



Crown Agents

Functional Review of Livestock & Dairy Development Department

L&DDD

Punjab Government Efficiency Improvement Programme

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Executive Summary

Summary

This report summarises the findings of a functional review of the Livestock & Dairy Development Department (L&DDD) conducted by consultants from 8 November to 17 December 2010 under the auspices of the Punjab Government Efficiency Improvement Programme.

The overall findings of the review are that there are many potential opportunities for increased commercialisation of the Department's activities. L&DDD, like many other developing countries, is responsible for the direct delivery of a wide range of services, many of which could more efficiently be provided by the private sector, with the Department playing a regulatory role. This ranges from vaccine production (typically considered a pure 'private' good) to livestock farm management (where the policy rationale for such farms has become less clear) to one of the Department's largest activities, the provision of curative animal health services (where the natural 'destiny' is arguably in private hands, but which should be approached cautiously in order to ensure poor livestock farmers are not adversely affected by such a large-scale reform).

In general, while supporting increased commercialisation, the report makes clear that moves towards public-private partnership models and even full privatisation are complex in both technical and political terms. Therefore we conclude that some activities are more amenable to early action, whereas with others it would be advisable to take a more gradual approach. In all cases, we strongly recommend that the Department adopts a policy development approach that ensures decisions are taken with maximum participation from wider sector stakeholders – academia, private sector providers, district staff, professional associations and representatives of poorer livestock farmers. As the associated change management strategy submitted under PGEIP makes clear, change produces both winners and losers and requires an inclusive approach to have a strong chance of success.

Process

The methodological approach adopted for this analysis is one that has been well tested and proven in multiple operating environments and one that, as a result, has been endorsed as sound and 'good practice' by the World Bank, DFID and other international agencies.

The general aim of a (vertical) functional review is to establish:

- Whether the Department's functions and activities are *appropriate*: i.e. are they the 'right' functions and activities, given the Department's mandate?
- Whether these functions and activities could be better delivered through alternative means: e.g. the private sector, an alternative department, an executive agency, a different level of government, etc.

Our draft findings were presented to L&DDD in advance of the production of this report, and were largely supported by Secretary Livestock and his staff. We are very grateful for the support provided by the Department throughout this review. Following the submission of the draft report, comments were received from PRMP, upon which basis the draft report was revised in some minor areas to result in this final version (submitted on 21 January 2011).

Supporting Analysis

The report also provides supporting chapters that provide further detail on the context of the proposed reforms, and lessons learnt on similar reforms internationally. In particular:

- A legal and regulatory analysis spells out some potential constraints to reform, finding that:
 - The legal and regulatory framework in the sector needs substantial modernisation
 - Financial and HR regulatory constraints may hinder the creation of 'arms length' agencies
 - Current devolution legislation may also be an obstacle
- A summary of international lessons on structural reform in the livestock sector suggests that:
 - In conceptual terms many livestock services can be provided by the private sector
 - But many countries have found it advisable to approach such reforms pragmatically, in order to ensure potential market failures are addressed by appropriate policy instruments

Table 1 - Summary of Functions, Activities and Recommendations

Functions	Activities	Recommendations
Research	<ul style="list-style-type: none"> General Research 	<ul style="list-style-type: none"> Retain as core function; commission funding through a Board (e.g. PARB); produce Research Strategy
	<ul style="list-style-type: none"> Research through Livestock and Poultry Farm Management 	<ul style="list-style-type: none"> No clear policy rationale; seek public-private partnership or outright privatisation; transform PRI into Poultry Development Board
Animal Health	<ul style="list-style-type: none"> Vaccine Production & Distribution 	<ul style="list-style-type: none"> Clear 'private good' therefore privatisation is an option, but commercialisation and/or contracting-out recommended
	<ul style="list-style-type: none"> Curative Health Service Delivery 	<ul style="list-style-type: none"> Private provision holds potential for substantial improvements, but highly complex reform; therefore pilot in one district should be investigated
	<ul style="list-style-type: none"> Management of Diagnostic Laboratories 	<ul style="list-style-type: none"> Retain in-house due to importance of disease surveillance function, but review scope and strengthen management
	<ul style="list-style-type: none"> Quarterly Disease Surveillance Report 	
Animal Productivity	<ul style="list-style-type: none"> Provision of Artificial Insemination Services 	<ul style="list-style-type: none"> Public provision arguably justified; but options for contracting out exist
	<ul style="list-style-type: none"> Management of Feed Mills 	<ul style="list-style-type: none"> Arguably a commercial function, no clear rationale; consider privatisation
	<ul style="list-style-type: none"> Extension Services Provision 	<ul style="list-style-type: none"> Core function but inefficient delivery; consider alternative delivery mechanisms, including contracting-out; intertwined with curative health services
	<ul style="list-style-type: none"> Running Farmer Helpline (Call Centre) and Awareness Campaigns 	<ul style="list-style-type: none"> Retain as core function but review management and consider 'contracting-in' specialist services
Veterinary Education & Training	<ul style="list-style-type: none"> Oversight & Governance of the University of Animal Sciences 	<ul style="list-style-type: none"> Retain as core function; but review funding arrangements to assess whether student-oriented funding would improve competition
	<ul style="list-style-type: none"> Management of Veterinary Training Institutes 	<ul style="list-style-type: none"> Retain as core function, but seek management strengthening
	<ul style="list-style-type: none"> In-Service Training of Technical Staff 	<ul style="list-style-type: none"> Retain as core function, but seek management strengthening
Policy, Planning & Management	<ul style="list-style-type: none"> Policy Formulation 	<ul style="list-style-type: none"> Retain as core function, establish structured policy development process
	<ul style="list-style-type: none"> Budget Preparation (incl. ADP) 	<ul style="list-style-type: none"> Retain as core function, continue to develop MTBF capacity
	<ul style="list-style-type: none"> Human Resource Management 	<ul style="list-style-type: none"> Retain as core function, detailed recommendations in future HRM report
	<ul style="list-style-type: none"> Project Implementation & Monitoring 	<ul style="list-style-type: none"> Retain as core function, move beyond expenditure review to evaluation
	<ul style="list-style-type: none"> Legal and Regulatory Framework 	<ul style="list-style-type: none"> Retain as core function, with significant modernisation of regulatory framework

1. Background

This report has been commissioned under the Punjab Government Efficiency Improvement Programme (PGEIP) under the auspices of the Punjab Resource Management Programme (PRMP) Project Management Unit (PMU). The research and analysis to support the writing of this report began on 8 November 2010. A draft was submitted on 17 December 2010, and following comments received from PRMP (but not the Department itself) this final version was submitted on 21 January 2011.

Given that full-scale functional reviews usually take months to complete (sometimes as long as a year in OECD countries), we are grateful for the extensive support of the Department granted to us during this 6-week period.

The aim of this report is to identify the main functions and activities of the Department, in order to establish:

- Whether the Department's functions and activities are *appropriate*: i.e. are they the 'right' functions and activities, given the Department's mandate?
- Whether these functions and activities could be better delivered through alternative means: e.g. the private sector, an alternative department, an executive agency, a different level of government, etc.

L&DDD has already been considering many of these issues. Therefore we intend for this report to provide a structured analysis of these issues, based on an internationally accepted methodology, that can more effectively inform the Department how best to move forward into implementation.

The report focuses on the findings from our analysis, but also provides further advisory guidance for the Department on:

- International experience implementing structural reforms in the livestock sector
- International experience implementing Functional Review recommendations
- The existing legal and regulatory framework in the livestock and dairy sector in Punjab

1.1 Approach & Methodology

The methodological approach adopted for this analysis is one that has been well tested and proven in multiple operating environments and one that, as a result, has been endorsed as sound and 'good practice' by the World Bank, DFID and other international agencies (more detail on this methodology is provided in Appendix D:).

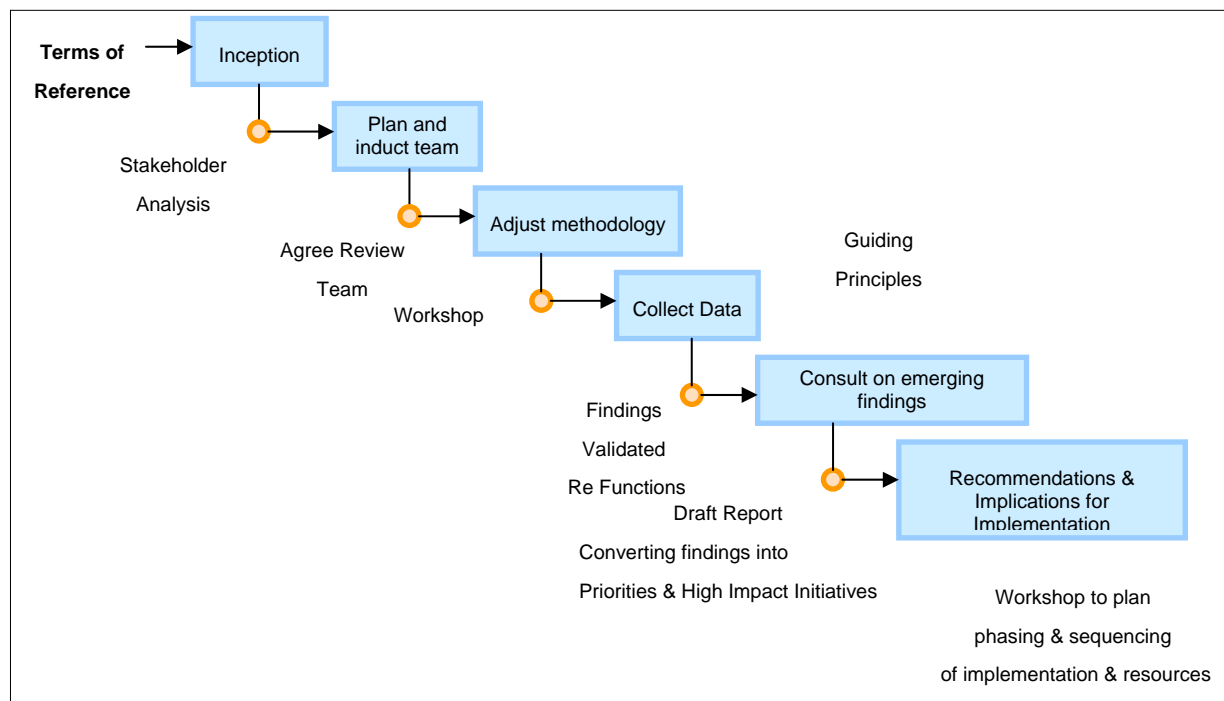
The idea of a Functional Review can often be perceived as threatening, for a number of reasons:

- It is often seen as the lever or excuse for downsizing and redundancies
- It may be seen as potentially threatening to the status or power of Departments, Senior Officers or institutions
- It inevitably presages major change and upheaval which managers (e.g. Secretaries, DGs or Directors) may feel is threatening to their personal positions, their competence in terms of their ability to manage the changes, or their Department's capacity

It can also be construed as inappropriate 'market fundamentalism', and a 'backlash' to earlier growth of the bureaucracy where there appears to be an agenda to outsource as much as possible to the private sector. However, as there is not yet a dynamic and competitive market for take-up of many such service delivery functions, we recognise it may prove impractical or unwise to attempt to implement such initiatives, even where there may seem to be a rationale to do so. Similarly, as with the recent High Level Government Review, GoPb is clear that it is not considering wide scale downsizing or redundancies.

Altogether there are 6 recognisable steps in the whole process of a Functional & Management Review which are shown in the following diagram:

Figure 1 - Process for Conducting Functional Review



The first 3 of these steps involved the essential logistics of agreeing the Terms of Reference with the Secretary of the Department as well as inducting the team of National Consultants who would conduct the review. We also adjusted the methodology to reflect the fact that there had been several previous analyses and reports, including the High Level Government Review (HLGR), a horizontal functional review of the whole of Government of the Punjab that provided the initial basis for our analysis. The team also conducted a situation and stakeholder analysis during this time and reviewed all previous studies and reports.

Once these initial exercise were completed, the team proceeded with data collection through interviews, followed by analysis, derivation of emerging themes and findings, validation of these by the Senior Management Team of the Department and finally production of Recommendations.

Functional reviews consider a number of potential destinations for a function or activity, including:

- Retain as a **core function** in the Department (in these instances we have also suggested options for strengthening delivery of these core functions)
- **Abolish** the function or activity (as it provides insufficient positive policy impact to justify the cost of its continuation)
- Employ a **public-private partnership** (which could range from simple contracting-out to more complex capital burden-sharing initiatives)
- **Transfer** to another Department, to an existing or new Executive Agency (on a 'eyes-on, hands-off' basis) or to an alternative level of government (e.g. federal or district level)
- **Privatise** the function or activity (either immediately or more likely through a phased approach employing cost-recovery models and/or corporatisation first)

2. Findings, Conclusions & Recommendations

This section of the report summarises, function by function, our analysis of the activities of the department. Each function is discussed in three parts:

- A description of the **activities** currently being carried out by the department under this function
- **Recommendations** as to the potential ‘destiny’ of this function or activity, supported by an analytical justification
- Some proposed **next steps** to enable L&DD to progress this study into implementation

Decisions regarding restructuring, outsourcing or privatisation are inherently complex. While we have adopted a strong conceptual and methodological approach to underpin our analysis (as described in Appendix D:) it remains the case there are no easy solutions or quick fixes. Most of our recommendations involve trade-offs between one objective and another; most will produce ‘losers’ as well as ‘winners’; and many should only be progressed in a gradual, incremental manner in order to ensure the risks associated with structural change risks are mitigated.

In this spirit, several of our recommendations present more than one option for the Department to consider. Several also recommend further study and analysis. In all cases, we strongly recommend that the Department adopts a policy development approach that ensures decisions are taken with maximum participation from wider sector stakeholders – academia, private sector providers, district staff, professional associations and representatives of poorer livestock farmers. Centrally planned change imposed with little feedback from users and suppliers is highly risky – there is rarely sufficient data on which to make radical decisions in a fully informed manner.

2.1 Assessment of Departmental Functions & Activities

On the basis of a mixture of secondary data review and primary stakeholder interview, we understand the Livestock & Dairy Development Department to have 5 major functions, under which there are several significant activities.

