMPUTERIZED MIS

by

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and Shahid Majeed, Instructor, NIPA-Lahore

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1. **Topical Area or Classification:**
   a. Management Information System
   b. Proposal Writing

2. **Learning Objectives:** Participants will be able to:
   a. list information needs at the District level;
   b. identify bottlenecks in the MIS of districts;
   c. describe the need for computerization of MIS at the district level;
   d. analyze and evaluate a proposal and suggest the appropriate steps for its implementation;
   e. describe the importance of the role played by district officers; and
   f. suggest suitable alternatives to reform the MIS of districts.

3. **Place in Sequence of Advanced Management Course:** The case would best be brought in as the final requirement of a 15-day study period on computerized Management Information Systems.

4. **Target Population:** Participants in the Advanced Management course are civil servants at grade 19-20 with 15-18 years of service. It would be useful for some of the trainees to have experience of having served in a district. The case may also be used by any other middle level officer involved with the administration of field units. While the case can be used by a single group of at least 5, normally there would be 20-25 participants, divided into groups of 4-7.

5. **Supplies:** In addition to the main teaching area, the case leader must have access to a sufficient number of syndicate rooms large enough to accommodate one group each. The case leader will also require the following items:

   - Sufficient copies of the case study
   - Copy of the teaching note for the case leader
   - Paper and Pencil
   - Overhead Projector, Markers, and Transparencies
   - Flipchart and Markers
   - White Board and Markers (or Chalkboard and Chalk)
   - Flowchart templates—at least one per group
   - Computers (IBM PC-XT or compatibles)—nice to have, but not essential
   - Flowcharting II+ (flowcharting package)
6. **Summary:** The case reflects the state of data collection, processing, storage and retrieval of information as it exists in the district offices of the government in Pakistan. It also shows how difficult it is for officers at middle and senior levels to access critical information at the appropriate time and with the confidence that the information they have is accurate.

The case presents a proposal developed by an ex-district administrator, recommending some of the ways in which the collection of data, and the processing, storage and retrieval of information can be improved to make the information timely, accurate, reliable and economical. Trainees are expected to evaluate the proposal and make recommendations for improvement.

7. **Time Allocation:** Total 3 hours 15 minutes

   a. 2 sessions of 65 minutes for preparatory reading and preliminary discussions in small groups. It is recommended that this time be given the day before the actual analysis of the case, so that, if the trainees want to work on the proposal or feel like writing a new one they can do so overnight.

   b. 1 session of 65 minutes for case analysis and discussion in the main group.

   c. In case the case leader wants the group to prepare a new proposal, additional time may be given as required by the group for such an exercise.

8. **Possible Approaches:** Alternate, suitable approaches to case analysis include:

   a) have syndicate group discussion: followed by general large group discussion, or small group presentations and discussion, or brainstorming and discussion--small groups should be between 4-7 per group;

   b) assign the various positions to individuals for role plays;

   c) use a panel of experts to discuss the case, followed by questions from the participants; and

   d) use a panel of participants, to be observed by an expert from the concerned department, who would share observations following the presentation.

9. **Issues to be Considered:** The trainees in analyzing the case should consider the following issues:

   a. What are the various categories of information which the district administrator needs to perform efficiently?

   b. What type of information generated in the districts can be required in the provincial secretariat for either decision making or review of work?
c. What types of administrative reports can be generated to facilitate monitoring of work as well as decision making?
d. What should be the frequency of these reports?
e. How would the data be collected?
f. How is it to be processed and stored?
g. What level of computerization is possible in terms of the systems architecture (hardware/software, processing modes, data communication and processing strategy)?
h. How do data and papers flow through the organization at the district level and between the districts and the province?

10. Possible Solutions to Questions:

Q1: Evaluate the proposal made by Mr. Shamsi regarding computerization of district administration.

Option 1, providing terminals at remote stations linked to the host processor, envisions the most sophisticated system in terms of the hardware/software, as well as the user ability required to run it. This is also its main fault. The option requires such a high level of user skill that it may not be available, given the present state of the art of technology, and the technical threshold of manpower available in the districts.

