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1 EXECUTIVE SUMMARY

This report is a part of the study of the Punjab Resource Management Program (PRMP) under the Resource Management Component of the Technical Assistance Loan 2031-Pak Islamic Republic of Pakistan from the Asian Development Bank under PRMP.

A. F. Ferguson & Co. (hereinafter referred to as 'AFF') has been engaged to carry out studies under "Contract Package 7 PSO Reform (including preparation for Privatization, Liquidation & Corporate Restructuring) in respect of various Government owned departments inter-alia including the Government Printing Press (hereinafter referred to as 'GPP').

1.1 Objectives and scope of work

GPP is an attached department of the Industries Department, Government of the Punjab. Its main purpose is to provide printing services to various departments of the Government of the Punjab. The objective of the study was to carry out an in-depth analysis of operations of the GPP, evaluation of its necessity and recommendation of alternatives or reforms for revamping of the GPP to make it more efficient and productive as discussed in the Mid Term Report. The study encompassed the assessment of financial and operational efficiency with the view of recommendation of the future course that could either be liquidation/privatization or restructuring as a public sector entity as discussed in this report.

The findings and its evaluations discussed in this report are based on the interviews of and meetings with different personnel associated with GPP at different management levels. Further, these findings and recommendations are based on analyses carried out and reported in the Mid Term Report (MTR) and Draft Final Report (DFR).

1.2 Results of the study

The results of the study discussed hereunder are based on AFF's understanding about the key considerations behind formation of GPP, the evaluation of these considerations and their relevance in the current scenario. It is AFF's understanding that the primary considerations behind formation of GPP, could be summarized as under:

i) to make available to the Government of Punjab a printing facility that could meet the printing requirements of the Government in a cost efficient manner;
ii) to make available to the Government of Punjab a printing facility that could cater for the voluminous printing requirements of the Government and that too on a timely basis; and
iii) to make available to the Government of Punjab a printing facility for undertaking 'secret' printing notwithstanding the cost considerations.

1.2.1 Cost efficiency

The financial information relating to GPP, made available to AFF, does not enable AFF to determine the aspect of cost efficiency, despite repeated efforts to obtain reliable and complete information. This is not a disputed position. In view of the fact that GPP is solely carrying out printing activities for the other departments of the Government of Punjab, in order to determine as to whether GPP is resulting into any cost saving to the Government, there is a need to draw a comparison between its costs of carrying out printing activities and the prices charged by private printing presses. Notwithstanding the lack of availability of adequate and reliable information relating to costs of GPP, AFF's informal market enquiries revealed that private presses were willing to offer better commercial terms.

Notwithstanding the aspect of cost efficiency, the Controller GPP in response to AFF's view, discussed certain financial information in his written comments explaining that GPP was a profitable organization. In the context of analyzing the accuracy of the aforesaid financial information vis-à-vis the 'profit' reflected therein, the Controller was requested to clarify as to whether all direct and indirect costs had been accounted for in the abovementioned financial information. After having discussed the relevant key factors, the Controller agreed that:

(i) GPP remained in a 'net loss' in all the years from 2001 to 2007; and
(ii) GPP would be in a loss situation even in the current financial year.

In brief, the Controller agreed with AFF that GPP had not been able to generate any income in the past, however, he was of the view that if GPP was allocated more work together with necessary BMR, the department would most likely generate profits. This position, however, is not substantiated through any evidence.

Notwithstanding the aforesaid stance of the Controller, it needs to be appreciated that GPP was not originally formed for this objective and hence this consideration need not be further addressed.

1.2.2 Capacity to cater to volumes

AFF understands that one of the key considerations behind formation of GPP was lack of appropriate alternatives at the time of its formation and as such the Government had to manage its printing requirements on its own. Contrary to this historic background, there currently are significant number of private presses which not only are handling a considerable portion of the Government's current printing requirements but are also willing to undertake further Government's business.

Approximately 75% of the total printing requirements of the Government of Punjab are not being undertaken through GPP for one reason or the other, which strengthens the view that a government owned facility is not essentially required in the current environment provided there are no other specific and relevant considerations.

In continuity of the above, further meetings were held with the customer/user departments of GPP. The Punjab Education Commission (PEC) being one such department

commented that printing of examination papers of class fifth and eighth was so voluminous that any press including GPP could not handle it solely.

In view of the facts and representations mentioned above, AFF considers that there exists adequate capability in the private sector to handle Government's printing work, particularly in view of the fact that even currently private presses are successfully carrying out various printing works of the Government. Consequently, based on this ground, sustenance of GPP is not considered to be relevant.

1.2.3 Capacity to cater to 'secrecy'

The most important consideration behind formation of GPP was to form an entity that could undertake the Government's confidential and secret printing requirements, notwithstanding any other consideration, including the cost and time efficiency.

AFF's analysis has revealed that in various cases, printing work relating to categorized 'secret' material was assigned to private sector enterprises through issuance of 'NOCs'. This position attains all the more relevance in the context of considering the option of retaining the government owned press or otherwise. In the event, it is considered that the activity of printing of secret documents is no longer a 'secret' task, then broadly speaking, this consideration also does not remain relevant for continuing with a government owned press.