Table 2 - Assessment of Departmental Functions & Activities

Functions	Activities
Research	<ul style="list-style-type: none"> • General Research • Research through Livestock and Poultry Farm Management
Animal Health	<ul style="list-style-type: none"> • Vaccine Production & Distribution • Curative Health Service Delivery • Management of Diagnostic Laboratories • Development and Distribution of Quarterly Disease Surveillance Report
Animal Productivity	<ul style="list-style-type: none"> • Provision of Artificial Insemination Services • Management of Feed Mills • Extension Services Provision • Running Farmer Helpline (Call Centre) and Awareness Campaigns
Veterinary Education & Training	<ul style="list-style-type: none"> • Oversight & Governance of the University of Animal Sciences • Management of Veterinary Training Institutes • In-Service Training of Technical Staff
Policy, Planning & Management	<ul style="list-style-type: none"> • Policy Formulation • Budget Preparation (incl. ADP) • Human Resource Management • Development Project Implementation & Monitoring • Legal and Regulatory Framework

This differs in some definitional aspects from previous studies that have identified L&DD's functions (HLGR, Sector Strategy, Benchmarking Study). However, it is very similar in most respects to the HLGR identification of functions, only consolidated into a fewer overall 'head' functions.

2.2 Function 1: Research

Research forms one of the core functions of the Livestock and Dairy Development Department. Pure scientific research is often considered a public good, except in cases where a patent and/or intellectual property rights regime is enforceable (e.g. in the pharmaceutical industry). In Pakistan's context, and in the relation to the livestock sector, this is unlikely to be the case. Most research in this sector is in support of animal health and/or productivity and is designed to be disseminated widely through extension services, rather than patented, controlled and sold as a private good.

Research activities within the department are highly dispersed across various wings of the department including the offices of DG Research, Director (VRI), Director (PRI), Director (LPRI), Additional Director (Foot & Mouth) as well as DG Extension, Director (BLPRI), Director (Livestock Farms), Director (Breed Improvement), Director (RCCSC) and Chief Research Officer.

Within the department the term 'research' is used very widely, often referring as much to information gathering and the analysis/dissemination of secondary data (which might more accurately be described as the 'upstream' elements of extension). In this report we concentrate on research that is scientific, primary research: i.e. designed to increase technical understanding of a topic/issue, rather than to synthesise or disseminate existing good practices.

2.2.1 Activities

The Department's research activities can be considered in two parts.

2.2.1.1 General research

This (in theory) forms the core activity under the research function, where the department endeavours to produce up-to-date information/advisory on livestock production and health, breed preservation, nutrition etc. The primary outputs of the function are animals for breed improvement, research reports/bulletins etc. Customers of the research are both external in the shape of livestock farmers and internal in the shape of extension workers.

As discussed above, many of the activities within the department labelled as research would not ordinarily be considered primary, scientific research. The Department has only recently begun to be granted the financial resources to commission such research, but has limited capacity within the department to conduct this research itself. There is capacity within the private sector to conduct such research, however, so the question for the department is how to go about selecting, funding and managing such research services.

2.2.1.2 Research through livestock and poultry farm management

L&DD seeks to conduct some research by providing in-house infrastructure for direct animal research activities. The department maintains twenty-two livestock farms and ten poultry farms for this purpose. Two livestock farms are under DG Research, with the remaining farms under DG Extension, mostly under the Directorate of Farm Management. All of the poultry farms are under the Poultry Research Institute.

The major outputs of these farms are in fact animals for breed improvement, semen for the Semen Production Unit, etc. Little in the way of pure scientific research is conducted through these farms, which have been recognised in other reports are operating on a virtually commercial basis. Consequently, it is no longer clear to the department how much value these farms add.

2.2.2 Recommendations

The following are the major recommendations concerning this function:

2.2.2.1 General Research

Research is currently performed internally and horizontally by various directorates under both DG Research and DG Extension. There is very limited capacity for the department to perform this

function efficiently and effectively. It is mainly focusing on 'traditional' areas with very limited effective intervention due to capacity constraints. Therefore, we do not recommend that the conduct of research continue to be undertaken directly by departmental staff (with the caveat that we refer to scientific, primary research here – arguably the department is not doing this at present anyway).

However, neither is research a candidate for complete privatisation, because of limited profitability and attraction for the private sector. As described above, research findings in the livestock sector can rarely be patented and sold.

We therefore recommend that government follow a methodology adopted by the Agriculture Department, by outsourcing research to the private sector.

This could be achieved through the Punjab Agriculture Research Board (PARB) and we understand a first effort in this regard is underway. If this were unsuccessful, the Department could consider forming a research board of its own. In either case, the creation of a small technical directorate is recommended to identify research priorities for the purpose of outsourcing, in the form of a medium-long term research strategy.

Figure 2 - Punjab Agricultural Research Board

Punjab Agricultural Research Board

The Punjab Agricultural Research Board (PARB) was established as an autonomous body to foster an integrated approach for research planning and efficient allocation of research resource. The vision of the organization is to support scientific innovations by outsourcing research to private entities (universities, individuals, institutes).

The process is that the department (Agriculture or Livestock) prepares research proposal which are then sent to PARB for scrutiny. PARB forwards the proposal to a Technical Working Group (TWG) for evaluation, which notifies a panel of experts to critically evaluate the project and recommend it to Executive Committee and Board for approval. Once approved, PARB takes responsibility for advertisement, procurement management and the process of outsourcing. It further contracts the service provider and manages their delivery.

2.2.2.2 Poultry Research Institute and Poultry Farms

The Poultry Research Institute has become out-dated because of rapid growth in the private sector. We recommend the privatisation of these poultry farms and the reorganisation of the Poultry Research Institute into a Poultry Development Board for surveillance and control of diseases (in effect becoming part of the Disease Surveillance function).

2.2.2.3 Livestock Farms

Once the research function is reorganised, there would be very limited utilization of livestock farms. Their utilization may be required for breed improvement, testing the results of research etc. There is, however, little reason why this could not be accomplished by private sector suppliers with greater experience of farm management (and more flexibility of management). Therefore we recommend the establishment of a Public-Private Partnership model for the management of these farms. The challenge would be to ensure any public-private contract is designed to commission services/outputs that are specific, manageable and measurable.

If the department is unable to clearly specify such outputs/services with such clarity, this may indicate that the farms are in actual fact not needed, in which case complete privatisation can be considered.

2.2.3 Proposed Next Steps

2.2.3.1 General research

The Department is currently attempting to commission a series of research projects through the Punjab Agricultural Research Board. This effort should provide lessons for the Department as to whether this mechanism is the most appropriate, effective and sustainable.

Regardless of the mechanism for research funding the Department should develop a Livestock & Dairy Research Strategy, which identifies priorities for research in the medium-long term and allocates funding against these priorities. PGEIP may be able to provide support in this regard.

2.2.3.2 *PRI and Poultry Farms*

Firstly, the department should begin to investigate the privatisation of poultry farms by conducting an assessment of private sector commercial interest, and by conducting a financial valuation of the farm land and assets. High level political support will be needed before the process of privatisation is begun; the Department may choose to hold a period of consultation first.

Secondly, an institutional review of the Poultry Research Institute should be conducted to transform its role and charter into a Poultry Development Board, with a clear mandate to support disease surveillance and regulation of standards in the poultry sector. PGEIP may be able to support in these initiatives.

2.2.3.3 *Livestock Farms*

A concept note should be prepared following a careful review of desired policy outcomes for existing livestock farms and an assessment of potential suppliers within the private sector. If favourable, the Department should seek the support of the PPP cell in P&D for the development of a public-private partnership model. PGEIP may be able to provide support to this initiative.

2.3 Function 2: Animal Health

The objectives of the animal health function are to prevent disease and provide responsive curative services to livestock farmers. This is primarily a service delivery function spread across various wings of the department, including the offices of the DG Research and DG Extension.

Disease prevention is a pure public good: everybody gains from an absence of disease, but collective rather than individual action is required to achieve this objective.

Curative services, on the other hand, are typically considered a private good. This is because a farmer seeking treatment for his own animals captures all of the benefits of this activity, and so can be expected to be willing to pay for this. In fact, international experience shows that farmers are frequently willing to pay for curative animal health services (see section 3), although the state usually has to address some market failures that often arise in this area, in particular economies of scale (where suppliers avoid poorer, rural areas) and adverse selection (where insufficient information on behalf of the customer encourages poor quality service provision).

2.3.1 Activities

Under the function, the department performs four major activities.

2.3.1.1 *Vaccine Production and distribution*

The department produces vaccines to protect livestock and dairy animals against disease. The Director of the Veterinary Research Institute under DG Research is performing this function while there are currently four types of vaccines being developed:

- Biologix against infectious diseases;
- Bacterial Vaccines
- Viral Vaccines
- Diagnostic Antigens

These vaccines are used by livestock farmers and are typically delivered by animal health staff (vets and para-vets).

2.3.1.2 *Curative Health Service Delivery through Dispensaries, Clinics and Hospitals*

L&DD provides curative services to livestock farmers through dispensaries, clinics and hospitals throughout the province. The facilities are managed by DG extension staff i.e. the Director Animal Health and Director Barani Area (PVTV). The output of this function is the provision of curative, preventive and extension services to livestock farmers.

In total the Department employs in excess of 7000 vets and para-vets, who operate through more than 3,500 veterinary health institutions. Consequently, curative health services consume large amounts of the Department's budget and are thus a high priority in any potential restructuring. There is significant international experience on the reform of curative animal health services, as described in more detail in section 3. In most OECD countries, such services are provided by

private veterinary clinics, supported by a mixture of public sector regulation and industry self-regulation.

2.3.1.3 Management of Diagnostic Laboratories

The rationale behind the maintenance of diagnostic laboratories is to enable disease diagnosis and surveillance. These labs (there are more than 30, with almost 1 in each district) are managed at the district level and are staffed by Assistant Disease Livestock Officers and Veterinary Officers. The Directorate of Animal Disease Reporting and Surveillance (ADR&S) under DG Extension oversees this activity, which aims to diagnose illnesses and infections in livestock in order to enable recommendations / prescriptions for medications.

2.3.1.4 Development and Distribution of Quarterly Disease Surveillance Report

The main objective of this activity is to produce the Disease Surveillance Report. This function is performed by Director ADR&S working under DG Extension. Information is collected from the diagnostic labs and DLOs while the report is compiled at the Provincial level and shared with the Federal Government and internal staff for the necessary measures to be taken.

2.3.2 Recommendations

2.3.2.1 Vaccine Production

The department is producing vaccines to protect livestock and dairy animals against disease. Most veterinary vaccines production is undertaken in the public sector at the Veterinary Research Institute in Lahore. However, the vaccines produced are not registered with Ministry of Health, which is the legal agency for this purpose. And the quantity of vaccines produced remains limited, so that only 0.5% to 25% of the province's livestock population is currently being vaccinated for different diseases (depending on locality).

There is significant scope to increase the supply of these vaccines, as well as to improve their quality. To comply with the Ministry of Health regulations, major investments will be needed in infrastructure and technology in vaccine production.

This could be achieved in a number of ways:

- 1) By placing the Veterinary Production Centre (which forms the large part of the VRI) on a commercial footing, contracting it to provide vaccines for the government in the short-medium term with the aim of tendering amongst a variety of suppliers in the long term
- 2) By privatising the Veterinary Production Centre entirely and seeking tenders for the provision of vaccines from private sector suppliers immediately
- 3) By privatising the Veterinary Production Centre and ceasing central government procurement of vaccines, leaving farmers to purchase vaccines themselves (employing appropriate regulatory tools to ensure that livestock farmers are forced to vaccinate their herds, should they wish to sell their products on the open market)

In all likelihood, the Department does not have the means to operate a complex regulatory regime as described in option 3; therefore one of the first two options is recommended.

2.3.2.2 Curative Health Service Delivery

L&DD employs a large cadre of veterinarians and para-veterinarians, who do not reach out effectively to the livestock owners (in particular rarely providing so-called 'doorstep' services). As state employees they are centrally directed and do not respond efficiently to market demand or customer preferences. In the long run, L&DD should consider embarking on what (admittedly) would be a complex shift from state ownership to a commercial model for existing state-run clinics for curative animal health services. This concept has already been discussed in the L&DD sector strategy.

However, since it is a novel idea in Punjab, there are likely to be many risks, challenges and vested interests against such an initiative. For example, curative and extension services are currently provided by the same employees: but extension services are not suitable to privatisation. With such issues in mind, L&DD could consider a pilot to test the efficacy of a more commercial model. While challenging, the pilot, if successful and implemented on a province-wide basis, would help to create a leaner government structure and would improve service delivery to

farmers through private sector participation. The pilot would help in designing the extended roll-out and would help the government to arrive at a decision after testing various project dimensions.

Such a pilot could consider a number of dimensions, including NGO service provision, the use of cost recovery mechanisms before private sector provision is considered, subsidies and/or voucher systems for poorer livestock farmers, the creation of cooperatives with initial state support, the gradual transfer of state-run clinics to commercial basis, etc.

2.3.2.3 Diagnostic Labs

We recommend L&DD maintains the operation of diagnostic labs, not least because they act as a key element of L&DD's disease surveillance system. But, in order to meet the emerging needs of stakeholders, as well as national public health concerns, the scope of diagnostic labs could be enlarged to include testing the quality of feed and fodder, milk and milk products, meat and meat products as well as poultry and poultry products. For this to have effect, it is important to work towards improvement in BPR and HRM management and identification of Key Performance Indicators (KPIs) for evaluating real outputs and impact. PGEIP may be able to assist the department in achieving these objectives.

2.3.2.4 Disease Surveillance and Reporting

Disease surveillance has been one of L&DD's main focus areas and there is a strong need to develop a responsive and pre-emptive framework for effective disease surveillance, monitoring and reporting. This would include a review of information collection and analysis as well as utilisation of results by different relevant wings of the department. Moreover, there are strong prospects for using technology-based solutions through an MIS to make the system more robust and efficient. Once such a framework is in place, reporting could also be improved substantially in terms of formatting, contents and timely dissemination.

2.3.3 Proposed Next Steps

2.3.3.1 Vaccine Production

The Department has identified the Veterinary Research Institute as a first priority for reforms. The Department should evaluate some of the corporatisation options described above, in particular through an assessment of potential private sector suppliers. It should also consider the material and financial aspects of potential privatisation, and consider future provisions for the existing workforce. PGEIP may be able to provide support in this regard.