Another reason why this option may not be very attractive is the element of cost that goes into it. The recommended system will be very expensive to implement as well as maintain. The cost of all the support facilities, as well as their state of the art in Pakistan, will not help in running such a sophisticated system.

This option can only be implemented by the use of a fairly large capacity mini-computer system, supported by an elaborate data link and modems. Such a system is also dependent on the national transmission grid and the power system to supply uninterrupted power for an on-line application.

Option 2, with standalone micros in the remote areas, will also have problems in implementation, even though the system is less complicated and can be designed on lower specification equipment than Option 1. However, there will still be the problem of enough trained manpower being available in all the remote areas. Also, it is difficult to say with what regularity the power supply will be available to the remote areas. As it is, the experience of Pakistan is that, during the summer months when electricity is needed the most, the country has to resort to extended periods of load shedding. The effect of this load shedding is felt much more in the remote areas because, for some reason, the policy of the government is to save power in the rural areas where it is much needed and divert it to the urban and
industrial areas. A further problem with this option is the lack of an adequate infrastructure to insure safe and regular delivery of the disks and magnetic tapes from the remote areas to the central stations.

Option 3, which uses computerization only in the district headquarters, is probably the most realistic option, because it is the most cost-effective, and the skill and technology threshold required is within easy reach of the existing manpower in Pakistan. With this option, only one high-spec microcomputer will be needed in the district headquarters, and that could also become the training base from which manpower for a future more powerful system could be prepared.

The third option will also allow administration and personnel the time to streamline the data and information flows of the organization. New forms can be designed for live data capture and tested for bugs before they are actually used for large-scale data capture. Also, costs and consequences of error in this system will be minimal.

Finally, the third option will not place heavy demands for trained manpower on the personnel system.

Q2. Suggest changes that should be made in the proposal.

The proposal, to become meaningful, requires some modifications, which might include the following:

a) The proposal must contain a complete master and systems planning life cycle, with preliminary survey strategies, paper flow diagrams, data and information flow diagrams, data capture strategies, data capture forms, data base design, file integration strategy, data security and processing strategy.

b) The proposal is silent as to budget—both for acquisition and for operation.

c) It must contain the personnel needs of the system and a training plan.

d) It must indicate at what levels in the system that the computing will take place, i.e., how much of it will be clerical, administrative, and executive?

e) The proposal is silent on the level of person who will be entering data. Will the data be entered into the system by the system user or will professional data entry personnel have to be employed? Will some amount of the data also be entered by the executives? How will various sensibilities be accommodated?
f) Since a similar system is not likely to exist elsewhere, especially in terms of software, the proposal needs to contain a strategy for prototyping.

g) Finally, the proposal needs to indicate a timeline for implementation.

Q3. Discuss the steps that the district administrator must take to implement the proposal.

The environment and ecology of government departments will become increasingly competitive and advanced, which will prevent them from sitting back in the present state of affairs for too long. The advances in computerization in the private sector will force the government departments to computerize, also, simply to stay competitive with the private sector.

To improve the quality and level of decision making, an efficient information processing system will have to be introduced in all government departments at all levels. The district administration must have effective and efficient decision making. To achieve this, computerization will have to be introduced to the districts in a reasonably sophisticated form to allow the district administrator to handle the quantum of data that is increasingly being generated.

To do this, the district administrator will have to involve himself much more actively than at present to implement the proposal.

To begin with, he must build a lobby with all of his colleagues in other districts to find support to push the proposal to a level in government where senior officials will be made to take note of the proposal, as well as sponsor it for the cabinet's perusal.

Once the cabinet or any other policy level of government gives the proposal its blessing, the administrator may have to call in a professional agency to do a complete MIS plan for the whole project so that it can be universally applied to all parts of the country (only Punjab has a hierarchy of seven divisions in the province, 25 districts divided over the seven divisions, and 80 subdivisions divided over the 25 districts).

Once a full-blown MIS plan is available, the district administrator will have to supervise the implementation of the plan very closely.