In continuity of the above, discussions were held with the user departments of GPP that required the abovementioned secret printing work. Finance Department (FD) was of the view that the White Paper on the Annual Budget of the Punjab Government which contained the summary of the budget was printed outside GPP through a private printing press for the last many years as GPP did not have the resources to print the White Paper and hence, it was concluded that since the White Paper on the Annual Budget of the Punjab Government which contained the summary of the budget had been printed outside GPP through a private printing press for the last many years and since secrecy had always been appropriately managed, FD has no issues with getting the work done through private printing presses and as such their objectives had been accomplished appropriately.

Similarly, Punjab Education Commission while clarifying the role and status of GPP, stated that printing of examination papers of class fifth and eighth was so voluminous that any press including GPP could not handle it solely. PEC was further of the view that entrusting the task of printing of exam papers to GPP (either to be carried out itself or through subletting), effectively results into sharing of responsibility for ensuring secrecy by GPP (being a government department) with PEC. On the other hand, in case, PEC engages private presses on its own for printing of exam papers, then the responsibility for ensuring secrecy of exam papers wholly and solely lies with PEC.

It is thus implied that PEC prefers GPP due to sharing of responsibility rather than any specific capability including printing facility and secrecy.

Likewise, a discussion was held with the Punjab Public Service Commission (PPSC). It was discussed that GPP officials considered the printing of answer sheets for examinations of PPSC to be a 'secret' work. However, PPSC clearly negated this view and stated that there

was nothing secret in the printing of answer sheets of PPSC. Furthermore, PPSC was of the view that no secret printing work was done by GPP for PPSC.

Based on the feedback of the user departments and the practice followed in the past, it is AFF's impression that GPP is not viewed by the departments as a sole organization capable of handling 'secret' work. Consequently, secrecy does not seem to be reason for sustaining GPP.

1.3 Way forward

Pursuant to the meetings held with the user departments and officials of GPP subsequent to the issuance of the DFR, it is AFF's view that the key considerations of cost benefit, volume and secrecy, based on which GPP was formed are not relevant anymore. GPP's economic survival is dependant upon provision of BMR (albeit not substantiated by GPP officials), which in AFF's view, need not be carried out based on facts mentioned above. Consequently, continuation of GPP in its present or a restructured form is not recommended. The way forward is:

1. Based on analysis and findings discussed above, it is recommended that the Government should draw a strategy for an exit, which could be either a sale of entity after having been corporatized, possibly through an enactment or a sale of assets to a potential buyer.

2. There is a need to document and notify the procedures, inter-alia including control over movements, which have been practically followed in the past while successfully getting secret work done through private presses. Our review of those processes suggests that these are in line with best practices.

2 INTRODUCTION

2.1 Background

The Government Printing Press (hereinafter referred to as the 'GPP'), operating as an 'attached department' of the Industries Department, Government of the Punjab, was established in 1878 for the purpose of executing the printing and binding work for the Punjab Government, inter-alia including the printing, stocking, supply of standard and non-standard and other departmental forms.

Considering the performance of the GPP as below par, A. F. Ferguson & Co., Chartered Accountants, Lahore (hereinafter referred to as 'AFF') has been engaged to carry out a study for an in-depth analysis of operations of the GPP, evaluation of its necessity and recommendation of alternatives or reforms for revamping of the GPP to make it more efficient and productive. The study encompasses the assessment of financial and operational efficiency with the view of recommendation of the future course that could either be liquidation/privatization or restructuring as a public sector entity.

The study is part of the "Contract Package 7 PSO Reform" (including preparation for Privatization, Liquidation & Corporate Restructuring) under the Resource Management Component of the Technical Assistance Loan 2031-Pak Islamic Republic of Pakistan from the Asian Development Bank under the Punjab Resource Management Program (hereinafter referred to as the 'PRMP'). The aforesaid package can be segregated into two broad categories:

A. Public Sector Organization (PSO) reform

This intends to highlight the issues currently being faced by the entities and to recommend strategies for their future direction which may include course of action for privatization, liquidation, corporate restructuring or institutional development.

B. Specific studies focused on the following areas:

- Improvements in Agricultural marketing
- Redefining and strengthening the role of Industries, Commerce and Investment Department (IC&ID)
- Implementation of labour laws
- Implementation mechanisms of environmental protection regulation.

The studies for PSO reform mentioned above are intended to be carried for the selected PSOs listed below:

- Punjab Seed Corporation
- Punjab Provincial Cooperatives Bank Limited
- Punjab Small Industries Corporation
- Punjab Tourism Development Corporation
- Government Printing Press

The project was initiated in June 2006. This report covers the PSO reforms for Government Printing Press.

AFF's approach for this project has been structured into the following four stages:

Stage I : Initiate Project and Formulate Strategy (Inception Report)
Stage II : Conduct Detail Analysis (Mid Term Report)
Stage III : Develop Recommendations (Draft Final Report)
Stage IV : Implementation (Final Report)

A formal deliverable in the form of a written report becomes due at the conclusion of each stage. The Inception Report, delivered at the conclusion of the Inception stage presented our preliminary understanding of the work plan for fulfilling our terms of reference. The Mid Term Report submitted at the conclusion of the second stage sets out detailed understanding of the business process of each component of GPP's operation, brief history, current developments and an analysis of the efficiency and effectiveness of its operations.