2.3.3.2 Curative Health Service Delivery

The Department should consider what its long term policy towards these services is. If conceptually in favour of private supply, the Department should consider piloting such an arrangement in one district. The first step in this regard would be to prepare a concept note wherein the whole process from establishing a facility through to its ultimate operation will be identified and 'projectised'. We would recommend significant engagement with wider sector stakeholders if seeking to progress in this direction as such a reform, while potentially transformative, would be complex and challenging in a number of respects.

2.3.3.3 Diagnostic Labs

Diagnostic labs are a logical candidate for more detail evaluation of specific needs for BPR and HRM improvement, along with identification of outputs and targets in the shape of KPIs. PGEIP can assist in this regard.

2.3.3.4 Quarterly Disease Surveillance Report

In support of this activity the Department should:

- a) Evaluate the current mechanism to identify strengths, weaknesses and risks and articulate a strategy for improvement
- b) Develop a concept note for introducing technology-based solutions for effective disease surveillance
- c) Improve the utility of quarterly reports through improved production and dissemination

2.4 Function 3: Animal Productivity

This function aims to enhance animal productivity, thus increasing the competitiveness, profitability and safety of Punjab's livestock and dairy products. As currently conceived, it is primarily a service delivery function spread across various wings of the Research and Extension Wings. It may, in future, be considered more of a market regulation and 'stimulation' function.

2.4.1 Activities

The Department performs 4 major activities under this function.

2.4.1.1 Provision of Artificial Insemination Services

This is a service delivery activity that aims to improve breeds through artificial insemination. The Directorate of Breed Improvement, working under DG Extension, collects semen from proven bulls and sends samples to Semen Production Units for conversion into Semen Straws. AI staff then inseminate animals with these straws.

At present these services are provided for free, on the basis that poor farmers in particular will not pay for AI services (instead relying on natural insemination). All aspects of the chain of production are delivered internally by the Department.

2.4.1.2 Management of feed mills

The Department currently runs four feed mills that provide feed for animals to private owners. The objective is to provide better nutrition to animals for their growth. These units are being run on a "no profit no loss basis". One mill is being run by the Director (LPRI) under DG Research; the other three mills are run by the Director (BRI), Director (BPLRI) and Director (Livestock Farms) under DG Extension. The output is animal feed (*Inmol Wanda*). The customers are external i.e. distributors and retailers.

These feed mills are effectively in competition with other private sector suppliers.

2.4.1.3 Extension Services Provision

One of the core activities of the department is to provide extension services to livestock farmers. The objective of these services is to introduce better animal husbandry practices. The function is delivered through the Directorate of Animal Health and the Directorate of Barani Area, working under the DG Extension. The output of the intervention through field visit is guidance for the livestock farmers concerning best practices and on-the-spot medical advice.

Extension services, when provided effectively, can enable both improvements in competitiveness and greater productivity among poorer livestock herders. Currently extension services are provided by the same staff providing curative animal health services.

2.4.1.4 Running Farmer Helpline (Call Centre) and Awareness Campaigns

The department runs a helpline (call centre) to assist farmers through technical advice. The objective is to facilitate and create awareness by providing a window or portal of technical advice to livestock farmers. The function is being performed by the Directorate of Communication and Extension under the DG Extension. The major outputs are advice services through the Call Centre, brochures, advertisements, etc.

2.4.2 Recommendations

2.4.2.1 Provision of Artificial Insemination Services

L&DD manages a Semen Production Unit for improving the breeding quality of the animals. The process involves a complete chain from collection of semen through to insemination.

While there may be an argument for state subsidisation of artificial insemination to address potential market failures, there is not a similarly convincing argument for state delivery of all aspects of the production chain. We recommend a review of the entire chain to identify wastages, leakages and suggest an effective institutional mechanism for efficient delivery of the service (including potentially contracting private sector suppliers). This review should include an assessment of other AI services currently being provided in Punjab by the private sector (if any).

2.4.2.2 Managing Feed Mills

The department is running four feed mills housed in various livestock farms. These mills are producing feed (*Inmol Wanda*) and selling it in the market on a “no profit no loss basis”. This is a commercial function and the policy outcome is not clear. It requires a careful review of desired policy outcomes as well as evaluation of demand and supply, and a market study to understand current dynamics of feed provision.

If no clear policy outcome can be identified for these mills, then the department should consider privatisation, since the mills may well be deterring potential new private sector suppliers, and/or undercutting existing suppliers using tax payer subsidies.

2.4.2.3 Extension Services Provision

The department considers the provision of extension services as a core function and intends to invest major financial resources in this effort. Presently, the same staff are performing extension and curative services. In view of the proposal to consider PPP options in curative health, there would need to be a new organisational and institutional arrangement for preventive and extension health services.

The Department should consider a number of options, from restructuring (L&DD has recently considered a new ‘Fields’ Directorate) to the contracting of NGOs experienced in providing extension services. The pilot described in paragraph 2.3.2.2 would incorporate this.

2.4.2.4 Farmer Helpline & Awareness Campaigns

The Directorate of Communication is running this helpline, media campaigns, publications for awareness of farmers etc. Currently, the department does not have adequate capacity to communicate effectively and in a timely fashion with its stakeholders. Very often, respective wings on an *ad hoc* basis manage this task.

This is an activity that has potential for positive impact, although the Department should consider how it could evaluate what impact the activity is having at present. It is clearly a core departmental function, similar to extension services, but the Department could benefit from contracting specialist services from NGOs or private sector suppliers (e.g. marketing and communications consultants).

PGEIP is producing a communications strategy that will provide some support to this activity by identifying stakeholders and current communications channels.

2.4.3 Proposed Next Steps

2.4.3.1 Provision of Artificial Insemination Services

We recommend that the Department review the whole chain, from collection to insemination of semen, in order to determine an appropriate model of private sector participation.

The breed improvement function is currently being performed through four semen production centres and a network of district semen banks. The AI is carried out through the field establishments. The whole process is being reviewed under the BPR exercise to identify areas for process improvement. However, in order to seek private sector participation in this function, a concept note could be developed, laying out the expectations of the department from the private sector as well as roles and responsibilities of different partners. Once the concept note is developed, subsequent support can be rendered, which may include project preparation and transaction execution, subject to department’s approval and any changes in the scope of the project that may be required.

2.4.3.2 Managing Feed Mills

The Department should assess in detail the policy rationale behind these farms and, if not proven, take steps towards privatisation. PGEIP can provide support in this regard.

2.4.3.3 Extension Services Provision

In view of the need to create an effective institutional mechanism for preventive and extension services (with prospective private sector participation in curative service), an institutional review of current arrangements should be conducted, incorporating lessons from other countries that

provide similar livestock extension services. Potential new mechanisms for delivery could be tested during the proposed district pilot of reformed curative service provision.

2.4.3.4 Farmer Helpline & Awareness Campaigns

This should remain as core function of the department. This Department should, however:

- Review the existing farmers' helpline initiative with a view to make it more responsive as well as to link it institutionally with the planning framework as a valuable information source;
- Conduct a preliminary stakeholder analysis and develop a communication strategy for the department;
- Consider the use of specialist private sector and NGO suppliers to improve quality

2.5 Function 4: Veterinary Education & Training

The provision of veterinary education and training is considered a core function for L&DD. The objective is to make available a trained / qualified workforce to provide services that enable better livestock management. This is primarily a support function and is being provided by Universities and Institutes that are – apparently for the most part - autonomous.

Responsibility for this function is shared with the federal government, which also supports veterinary education (including through the Pakistan Veterinary Training Council).

Whether higher education is a public or private good is a complicated debate. Given the importance of the livestock sector to Pakistan's economy and rural communities, it is reasonable for the state to want to encourage high numbers of qualified vets. The question for L&DD is how to achieve this: through direct funding to educational establishments (e.g. universities) or through subsidies to student fees (theoretically granting students greater freedom to select an institution at which to study, which should enhance competitiveness).

Regulation of the veterinary industry to ensure high standards is in the public interest, although this is currently the responsibility of the Pakistan Veterinary Medical Council, which has a national mandate, making it difficult for GoPb to be anything but an interested and influential partner of the PVMC.

2.5.1 Activities

Under this function, the department performs 3 main activities.

2.5.1.1 Oversight & Governance of the University of Animal Sciences

While in constitutional terms UVAS is an autonomous institution, it is overseen by the Livestock & Dairy Development Department (with the Punjab Governor as Chancellor). The two entities have a symbiotic relationship: UVAS is dependent on L&DD funding for its operations; and L&DD is dependent on UVAS for the provision of qualified vets to join livestock cadres.

UVAS competes with 5 other faculties¹ in the provision of veterinary higher education services and qualifications. Its 5 competitors also receive state funding from different entities (including the Higher Education Commission). Students pay fees, although this apparently is less than cost as a result of government subsidy.

2.5.1.2 Management of Veterinary Training Institutes

There are three Veterinary Training Institutes which are run by the Director (LSTC). Their objective is to provide qualified para-veterinary staff, a two year diploma, who go on to become Veterinary Assistants (or work in the private sector).

Veterinary Assistants (VAs), often called Livestock Assistants (LAs), are vital for the provision of effective extension services. Besides managing private poultry and dairy farms, LAs provide the closest contact to the field within the L&DD extension staff. Within the public sector, the LAs are

¹ Faisalabad Agricultural University; Arid Agricultural University, Rawalpindi; Bahauddin Zakria University, Multan; Islamic University, Bahawalpur; College of Veterinary and Animal Sciences, Jhang

located at the union council level within all districts across the Punjab. LAs work closely with livestock owners to provide them the required technical support for animal health and production under the supervision of the VO/DLOs.

However, the para-vet training institutes are very deficient in trainers, infrastructure, training equipment, animals for practical demonstration purposes, and lack functional linkages with government and private farms. For a limited time, the two faculties at Lahore and Faisalabad (UVAS and FAU) are also helping L&DD to produce this urgently required manpower.

2.5.1.3 In-Service Training of Technical Staff

Director (LSTC) under DG Extension provides in-service training services to veterinarians and para-veterinarians to ensure that their professional qualifications and understanding remain up-to-date.

2.5.2 Recommendations

2.5.2.1 Oversight & Governance of the University of Animal Sciences

While UVAS is an autonomous institution, L&DD may choose to conduct a review of the market for provision of veterinary qualifications and education to understand the extent to which prospective students have a choice; and thus the extent to which the 6 competing institutes are incentivised to improve the quality of their services.

Reforms in this area may be limited unless conducted in tandem with the federal government (especially the Higher Education Commission) but nonetheless L&DD should have an informed view on this area.

2.5.2.2 Management of Veterinary Training Institutes

Given the importance of para-veterinarians, we recommend that L&DD examine how to support the quality of education service provision at the three VTIs, in particular how to attract good trainers and to retain them.

2.5.2.3 In-Service Training of Technical Staff

In-service training remains an important function of the department and should be properly funded and organised, using private suppliers (e.g. UVAS and the VTIs) where possible.

2.5.3 Proposed Next Steps

2.5.3.1 Oversight & Governance of the University of Animal Sciences

The Department should examine existing funding mechanisms for the provision of veterinary higher education in the province and evaluate whether 'student-focussed' subsidies instead of 'institution-focussed' subsidies would be more likely to improve competition between institutions, and thus quality and cost.

2.5.3.2 Livestock Veterinary Institutes

L&DD should review the management and funding of the VTIs with a view to improving their operations and quality of educational service delivery. PGEIP may be able to assist in this regard.

2.5.3.3 In-Service Training of Technical Staff

The Department should conduct an Institutional review of LSTC focusing on staff availability, staff development, curriculum review, in-service capacity development framework institutional linkages with other centres of excellence etc. PGEIP may be able to help in this regard.

2.6 Function 5: Policy, Planning & Management

Policy, planning and management constitute core internal support functions for any government department. For L&DD, the objective is to formulate and implement a responsive policy regime. This is primarily a policy formulation and coordination function and is being performed at the Departmental Secretary and Directorate General level.

2.6.1 Activities

Under this function, the department performs a number of activities, such as:

2.6.1.1 Policy Formulation

One of the key activities of the department is policy formulation. The objective is to provide strategic direction for state intervention for sector improvement. The main function is performed by the Department through the Deputy Secretary (Planning) and the Director (P&E). The outcomes are unclear although a sector plan exists. This has been developed through donor support, but no regular process exists to update it periodically.

2.6.1.2 Preparation of ADP/MTDF and Development of PC-Is

This activity supports an annual planning exercise and project development. The activity is mainly performed by the Deputy Secretary (Planning) and the Director (P&E). The outputs of the activity are to give input for the ADP/MTDF Documents. The customers are essentially seen as external i.e. the Planning and Development Department (P&DD), but the process and product should of course be invaluable to the Department itself.

2.6.1.3 Budget Preparation (incl. Supplementary Grants & Re-appropriations)

This activity seeks funds for non-development expenditure and SNE. The function is being performed by the Deputy Secretary (Planning). The output is draft estimates of the department for the annual budget prepared for Finance Department.

2.6.1.4 Human Resource Management

Effective HRM enables effective and efficient policy implementation and service delivery. This function is overseen by the Deputy Secretary (Administration), with respective DGs and Directors. The output is currently limited essentially to notifications of various kinds for the staff.

2.6.1.5 Development Project Implementation & Monitoring

This activity monitors the progress of development projects. All Directorates at their level and centrally by Directorate of Planning and Evaluation are performing the function. Monitoring largely focuses on (rate of) expenditure, rather than formative evaluation or quality assessment.

There is a Planning and Evaluation Cell within L&DD reporting directly to the Secretary of the department. Currently, the Cell has appraisal and monitoring units that are supporting the Secretary in reviewing the progress of development projects. The current process is that a team from the cell visits the project and submit an evaluation report to the Secretary based on their observation. However, there is no M&E framework and no standard criteria for selection of project for monitoring: projects are picked up on the basis of some urgency or priority assigned from the top.

2.6.1.6 Legal and Regulatory Framework

This activity seeks to create an enabling legal regime for the provision of quality services to the public and for private sector competition and growth in the livestock sector. The Deputy Secretary (Technical) is responsible for this activity. He prepares draft legislation for Law Department and ultimately the Provincial Assembly for statutory enactments after getting input from various experts.