11. Additional Questions: In order to encourage effective discussion, sometimes it is useful for the facilitator to ask questions from the group members to help them see the
many dimensions of the case situation. Some of these questions could be:

a. Would computerization only shift the dependency of the administrators from the clerical staff to those people who will be managing the computerized information?
b. Would administrators blame the machine for not being able to make a decision?
c. What level of people will be the users of the computers, and who will feed the data into the computers?
d. What is the present state of knowledge of the people who will eventually become computer users in the district offices? What is their level of familiarity with computers and office automation technology?
e. What training will the people in the district offices need to become effective users of computerized information processing?
f. What effort will be needed to make the people (users) accept the new technology in their work environment?
g. Given the present state of technological depth and grooming of personnel in various government departments at the field level, what kind of effort will be needed to implement this proposal?
h. Design a feasibility study that would be needed before a proposal such as that contained in the case could be carried out successfully.
i. How would you ensure the reliability of the data to be entered into the system?
j. How would you secure the information against unauthorized access, as well as possible sabotage?

The case leader, if he feels the skill level of the trainees warrants, can ask the trainees to design a totally new system using a high level systems design with a master file having updating and integration procedures. However, trainees would have to insure that the system is realistically designed for underdeveloped countries.

12. Actual Outcome: Not known

13. Theoretical/Conceptual Base: Before the trainees can undertake this case, it is important that they have a fairly strong understanding of the process of computerization. They must also be aware of how business is conducted in the district offices of countries like Pakistan, India and Bangladesh.

It would also be useful for the trainees to have some appreciation of costing of large projects, as well as analyzing proposals.

The trainees must also have a very good understanding of computerized MIS, hardware/software acquisition/selection,
cost benefit of computer systems, data communications, processing modes, computer security, network technology and, finally, systems flowcharting.

14. Technical Notes/Supplementary Readings: It is very important that the trainees be prepared for the case by going through a fairly exhaustive course of study in Management Information Systems. It is recommended that such a course be no less than 15 days including the time for the case. It should contain the following study areas:

1. **FUNDAMENTALS**
   * Information and Data Processing
   * Systems and Data Processing Environment
   * Evolution of Data Processing Systems

2. **HARDWARE**
   * Central Processing
   * Permanent Storage Devices
   * Input/Output Devices
   * Special Purpose Hardware
   * Data Communication and Networks

3. **SOFTWARE**
   * Systems Software
   * Applications Software
   * Programming Languages

4. **SYSTEMS**
   * Computerized Systems and Applications
   * Systems Analysis and Design
   * Management Information Systems
   * Computer Systems
   * Personal Computers

5. **DATA PROCESSING ENVIRONMENT**
   * Data Processing Industry


1. Chapter 1, pages 6-7, and review Miniquiz on page 18.


In addition to the above textbook, it would be useful to use the following books as support texts:


The trainees must have had at least 10 hours of hands-on computer experience. It would be helpful if they could use, among others, the software, Flowcharting II+, 1986, by Keith Allen Patton, Patton & Patton Software Corporation, 81 Great Oaks Boulevard, San Jose, CA 95119.
MEHRPUR DAM: THE UNFULFILLED PROMISE
by
Muhammad Amjad, Chief Instructor, and Shamsher Khan, Instructor
NIPA-Lahore
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1. **Topical Area or Classification:** Project planning, implementation, management and control from administrative, technical, financial, and social points of view.

2. **Learning Objectives:** Participants will be able to:
   
a) describe the planning process and its various phases and requirements;
b) identify important technical problems involved in the implementation of a construction project;
c) identify some of the ramifications of improper financial discipline at various stages in the planning and implementation stages; and
d) assess the social aspects of development projects from the viewpoint of the beneficiary population.

3. **Place in Sequence of Advanced Management Course:** Prerequisite to discussing this case would be the completion of units on project cycle, development strategies, and budget control.

4. **Target Population:** Participants in the Advanced Management Course are civil servants at grade 19-20 with 15-18 years of service. While the case can be used by a single group of at least 5, normally there would be 20-25 participants, divided into groups of 4-7.