The objective of the mid-term reporting was to provide a basis for the Government of Punjab and ADB to review problems and issues identified in the course of the project. The existing functioning of the department was studied in detail as part of the Mid Term Report to form a basis for the recommendations to be presented in the Draft Final Report.

The Draft Final Report submitted at the conclusion of the third stage of the assignment, proposed recommendations based on the analysis of the issues identified in the Mid Term Report.

Feedback received from the Government of Punjab and PRMP has been incorporated in the Final Report, where required and resolution of the comments of the various stakeholders have been given in section 6.2 of this report.

2.2 Final report plan and Terms of Reference

Following the project initiation at the end of June 2006, the project team conducted a series of fact finding interviews with relevant personnel in the Government Printing Press and Government of Punjab and reviewed policies, laws, and other relevant documents to gain an in-depth understanding of the organization. The detailed understanding about GPP inter-alia including the business processes, production facilities, human resource, applicable regulatory framework and operational analysis etc. was communicated through a 'Mid Term Report'. Following the issuance of the Mid Term Report, a series of discussions were held with the stakeholders in consequence to which AFF was also provided the comments on the Mid Term Report. The Draft Final Report incorporated AFF's findings on the agreed terms of reference vis-à-vis the reports submitted earlier and the comments of the stake holders on those reports. The Draft Final Report also proposed recommendations on the basis of the detailed understanding given in the Mid Term

Report. The Final report incorporates comments of the stakeholders on the recommendations proposed in the Draft Final Report and their resolution. The relevant portion of the agreed terms of reference for the purposes of the present report is as under:

TOR Ref.	Description
TOR-2	Evaluate the necessity or otherwise of having a government-owned enterprise for doing government printing work and in the light of the evaluation, propose future course, which could either be liquidation/privatization/or restructuring as a public sector entity.
TOR-3	Suggest options for undertaking government printing work ensuring secrecy and speed.
TOR-4	Suggest an action plan, complete with specific timelines, costing and change management procedures, for putting the recommended strategy into operation.

In other words, the purpose of the present report is to determine as to whether the Government should continue running the GPP, in the present form, or should take a decision to wind up the entity by not compromising on the objectives on the basis of which GPP was originally formed.

The later parts of this report discusses findings of AFF on the basis of the information made available to AFF, representations made to it and the comments submitted on the earlier reports.

3 CONSIDERATIONS BEHIND FORMATION OF GPP AND THEIR EVALUATION/ASSESSMENT

On the basis of the detailed analysis undertaken by AFF during the entire course of the study, it is AFF's understanding that primary considerations behind formation of GPP, could be summarized as under:

i) to make available to the Government of Punjab a printing facility that could meet the printing requirements of the Government in a cost efficient manner;
ii) to make available to the Government of Punjab a printing facility that could cater for the voluminous printing requirements of the Government and that too on a timely basis; and
iii) to make available to the Government of Punjab a printing facility for undertaking 'secret' printing notwithstanding the cost considerations.

The findings of AFF vis-à-vis the aforesaid considerations representing the basis of formation of the GPP are discussed, in detail, in the paragraphs to follow.

3.1 Cost efficiency

The financial information relating to GPP, made available to AFF, does not enable AFF to determine the aspect of cost efficiency, despite repeated efforts to obtain reliable information. Moreover, it also does not permit any reasonable identification or analysis of trends. This position has not been controverted by any stake holder, including the management of GPP. Given the fact that GPP is solely carrying out printing activities for the other departments of the Government of Punjab, the consideration relating to cost efficiency, subject to not compromising on other important considerations (and which have been separately dilated upon in the later part of the report), could only be evaluated through a comparison with private sector organizations. In this respect, fundamentally speaking, there is a need of drawing a comparison between the costs of carrying out printing activities through GPP and the prices charged by private printing presses.

In the absence of critical information that could have enabled AFF to draw the aforesaid comparisons, AFF is not in a position to comment as to whether the objective relating to cost efficiency has been achieved. Notwithstanding the aforesaid limitation, AFF conducted various informal enquiries from private press owners to assess the price competitiveness vis-à-vis comparable volumes and quality. While the private press owners were reluctant to give quotes in writing, but invariably showed willingness to carry out comparable work at lesser rates.

The variance in prices charged by GPP and that informally quoted by private printing presses could be an important consideration, however, in view of the fact that in the later parts of this report, the option of continuing with GPP is not being recommended, for detailed reasons, this aspect needs no further discussions.

The Controller GPP in response to AFF's view, discussed certain financial information in his written comments explaining that GPP was a profitable organization. Consequently, a specific meeting was arranged on June 18, 2008 with the Controller GPP to discuss the aforesaid financial information. In the context of analyzing the accuracy of the financial information vis-à-vis the 'profit' reflected therein, the Controller was requested to clarify

as to whether all direct and indirect costs had been accounted for in the abovementioned financial information. After having discussed the relevant key factors, the Controller agreed that:

(i) GPP remained in a 'net loss' in all the years from 2001 to 2007; and
(ii) GPP would be in a loss situation even in the current financial year.

In brief, the Controller agreed with AFF that GPP had not been able to generate any income in the past, however, he was of the view that if GPP was allocated more work together with necessary BMR, the department would likely generate profits. This position, however, is not substantiated through any evidence.

Notwithstanding the aforesaid stance of the Controller, it needs to be appreciated that GPP was not originally formed for this objective and hence this consideration need not be further addressed.