2.6.2 Recommendations

2.6.2.1 Policy Formulation

Clearly policy formulation is a core function that should be retained within the department. However, there are substantial opportunities for improvement in this function, which could result in cross-cutting improvements across the spectrum of functions performed by the department. As of now there is no formal institutional structure existing within the department to review, formulate and update departmental policies or strategies on a regular and periodic basis. This results in out-dated policy regimes, *ad hoc* decision-making, lack of consistency and sometimes conflicting decisions. A sector strategy has been formulated with the support from international donors, however that is a one-time intervention and requires continuous updating and modification. One of the potential areas for improvement could therefore be to review the existing planning processes and frameworks in the department and to produce an improved and informed planning framework. This framework should then be linked with formulation of the medium term development plan, based on departmental strategy/policy.

2.6.2.2 Budget Preparation

The budget preparation process is already under review by the MTBF team of the PGEIP project, through which it aims to introduce medium term budgeting horizons and more policy-oriented budgets.

2.6.2.3 Human Resources

Human resources management modernisation is one of the biggest challenges in L&DD, as other government departments. Multiple problems in this area are due to a mix of low compensation, performance incentive misalignments, lack of any effective performance management tools, unclear roles and responsibilities and absence of any central HR database. Therefore, there could be many areas for improvement within the HR umbrella. Some of these areas have been highlighted below and these areas would be explored in depth during the HR audit exercise (being conducted at the time of production of this report).

- Development and deployment of HRIS: An efficient HRIS in L&DD would help to keep track of the thousands of employees, including their service profiles, training and qualifications, postings and promotions, etc. The deployment of HRIS will also include mechanisms for collecting and computerizing employee information
- Job profiling and performance management system: A review of the existing initiative to manage DLO's performance with recommendations for improvement
- Review of Possibilities to Remove Performance-Incentive Misalignments: incentives (direct and indirect), bonuses, job flexibility, etc.
- Review of In-Service Capacity Development Framework: institutional review, TNA – initially concentrating on training needed in conjunction with the specific requirements of selected high impact AFIs
- Review of Personnel Management Polices including recruitment, postings training issues and transfers

2.6.2.4 Development Project Implementation & Monitoring

Current project monitoring is mostly done through expenditure reviews. Therefore there is a need to develop a dedicated institutional mechanism not only to monitor various projects undertaken by the department, but also to facilitate different wings in objective project development and formulation, along with verifiable M&E indicators and the use of Project Cycle Management (PCM) tools. Such a cell, if developed, can greatly help the top management in reviewing the performance of various initiatives and can also feedback into planning and policy making processes.

2.6.2.5 Legal and Regulatory Framework

Livestock, livestock products and by-products must remain healthy and disease-free given the high risk of transmission of certain animal diseases to other animals and to human beings. To ensure this, a comprehensive regulatory framework is required. Relevant laws are either currently in draft form or functionally out-dated (such as the Slaughter Houses or Cruelty to Animal Act). Laws and implementing regulations must be updated and implemented by the concerned authorities. Much of the regulatory framework for the livestock sector is either out-dated or non-existent. With technology advancements, and private sector involvement in many services, the need for a regulatory framework has increased especially for these areas:

- Livestock feed quality
- Slaughter Houses (Meat and poultry)
- Cattle Markets
- Cruelty to Animals
- Milk and meat quality
- Breeding (includes Semen Quality)
- Other emerging areas

2.6.3 Proposed Next Steps

2.6.3.1 Policy formulation

We recommend the Department support the upcoming BPR review under PGEIP, which will focus on the planning process and will seek to recommend improvements thereof.

2.6.3.2 Human Resources

We recommend the Department support the upcoming HR review under PGEIP, which will focus on the following:

- Development and deployment of HRIS
- Job profiling
- Performance management systems
- Review of Possibilities to Remove Performance-Incentive Misalignments
- Review of In-Service Capacity Development Framework
- Review of Personnel management policies including recruitment, postings and transfers

2.6.3.3 Development of project implementation and monitoring

The Department should seek to develop a 'basket' of objectively verifiable indicators within the sector (taking advantage of the earlier Benchmarking Study) and should implement a mechanism that produces regular reporting against these indicators. It should also seek support for the creation and upskilling of a dedicated Project & Programme Monitoring & Implementation Unit.

2.6.3.4 Legal and Regulatory Framework

We recommend the Department support the work of the PGEIP Legal Expert, who has evaluated the current regulatory framework (see section 4). He will now work further with the department to improve the existing laws as well providing support in creation of any necessary new legislation depending upon the priorities of the department.

3. International Experience of Structural Reforms in the Livestock Sector

The policy and reform challenges faced by Punjab in the livestock sector, as described above, are not unfamiliar ones internationally.

GoPb currently uses a mixed model of subsidised and direct state provision of livestock services, including curative animal health services (which comprise a large component of the Department's total 'level of effort'). This model has developed in recognition of the role such services play in supporting the livelihoods of poor people. Such models have commonly been found in developing countries in past decades. However increasing fiscal constraints, poor performance by state-run animal health service providers, rapid increase in demand for livestock services and pressure from donor partners have prompted many governments to rethink the role of the public sector in the livestock sector. Increasingly even developing countries have begun to move towards market-based models of delivery, supported by state regulation, as are common in OECD countries such as the UK or Australia.

What can Punjab learn from these experiences? We consider here both conceptual and practical lessons.

3.1 Conceptual Lessons

The economic rationale for organising livestock service delivery derives from the fundamental theorem of welfare economics, which states that in the absence of externalities, public goods, informational failures or economies of scale, private markets are the most efficient way of organising service delivery. Applied to animal health services, this principle implies that the effectiveness of service delivery can be significantly improved by privatising the 'private good' services.

Clinical veterinary services and the distribution and production of drugs and vaccines, for example, are typically classified as pure private goods because the user captures all benefits. Theoretically, these services should therefore be provided by the private sector. The public good nature of other services, such as disease surveillance and prevention, suggests that private markets are unlikely to deliver these effectively due to associated externalities and, therefore, they become responsibility of the state. This doesn't imply that the government must take direct responsibility to deliver them, though: there are many examples worldwide where public authorities have outsourced services to NGOs, cooperatives and private companies.

What is the role of the state in such models of mixed public-private delivery?

In the context of the privatisation of veterinary and breeding services (or other services classified as 'pure private goods'), the role of the government stems from the need to regulate the market and create strong institutions to minimise the impact of market failures. Such market failures include:

- **Adverse selection:** In (veterinary) medicine, there is inequality in the information possessed by the client on one hand and the health service provider on the other. Poor producers, in other words, have difficulty judging the quality of the service provided and so concentrate on price, driving better quality providers out of the market and inducing a "race to the bottom"
- **Economies of scale:** Some animal health services, such as diagnostic services and the delivery of clinical services in remote areas, require high fixed costs. This can deter the private sector from delivering these services until they can achieve significant scale to make delivery profitable
- **Inadequate competition:** In the case of livestock service markets in developing countries (or in poor remote areas) where livestock farming is a subsistence activity, it is often not clear whether aggregate demand for these services can support enough service providers to generate adequate competition

A government focused on combating such market failures, rather than delivering services directly, is more likely to make use of policy instruments such as:

- Support to the formation of cooperatives
- Use of para-veterinarians and community-based service providers in poorer districts
- Targeted support to private sector providers to:
 - Overcome fixed costs and increase competition
 - Encourage mobile or 'doorstop' service delivery
- Partnerships with community groups and national and international NGOs

3.2 Practical Lessons

While economic theory shapes the conceptual framework, other factors determine the extent to which veterinary and breeding services can or should be privatized in practice. It is, therefore, important to integrate the debate on livestock service delivery with considerations of political economy. This implies there cannot be a unique blueprint for reform: instead each country should discover its own preferred model depending upon its economic, social and political context.

During 1980s, many countries in Sub-Saharan Africa privatised the delivery of veterinary services under donor pressure to relieve the fiscal pressure during what some called the "Great African Depression". While there are mixed views on the impact of this restructuring, there is agreement that it occurred in the context of poor state capacity to regulate the market and in the absence of appropriate institutions.

Perhaps more valuable lessons for Punjab, however, could be learned from the sub-national level in India. India, like Pakistan, traditionally has had a large public sector veterinary service, with many livestock services being provided by government departments for free or with heavy subsidies. And, as in Punjab, state governments have found it increasingly difficult to manage and sustain this system from both a financial and managerial point of view. Suggestions to involve private sectors players in livestock service delivery, however, have frequently met with resistance and suspicion on the grounds that such reforms would restrict access to animal health services by the poor.

A series of studies conducted by the Indian Institute of Management, Ahmedabad, at the beginning of the decade examined the structure and demand of livestock services in selected states and produced convincing evidence to recommend a re-orientation of the Government's role in the delivery of services.

These studies recommended:

- The creation of a conducive environment to facilitate emergence of a private veterinary practice in areas where sufficient demand exists
- A more direct role of the Government in relatively marginal areas with high poverty incidence, poor market access and generally low educational level
- Strengthening of public good services including disease prevention and control, surveillance, sanitary control, food hygiene, monitoring and enforcement of food safety standards, and overall policy development
- The proactive involvement of NGOs and other stakeholders to:
 - Build the capacity of community-based animal health workers
 - Supply drugs at cost in areas where private distribution is weak
 - Provide extension advice related to husbandry, etc.

It is important to note that the studies cautioned that a complete privatisation of service delivery is neither feasible nor desirable in the short/medium term.

The response of many Indian states to these studies has been mixed, but many states have begun to shift towards the model recommended. States such as Uttar Pradesh, Rajasthan, Gujarat and Kerala have all increasingly encouraged private sector provision of services. Other states like Rajasthan, Kerala and Gujarat have done the same but have also introduced a cost recovery approach for providing animal health care and breeding services by the public sector.

Figure 3 - Case Study: Livestock Sector Reform in Orissa

Lessons from: Orissa

In 1998, the Government of Orissa carried out a comprehensive review of the state livestock sector which became the basis for the formulation of a new livestock sector policy approved in 2002. The new policy stipulates the following provisions for the delivery of animal health services.

- The Government of Orissa will progressively make veterinary and breeding services available at the farmers' doorstep by allowing veterinarians and other government employed staff to charge fees at market rates for doorstep service delivery (the veterinary and para-veterinary officers involved in the mobile practice will maintain the status of civil servants and continue to receive the salary until the retirement)
- This reform will be rolled through a phased approach, starting in well developed areas and then expanding in other areas on the basis of an economic-change scale
- The Government will promote the use of community-based para-veterinaries to respond to the needs of small farmers more efficiently
- The Department of Animal Husbandry will progressively retreat from the delivery of veterinary care and breeding services, converting veterinary hospitals, dispensaries and livestock aid centres into mobile veterinary practices and, then, gradually moving towards full privatisation of the services (over a 25 year period)
- The mandate of the Department for Animal Husbandry under the new policy will become: control, containment and eradication of animal diseases, and livestock sector development
- The department will have a bipolar structure, reflecting the new mandate, with one unit engaged in disease control and the other in livestock development

3.3 Summary of Lessons

- In light of the conceptual framework described above, it can be seen that there is a fair degree of consensus that those livestock development functions that pass the filter of not being essentially public goods (e.g. clinical diagnosis and treatment, drug production and distribution, breeding services) should be privatized.
- But privatisation should be seen as a process that refocuses government policies, functions and resources to strengthen public good services and not necessarily as a vehicle for downsizing expenditures and responsibilities.
- The process of service privatisation in the animal health sector must be approached pragmatically, and not from a narrow ideological perspective. While economic theory shapes the conceptual framework, it is important to integrate the debate on livestock service delivery with considerations on political economy, especially in contexts where state institutions are not fully capable, accountable and responsive.
- Given the diversity of contexts, there will be a plurality of options to reform the system of delivering livestock services. It is important to recognise that the purpose of alternative models is to overcome the failures of the market (or the state) and to manage the progressive transition to full commercialisation of selected 'private good' services.
- The information asymmetry that characterises the delivery of clinical veterinary services can significantly impair market efficiency, especially given the generally low education and awareness levels of poor livestock producers in remote areas. Although this does not justify public provision of clinical veterinary services, it demonstrates the importance of strong institutions, including veterinary professional associations, for developing policies, enforcing ethics, disseminating information, providing a regulatory framework.
- The conventional model of private service delivery may not be a feasible option in poor remote areas due to the subsistence nature of production systems and the high transaction costs of service delivery in these areas. A number of alternative models have emerged that are effective in addressing the issue of service delivery in marginalised areas. Community-based models where NGOs (either alone or in partnership with the government) train village men and women in basic veterinary skills have attracted increasing support.
- The privatisation of clinical veterinary services and breeding services would require a system of incentives to support the change, such as start-up grants or loans for professional

equipment, leasing of government veterinary service facilities to private veterinary professionals, voluntary retirement scheme for government veterinarians and inseminators, freezing the automatic recruitment of all veterinary graduates, etc.

- Introduction of full cost recovery for all curative veterinary and other 'private good' services (either delivered at the doorstep or both at the centre and at the doorstep) is the first step towards a full commercialisation of the services as it contributes to create a level playing field for private investors, while improving the efficiency and effectiveness of government services in the transition period through financial autonomy of veterinary hospitals, dispensaries and veterinary aid centres.
- The case for cost recovery of curative veterinary services and breeding services is supported by evidence from studies conducted in India and Sub-Saharan Africa, which suggests a willingness to pay for reliable and good quality services among (poor) farmers.
- A final important consideration pertains to the pace of the reform. The commercialisation of 'private good' functions requires a relatively long process of consensus building and, ideally, stakeholder consultations, as the cases of Orissa (above) and Andhra Pradesh (below)

Figure 4 - Case Study: Livestock Sector Reform in Andhra Pradesh

Lessons from: Andhra Pradesh

Livestock sector reform in AP has centred around a partnership amongst the Government of Andhra Pradesh Animal Husbandry Department, CALPI (Capitalisation of Livestock Programme Experiences in India), a programme of the Swiss Agency for Development and Cooperation, and the South Asia hub of the Pro-Poor Livestock Initiative of FAO.

The main aim of this partnership was to develop a widely owned reform action plan for livestock service delivery in the state. It started an assessment of the effectiveness of livestock service delivery system in Andhra Pradesh by bringing together all categories of stakeholders and encouraged an open discussion on the need for reform under the guidance of a Steering Committee chaired by the Government of Andhra Pradesh. District and village level consultations were organised at various locations in Andhra Pradesh.

The consultations concluded that Andhra Pradesh has a strong and well qualified state animal health service. These services are delivered through a large network of veterinary institutions, professional veterinarians and para-veterinarians. The farmers were generally appreciative of the support received from the Animal Husbandry Department.