5. **Supplies:** In addition to the main teaching area, the case leader must have access to a sufficient number of syndicate rooms large enough to accommodate one group each. The case leader will also require the following items:

   - Sufficient copies of the case study
   - Copy of the teaching note for the case leader
   - Paper and Pencil
   - Overhead Projector, Markers, and Transparencies
   - Flipchart and Markers
   - White Board and Markers (or Chalkboard and Chalk)

6. **Summary:** Mehrpur Dam is a project under construction. The local administrative head visits it in order to verify complaints raised by the local people regarding defective construction. He finds that the work done on most of the components is not in conformity with the prescribed standards. The project suffers from large cost overruns and delays, no proper feasibility studies nor tests were
undertaken prior to the project's planning and start of construction, and there is a total lack of administrative supervision and technical control leading to major deviations from the contracted requirements. Further, the project suffers from lack of essential interdepartmental coordination.

7. **Time Allocation:** Total 3 1/2 hours

   - 100 Minutes: In-class reading time and individual preparation of answers to questions
   - 10 Minutes: Short Break
   - 80 Minutes: Large Group Discussion
   - 20 Minutes: Facilitator Summary and Observations

8. **Possible Approaches:** Alternate, suitable approaches to case analysis include:

   a) have individuals read and prepare the case in class, to be followed by large group discussion;
   b) have syndicate group discussion; followed by general large group discussion, or small group presentations and discussion, or brainstorming and discussion--small groups should be between 4-7 per group;
   c) assign the various positions to individuals for role plays;
   d) use a panel of experts to discuss the case, followed by questions from the participants;
   e) use a panel of participants, to be observed by an expert from the concerned department, who would share observations following the presentation; and
   f) use the computer to support the decisions for continuation or augmentation of the project. Such an exercise could be done on cash flow derivation and appraisals. In such a case, the case writeup should be given to the participants one day before the presentation.

9. **Issues to be Considered:** The major issues covered in the case are detailed in the questions in section 11. They deal with issues related to accountability in project implementation, roles and responsibilities in planning, and decision making when misadministration is discovered.

10. **Possible Solutions to Questions:**

    Q1. If you were the Deputy Commissioner, what course of action, both immediate and long term, would you recommend and why?

    I would recommend immediate stoppage of the work until necessary soil tests and other technical reports could be made available. I would request updated, accurate cost estimates. Proper arrangements should be made for monitoring and supervising the work.
In the long term, I would recommend a review of the planning process that is in place. A feasibility study should be required for any project. Average prices should be determined at an appropriate administrative level for land acquisition prior to the approval of the project. In any project, accountabilities should be clearly established.

Q2. If you had to plan a similar project, what different approaches, if any, would you adopt? Also give reasons in support of your views.

If I had to plan a similar project, I would have:

a) contacted the Water and Power Development Authority (WAPDA); or the National Engineering Services of Pakistan (NESPAK) for the preparation of technical feasibility based upon detailed soil tests and technical surveys;

b) made necessary arrangements for activity sequencing, supervision, monitoring systems for quality control, and established accountabilities to insure better and timely actions.

c) obtained an early decision for determining the average price for land acquisition at an appropriate administrative level that could be upheld within the courts; and

d) taken up the Sui Gas realignment case with the SGNPL well in advance of undertaking the foundational work of the dam.

Q3. Identify any systems defects in the project history.

The following defects were present:

a) Lack of any technical feasibility tests and surveys prior to the preparation of the project. It was approved without determining if the location was appropriate, if the design was compatible with the location, the cost of land acquisition, costs based on actual projections rather than guesses, etc.

b) The PC-I had no provision for monitoring inspections to insure that the contractor was performing according to specifications. Supervision was totally lacking.

11. Additional Questions: Many questions will be suggested as the discussion occurs. Specific questions that might be useful include:

a) The visit of the Deputy Commissioner was not confined only to the public complaint, but also related to other aspects of the project which provided him with additional information. Evaluate the appropriateness of his spending this extra time extending the scope of his inspection.
b) Given the results of the inquiry, how should the Deputy Commissioner proceed, relative to additional inquiries, disciplinary action, preventative action for future projects, and so on.

c) What were the major gaps in planning and management that led to defective implementation?

d) How could the Sui Gas Line realignment problem be solved from the point of view of location as well as the projected costs?

e) Should the project be discontinued or completed? Why? If completed, what changes should be made? What source should be used for financing?

f) What strategy could have been used to ensure that land acquisition costs would not get out of hand?

g) What actions are required to rehabilitate the project from economic, financial, physical, and management points of view?

