Loud Thinking

Restructuring PCCC for Cotton Improvement in Pakistan

It will be pointless and counter-productive to revitalize PCCC without first reimagining its role, institutional structure and business model. The context in which cotton is produced and consumed has changed during the past two decades; so should PCCC's scope of activities and the manner of acting.

The following points are submitted for detailed deliberation by the Working Group (WG).

1. Objective:

It is important to clearly define PCCC objectives within the overall mandate of 'improvement and development of the growing, marketing and manufacture of cotton' as specified by the Cotton Cess Act, 1923. Given that cotton research and development is no longer an exclusive purview of the PCCC, it should lead and support ongoing activities instead of competing with them. Hence, PCCC objective to be pursued in medium-long term should be as follows:

To support cotton R&D in public and private sectors in Pakistan

Here is a suggestive list of priorities to pursue this objective:

1. Conduct demand-driven research for public and private sector organizations
2. Maintain pure lines for breeding purposes
3. Link local and international cotton research
4. Develop and maintain testing services of various types
5. Develop extension packages for public and private seed providers
6. Create and disseminate knowledge on various aspects of cotton production and consumption

The (reconstituted) PCCC can add to this list as long as a clear connection can be established with the specified objective. It will be important for PCCC to set year-on-year targets on each of its activities. These targets and periodic evaluation against these targets will help PCCC stay on course.

2. Institutional Reform:

The importance of leadership in any organization can hardly be overstated. However, leaders do not work in a vacuum. They operate in a specific governance, accountability and incentives framework, which enables or constrains the working of employees at large in any organization. So, if we want PCCC to function as an efficient, dynamic and modern organization, it is imperative to develop a framework for selection of its members, as well as a package of changes in its governance, accountability and incentives structure.

Currently, PCCC is constituted by the dealing ministry without much input from stakeholders. Since the textile industry, ginners, traders, and farmers are key private stakeholders, it is important to give them institutional representation in PCCC. It is worth emphasizing that the current practice of government nominating private sector members is inadequate as these nominees do not represent any organized interest group. Therefore, it is important to seek institutions representing stakeholder groups to nominate their members for PCCC.

It is proposed that PCCC should comprise 16 members as follows:

1. Three representatives of the textile sector to be nominated by APTMA
2. One representative of ginners to be nominated by PCGA
3. One representative of cotton traders to be nominated by KCA
4. Two representatives of seed producers to be nominated by seed associations (one each by Pakistan Seed Association and CropLife)
5. Secretary Ministry of National Food Security and Research (NFSR)
6. Secretary Ministry of Textiles
7. Cotton Commissioner
8. Secretary, Punjab Agriculture Department
9. Secretary, Sindh Agriculture Department
10. Three farmers (one farmer each to be nominated by the Ministry of NFSR, Punjab Agriculture Department, and Sindh Agriculture Department)
11. One professional/academic/citizen to be nominated by PCCC

Other than members' ex-officio, all members should serve for a three-year term, and a maximum of two terms.

In its first meeting, PCCC should elect a Chairperson from amongst its non-official members for a three-year term. PCCC should also appoint its own CEO and settle his/her terms and conditions. Both these – the election of Chairperson and appointment of the CEO – are very important if PCCC has to act autonomously. A governing body of an organization that cannot elect its own chairperson and appoint a CEO (and approve budget) is not a governing body in any real sense.

PCCC should develop selection criteria for the CEO (and other senior positions) in view of the role it seeks to perform in the changed cotton landscape. Key expertise for CEO will be his/her ability to lead a modern organization, negotiate contracts with local and international partners, engage with stakeholders, and inspire confidence in the scientific/technical team. Domain knowledge in cotton production, breeding, etc. will be an advantage, but neither a sufficient nor a necessary condition. Leading a modern organization and breeding a new variety are two different (though not mutually exclusive) skills.

The advantage of the above suggested composition and role of PCCC is that it provides an independent governance structure. It will allow PCCC to set its year-on-year goals and pursue them independently. It will also allow PCCC to have control over its human resource. It is worth emphasizing that PCCC will not become autonomous by wishing so. This can be accomplished only through reimagining its relationship with the Ministry of NFSR. To do that, we shall have to put in place a robust governance framework and let the stakeholder-led PCCC make decisions on various issues, such as the staffing pattern and their emoluments.

Currently PCCC has 321 employees, whose salaries and pensions account for the largest item in its annual budget. In 2018-19, pensions alone were Rs. 333 million. In comparison, budget allocations for research activities are paltry. Textile industry's reluctance to pay cotton Cess is both regrettable and understandable. It is regrettable that the industry does not pay a legally mandated Cess, and it is understandable that it is reluctant to cough up money merely to maintain long retired employees. Therefore, the current mix of spending priorities has to be altered in favour of research expenditure.