3.2 Capacity to cater to volumes

In the course of discussions, AFF was informed that another consideration behind formation of GPP was that at the time of its formation, other alternatives were scarce and the Government had to manage its printing requirements on its own. AFF has not come across anything to the contrary, if the matter is analyzed purely from a historical perspective. The situation, however, is fundamentally different at present. Currently, there are significant numbers of small to medium sized private presses which are not only handling a considerable portion of the Government's current printing requirement (to the extent these are outsourced to them), but are also willing to undertake further Government's business. In other words, it would not be improper if it is inferred that this underlying consideration behind formation of GPP is no longer relevant.

This fact is further emphasized by the fact that, as discussed in paragraph 5.4 of the Mid Term Report, approximately 75% of the total printing requirements of the Government of Punjab are not being undertaken through GPP for one reason or the other. While there may be an argument that the said outsourcing is relatable inter-alia to budgetary constraints, however, in view of the fact that user departments visited by AFF have not raised any significant objections vis-à-vis the quality of work done by other printing presses, it simultaneously strengthens the view that a government owned press is not essentially required in the current environment.

There is yet another dimension of evaluating the present consideration. As discussed in paragraph 5.2 of the Mid Term Report, there had been considerable delays in the completion of the total works itself undertaken by GPP (which is approximately 25% of the total printing requirements of the Government of Punjab), which position leaves an obvious impression that GPP is unable to meet the objective, behind its formation, in strict sense.

In continuity of the above, further meetings were held on June 3 and 4, 2008 with the customer/user departments of GPP. The Punjab Education Commission (PEC) being one of these stated that printing of examination papers of class fifth and eighth was so voluminous that any press including GPP could not handle it solely.

In view of the facts and representations mentioned above, AFF considers that there exists adequate capability in the private sector to handle Government's printing work, particularly in view of the fact that even currently private presses are successfully carrying out various printing works of the Government. Consequently, based on this ground, sustenance of GPP is not considered to be relevant.

3.3 Capacity to cater to 'secrecy'

The third and arguably the most important consideration behind formation of GPP was to form an entity that could undertake the Government's confidential and secret printing requirements, notwithstanding the cost and time considerations. AFF fully acknowledges the importance of this consideration and agrees that for this purpose, other considerations inter-alia including cost and time efficiency do not remain valid.

The officials of GPP, during discussions with AFF, informed that the following are considered as part of secret printing:

- Middle level examination papers of different boards of Punjab;
- Answer sheets of the Punjab Public Service Commission;
- Official gazette notifications (weekly and extraordinary); and
- Annual budget of the Punjab Government.

In order to ensure secrecy and confidentiality of the printing work carried out by GPP, section 3.10 of Chapter III of Part I of the Manual provides that outsiders will not be allowed to enter the press without the specific permission in writing of the Superintendent/Works Manager or any other officer duly authorized by him in this behalf. Furthermore, the admission pass will be issued by the Superintendent/ Works Manager to the official of the other department who has to visit the press frequently in connection with execution of jobs entrusted by that department to the press.

Despite the above documented procedural requirement, GPP has not established any standard operating procedures (SOP) for printing secret work. According to GPP officials, a Secrecy Cell used to exist which was later on abolished when the restructuring took place. Currently, there are inadequate controls at GPP to ensure that the information in respect of the secret printing does not leak out.

In the context of 'necessity' of owning/managing a government owned printing press, vis-à-vis 'secret printing', AFF's analysis has further revealed that in various cases, printing work relating to above-referred identified secret material was assigned to private sector enterprises through issuance of 'NOCs'. This position attains all the more relevance in the context of considering the option of retaining the government owned press or otherwise. In the event, it is considered that the activity of printing of aforesaid documents is no longer a 'secret' task then broadly speaking, this consideration also does not remain relevant for continuing with a government owned press. On the other hand, in case the 'secrecy' is still a valid consideration, then notwithstanding any other aspect, the Government would have to retain a self-owned printing press, whether economical or not.

In continuity of the above, further discussions were held on June 3 and 4, 2008 with the user departments of GPP that required the abovementioned secret printing work. Finance

Department (FD) was of the view that the White Paper on the Annual Budget of the Punjab Government which contained the summary of the budget was printed outside GPP through a private printing press for the last many years as GPP did not have the resources to print the White Paper. In light of this, it was concluded that since the White Paper on the Annual Budget of the Punjab Government which contained the summary of the budget had been printed outside GPP through a private printing press for the last many years and since secrecy had always been appropriately managed, FD has no issues with getting the work done through private printing presses and as such their objectives had been accomplished appropriately.

Nevertheless, FD clarified that since the law required that all printing work was required to be carried out through GPP, therefore, undertaking the work through private sector, in the past, had resulted into certain audit objections / observations from the Audit Department. In this background, it was clarified that, in the event, this was not a consideration, the option of getting work done through private sector serves their purpose better. FD also emphasized that, given the considerations relating to audit objections, there was a need for notifying of compatible rules and regulations for facilitating execution of transactions with private sector.

Similarly, Punjab Education Commission while clarifying the role and status of GPP, stated that printing of examination papers of class fifth and eighth was so voluminous that any press including GPP could not handle it solely. PEC further explained that last year, private printing presses were engaged by PEC itself for printing of exam papers while for the current year exams, GPP was entrusted the task of printing of exam papers which it got done through engaging private presses. In this way, PEC communicated that GPP was not fully able to cater for the requirements of this department.