12. **Actual Outcome:** Since the case is presently under consideration, and no decision has yet been made, it is not possible to indicate the actual outcome. When the decision is made, this section of the Teaching Note will be updated.

13. **Theoretical/Conceptual Base:** The underlying concepts in this case are appropriate sequencing and control of the work on various components of the project. It is the main dam that should have been constructed prior to the construction of the irrigation channels. Similarly, feasibility studies, soil tests, surveys, and determination of land acquisition rates should have been undertaken before the sanction of the project.

Even at the present stage, the participants may undertake an extra exercise, such as sensitivity analysis of the project, as well as modification of its cash flows, with the view to controlling the operational plan, i.e., budget expenditures. The participants may compute the implications of delaying the project, cost overruns, investment review, uncertainty attached to the size of benefits, and occurrence schedule. To do this, they will have to undertake discounted cash flow iterations, preferably using computer-based applications.

14. **Technical Notes/Supplementary Readings:** Resources that would prove useful would include:

a) planning manuals compiled by the Planning Division;

b) resources on project cycle, project feasibility studies, project appraisal and implementation, and budget control;

c) computer programmes, such as Visicalc, Lotus 1-2-3, etc., and

TEACHING NOTE

WHAT HAPPENED TO THE MATCHING GRANTS?
by
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and Sajjad Mahmood, Instructor, NIPA, Lahore
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1. Topical Area or Classification: Local Government and Rural Development; Financial Management

2. Learning Objectives: Participants will be able to:
   a) describe the various financial resources available to local councils and the advantages and disadvantages of each.
   b) suggest reasons for the diminishing use of matching grants and suggest ways to increase their use.
   c) critique a specific suggested use of district resources for local development.

3. Place in Sequence of Advanced Management Course: Must follow the phase in which various funding sources for local government and rural development have been presented.

4. Target Population: Participants in the Advanced Management Course are civil servants at grade 19-20 with 15-18 years of service. While the case can be used by a single group of at least 5, normally there would be 20-25 participants, divided into groups of 4-7.

5. Supplies: In addition to the main teaching area, the case leader must have access to a sufficient number of syndicate rooms large enough to accommodate one group each. The case leader will also require the following items:
   - Sufficient copies of the case study
   - Copy of the teaching note for the case leader
   - Paper and Pencil
   - Overhead Projector, Markers, and Transparencies
   - Flipchart and Markers
   - White Board and Markers (or Chalkboard and Chalk)

6. Summary: The newly elected chairman of a District Council makes a surprise announcement regarding his plans for using the revenues of the district. This leads to an investigation into the various sources of funding available at the local level and the applications and constraints that apply to them. In particular, note is taken of the declining use of matching grants in the light of the availability of funds from several other sources. Participants are asked to suggest why this is happening and make suggestions about ways to increase their use. They are also asked to evaluate the District Chairman's recommendation.
7. **Time Allocation:** Total 2 1/2 hours

20 Minutes: Formal study time in class to insure that reading has been done and for student review of case. (While the case would be assigned ahead of time for reading, experience suggests that participants often do not complete such assignments.)

50 Minutes: Discussion in small groups/syndicates

10 Minutes: Short Break

50 Minutes: Large Group Discussion

20 Minutes: Facilitator Summary and Observations

8. **Possible Approaches:** Alternate, suitable approaches to case analysis include:

a) have syndicate group discussion; followed by general large group discussion, or small group presentations and discussion, or brainstorming and discussion--small groups should be between 4-7 per group;

b) assign the various positions to individuals for role plays;

c) use a panel of experts to discuss the case, followed by questions from the participants; and

d) use a panel of participants, to be observed by an expert from the concerned department, who would share observations following the presentation.

Regardless of the approach taken, a useful add-on activity preceding the case would be a field trip to a village or to a District Council meeting.