However, changing internal and external environment requires the animal health and breeding services delivery system to become more dynamic and need oriented, financially sustainable and closer to the ground.

Based on the studies and consultations, it was recommended that the state should:

- Move all livestock services to farmers' doorstep by moving away from a system of stationary veterinary dispensaries and hospitals and partnering with the private sector, NGOs and cooperatives in expanding the reach of services to farmers
- Strengthen integration of animal health workers into the animal health system for the purpose of ethical and professional supervision and technical support. The spirit of the recommendation is that animal health workers provide an effective model for extending the outreach of animal health services to poor and marginalised areas but there are concerns about service quality. It is therefore important to have a strong monitoring, regulating and support system in place to strengthen their service delivery
- Sharpen the focus on disease prevention and control of major livestock diseases. This can have a great impact on the quality of life of rural people and demands long-term sustainable strategies
- Bring cost recovery into service delivery – at least in the relatively wealthier areas - to ensure financial sustainability of service delivery and to build genuine quality control mechanisms
- Set up a livestock extension unit to promote decentralised and community-based extension networks outside the Government

4. Livestock & Dairy Sector Legal & Regulatory Framework

This Section provides a legal and regulatory review of the L&DD Department. This review

- maps the legal and regulatory framework underpinning the work of these departments; and
- analyses legislative enactments pertaining to these departments in order to determine clarity, comprehensiveness, gaps and constraints these enactments impose on better functioning of these departments

4.1 Legal and Regulatory Frameworks

4.1.1 Decision making processes in Departments

Provincial and Federal Departments are created by their respective Rules of Business. Decision-making processes in Departments are also regulated by these Rules. These Rules are issued under Article 139(3) of the Constitution and are not subject to review/amendment by the Legislature. The Governor acting on the advice of the Chief Minister can amend the Rules². This Advice is binding. Subjects allotted to the Departments, non-statutory powers of the Secretaries/other departmental officers, the manner of processing cases and decision-making powers of ministers and secretaries are all explained and provided by these Rules. Rules of Business also regulate in some measure the relationship between Departments or Departmental heads and Non -departmental public bodies or their heads³. The business of amending and administering the Rules of Business is allotted to the Services and General Administration Department. The Rules are generic and provide/form basis of overall similarities in work processes of various Government Departments. A summary of rules pertaining to various types of decision-making is as follows:

Nature of work	Decision making process	Issues
Policy making in the shape of Legislation	Formulation of legislative proposals by Department → Submission of proposals for approval of cabinet ⁴ → Referral to Law Department for giving shape to draft legislation → Submission of draft bill to Cabinet → Submission of Bill to the Assembly by the Law Department	Language capable of varying interpretations; varying interpretation lead to non-uniform practices
Policy making without resort to legislation	Formulation of proposals for Cabinet/CM ⁵ → Issuance of policy directions	Lack of clarity in rules as to areas which can be properly regulated by non-legislative instruments
Provision of information/Collection of Information – Monitoring the work of NDPB	Requests for information issued by Officers	Absence of detailed rules regulating provision of information obligatory
Decision making on the basis of existing law/rules/practices/policy	Cases processed by clerical staff → Decision made by officers (Section Officer/Deputy Secretary/Additional	

² See Item No 10, Schedule III- Part A, Rules of Business, 1974

³ Some part of this relationship is also regulated by various Financial/ Procurement Rules, Rules issued under the Civil Servants Act, and the powers of the Government in various statutory enactments where these enactments create a Non – departmental Public Body

⁴ Rule 22(1)(a)(b), Rules of Business, 1974

⁵ Rule 22 (1) (e) (f), Rule 12-A (1)(a), Rules of Business, 1974

decisions	Secretary/Secretary)	
Coordination	Consultation with other departments/stakeholders as part of policy making process ⁶	
Appointments to key positions	Proposals made by Section Officer/Deputy Secretary of appropriate department ⁷ → Orders issued by CM ⁸ /CS/Secretary	Duplication. Decision making processes are also defined in various Rules issued under the Civil Service Act and special acts.

4.1.2 NDPBs attached to L&DD

The Department performs its functions both directly and through various non-departmental public bodies attached. These Non Departmental Public Bodies (NDPBs) are classified as Attached Departments, Autonomous Organisations and Specialised Institutions by the Rules of Business. However the Rules of business do not explain or define why a particular body is classified as an Attached Department or an Autonomous Body. Most Non departmental public bodies are of an executive nature and bodies entrusted with monitoring and inspections are practically non-existent. NDPBs attached with the two departments are as follows:

Department	Attached Departments	Autonomous bodies
L&DDD	Director General (Extension) Punjab	Punjab Livestock, Poultry and Dairy Development Board
	Director General (Research) Punjab	Society for the Prevention of Cruelty to Animals (SPCA)

Of the NDPBs attached to the department, only one body is created by law - the Punjab Livestock and Dairy Development Board. The University of Veterinary and Animal Sciences, Lahore (UVAS) is not listed as an NDPB when arguably it should be. UVAS is also established by law.

4.1.3 Laws underpinning the work of L&DDD

Various enactments regulating the work of the department or administered by it Departments are as follows:

#	Act/subordinate legislation	Year of Enactment	Relevant entry in Rules of Business ⁹
1	The Punjab Livestock, Dairy and Poultry Development Board Act, 1974	1974	Development of Livestock Farms and Semen Production; Development of Poultry Farms; Research in various disciplines of livestock production and health
2	The Punjab Livestock Associations and Livestock Associations Union (Registration and Control)	1979	No specific mention

⁶ See Rule 13, Rules of Business, 1974

⁷ See Schedule V, Rules of Business, 1974

⁸ Appointments requiring orders of CM are laid down in Schedule IV of the Rules of Business, 1974

⁹ See Schedule II, Rules of Business, 1974

	Ordinance, 1979		
3	The Punjab Animals Compound feed and Feed Stuff Ordinance, 2002	2002	Development of Livestock Farms and Semen Production; Development of Poultry Farms
4	The Punjab Animals Slaughter Control Act, 1963	1963	No specific mention
5	The University of Veterinary and Animal Sciences, Lahore Ordinance 2002	2002	Diagnosis of animal diseases
6	The Punjab Milk Boards Ordinance 1963	1963	No specific mention
7	The Punjab Goats (Restriction) Ordinance, 1959	1959	No specific mention
8	The Prevention of Cruelty to Animals Act, 1890	1890	Society for the prevention of cruelty to Animals

4.1.4 Non-statutory tools used for regulatory purposes

Government departments occasionally use non-statutory methods for regulation. Thus the Federal Government allows Tax Exemption status to NGOs who have obtained certification from the Pakistan Centre for Philanthropy- a section 42 company.

4.1.5 Departmental functions devolved to Districts

The work of the L&DDD with regard to Extension work is devolved to the districts. The District Livestock Officers report to the Executive District Officer (Agriculture). The work of DG (Extension) is devolved to the districts. This work is performed by one District Livestock Officer and three Deputy District Officers¹⁰. Out of 34 posts of Executive District Officers (Agriculture), 4 posts are allocated to officers of the Livestock Department.

4.1.6 Impact of 18th Amendment

The 18th Amendment of the Constitution has repealed the Concurrent Legislative List and now there are only three subjects on which the Centre and provinces can legislate concurrently¹¹. While this has made legislative reform easy, it has also increased the work load of provincial departments which will have to create institutions for performing these hitherto federal functions and administer the laws enacted by the Federation on these subjects. The subjects deleted by the 18th amendment which have relevance to the work of these departments are as follows

Department	Concurrent subjects which will fall within the domain of L&DDD	Relevant legislation
L&DDD	Prevention of the extension from one province to another of infectious or contagious diseases or pests affecting animals	None

The department has already written to S&GAD to increase the scope of its functions. However this increase has not been merely with regard to the functions now removed from the Concurrent Legislative List but it also includes other subjects¹². The subjects however remain inappropriately defined.

¹⁰ These DDOs are DDO(Animal health), DDO(Breed Improvement) and DDO(Poultry)

¹¹ Except criminal law, criminal procedure and evidence, see Article 142(b) and 143 of the Constitution of Pakistan,1973

¹² The provinces can add functions by merely listing them as the Provinces have jurisdiction to legislate on all residuary subjects

4.1.7 Legal compulsion on Departments to perform functions

The Government is under no legal compulsion to regulate a particular subject merely because of its inclusion in the Rules of business. Such a legal compulsion only arises where a statute imposes a positive duty on the Government or an NDPB to regulate. However there have been instances where legislation has had to be brought in due to court orders.

Regulations affecting citizens require statutory cover; however Government can lawfully regulate the working of its departments through non-statutory instruments. Regulatory intensities in key areas remain poor both because of a paucity of regulations and weak enforcement mechanisms.

4.2 Analysis of Legislative framework, statutes and rules

Law/Rules	Legal Issues	Impact
Rules of Business	Subjects allotted to departments inappropriately defined	Leads to overlap, inadequate regulation,
	Acts administered by Departments not comprehensively listed	Leads to overlap, inadequate regulation, lack of focus
	Basis of classification of NDPBs into attached departments, Autonomous bodies and Specialised Institutions not defined	Varying interpretations of autonomy
The Punjab Livestock, Dairy and Poultry Development Board Act, 1974	To be determined	
The Punjab Livestock Associations and Livestock Associations Union (Registration and Control) Ordinance, 1979	To be determined	
The Punjab Animals Compound feed and Feed Stuff Ordinance, 2002	Do	
The Punjab Animals Slaughter Control Act, 1963	Needs updating	
The University of Veterinary and Animal Sciences, Lahore Ordinance 2002	Do	
The Prevention of Cruelty to Animals Act, 1890	Needs updating	
The Punjab Milk Boards Ordinance 1963	Allows Milk Boards to specify standards regarding milk to be purchased by them	Likelihood of non-uniform standards
	Does not provide for any requirements of appointing milk producers/consumers on	May lead to non-representative/bureaucratic boards

	the Board	
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Most enactments and their subordinate legislation create posts and/or prescribe their powers, methods of appeal etc. Standards to be followed in service delivery and/or manufacturing are prescribed by few enactments¹³.

4.2.1 Additional legislation/amendments/structural reform contemplated by Departments

Department	Area	Legal issues
L&DD	Establishment of a Milk and Meat Safety Agency	Overlaps with a possible Food safety agency
	Animal disease control ¹⁴	To be determined
	Corporatization of Veterinary Research Institute	Mode of corporatization
	Development of a PPP framework in which Service Centres are identified and built by Farmers/breeders associations and Govt pays the bill for provision of Veterinary services	

4.2.2 Legislative constraints on structural reform:

There are virtually no legal constraints on functions that may be allotted to Non-Departmental public bodies, which means that the law does not recognise anything as a core departmental function. Similarly the law does not require a particular legal instrument for creation of a Non Departmental public body. We have therefore NDPBs created through,

- Special Acts e.g. Livestock and Poultry Development Board.
- Incorporation under the Companies Ordinance e.g. Punjab Agrimarketing Company (PAMCO)
- Executive orders e.g. Director General (Research) Livestock Punjab.
- Registration as a Trust e.g. Punjab Welfare Trust for the disabled.

There are however legal constraints on the extent of autonomy ('the extent of the arm's length') that a NDPB may exercise. These constraints arise both from the powers of Government to superintend these bodies and from various financial and HR rules. Generally control over bodies created through executive orders is considerably more than statutory bodies and incorporated entities.

With regard to the choice of legal instruments for creating Non-departmental entities one must be cognisant of the fact that governance regimes for entities like companies, trusts and charities is weak and uneven, which leads to excessive reliance on statute-based solutions.

Public private partnerships face another set of problems. While public private partnerships are regulated through contractual arrangements they may, in addition to the terms of the Contract Act be regulated by special legislation both with regard to identification of private parties for contracting, dispute resolution, processing of contracts within the Government and so on and so forth. One such legislation is the Punjab Public Private Partnership for Infrastructure Act, 2010. This law however does not extend to non-infrastructure projects. This means both flexibility and

¹³ The Punjab Cotton Control Ordinance is one notable exception notwithstanding issues about the contents of the standards

¹⁴ The Department has formulated a draft Animal Disease (Surveillance, Reporting and Control) Act, 2010

difficulty in engaging in public private partnerships with regard to areas not covered by the PPP Law. Public Private Partnerships also face difficulty in adoption due to inadequate capacities in the Law Department to formulate and draft contract agreements and poor contract enforcement mechanisms and possible inconsistencies between contractual provisions and Government procurement and/or financial rules.

Use of private entities for regulatory purposes is also subject to some constraints. Thus while the provision of the service of regulation may be lawfully assigned to private entities the parameters of regulation should be laid down by the Government and such private service providers should remain within close oversight of the Government.

5. International Experience of Functional Reviews

There is a wealth of information and sources concerning the experiences with functional and management reviews internationally. As a result there is now a general consensus concerning what constitutes best practice in this field, and there are many lessons from elsewhere that can prove informative and useful. A particularly useful paper from the World Bank¹⁵ cites examples from 14 countries – many of them with Provincial reviews (6 in Canada). It also outlines other types of review e.g.

- UK : Prior Options reviews
- UK : Better Quality Services and Best Value Reviews
- UK : Market Testing
- UK : Fundamental Expenditure reviews

This paper also endorses the methodology for what it terms ‘downstream ministerial or departmental’ review (which has been used for this Department), and that for Tanzania’s Review for Executive Agency Status which were first developed by a team in Bannock Consulting (UK) that included the PGEIP CSR Lead Specialist.

5.1 Objectives of functional reviews

Reform teams in governments have launched programme and functional reviews for a number of reasons. The most common has been in response to fiscal pressures, with the reviews being designed explicitly from the outset to identify sometimes significant savings. Others have been designed in response to pressure from political leaders wishing to increase the policy responsiveness of the government machine and to strengthen the effectiveness with which policies are translated into actions and outcomes. Others have been driven at least in part by a desire to respond to pressures from either the private sector or citizens for better and more appropriate services.

Reviews can focus on two different subjects for potential reform: *organisation* and *policy*. Organizationally, broad whole of Government or ‘horizontal’ reviews can identify individual Ministries, Departments or Agencies that are to be merged or restructured for cost-effectiveness, effectiveness, and/or efficiency reasons. In terms of policy, reviews can require that all government policies and programmes be considered, or can focus on specific policy areas or programmes that are felt to require particular attention or to be particularly problematic.

