



14th July 2014

Mr. Ishaq Dar,
Federal Minister of Finance,
Government of Pakistan,
Islamabad

Sub: Illegal act of Nomination from private sector of same person in more than one Board by the Federal Government, to represent the government in PSEs, Regulatory, Autonomous/Semiautonomous, Corporation, trust and authorities.

Dear Sir,

Transparency International Pakistan refers to the objection in our letter dated 21 July 2013, on illegal remuneration drawn by the government officers as Board Members nominated by Govt. of billions of rupee annually, since last tens of years, which shall be recovered, and they shall not be allowed to receive any fee, except TA/DA, travel cost and hotel.

Appreciating TIP, your good self agreeing with TIP proposal, on 22 July 2013 said that "Let me say that we see you working on our side, as we try to bring good governance especially transparency, to all government businesses and at all levels.

TIP was informed that the Finance Ministry had already initiated a process whereby it had asked for composition of Boards of Directors of all Ministries/Divisions; the number of Board's and Committee's meetings they have held in the last two years with dates, venue and the fee, honorarium and TA/DA who attended the Board meetings and emolument of the company MD/CEO. This directive was issued not only for the Boards of Directors of all bodies under the Finance Division but also for all Ministries and Divisions of the Federal Government.

On 20th November 2013, SRO (I) of 2013 was issued in this regards, for regulating government nominated directors which is quoted below;

- (a) *One third of any fee in excess of one hundred thousand rupees received by a civil servant from consultancy shall be credited to General Revenues;*
- (b) *No civil servant, other than the one appointed under statutory provisions, shall be appointed to or nominated by the Federal Government to the Board of Directors of more than one statutory corporation, company, autonomous body, institution, society etc, whether fully or partially owned or controlled by the Federal Government, in the interest of equity and justice;*
- (c) *The allowance, fee, honorarium etc, in excess of six hundred thousand rupees per annum received by a civil servant as member of the board of Directors of any one or more statutory corporations, companies, autonomous bodies, institutions, societies etc, whether fully or partially owned or controlled by the Federal Government, shall be credited to the General Revenue;*
- (d) *The upper limit of six hundred thousand rupees mentioned in paragraph (c) above shall include all other perks and privileges except the cost incurred on travel and lodging.*

A complainant has informed that government has been nominating private sector persons on the board of more than on organization, in some cases in 3 to 4 organizations, which amounts to



nepotism/favoritism, and is against the basis principle set by the government in its new policy announced on 20 November 2013, one person in one organization only. It seems illogical that a civil servant is barred from being appointed on the board of more than one PSE, while a person from the private sector is being nominated in many PSEs.

TI Pakistan suggest following recommendations for your immediate attention;

1. One private sector person shall only be nominated as board member in one organization only, similar to the restrictions imposed on the government officers, and conditions shall also be applicable on government nominee from private sector.
2. SLIC, NIT, EOBI, NBP, and SSGCL, SSSGCL, PSO ETC which also its own shares, and all other government owned organizations who deal in share portfolio, shall not give votes to any private contesting candidates. This is reported that major share houses/brokers get their nominees elected by using their influence and take proxies from them, as many private sector persons who are well connected with these organizations are also got elected by collusion in NBP, SSGCL, SNGCL etc and are getting annually tens of millions as fee, which is not the aim of their nomination by govt. .
3. Nomination of Govt Officers in various Board of Directors by virtue of their share holding, govt nominees shall be selected by the government and not by the organizations.
4. Private Sector nominees are vulnerable to conflict of interest due to their own businesses, As the government nominee is appointed to safeguard the government policies and rules and regulations, only technocrats who do not have any association with business houses and is also not doing business be nominated.

The Minister is requested to take immediate steps to remove all such private sector nominee directors who are appointed in more than one organizations and also issue notifications for at least recommendations numbers 1,2 and 3.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,


Sohail Muzaffar
Chairman

Encl. TIP letter dated 21 July 2013 and MOF decisions.

Copies forwarded for the action under rules to immediate address this major issue in order to have good governance in Pakistan;

1. Secretary to Prime Minister, Islamabad
2. Chairman, PAC, Islamabad
3. Chairman, NAB, Islamabad.
4. Registrar SC, Islamabad.



21 July 2013

Mr. Ishaq Dar,
Federal Minister of Finance,
Government of Pakistan,
Islamabad

Subj: Illegal remunerations drawn by Civil Servants as nominated members in the Board of Directors of Public sector Enterprises, and Listed companies

Dear Sir,

Transparency International Pakistan received a complaint that almost all the Civil Servants who are nominated to represent Federal Government or Provincial Governments on the Boards of Public Sector Enterprises, viz. corporations, authorities and Companies are drawing remunerations and not depositing it in the exchequer's account which is against the government rules.

The complainant has reported;

1. That Civil Servants are nominated on the Boards of Public Sector Enterprises, and are not depositing the remunerations they are receiving, in the exchequer's account.
2. That they are also nominated on the Board of hundreds of private sector listed companies on the strength of major shareholders viz. Habib Bank, Fauji Fertilizer, UBL, Hubco etc.
3. That according to rules, when Civil Servants are sent on government duties, they are only entitled for TD, DA allowances, as they are being paid for performing any duty assigned to them, in form of monthly salary and allowances.
4. That in some companies, these nominated directors have been drawing nearly Rs 85,000 per meeting of the Board and Board's Committees, and have been getting Rs 4 to 5 hundred thousand from 5-6 meeting per month (committee meetings are separately held mostly on the same day as Board's meeting are held so as to facilitate out of station board members).