The (reconstituted) PCCC should not make any further recruitment against vacant posts. Instead, it should first carefully determine its staffing needs and reporting lines. Selection criteria should also be determined for each position. Those existing employees who meet the selection criteria should be appointed against appropriate positions and the remaining should either be allowed to retire or be adjusted elsewhere by the Ministry of NFSR (on as comparable a position as possible). All new appointments in PCCC should be for 3-5 year contracts accompanied by clear terms and conditions. Fit with the selection criteria, rather than mere seniority, will be the key consideration while making appointments. In other words, PCCC will have two types of employees. The first type will be those existing employees who meet the selection criteria for their positions and are engaged by PCCC on their existing terms and conditions as civil servants. Such employees will be a dying cadre and their proportion in the organization (small even to start with) will dwindle over time. The second type will be those employees who are hired on specific contracts on market terms and conditions. In due course, PCCC will comprise entirely of employees of the second type.

PCCC should establish a pension fund for its employees to which employees and PCCC shall contribute in equal measure. This fund should be professionally managed. Pension emoluments of individual employees will be linked to their contributions. Thus, pension will be simply deferred payment. There will be no burden on PCCC's annual finances.

These changes are important because it will be difficult to transform PCCC into a modern organization within the constraints of current BPS and seniority-based promotion/posting system. These changes will provide the CEO substantial autonomy to select his/her team and utilizing them fully in achieving the targets that PCCC sets for him/her.

3. Legal reform:

The above-noted institutional reform will require changes in the Cotton Cess Act of 1923. The following specific amendments should be made.

1. The Act provides for appointment of PCCC members (and President and VP) by the Federal Government, but does not provide any criteria or process for appointment of

these members. Since all government decisions are justiciable, Section 4(2) should be amended to include the PCCC composition as suggested above.

2. Section 9 should be appropriately amended in consultation with APTMA to ensure that the Act is enabling, rather than disciplinary, in character.
3. Section 14 should be amended to specify the conditions under which the government can dissolve PCCC. The government should also be bound to reconstitute PCCC in a span of six month, in case it invokes Section 14.
4. Most of the issues listed in Section 15(2) should be settled in the Act, rather than being left to the Rule making. Attention is particularly drawn to clauses (a), (b), (c), (f), (h), and (m).
5. Some provisions of Section 15 can be moved to Section 16, i.e. from government's rule-making to PCCC's rule-making.
6. A new Section should be added to say that PCCC can generate resources from business activities. Dependence upon Cess is limiting, to say the least.
7. The CEO should prepare annual budget and present this to PCCC for approval. A new Section should be added for this purpose.
8. A new Section should be added regarding Annual Report. PCCC should prepare an Annual Report for the government detailing its activities and how these contribute to the mandate.
9. A new Section should be added to require PCCC to have its accounts audited every year and to make these available for public scrutiny.

4. Business Model:

If it has to survive and thrive as an organization, PCCC must have a dynamic revenue stream, of which the Cess shall form an important part. In addition, PCCC must also develop a portfolio of services, which it can provide to interested parties for a fee. The purpose here should to generate revenue as well as to remain relevant to stakeholder needs.

There should be a fund to which should be accredited income from Cess, government grants, research grants and fees for services.

As for recovery of Cess and its arrears (Rs. 1.82 billion are outstanding), PCCC should engage with APTMA to ensure that the textile industry is a willing partner in investing into PCCC research undertakings. With the textile industry institutionally represented on PCCC, the task is that much easier. It is important that the industry sees value in collectively investing in R&D, which will be possible only when it can set research agenda and measurable targets. Court cases should be vigorously pursued and PCCC should bear the necessary costs as a business expense.

In addition, PCCC will generate revenue from two sources. These are government grants and business income. The government should provide annual grants to PCCC for specific purposes, such as infrastructure development or equipment purchase. PCCC will also seek research funding from across the world through research grants and participation in research projects. An important revenue stream will be the fees it collects for its testing and accreditation services.

Since PCCC's role is to support public and private sector activities, it should not venture into those spaces which are reasonably populated by other entities. Its role in such spaces should be to provide support and guidance. For example, rather than getting into the business of developing new cotton varieties, PCCC should maintain pure lines, carry out crosses, and sell its near-market research to private/public buyers, rather than developing the same into varieties for the market.

5. Operational Issues:

The Working Group should restrict its recommendations to policy decision, and should leave operational issues to the (restructured) PCCC. Thus, the location of PCCC Head Office, future of the Karachi-based PICR&T, scientist/staff ratio, choosing location for new stations, etc. are questions best left to PCCC itself.

6. Key Points for Implementatio n:

1. PCCC should redefine its role as the lead support organization for cotton R&D in Pakistan
2. PCCC should be a stakeholder-led committee which elects its own Chairperson, appoints a CEO, and approves its budget.
3. Only those existing employees who meet the selection criteria for various positions should be retained with PCCC; others should be adjusted by the government elsewhere on similar positions. All new hiring at PCCC should be on 3-5 years contracts with clear terms and conditions and performance indicators.
4. The Cotton Cess Act, 1923 should be amended to reflect changed priorities and institutional structure.
5. PCCC should develop a business model, whereby it generates revenue through its relevance to the market.
6. The WG should restrict itself to policy recommendations.