PEC was further of the view that entrusting the task of printing of exam papers to GPP (either to be carried out itself or through subletting), effectively results into sharing of responsibility for ensuring secrecy by GPP (being a government department) with PEC. On the other hand, in case, PEC engages private presses on its own for printing of exam papers, then the responsibility for ensuring secrecy of exam papers wholly and solely lies with PEC.

It is thus implied that PEC prefers GPP due to sharing of responsibility rather than any specific capability including printing facility and secrecy.

Likewise, a discussion was held with the Punjab Public Service Commission (PPSC). It was discussed that GPP officials considered the printing of answer sheets for examinations of PPSC to be a 'secret' work. However, PPSC clearly negated this view and stated that there was nothing secret in the printing of answer sheets of PPSC. Furthermore, PPSC was of the view that no secret printing work was done by GPP for PPSC. Similar views, like those of FD, regarding objections by Audit Department were raised by PPSC.

Based on the feedback of the user departments and the practice followed in the past, it is AFF's impression that GPP is not viewed by the departments as a sole organization capable of handling 'secret' work. Consequently, secrecy does not seem to be reason for sustaining GPP.

4 FINDINGS, CONCLUSION AND WAY FORWARD

Pursuant to the meetings held with the user departments and officials of GPP subsequent to the issuance of the DFR, it is AFF's view that the key considerations of cost benefit, volume and secrecy, based on which GPP was formed are not relevant anymore. GPP's economic survival is dependant upon provision of BMR (albeit not substantiated by GPP officials), which in AFF's view, need not be carried out based on facts mentioned above. Consequently, continuation of GPP in its present or a restructured form is not recommended. The way forward is:

1. Based on analysis and findings discussed above, it is recommended that the Government should draw a strategy for an exit, which could be either a sale of entity after having been corporatized, possibly through an enactment or a sale of assets to a potential buyer.

2. There is a need to document and notify the procedures, inter-alia including control over movements, which have been practically followed in the past while successfully getting secret work done through private presses. Our review of those processes suggests that these are in line with best practices.

4.1 Exit through privatization or liquidation

In AFF's understanding, exit could be undertaken through following two possible mechanisms:

i) Privatization through the Privatization Commission; or
ii) Liquidation through sale of assets and settlement of obligations.

These possible exit strategies are discussed as under:

4.1.1 Privatization

In AFF's understanding, the privatization of GPP could be carried out by undertaking the following principal steps:

i) Conversion of GPP's status from an attached government body to a corporate entity, whereby the Government would be allotted shares in the corporatized entity formed in the process. An enactment by the Government may be required for this purpose; and
ii) Sale of shares, vested in the Government of Punjab consequent to corporatization, to private investor(s) through involvement of the Privatization Commission and the entire process of privatization would have to be followed.

4.1.2 Liquidation

The liquidation of GPP could be carried out by undertaking the following principal steps:

i) Identification of assets to be sold; and
ii) Settlement of its obligations.

5 SUGGESTED ACTION PLAN

This part of the report summarizes the key procedures required to be undertaken for implementation of two options available to GPP as discussed in section 4.1:

5.1 Exit through privatization or liquidation

The exit could be achieved through privatization or liquidation as discussed below:

5.1.1 Privatization

In AFF's understanding, the following broad steps would be required to undertake the process of privatization:

Step 1	Change of status (possibly through enactment)

Carry out the procedure of passing a bill in the Provincial Assembly of Punjab to change the present legal status i.e. attached body of The Industries Department, Government of Punjab to a body corporate.

Step 2	Legal, technical and financial due diligence and enlistment of 'Assets' and 'Liabilities'

Prepare a complete list of fixed assets in order to identify all assets of GPP.

Carry out the legal, technical, and financial due diligence aimed at identifying any legal encumbrances, evaluating the condition of the assets.

Surrendering the land and building not required to the Government for re-allocation to other uses of the Government.

Determine the amounts of all assets and liabilities resulting in identification of share capital of the entity. This will also include actuarial valuation of employee retirement and other benefit liabilities for incorporation in the accounts.

Step 3	Restructuring of the Organizational Structure

Identify employees that are to be transferred to surplus pool.

Staff audits and work force analysis be carried out to identify staffing requirements.

Revamp the organizational structure in line with future activities.

Based on the work force analysis carried out, identify the staff in excess of requirement. Develop plan for dealing with such staff through early retirement, retrenchment, transfer to other government organizations.

Step 4	Prepare a short and medium term budget

Keeping in view the objectives envisaged for the organization in future years, a financial budget should be prepared to identify the financial, physical and staff requirements for meeting the objectives.

Step 5	Formation of a corporate entity

After completion of above steps, a body corporate shall be formed, keeping in view the objectives envisaged for the organization in future years, which may be registered under the Companies Ordinance, 1984. For this purpose, Securities and Exchange Commission of Pakistan has laid down rules and procedures regarding the incorporation of a company in line with the requirements of the Companies Ordinance, 1984.

Step 6	Allotment of shares to The Government Of Punjab

The shares of the body corporate shall be allotted to the Government of Punjab through an enactment.