9. **Issues to be Considered:** Among many issues contained in this case are:

a) the role of the District Council in rural area development;

b) strategies for improving the planning, implementation, execution and monitoring of local funds;

c) coordination among government funding agencies; and

d) declining use of matching grants with increasing reliance on full government funding.

10. **Possible Solutions to Questions:**

Q1. If you were Mr. Ijaz, what reasons would you include in your report for the declining use of the matching grants?

One reason for the decline is the increased implementation of schemes through the Chief Minister's Directives and Special Development Programmes funds. Under both of these programmes, schemes are implemented completely through government funds realised under different categories. This has created a negative incentive for rural people. If they
can get their schemes approved and financed through
government financial resources completely, why should they
use their own money, labour, materials, earthwork, land, and
other resources, as required under the matching grants?
They seem not to understand that, one way or the other, the
funds and resources are still coming from them.

An additional concern has to do with the lack of maintenance
of projects that have been funded earlier with matching
grants. Since the matching grants do not necessarily
provide for maintenance, the people become frustrated when
they see their resources not being well-maintained. This
has also been true with some of the small village schemes,
such as drains, culverts, school buildings, or room
additions to existing schools. Lack of coordination among
the involved funding agencies is partially responsible.

Finally, there have been some experiences of the projects
developed under matching grants going to the benefit of only
two or three families, to the detriment of hundreds of other
people who may have participated in the project. This has
been true, for example, in the building of roads. Thus, the
incentive to participate is greatly diminished, and people
look only for projects that will benefit them directly.

Q2. What recommendations would you make for increasing the
use of matching grants?

With several government agencies involved in funding,
especially of roads, it is necessary for a coordinated
effort to be undertaken. A map of the master plan for road
development would insure that the roads developed under the
various schemes would link up with each other. Then, people
might be more willing to participate in matching grants,
knowing that they would be able to optimize their
transportation needs through road networks.

In approving any grants, and especially matching grants, the
approval agencies must insist that maintenance needs have
been considered in the developed budgets, which might be the
matching portion provided by the people.

In fact, if the competing funds are going to continue, and
if the first two steps proposed here are not followed, then
it may not make sense to continue to have a matching grants
programme. The government may wish to undertake a study to
determine the attitudes of the people toward the matching
grants and their intended use of them. If substantial need
is not identified, then it may be wise to discontinue the
matching grants.

Q3. Evaluate the use of funds from the District Council's
resources as proposed by Chaudhry Aftkar.
As the planning and implementation agent, it is expected that Mr. Aftkar would have done more planning before making such an announcement. While he has a good idea about the amount of revenue for the upcoming year (about 8 crores rupees), he does not have any sense about the competing demands for the funds available. Nor does he yet have a very good idea about the cost of the facilities, the willingness of the Education Department to certify the colleges, their willingness to support faculty and staff salaries, the cost of such personnel, and so on.

A competing demand with which Mr. Aftkar is already aware is the need for roads. Given the cost of road development, he can build between 100-133 miles of road. Thus, if he were to use matching funds, for example, he would be able to consider more projects and might even be able to extend the number of miles of roads that could be built. In addition, with the wide range of funding sources available, a good coordination job on the part of the Chairman could result in even more projects and certainly better coordinated and implemented projects. A well-developed infrastructure in a short time span becomes realistic with proper coordination.

11. Additional Questions: Several questions will be suggested to facilitators as the discussion takes place. Additional questions that might prove useful for facilitating discussion include:

a) What role have matching grants played in the past in changing the socioeconomic complexion of the rural people?
b) What training is provided for District Chairman to provide them with competence in planning and implementing such projects? What training would be helpful? Who should provide it?
c) What is your assessment of the process Ijaz used in gathering his data regarding matching grants?

12. Actual Outcome: Since the case is presently under consideration, and no decision has yet been made, it is not possible to indicate the actual outcome. When the decision is made, this section of the Teaching Note will be updated.

13. Theoretical/Conceptual Base: The most important concepts for this case include: financing schemes for rural development, and planning and implementation of projects.

14. Technical Notes/Supplementary Readings: In addition to the brief appendices, it would be very useful to have available complete documentation on all of the various financing schemes available to district councils and historical statistics on their availability and use.