Transparency International Pakistan requests the Minister to order that all Civil Servants who are representing government on boards of Public Sector Enterprises, as well as in private listed companies to declare all such income for last 5 years, and deposit it in the exchequer's account.

The Minister is also requested to issue orders that strict compliance of this rule shall be observed in all ministries, and also that SECP shall amend its Corporate Governance Rules for PSEs, to include that government nominated directors will be given TA and DA according to their entitlement only.



TI Pakistan is striving to have transparency in procedures and Rule of Law in Pakistan, which is the only way to eliminate corruption and have good governance in country.

With Regards,

Syed Adil Gilani
Adviser,

Copies forwarded for information and appropriate action under the mandate vested, to,

1. Secretary to the Prime Minister, for information of the Prime Minister, Islamabad.
2. Minister of Interior, Islamabad
3. DG NAB (A & P) Chairman, NAB, Islamabad.
4. Registrar, Supreme Court Pakistan.

Islamabad, the 27th November, 2013

NOTIFICATION

S.R.O. (I)/2013.- In exercise of the powers conferred by sub-section (1) of section 25 of the Civil Servants Act, 1973 (LXXI of 1973), read with Notification No.S.R.O.120(I)/1998 dated the 27th February, 1998, the Finance Minister with the approval of the Competent Authority is pleased to direct that the following further amendment shall be made in the Supplementary Rules namely :-


In the aforesaid Rules, for rule 12 the following shall be substituted, namely:-

*12. Unless the President by special order otherwise directs,-

- (a) one third of any fee in excess of one hundred thousand rupees received by a civil servant from consultancy shall be credited to General Revenue;
- (b) no civil servant, other than the one appointed under statutory provisions, shall be appointed to or nominated by the Federal Government to the Board of Directors of more than one statutory corporation, company, autonomous body, institution, society etc., whether fully or partially owned or controlled by the Federal Government, in the interest of equity and justice;
- (c) the allowance, fee, honorarium etc., in excess of six hundred thousand rupees per annum received by a civil servant as member of the Board of Directors of any one or more statutory corporations, companies, autonomous bodies, institutions, societies etc., whether fully or partially owned or controlled by the Federal Government, shall be credited to the General Revenue;
- (d) the upper limit of six hundred thousand rupees mentioned in paragraph (c) above shall include all other perks and privileges except the cost incurred on travel and lodging.*

2. The notification shall take effect immediately.

[F.No.2(1)R-4/2004]


(Inshad Ahmed)
Section Officer (R-4)

July 22, 2013 (PR No. 280)

Dar Responds to Gilani

The Finance Ministry had already initiated a process whereby it had asked for composition of Boards of Directors of all Ministries/Divisions; the number of Board's and Committee's meetings they have held in the last two years with dates and venue the fee, honorarium and TA/DA who attended the Board meetings and emolument of the company MD/CEO. This directive was issued not only for the Boards of Directors of all bodies under the Finance Division but also for all Ministries and Divisions of the Federal Government.

This was disclosed by Finance Minister Senator Ishaq Dar, in a letter addressed to Syed Adil Gilani, Advisor, Transparency International-Pakistan. Mr. Gilani according to reports appearing in media had written a letter pointing that top bureaucrats were enjoying double benefits as members of Boards of Public Sector Enterprises.

"Let me say that we see you working on our side, as we try to bring good governance especially transparency, to all government businesses and at all levels. Indeed, this is a pre-requisite if we are to resolve the social and economic predicaments we face today and put Pakistan back on the path of accelerated growth", he said.

TEXT OF THE LETTER IS REPRODUCED

Senator Mohammad Ishaq Dar
Minister for Finance , Revenue,
Economic Affairs, Statistics and Privatization
ISLAMABAD

July 22, 2013.

Dear Syed Adil Gilani,

I have learnt from today's press reports about the letter that you have written to me about 'Top bureaucrats enjoying double benefits' as members of the Boards of the Public Sector Enterprises.

Although, I have not received your letter as yet, I am happy to note that our thoughts coincide on the subject. I say this because my office, on my direction has already initiated a process whereby I have asked for: composition of Boards of Directors of all Ministries/Divisions; the number of Board's and Committee's meetings they have held in the last two years with dates and venue

the fee, honorarium and TA/DA who attended the Board meetings and emolument of the company MD/CEO. This directive is not only for the Boards of Directors of all bodies under the Finance Division but also for all Ministries and Divisions of the Federal Government.

Let me say that we see you working on our side, as we try to bring good governance especially transparency, to all government businesses and at all levels. Indeed, this is a pre-requisite if we are to resolve the social and economic predicaments we face today and put Pakistan back on the path of accelerated growth.

With best wishes,

Yours sincerely,

To:

Syed Adil Gilani,

Adviser,

Transparency International-Pakistan,

5-C, 2nd Floor, Khayaban-e-Ittehad,

KARACHI