Step 7	Sale of shares through Privatization Commission

Sale of shares, vested in the Government of Punjab consequent to corporatization, to private investor(s) through involvement of the Privatization Commission.

5.1.2 Liquidation

In AFF's understanding, the Government can achieve the exit strategy through the process of liquidation through the following steps:

Step 1	Legal, technical and financial due diligence and enlistment of 'Assets' and 'Liabilities'

Prepare a complete list of fixed assets in order to identify all assets of GPP.

Carry out the legal, technical, and financial due diligence aimed at identifying any legal encumbrances, evaluating the condition of the assets.

Evaluating whether 'surplus' assets can be used/transferred to other government departments and decision to be made whether these are to be transferred to such other government departments or disposed off.

Valuation by a professional valuer of the 'surplus' assets for the purpose of disposal.

Disposal of surplus assets to potential buyers on the basis of the valuation of the assets.

Settlement of all its liabilities or transfer of liabilities to its administrative department i.e. Industries Department.

Step 2 Human resources

Staff audits and work force analysis be carried out to identify employees that can be used at other government departments.

Identify employees that are to be transferred to surplus pool of the Government.

Based on the work force analysis carried out, identify the staff in excess of requirement. Develop plan for dealing with such staff through early retirement, retrenchment, transfer to other government organizations.

6 APPENDICES

6.1 Mapping of Terms of Reference with the Report

TOR Ref.	Description	Mid Term Report	Final Report
TOR -1	Make the assessment of the assets and performance of GPP, in terms of financial and service provision efficiency, in comparison to (similar) private printing presses.	Sections 5, 6 and 7	Section 3
TOR-2	Evaluate the necessity or otherwise of having a government-owned enterprise for doing government printing work and in the light of the evaluation, propose future course, which could either be liquidation/privatization/or restructuring as a public sector entity.	Section 8	Sections 3 and 4
TOR-3	Suggest options for undertaking government printing work ensuring secrecy and speed.	Section 5	Sections 3 and 4
TOR-4	Suggest an action plan, complete with specific timelines, costing and change management procedures, for putting the recommended strategy into operation.		Sections 4 and 5

6.2 Resolution matrix

6.2.1 Resolution of comments from PRMP dated May 30, 2008

	Comments	Resolution
i.	*The consultant will hold meetings with Finance Department and Punjab Examination Commission to discuss the issue of secret printing.*	Meetings were held with the Finance Department (FD), Punjab Education Commission (PEC) and Punjab Public Service Commission (PPSC) on June 3, 2008 and June 4, 2008. **Meeting with FD:** The FD was represented by its Additional Finance Secretary, Mr Omar Masood and Additional Secretary Budget, Mr Arshad Chaudhry. It was discussed in the meeting that GPP officials consider the printing of the Annual Budget of the Punjab Government to be a 'secret' work. However, the White Paper on the Annual Budget of the Punjab Government which contains the summary of the budget was printed outside GPP through a private printing press for the last many years as GPP did not have the resources to print the White Paper. In light of this, it was concluded in the

	Comments	Resolution
		meeting that since the White Paper on the Annual Budget of the Punjab Government which contains the summary of the budget was printed outside GPP through a private printing press for the last many years and since secrecy had always been appropriately managed, FD has no issues with getting the work done through private printing presses and as such their objectives have been accomplished appropriately. Nevertheless, FD clarified that since the law requires that all printing work is required to be carried out through GPP, therefore, undertaking the work through private sector, in the past, had resulted into certain audit objections / observations from the Audit Department. In this background, it was clarified that, in the event, this is not a consideration, the option of getting work done through private sector serves their purpose better. They also emphasized that, given the considerations relating to audit objections, there is a need for notifying of compatible rules and regulations for facilitating execution of transactions with private sector. **Meeting with PEC:** The PEC was represented by its Manager Operations, Mr Iqbal Awan and Punjab Resource Management Program (PRMP) was represented by its Assistant Director, Mr Majid Iqbal. Mr Iqbal Awan, clarifying the role and status of GPP, stated that printing of examination papers of class fifth and eighth is so voluminous that any press including GPP cannot handle it solely. He explained that last year, private printing presses were engaged by PEC itself for printing of exam papers while for the current year exams, GPP was entrusted the task of printing of exam papers which it got done through engaging private presses. In this way, he communicated that GPP is not fully able to cater for the requirements of this department. Mr Iqbal Awan was further of the view that entrusting the task of printing of exam papers to GPP (either to be carried out itself or through subletting), effectively results into sharing of responsibility for ensuring secrecy by GPP (being a government department) with PEC. On the other hand, in case, PEC engages private presses on its own for printing of exam papers, then the responsibility for ensuring secrecy of exam papers wholly and solely lies with PEC.