A narrow review focus on how a group of organisations is structured and managed, without any attempt to review the policies that they are asked to implement, *is a classical review of operational efficiency*. The question in this case is: *"how can we reduce running costs or improve service quality while delivering these programmes?"* Conversely, a focus on government policy and programmes without any concern to review the organisational arrangements that deliver them represents a *'pure' effectiveness study of policies and programmes*. The question in this case is: *"what are we best at doing?"*

These different approaches are of course related. Operational efficiency and programme effectiveness are inextricably linked. What governments *should* do is inevitably linked to the question of what they *can* do well. However, the linkage is not mechanical and in undertaking efficiency and effectiveness reviews, different governments have made different choices at different times, with varying degrees of specificity regarding which organisations and which policies they are concerned about.

The World Bank paper lists 5 types of functional review:

- ‘Pure’ policy or programme reviews

¹⁵ ‘Determining the Structure and Functions of Government – Program and Functional Reviews’, Nick Manning and Neil Parison, World Bank CSR Team, Moscow, 2004.

- These reviews aim at securing comprehensive policy reforms, with low priority programs being dropped and resources and efforts targeted at higher priorities. The reviews tend not to get into detailed organizational level arrangements, prescribe detailed restructuring, or identify changes at the level of business processes.
- 'Pure' efficiency reviews
 - This type of review envisages no major changes in government policies and programs, but focuses instead on identifying organizational and business process changes which can generate the same outputs at greater efficiency.
- Upstream programme and efficiency reviews
 - This type of review envisages comprehensive policy reforms, including a shifting from low to high priority programs, together with the restructuring of government-wide processes including large scale restructuring of the machinery of government.
- Mainstream Ministry / Department / Agency level reviews
 - These reviews consider reshaping some programmes, dropping some activities, and restructuring some entire Ministries/agencies but without large scale changes to the overall machinery of government.
- Downstream organisational reviews and business process re-engineering
 - These entail dropping or changing specific activities and services within a specific Ministry/agency, or the detailed restructuring of a specific agency.
 - They tend to focus on the consolidation of similar services within the same ministry, department or agency, and could include pursuing options such as automation and contracting out or market testing (the introduction of competition in the provision of administrative services).

The review that we have conducted in this Department (together with the intended support that will follow through the HR, BPR and Change Management components of the PGEIP) can thus be seen to be comprehensive in that it includes elements of the second, fourth and fifth types as outlined in this typology.

5.2 Aligning functional reviews with the budget process

The defining characteristic of efficiency and effectiveness reviews is that they entail a discrete approach for developing recommendations for change outside of the usual budget and planning cycle. However, clearly the results of the review must ultimately be incorporated within the budget. Reviews will not lead to concrete outcomes if central government bodies (or donors funding programmes) are in the position of suggesting reforms that they have neither the budgetary information to fully justify nor the leverage to fully implement. Reviews may also lead to disappointing outcomes if they identify areas in which legislative change is required, but do not assess the feasibility of securing such changes. The CSR component of the PGEIP has the benefit of a legal specialist who has conducted a review of the legislative framework for the Departments being reviewed and this is summarised later in this report. Finally, there is a significant risk of mis-timing if the Department of Finance / Budget Office is provided with recommendations at an inappropriate point in the budget cycle. As the PGEIP has two main component pillars – one for the introduction of a MTBF and the other to address CSR, it will be the intention of the consultants to try as far as they are able to ensure that any restructuring that is agreed will be recognised in forward budget planning for the medium term as soon as possible.

5.3 Key elements of the process for L&DD Department

The general steps were to:

- 1) Obtain agreement to the methodology developed by the consultancy team from the Secretary and senior management of the Department to be reviewed, and from the National consultants and Departmental Coordinators who are to work on the reviews. This is important because they possess local knowledge of the context, the personalities, and ultimately have a good sense of what may and may not be acceptable, or ultimately work.
- 2) Facilitate extensive discussion on the review methodology with senior management.

- 3) Confirm that all parties understand the priorities and timelines as expressed in the programme.
- 4) Disaggregate the functions that the Department undertakes in relation to this programme (as indicated in Annex A.).
- 5) Review those functions with a view to shedding services for which there is no demand or justification, reducing the volume or quality of services that cannot be stopped, and determining the resultant basic list of necessary functions.
- 6) Determine the operating environment that is most appropriate for those necessary functions:
- 7) Structure the 'inherently governmental' environment in more detail by recommending that functions are allocated to:
- 8) Provide guidance on the internal structure of public sector organisations – indicating:
 - a) whether functions should be located in a common department
 - b) whether departments divisions need restructuring; and
 - c) whether managerial responsibilities are balanced and sustainable.
- 9) Conduct a consultation / validation meeting or workshop to discuss findings and correct any factual errors.
- 10) Prepare the final report with agreed findings converted into firm recommendations and with identification of senior management (of the Department's) articulated priorities for implementation.
- 11) Development of an implementation plan that defines:
 - a) main tasks to be completed, including redundancies and redeployments
 - b) likely resource requirements to implement agreed priority initiatives emerging from the review
 - c) legislative requirements to support the review
 - d) allocation of implementation tasks to designated managers
 - e) project management arrangements
 - f) a change management strategy and programme with key activities (workshops etc.) identified.
- 12) Possible consideration of a 'Citizens or Client Service Charter' that sets out what standards of service and service delivery stakeholders can and should expect, and how to seek redress in the event of these standards not being met.
- 13) Wide dissemination of the results of the functional review supported by a Communications Strategy, professionally conducted PR, public information campaigns media management etc.

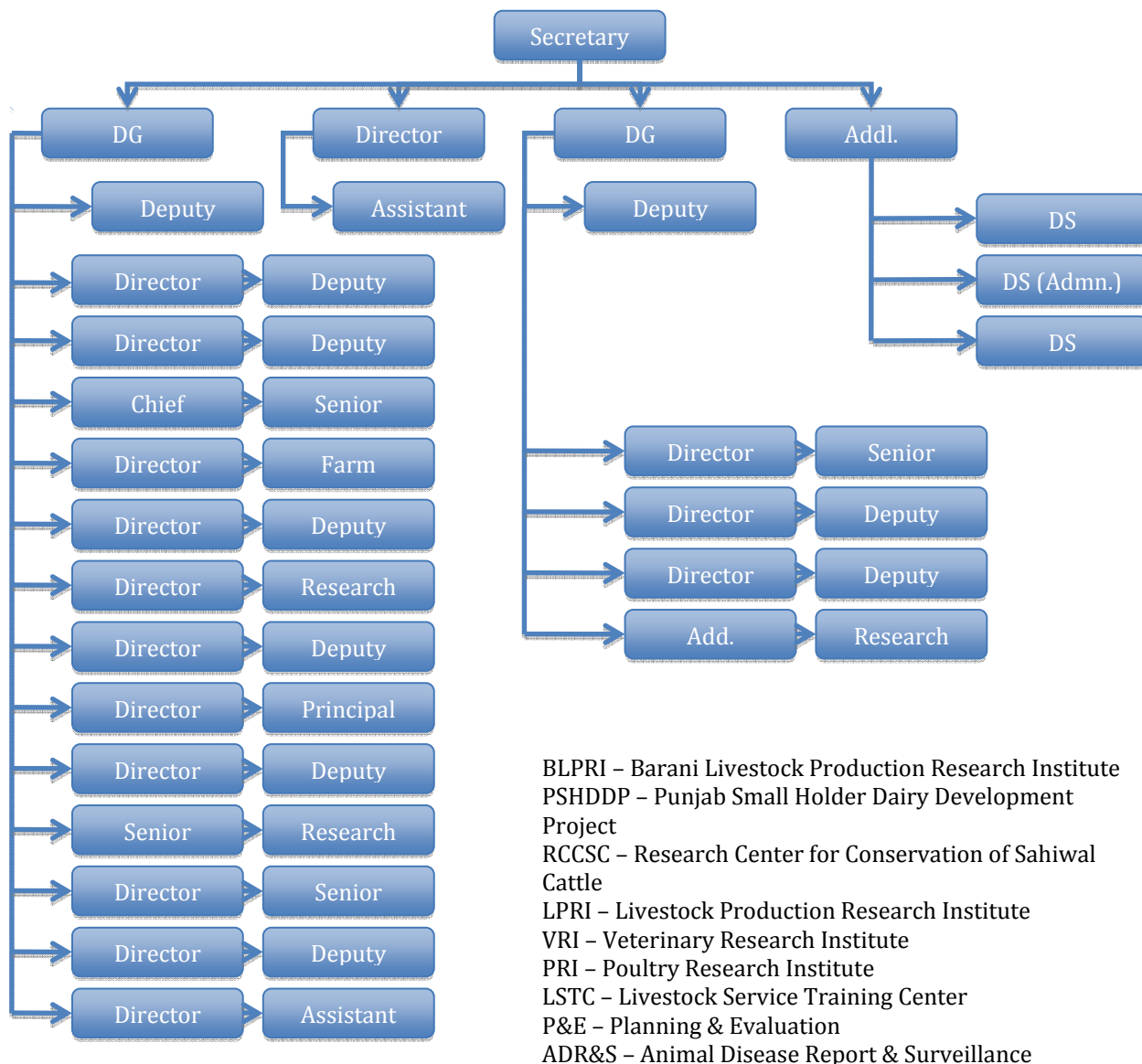
The methodology for mainstream Departmental / Agency-level functional reviews is technically complex. This is because the reviews are seeking to suggest improvements both in the activities that are undertaken and in the organisational arrangements for undertaking them. In breaking down the functions into discrete components, the typology employed was along the lines of that now generally considered to reflect international good practice.

Appendix A: Overview of the Livestock & Dairy Development Department

Summary of the Livestock and Dairy Development Department

1. The Department was created in 1972, after being separated from the Department of Agriculture. The Department defines its mission as follows: *“To support livestock development in a policy environment that enables farmers to realize the dividends of livestock farming by smartly deploying public investments & inducing private capital / initiative in the sector for poverty alleviation, food security & generation of exportable surpluses.”*

2. Organogram



3. Relationships:

- *With federal government:* None.
- *With local government:* A major part of the department is devolved ie. Extension services and services provided through veterinary hospitals, clinics and artificial insemination centres.
- *With other provincial government departments:*None.

4. Functions under the rules of business

Current Rules of Business	
1a.	Development of Livestock Farms and Semen Production
1b.	Deleted
1c.	Development of Poultry Farms
1d.	Deleted
1e.	Veterinary Training
1f.	Policy Matters Regarding Cruelty to Animals
2.	Diagnosis of Animal Diseases
3.	Production of Biologicals
4.	Research in various Disciplines of Livestock Production and Health

5. Scope of department:

Staff	No of Sanctioned Posts	Actual Staffing
	No authenticated data available (roughly around 9000)	Not available

Budget (2008/09)	Recurrent (PKR millions)	Development (PKR millions)
	1222.80	831.15

Appendix B: Functional Review Matrix for the Livestock & Dairy Development Department

No.	FUNCTION (Policy Outcome)	Activity	Type	Organizational Responsibility	Output(s)	Customer(s)	Comments/Details
1	RESEARCH (Up-to-date information/research for better livestock sector management)	Undertaking research (Objective: Up-to-date information/advisory on livestock production and health; breed preservation; and nutrition)	Support	DG Research Director (VRI) Director (PRI) Director (LPRI) Addl. Director (Foot & Mouth) DG Extension Director (BLPRI) Director (Livestock Farms) Director (Breed Improvement) Director (RCCSC) Chief Research Officer	Animals for breed improvement; Research Bulletins/Reports; Semen for Semen Production Unit	External (Livestock farmers) for breed improvement animals and research reports/bulletins Internal (Extension) for Livestock research reports/bulletins Internal (Semen Production Units) for Semen	See answers to 20 questions in following tables.
		Livestock and poultry farm management (Objective: Availability of in-house infrastructure for research)					
2	ANIMAL HEALTH (Disease prevention and responsive curative services available to livestock farmers)	Vaccine Production and Distribution (Objective: Disease prevention)	Service Delivery	DG Research Director (VRI)	Vaccines	Internal (Animal Health staff)	ditto
		Service Provision through Dispensaries,		DG Extension Director (Animal Health)	Curative & Preventive Services	External (Livestock animals; small	

		<p>Clinics and Hospitals (Objective: Provision of curative services)</p>			Provision (Incl. AI)	and large ruminants)	
		<p>Management of Diagnostic Laboratories (Objective: Disease Diagnosis and Surveillance)</p>		<p>DG Extension Director (ADR&S)</p>	Diagnostic Services Provision	Internal (Animal Health staff) External (Livestock farmers)	
		<p>Development and Distribution of Quarterly Disease Surveillance Report (Objective: Disease Surveillance and Reporting)</p>		<p>DG Extension Director (ADR&S)</p>	Disease surveillance report	Internal and external (Staff and Other Stakeholders)	
3	<p>ANIMAL PRODUCTIVITY (Enhance animal productivity)</p>	<p>Managing Semen Production Units (Objective: Breed improvement through artificial insemination)</p>	Service Delivery	<p>DG Extension Director (Breed Improvement)</p>	Semen straws	Internal (Animal Health Staff for AI)	
		<p>Managing feed mills for providing feed (Objective: better nutrition)</p>		<p>DG RESEARCH Director (LPRI)</p> <p>DG Extension Director (BRI) Director</p>	Wanda (Animal Feed)	External (Distributors and retailers)	