	Comments	Resolution
		It is thus implied that PEC prefers GPP due to sharing of responsibility rather than any specific capability including printing facility and secrecy. **Meeting with PPSC:** The PPSC was represented by its Secretary, Mr Javed Iqbal Chaudhry and Deputy Secretary, Mr Zahid Mehmood while Punjab Resource Management Program (PRMP) was represented by its Assistant Director, Mr Majid Iqbal. It was discussed in the meeting that GPP officials consider the printing of answer sheets for examinations of PPSC to be a 'secret' work. However, both the officials of PPSC clearly negated this view and stated that there was nothing secret in the printing of answer sheets of PPSC. Furthermore, they also informed that no secret printing work was done by GPP for PPSC. The representatives of PPSC had similar views, like those of FD, regarding objections by Audit Department.
ii.	*The consultant should compare GPP with some private press.*	Notwithstanding the limitations earlier emphasized in section 7.2 of the Mid Term Report, AFF again attempted to gather information for carrying out comparison with private printing presses, however, no reliable information could be obtained. This aspect was specifically taken up in the meeting held on June 18, 2008 with the high officials of GPP and they also categorically concurred that given the varied business dynamics, no meaningful comparison could be drawn between GPP and a private printing press of howsoever bigger magnitude.
iii.	*GPP shall provide time series data of accounts to the consultant.*	A specific meeting was arranged with the Controller GPP to discuss the financial information contained on page 2 and 3 of Controller GPP's comments dated May 29, 2008. In the context of analyzing the accuracy of the financial information vis-à-vis the 'profit' reflected therein, the Controller was requested to clarify as to whether all direct and indirect costs were accounted for. After having discussed the relevant key factors, the Controller agreed that: (i) GPP remained in a 'net loss' in all the years from

	Comments	Resolution
		2001 to 2007; and (ii) GPP would be in a loss situation even in the current financial year. In brief, the Controller agrees with AFF that GPP has not been able to generate any income in the past, however, he was of the view that if GPP is allocated more work together with necessary BMR, the department is likely to generate profits. This position, however, is not substantiated through any evidence. Notwithstanding the aforesaid stance of the Controller, it needs to be appreciated that GPP was not originally formed for this objective and hence this consideration need not be further addressed.
iv.	*The consultant should give a clear preferred option on future of GPP along with justifications.*	In the Draft Final Report, though 'secrecy' was considered to be the only relevant consideration for deciding about the retention of GPP, a disclaimer was expressed vis-à-vis the profitability of the department. In view of the admitted position that GPP has not yielded any profit in the past the position that emerges is that 'secrecy' could be the only consideration for the ultimate decision. Based on the feedback of the user departments and the practice followed in the past, it emerges that this is no longer a relevant consideration. While, on these bases, arguable grounds exist for not continuing GPP in the present form, there is a need for introducing systems and procedures for ensuring adequate secrecy in the relevant work. In this respect, there is a need to document and notify the procedures, inter-alia including control over movements, which have been practically followed in the past while successfully getting secret work done through private presses. Our review of those processes suggests that these are in line with best practices.
v.	*The consultant should give due consideration to the comments of Industries Department on DFR as attached at Annexure-C.*	Kindly refer to the table below in section 6.2.2.

6.2.2 Resolution of comments from Industries Department/GPP dated May 29, 2008

	Comments	Resolution
	The press to us however seems indispensable, secret and confidential jobs of Govt. are completed by the Press. Therefore, modernization and up gradation may be the only option. *If privatized total dependence on private sector printing will raise cost as public work is always expensively done by private sector as no advance payment is made.*	The facts on record and practice followed in the past does not support the views of the Controller as significant amount of work, categorized as secret, has been outsourced to private presses where the work has also been delivered successfully. Likewise, the statement that the cost of getting work done exclusively through private sector would be expensive is not supported by any evidence. In a competitive environment, the market forces invariably maintain a check and balance on quality and pricing.
	Useful/Essential Organization	
	The office of Printing & Stationery plays an important role in execution of Printing jobs for the Government all over the Punjab.	AFF considers that the divergent views expressed by the user departments, and summarized above, adequately address this observation.
	Currently major job in hand	
	Printing of Vth & VIIIth class papers 2008 is being done by Government Printing Press, Lahore. Last year Punjab Examination Commission got the work done through engaging private printers on it's own with a cost of Rs. 17.00 crores. This year Government Printing Press has taken up the work, the same work this year cost Rs. 7.5 crores. A saving of Rs. 9.5 crores is accomplished. Being time limit job last date for dispatch of papers was 5th and 15th May, 2008 respectively.	While this observation creates an impression that there has been a cost saving but in an overall perspective, the reality could very well be otherwise. Even if the two jobs, in terms of quality and quantity are considered to be comparable, since the Government absorbs losses of GPP on top of prices charged by it, the overall cost to the Government might not have resulted into a cost saving.
	Finale	
1.	*Provision of New Machinery & Infrastructure*	As discussed above, the arguments being advanced by the Controller are not in line with underlying objectives for which GPP was formed. Consequently, these, being not relevant, are not further commented
2.	*Provision of highly skilled personnel required.*	
3.	*Increased Resource availability (Raw Material ect.)*	
4.	*Total printing requirement of Punjab Government is budgeted at about 300 million*	

	Comments	Resolution
	whereas every year 30 million raw material is provided. Simply impossible to meet requirement of Rs. 300 million work with Rs. 30.00 million raw materials. (May be enhanced to Rs. 60.00 million)	upon.
	The Punjab Resource Management Programme Unit hired a consultant to assess the extent and requirement of reform in Government Printing Press which submitted its Draft Final Report on 04.04.2008 (Annex-I) with a view to modernize and improve the performance of Government Printing Presses, following options (without having recommended one) have been suggested by the consultant:- *1) Continuing with Government Printing Press in the present form and upgrading by providing more resources; organization being essentially needed.* *2) Privatization:-* *a. By changing the present legal status from an attached Department to a re-structured body corporate through an Act of Parliament.* *b. By simply selling off the Assets and machinery of Government Printing Presses.* *The Department has however recommended corporate re-structuring of Government Printing Presses and a summary in this regard has been sent to the Administrative Department.*	Based on detailed discussion given above, particularly the feedback of the user departments and past practices, AFF maintains its view that restructuring is not a recommended option. The considerations for which GPP was formed no longer exist.