				(BPLRI) Director (Livestock Farms)			
		Extension Services Provision (Objective: Better animal husbandry practices)		DG Extension	Extension Service Provision through Field Visits	External (Livestock Farmers)	
		Running Farmer Helpline (Call Centre) and Awareness Campaigns (Objective: Farmer facilitation and awareness)		DG Extension (Directorate of Communication and Extension)	Service through Call Centre Brochures, advertisements, etc.	External (Livestock farmers)	
4	POLICY, PLANNING & MANAGEMENT (Responsive formulation and implementation)	Policy Formulation (Objective: Providing strategic direction for state interventions for sector improvement)	Policy/Coordination	Deputy Secretary (Planning) Director (P&E)	Unclear (A sector plan exists, which has been developed through donor support, but no regular process exists to update it periodically)	Internal and external (Staff and Other Stakeholders)	
		Preparation of ADP/MTDF and Development of PC-Is (Objective: Annual planning exercise and project		Deputy Secretary (Planning) Director (P&E)	Input for ADP/MTDF Book	External (P&DD)	

		development)					
		Budget Preparation (incl. Supplementary Grants & Re-appropriations) (Objective: Seeking funds for non-development expenditure and SNE)		Deputy Secretary (Planning)	Draft Annual Budget	External (FD)	
		HRM (Objective: Management of human resource for effective and efficient policy implementation)		Deputy Secretary (Administration) Respective DGs	Notifications, etc.	Internal (Staff)	
		Development Project Implementation & Monitoring (Objective: Undertaking development projects to support various policy outcomes)		Respective Directorates	Expenditure Reviews	Internal (Respective Directorates)	
		Providing Input for Necessary Legislation (Objective: Developing an enabling legal regime, ensuring		Deputy Secretary (Technical)	Draft Legislation	Law Department and ultimately Provincial legislature for statutory enactments	

		quality products provision to public)				Chief Minister for Sub-statutory regulations	
5	EDUCATION (Availability of trained/qualified workforce for better livestock management)	Management of Veterinary Training Institutes (Objective: Availability of qualified para vet staff)	Support	DG Extension	Education Services (2-Year Diploma)	Students (Under training veterinary assistants)	
		Funds provision and governance (and other) linkages with UVAS (Objective: Availability of quality veterinarians)		Deputy Secretary (Administration)	Support (Funds, etc.) for Education Services	External (UVAS)	
		In-Service Training of Technical Staff (Objective: Staff Development)		DG Extension Director (LSTC)	In-service training courses	Internal (Staff)	

Appendix C: Completed Functional Review Questionnaires

Activity/Function: Undertake Research		
Key Question	Response	Comments/Details
What type of function is it?	Support	
1. Is the function required to protect public (safety, economic, social)	Yes	
2. Is there a demand for the function?	Yes	There is no attraction for the public sector to invest, therefore, government has to perform this function
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	Possibly	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	A market price for research work could be established through competition – e.g. between universities or research institutes
9. Can the function be transferred to another body?	Possibly	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	Yes	Reduce scale of function (A body like Punjab Agriculture Research Board can be constituted, which could outsource Research either to Higher Education Institutes (or Universities) or even to the private sector. However, oversight / supervision and contracting of the function has to be retained in one form or other
11. Can the function be merged with another to provide economies of scale?	No	Universities may possibly have complementary research facilities.
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	No	Universities or research institutes could price this as a service to the Department

15. Are the public willing to pay?	Probably not	
16. Can charges cover costs?	No	Consideration of alternative service provision could possibly lead to greater cost effectiveness / value for money
17. Can subsidy be granted?	Maybe	It may be necessary to stimulate a 'market' for such research activity but universities / institutes should be looking for revenue generating opportunities.
18. Is it profit oriented?	Not for Government	Price could contribute to overhead recovery and possibly 'profitability' for service providers
19. Can the function be delegated from the central Department?	Possibly	Central Ministry oversight required but could possibly be managed through contracting relationships

Activity/Function: Livestock Poultry and Farm Management		
Key Question	Response	Comments/Details
What type of function is it?	Support	These are essentially research farms so the Department's role is to manage this as support for the private sector.
1. Is the function required to protect public (safety, economic, social)	Yes	Protection of public and animal health considerations.
2. Is there a demand for the function?	Yes	It is difficult to assess. All these farms are supporting research. If current insitutional arrangement for research is going to continue, then maybe, we can say that there is a demand.
3. Does the function support the Department's strategic objectives?	Yes	The department feels that it is highly required and essential activity. However, there is a sound argument for it to be privatised and / or discontinued as a 'public good'. The recommendation would then be to conduct an in depth cost-benefit analysis of the function and options.
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	Probably not for the service per se.	Other than through the market price of meat.
6. Are there possible suppliers or could they be created?	Yes	

7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	Possibly	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	Yes	Possibly reduce scale of function based on cost-benefit analysis study
11. Can the function be merged with another to provide economies of scale?	Yes	Rationalize function
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	Possibly	Perhaps not directly
15. Are the public willing to pay?	Yes	If the service is part of a commercial service with an end-user price
16. Can charges cover costs?	Yes	Possible self financing state enterprise (option to emerge from CBA)
17. Can subsidy be granted?	Yes	This may prove necessary
18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	Yes	

Activity/Function: Vaccine production		
Key Question	Response	Comments/Details
What type of function is it?	Service Delivery	
1. Is the function required to protect public (safety, economic, social)?	Yes	
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes at present	The Department wishes to major on disease prevention but believes that the private sector should be the producer.
4. Is the function required by national, international law or constitution?	No	It seems that this should be subject to legislation / regulations of some kind. Needs further study.
5. Are the public willing to pay for the services?	Yes	
6. Are there possible suppliers or could they be created?	Yes	
7. Would an unacceptable monopoly situation exist?	No	

8. Would the price or quality of the function need to be regulated?	Possibly	Or perhaps initially subsidised
9. Can the function be transferred to another body?	Yes	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	Yes in terms of public sector involvement	
11. Can the function be merged with another to provide economies of scale?	Possibly	
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	Yes	
15. Are the public willing to pay?	Yes	
16. Can charges cover costs?	Possibly	May need consideration of initial subsidies
17. Can subsidy be granted?	Possibly	If cost were to be less than current cost of provision
18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	Possibly	May need to be regulated / overseen / supervised

Activity/Function: Service Provision through Dispensaries, Clinics and Hospitals		
Key Question	Response	Comments/Details
What type of function is it?	Service Delivery	
1. Is the function required to protect public (safety, economic, social)	Yes	
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	No	This is based on the discussion with Secretary Livestock. He is of the opinion that it is commercial function and should be delivered on a commercial basis.
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	Yes	
6. Are there possible suppliers or could they be created?	Yes	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the	No	Possible Public-Private Participation

function need to be regulated?		opportunity that would establish market price through competition
9. Can the function be transferred to another body?	Yes	PPP option
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	But can be as a public service
11. Can the function be merged with another to provide economies of scale?	Possibly	
12. Can the function be decentralised to improve effectiveness?	Yes	Already distributed geographically
13. Would it be cost effective to decentralise?	Yes	
14. Can the function be charged for without inequality of service?	Yes	
15. Are the public willing to pay?	Yes	
16. Can charges cover costs?	Yes	Initial subsidies may be necessary
17. Can subsidy be granted?	Yes	Ditto
18. Is it profit oriented?	Possibly eventually	For PPP enterprise
19. Can the function be delegated from the central Department?	Yes	

Activity/Function: Management of Diagnostic Laboratories		
Key Question	Response	Comments/Details
What type of function is it?	Service Delivery	
1. Is the function required to protect public (safety, economic, social)	Yes	
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	At present Yes	This is based on the strategic direction given for the department by the Secretary Livestock. Such changes to the strategic objectives of the Department will need to be formalised and incorporated into a new Medium Term Strategic Plan which should in itself constitute an important AFI for the Department.
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	Yes	
6. Are there possible suppliers or could they be created?	Yes	
7. Would an unacceptable monopoly situation exist?	No	

8. Would the price or quality of the function need to be regulated?	Perhaps	Regulated PPP arrangement perhaps with subsidised or regulated prices initially until market forces establish prices based on competition.
9. Can the function be transferred to another body?	Yes	Possible PPP opportunity or outright privatization
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	But volume of involvement of Central Department staff could be reduced to PPP contracting and oversight function.
11. Can the function be merged with another to provide economies of scale?	Probably not	
12. Can the function be decentralised to improve effectiveness?	Yes	Already geographically distributed
13. Would it be cost effective to decentralise?	Yes	
14. Can the function be charged for without inequality of service?	Yes	
15. Are the public willing to pay?	Yes	
16. Can charges cover costs?	Yes	Eventually – may require initial subsidies to stimulate market
17. Can subsidy be granted?	Yes	
18. Is it profit oriented?	Not at present	Department could benefit from PPP arrangement initially saving money and later possibly generating revenues.
19. Can the function be delegated from the central Department?	Yes	

Activity/Function: Development and Distribution of Quarterly Disease Surveillance Report		
Key Question	Response	Comments/Details
What type of function is it?	Service Delivery	
1. Is the function required to protect public (safety, economic, social)	Yes	
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	Just Departmental Mandate	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	Possibly	If data provided, production could possibly be outsourced
7. Would an unacceptable monopoly	No	

situation exist?		
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	Responsibility cannot be transferred	Responsibility for production is a public good but actual production could possibly be outsourced.
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	No	
15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	Yes	If printing outsourced
18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	No	Production perhaps

Activity/Function: Managing Semen Production Unit		
Key Question	Response	Comments/Details
What type of function is it?	Service Delivery	
1. Is the function required to protect public (safety, economic, social)	Yes	
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	Yes	Through market price for AI.
6. Are there possible suppliers or could they be created?	Possibly	Possible PPP opportunity
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	Possibly	Government involvement in PPP could ensure this.
9. Can the function be transferred to another body?	Possibly	Ditto

10. Can the function be reduced in terms of quality or volume with acceptable risk?	Yes	Reduce the scale of function as a pure public service and consider PPP option
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	Yes	
15. Are the public willing to pay?	Yes	
16. Can charges cover costs?	Yes	Self Financing State Enterprise or PPP opportunity
17. Can subsidy be granted?	Possibly	Should not be necessary
18. Is it profit oriented?	Not at present	Could possibly eventually generate revenues as a PPP opportunity
19. Can the function be delegated from the central Department?	Yes	

Activity/Function: Managing Feed Mills		
Key Question	Response	Comments/Details
What type of function is it?	Service Delivery	
1. Is the function required to protect public (safety, economic, social)	Yes	
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	At present Yes	This is based on the strategic direction given for the department by the Secretary Livestock. Such changes to the strategic objectives of the Department will need to be formalised and incorporated into a new Medium Term Strategic Plan which should in itself constitute an important AFI for the Department.
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	Yes	
6. Are there possible suppliers or could they be created?	Yes	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	Perhaps	Regulated PPP arrangement perhaps with

		subsidised or regulated prices initially until market forces establish prices based on competition.
9. Can the function be transferred to another body?	Yes	Possible PPP opportunity or outright privatization
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	But volume of involvement of Central Department staff could be reduced to PPP contracting and oversight function.
11. Can the function be merged with another to provide economies of scale?	Probably not	
12. Can the function be decentralised to improve effectiveness?	Yes	Already geographically distributed
13. Would it be cost effective to decentralise?	Yes	
14. Can the function be charged for without inequality of service?	Yes	
15. Are the public willing to pay?	Yes	
16. Can charges cover costs?	Yes	Eventually – may require initial subsidies to stimulate market
17. Can subsidy be granted?	Yes	
18. Is it profit oriented?	Not at present	Department could benefit from PPP arrangement initially saving money and later possibly generating revenues.
19. Can the function be delegated from the central Department?	Yes	

Activity/Function: Extension services Provision (Preventive)		
Key Question	Response	Comments/Details
What type of function is it?	Service Delivery	
1. Is the function required to protect public (safety, economic, social)?	Yes	
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	No	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	

9. Can the function be transferred to another body?	No	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	Yes	Possibly rationalise the scope (it can be merged with all the other functions related to preventive health of animals)
12. Can the function be decentralised to improve effectiveness?	Yes	
13. Would it be cost effective to decentralise?	Yes	Already decentralised to District Governments
14. Can the function be charged for without inequality of service?	No	
15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	No	
18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	Yes	Already delegated

Activity/Function: Running Farmers Helpline and Awareness Campaigns		
Key Question	Response	Comments/Details
What type of function is it?	Service Delivery	
1. Is the function required to protect public (safety, economic, social)	No	Greater awareness results in greater public safety
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	Possibly	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	Possibly	Possible option to contract out if cost-effective but unlikely.
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	

11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	No	
15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	No	
18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	No	Core Departmental function

Activity/Function: Policy Formulation		
Key Question	Response	Comments/Details
What type of function is it?	Policy/ Coordination	
1. Is the function required to protect public (safety, economic, social)	Yes	Policy should reflect need for public safety, economic growth etc.
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No but required by Departmental Mandate	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	No	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	No	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	No	

13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	No	
15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	No	
18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	No	Core Central Departmental function

Activity/Function: Preparation of ADP/MTDF and Development of PC-1s		
Key Question	Response	Comments/Details
What type of function is it?	Policy/ Coordination	
1. Is the function required to protect public (safety, economic, social)	Yes	Programmes and Frameworks should reflect need for public safety, economic growth etc.
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No but required by Departmental Mandate	Ensure captured in Strategic Plan
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	No	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	No	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	No	

15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	No	
18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	No	Core Central Departmental function

Activity/Function: Budget Preparation (incl. Supplementary Grants & Re-appropriations)		
Key Question	Response	Comments/Details
What type of function is it?	Policy/ Coordination	
1. Is the function required to protect public (safety, economic, social)	Yes	Budget allocations should reflect need for public safety, economic growth etc.
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No but required by Departmental Mandate	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	No	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	No	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	No	
15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	No	
18. Is it profit oriented?	No	

19. Can the function be delegated from the central Department?	No	Core Central Departmental function
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Activity/Function: Human Resource Management (Incl. postings, transfers, appraisals, promotions, disciplinary proceedings, etc.)		
Key Question	Response	Comments/Details
What type of function is it?	Policy/ Coordination	
1. Is the function required to protect public (safety, economic, social)	Yes	HRM policy, strategy and plans should reflect need for public safety, economic growth etc. Departments do not currently have a professional HR function or HRMIS.
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No but required by Departmental Mandate	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	No	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	No	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	Yes	Already decentralised to an extent although no professional HR capacity / institutionalised arrangements exist at either level.
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	No	
15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	No	
18. Is it profit oriented?	No	

19. Can the function be delegated from the central Department?	No	HR Planning and certain activities must remain a central function / core Central Departmental function but Management in general needs increasingly to take greater responsibility for HR issues and HR Development.
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Activity/Function: Development Project Implementation & Monitoring		
Key Question	Response	Comments/Details
What type of function is it?	Policy/ Coordination	
1. Is the function required to protect public (safety, economic, social)	Yes	Implementation and M&E should reflect need for public safety, economic growth etc.
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No but required by Departmental Mandate	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	No	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	No	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	Yes to extent appropriate	
13. Would it be cost effective to decentralise?	No	Each level should have M&E responsibilities, competencies and systems.
14. Can the function be charged for without inequality of service?	No	
15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	No	

18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	No	Core Central Departmental function with delegated / devolved responsibilities