6.2.3 Resolution of comments from PRMP dated May 19, 2008

	Comments	Resolution
i.	*The Draft Final Report on GPP comprises 14 pages only, out of which about 6 pages deal with introduction and executive summary leaving 8 pages to deal with TORs 2 to 4 to handle the evaluation/assessment of GPP and conclusions. Bare number of pages suggests a lot about richness of the report.*	In AFF's view, there is no justification in determining the quality of the report in terms of 'pages', if otherwise the report covers, in substance, the agreed terms of reference. Even otherwise, the report is required to be read in conjunction with earlier reports for better and complete comprehension. It appears, this is not being done in this case. Accordingly, we refrain from further commenting on this observation.
ii.	*No comparison has been made with similar private printing presses, which was stipulated in TOR-1 or with Printing Corporation of Pakistan (PCP).*	Section 7 of the Mid Term Report earlier submitted, gives a comprehensive comparison of GPP with other similar presses including Printing Corporation of Pakistan (Private) Limited (PCP). However, it was concluded in section 7.1 of the Mid Term Report that a logical comparison cannot be made between GPP and PCP with the following remarks: ***"****An analysis of the comparison of GPP with PCP primarily indicates that while both the entities are principally engaged in the same line of service, however, PCP is managed and operated under an entirely different mechanism. All the key activities like procurement, recruitment and remuneration of employees, strategic financial decisions etc. are managed by PCP as an independent self run entity. On the functional side, PCP comes under the administrative control of the Government, however, on the practical side, it operates as an autonomous organization. Even its book keeping is done on an accrual based accounting system for which an annual statutory audit is also conducted. These distinguishing features preclude any logical comparison of the performance of the both entities. Furthermore, given the background that AFF does not have knowledge about the specific technology/machinery information of the two entities, a logical comparison cannot be drawn on this account either."* Similarly, it was concluded in section 7.2 of the

	Comments	Resolution
		Mid Term Report that a comparison of GPP cannot be made with private printing presses with the following comments: *"AFF conducted visits of certain private printing presses in order to benchmark the effectiveness of systems and procedures employed at GPP and to assess GPP's performance with that of private presses. Notwithstanding the aspect of unavailability of certain basic information relating to GPP, it needs to be appreciated that the dynamics of private presses are totally different and independent. AFF's interviews with the private entrepreneurs have revealed that the businesses are run with emphasis purely on maximization of profits and combating the competition. In this respect, resources are utilized towards cost minimization and utilization of low value technology as a substitute of expensive human resources."* In view of non-availability of further input from the concerned officials and their inability to provide the same, this aspect was not further deliberated in the Draft Final Report. Notwithstanding the limitations earlier emphasized in section 7.2 of the Mid Term Report, AFF again attempted to gather information for carrying out comparison with private printing presses, however, no reliable information could be obtained. This aspect was specifically taken up in the meeting held on June 18, 2008 with the high officials of GPP and they also categorically concurred that given the varied business dynamics, no meaningful comparison could be drawn between GPP and a private printing press of howsoever bigger magnitude.
iii.	*The option of restructuring GPP, as a public sector entity as laid out in TOR-2, has been left out altogether. Liquidation has been given very little consideration which ironically is the entire outcome of the report. No evaluation has been made in*	The Final Report clearly sets out the discussion on future course of action and that too on the basis of the fact that the considerations for which GPP was formed are no longer relevant. The aspect of 'restructuring' is no longer relevant.

	Comments	Resolution
	this report which would decide the fate of GPP in any one of the three directions. Only recommendations have been made, devoid of any strategy for achievement of the same.	
iv.	*No options have been given in the report for achieving secrecy with speed, as required under TOR-3.*	The outcome of meetings with 'user departments' is that they are satisfied with the delivery of private presses vis-à-vis this consideration.
v.	*According to TOR-4, the consultant should 'Suggest an action plan, complete with specific timelines, costing and was supposed to change management procedures, for putting the recommended strategy into operation.' The whole of this TOR is missing and the report looks like a bunch of vague facts and no actions or cost of those actions to follow.*	In AFF's view, this aspect would have been relevant in the context of continuity of GPP i.e. this would have been relevant had we recommended to continue with GPP. The Final Report suggests the option of not continuing GPP and exit through liquidation or privatization which has been discussed in detail in section 5 of the Final Report.
vi.	*The report should provide a proposed rationalized structure of employees to the government which the government can take as a starting point. If the government had the capacity to understand the rationalization of HR requirement then there would be little utility for a specialist input.*	Not required by TOR.
vii.	*The recommendations are all suggestive and no actions are stated that can actually help the government take some actions to reform the GPP.*	Clear recommendations have been incorporated in the Final Report.
viii.	*No financial budgeting framework and no strategy for Physical and Human capital development has been suggested. All these suggestions are imperative and the report is considered incomplete without all these.*	Not required by TOR.