Activity/Function: Providing Input for Necessary Legislation		
Key Question	Response	Comments/Details
What type of function is it?	Policy/ Coordination	
1. Is the function required to protect public (safety, economic, social)	Yes	Legislation should reflect need for public safety, economic growth etc.
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No but required by Departmental Mandate	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	No	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	No	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	No	
15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	No	
18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	No	Core Central Departmental function

Activity/Function: Management of Veterinary Training Institutes		
Key Question	Response	Comments/Details
What type of function is it?	Support	
1. Is the function required to protect public (safety, economic, social)	Yes	
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	Yes	Possible PPP opportunity
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	Possibly	Initial or even permanent subsidy may be appropriate
9. Can the function be transferred to another body?	Yes	PPP opportunity or option for outsourcing to universities perhaps with subsidies.
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	Possibly	If regional PPP options available
13. Would it be cost effective to decentralise?	Possibly	
14. Can the function be charged for without inequality of service?	Yes	At present not but possibly in future.
15. Are the public willing to pay?	Yes	Subsidies may be required
16. Can charges cover costs?	No	Ditto
17. Can subsidy be granted?	Yes	
18. Is it profit oriented?	Not for Government	Non-Profit State Institution or PPP opportunity to reduce Government costs.
19. Can the function be delegated from the central Department?	Yes	

Activity/Function: Funds provision and governance (and other) linkages with UVAS		
Key Question	Response	Comments/Details
What type of function is it?	Support / coordination	

1. Is the function required to protect public (safety, economic, social)	Yes	
2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	Not sufficient degree	
6. Are there possible suppliers or could they be created?	Possibly	Other universities may be interested in provision of this service. Possibility for cost-benefit analysis study.
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	Possibly	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	
11. Can the function be merged with another to provide economies of scale?	Possibly	
12. Can the function be decentralised to improve effectiveness?	No	
13. Would it be cost effective to decentralise?	No	
14. Can the function be charged for without inequality of service?	Yes	
15. Are the public willing to pay?	Yes	May need subsidies.
16. Can charges cover costs?	No	Ditto
17. Can subsidy be granted?	Yes	Ditto
18. Is it profit oriented?	No	Non-Profit State Institution or outsourced service
19. Can the function be delegated from the central Department?	Possibly	Would need 'eyes on but hands off' oversight.

Activity/Function: In-Service Training of Technical Staff		
Key Question	Response	Comments/Details
What type of function is it?	Support	
1. Is the function required to protect public (safety, economic, social)	Yes	

2. Is there a demand for the function?	Yes	
3. Does the function support the Department's strategic objectives?	Yes	
4. Is the function required by national, international law or constitution?	No	
5. Are the public willing to pay for the services?	No	
6. Are there possible suppliers or could they be created?	Possibly	
7. Would an unacceptable monopoly situation exist?	No	
8. Would the price or quality of the function need to be regulated?	No	
9. Can the function be transferred to another body?	Possibly	
10. Can the function be reduced in terms of quality or volume with acceptable risk?	No	But outsourcing possible
11. Can the function be merged with another to provide economies of scale?	No	
12. Can the function be decentralised to improve effectiveness?	Possibly	
13. Would it be cost effective to decentralise?	Possibly	
14. Can the function be charged for without inequality of service?	No	
15. Are the public willing to pay?	No	
16. Can charges cover costs?	No	
17. Can subsidy be granted?	Yes	Essential
18. Is it profit oriented?	No	
19. Can the function be delegated from the central Department?	No	Central Ministry function but partnerships / outsourcing may be cost-effective. CBA required.

Appendix D: Methodological Details

Methodological Details

The reviews took into account the classification of functions that had been used previously in the whole of Government High Level Government Review (HLGR). This was necessarily a 'horizontal' review, the main purpose of which was to ascertain the optimum number, role and functions of Departments and other Government bodies. The functional reviews conducted in the two Departments were 'vertical' reviews that attempted to drill down to identify, confirm and consider the effectiveness and efficiency of functions, but also necessarily of a range of activities that together constitute these functions. Whilst arriving at conclusions and making recommendations concerning the most appropriate 'destiny' of functions, the reviews also considered the effectiveness and efficiency of the main management systems and processes to the extent possible in the limited timescale. This was with a view to the Programme eventually providing implementation support not only for any necessary (and agreed) restructuring, but also for strengthening, for capacity development, for improvement of core systems and processes (such as those for HRM), and for the process of change management itself.

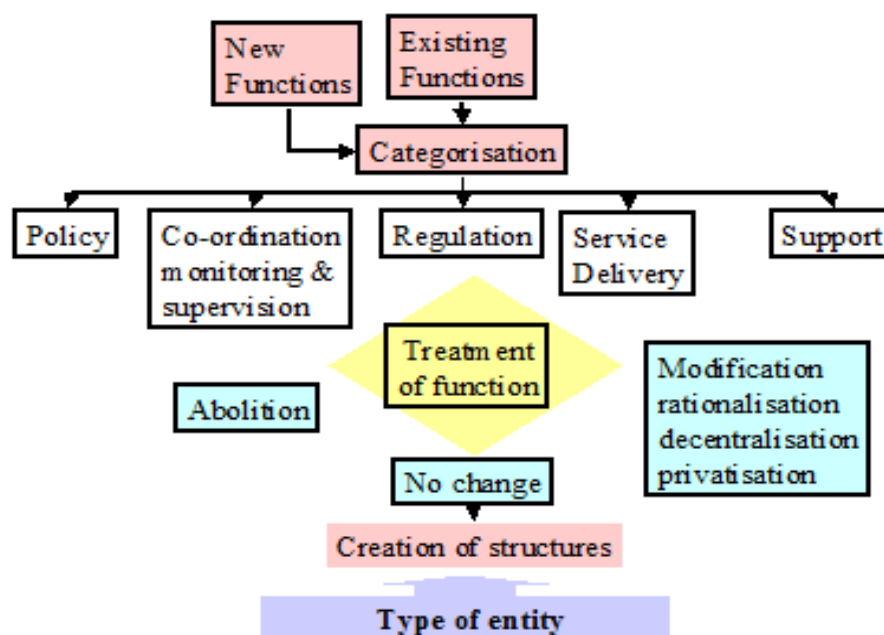
The Functional Reviews should thus be considered to be Functional *and Management* Reviews because, given that the Terms of Reference cater and provide expertise for HR (planning, management and development), Business Process Re-engineering (and improvement), legal considerations, change management and communications, we have considered existing management systems and key processes as well as structure and a broader classification of the functions of the Departments. In this context, we have also reviewed the recommendations of previous reports – most notably the High Level Government Review (HLGR) and the GHK Report on Fiscal & Financial reforms (in the case of E&TD in particular).

The output of this work was initially a set of 'emerging findings' which were presented to senior management of both Departments in order to allow the opportunity for validation of the factual correctness of the analysis. These consultation meetings also provided the opportunity for both Departments to consider the emerging findings and to offer initial endorsement or to question conclusions as the case may be. The intention was to point the way to new and more efficient structures that remove duplications, anomalies and out-dated arrangements. The reviews also form the basis and provide the rationale for further work and recommendations concerning the strengthening of core functions that should and will be retained centrally by the Departments in the areas of HRM, BPR and any changes that may be needed in the legislative frameworks.

Through a combination of desk work (studying previous reviews and reports), structured one-to-one interviews with managers, and international understanding of 'best practice', the consultants classified functions according to the following criteria:

- **Policy functions:** such as strategic planning, legal drafting, development of performance contracts, minimum standards, norms, policy analysis and evaluation, forecasting,
- **Regulatory functions:** such as licensing, certification, permissions, accreditation, compliance, and financial audit,
- **Revenue generating functions:** these are usually carried out by agencies such as Revenue Authorities, and institutions such as a national post office,
- **Executive functions:** such as planning for service delivery and executing service delivery (providing materials and facilities; constructing and maintaining; managing national funds),
- **Co-ordination functions:** such as co-ordinating relationships between bodies involved in policy making or service delivery,
- **Supervisory functions:** such as monitoring the performance of subsidiary bodies and private or NGO service providers.
- **Support functions:** such as financial, human resource and information management, infrastructure, staff training and secretarial services

Having applied this classification, we then considered how each function should be treated as shown in the following diagram:

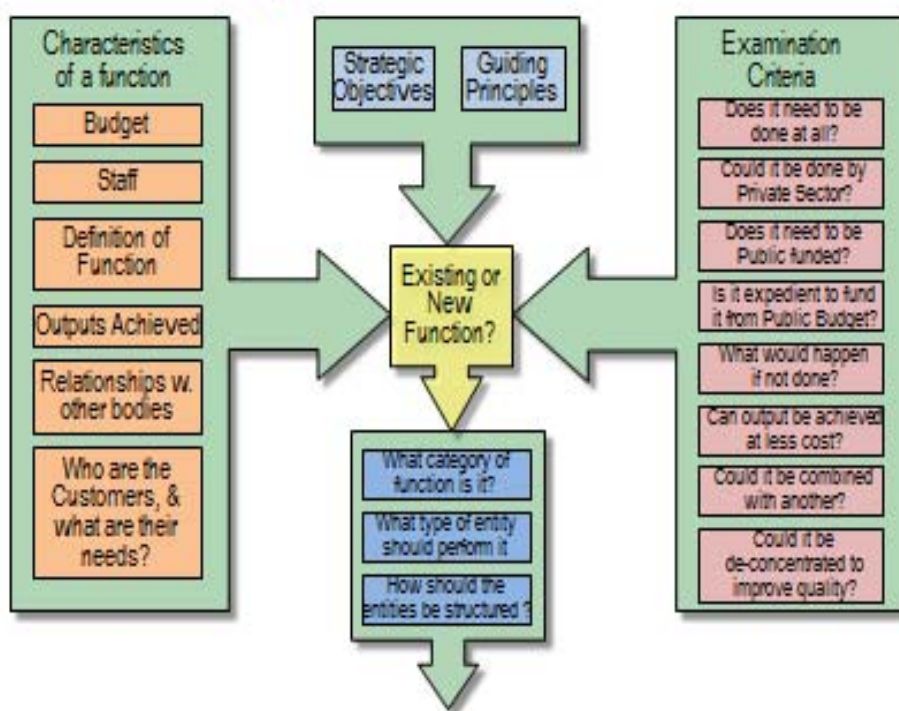


Guiding principles for organising (re-organising) functions are as follows:

- Group functions of the same type together for economies of scale and maximise synergies,
- Separate policy and executive (service delivery) functions,
- Ensure that policy functions are performed by the central Department,
- Executive functions by Department or by lower levels of government,
- Separate regulatory functions from executive functions to prevent conflicts of interest and corruption,
- Separate support functions (such as financial management, ICT, HRM&D) from all other functions that enable the core functions of the ministry to be performed; and
- Provide equal responsibility for DGs / Directors, in terms of spans of control and volume of workload.

The following Framework summarises the decision making process for the analysis:

Functional Analysis Framework



Decision-making criteria for the appropriate 'destiny' of functions are as follows:

- **Identification of outputs**, 'customers' for these, and any key performance indicators (KPIs if in place) for each Directorate General or Directorate;
- **Identification of current structure** of Directorates General or Directorates in each Department or subordinate body;
- **Identification of existing and new functions (if required)** of each Directorate General or Directorate, and the categorisation by function type;
- **Analysis of appropriateness of functions** to avoid duplication or conflict;
- **Recommended 'destiny'** (possibly no change) for an existing or any required new function.

This then enables decisions to be made concerning a function as follows; it may be:

- **Abolished** because it is not required to protect public interests, or there is no demand for them from the public;
- **Transferred** to other Departments because there are greater synergies with other sectors;
- **Reduced** in quality or volume because they are not a priority function relative to the goals of the Department;
- **Rationalised or merged** with other similar types of function to realise economies
- **Decentralised / Devolved** to lower levels of government;
- **Privatised** by tender to the market for service provision,

- **Incorporated into self-financing national enterprises** (e.g. a nationalised Production Company);
- **Undertaken by the core Department;** (in effect probably no change),
- **Devolved to independent bodies** – e.g. Commissions;
- **Delegated** to supervised bodies;
- **Delegated** to Executive Agencies (at arms' length - 'Eyes on but Hands off')

Objectives

The objectives of this functional and management review were therefore to:

- **review the organisation and operations** of Pilot Departments & subordinate organisations, their mandated and actual functions, structures and resources;
- **identify areas for improvement and strengthening** (perhaps cost savings; perhaps greater efficiency; perhaps better service delivery);
- **recommend any re-organisation** of structures, systems or processes in line with best practice;
- **feed into an Implementation Plan** to improve effectiveness and efficiency as part of the PGEIP (PRMP) framework of reform initiatives.

Scope

The scope of the review was to seek answers (through one-to-one interviews or secondary sources) to the following questions:

- Are structure and functions aligned with policy, regulations and Departmental mandate?
- Do mandates, mission and responsibilities match the broader legislative, policy and strategy framework?
- Do organisational structures match planned objectives and are they separated appropriately?
- Are there medium-term (3-5 years) strategic plans, and annual operational plans that align with credible budgets?
- Are there M&E system for results and performance?
- Are there effective communications and relationships between Federal Government, Provinces, Districts or municipalities?
- Is there efficient management of resources?
- Is there effective management for continuous improvement and implementation of Public Sector Reforms?

In many cases, of course, and particularly where it was considered appropriate for functions to continue to be seen as core functions of the central Department (in effect with no recommended structure change), it was still possible to identify a range of ways in which their constituent processes and activities can be strengthened or improved through the auspices of the PGEIP over the next 18 months. It is envisaged that this will apply to the following:

- Relations between Federal Govt., Provinces and Districts *will be addressed in the Communications Strategy,*
- Vertical integration of key processes and opportunities for streamlining *will be addressed through the BPR/BPI component and the Change Management strategy,*
- Optimal staffing, recruitment, postings, retirement processes, performance management, and organisation (in terms of spans of control, delegation etc.) *will all be addressed through the*
- Knowledge management (and ways to build institutional memory) *will be addressed through the Change Management and Communications Strategies,*
- Financial management – budgeting, expenditure control, alignment of plans with budgets *will be addressed through the MTBF component of the programme,*

- Change management and its implications for implementation of all other proposed reforms and changes *will be addressed through the Change Management and Communications Strategies,*
- Dialogue with DPs (Donors & Programmes) *will be addressed through the Communications Strategy.*

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