TRAINING MANUAL FOR PLANNERS
TRAINING MANUAL FOR PLANNERS
Preface

Development planning paradigms have been undergoing shifts in recent times as a result of emerging socioeconomic realities. Planners have to constantly readjust processes and adopt more suitable approaches as prevailing wisdom about planning is challenged with emerging evidence of successes and failures, both in the local and global context.

With greater financial autonomy after the 18th Amendment to the Constitution, provinces have an even greater responsibility to ensure fiscal discipline and generate and manage resources in an efficient manner. Planning and Development Department, Government of the Punjab, subsequently updated the provincial Planning Manual to align provincial planning with the modern development and planning imperatives. The existing planning environment mandates a greater emphasis on resource mobilisation, public-private partnerships, and performance and results based management, while retaining a medium-term perspective on planning.

As the manual serves as the guiding document for all provincial planning, it was crucial that departments and officials that are involved with planning, undergo a training exercise to familiarise them with the contemporary ideas associated with development planning so that, they are better able to plan and execute their respective programmes and projects. This 'Training Manual' has, therefore, been developed as an auxiliary document that will not only be an invaluable resource for trainers but will also serve as a ready reference guide for development planners. Whether, it is explaining the stages of the planning cycle, expounding the nuances of results-based management or selecting projects that are best suited to the public-private partnerships mode of implementation, this document would serve as a useful guide. Another significant feature of the manual, are the case studies which will further add to the planners' understanding of the concepts taught during the training.

The purpose of any development planning is to pave the way towards improving the quality of life of people, particularly those that are marginalised, such as women, minorities and low income groups. It is our hope that this Training Manual will be useful for planners who are faced with the formidable challenge of improving services and creating opportunities for the deprived segments of society.

It would be remiss of me not to acknowledge the diligence and efforts of all those involved in the development of this document and I would like to thank everyone, including the staff at the Planning and Development Department for their contribution to its development. In particular, I would like to extend my deepest appreciation for the Sub-National Governance Programme for lending us their support and technical assistance through their experienced team of consultants.

Mohammad Jehanzeb Khan
Chairman Planning & Development Board
Government of the Punjab
Acknowledgement

Early last year, Planning and Development Department, Government of the Punjab, undertook on the responsibility of revisiting the provincial Planning Manual with the objective to incorporate the new imperatives for planning into the document while removing outdated concepts that no longer held ground. In order to fully realise the dividends of this revision, it was imperative to expose the provincial and district planners to the modern planning tools incorporated in the updated Planning Manual, to be able to undertake smarter planning for better development outcomes.

The successful completion of the project “Training of Provincial and District Planners” is the culmination of hard work by several partners including Planning & Development Department (P&DD), Management and Professional Development Department (MPDD), Sub-National Governance (SNG) Programme, Punjab and a team of highly accomplished professionals, whose efforts, support and guidance have led to the creation of an extensive pool of over 250 planning professionals for better development planning and dividends across the province.

I would like to thank senior management of P&DD Board and Department especially Mr. Jehanzeb Khan, Chairman P&DD Board for his encouragement, guidance and support. His counsel throughout the project has made it possible to successfully conclude the project.

We are grateful to Mr. Nadeem Irshad Kayani, Secretary MPDD and his team, whose continuous support, both logistical as well as technical, made it possible for P&DD to successfully deliver the training and institutionalise the planning module within MPDD’s mainstream training programme.

I also appreciate efforts of P&DD’s team including Mr. Shahid Adil, Additional Secretary Administration and Mr. Shahid Ismail Mirza, Deputy Secretary Administration for their hard work in organising the trainings and ensuring the participation of planning officers from across provincial and district departments and institutions.

I would like to extend my thanks to the highly experienced team members of this unique project, Mr. Sohail Ahmed, Dr. Kamran Shams, Prof. Syed Hussain Haider and Mr. Muhammad Asif for their valuable contribution towards the project.

My special thanks goes to Sub-National Governance (SNG) Programme for extending their full technical, advisory and financial support, from developing the training manuals to engaging professionals and delivering the trainings at MPDD. We hope to continue this partnership and work together towards improving planning practices and processes for better development planning in the province.

Iftikhar Ali Sahoo
Secretary Planning & Development Department
Government of the Punjab
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<td>ADP</td>
<td>Annual Development Programme</td>
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<td>AG</td>
<td>Accountant General</td>
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<td>AGPR</td>
<td>Accountant General Pakistan Revenues</td>
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<td>BOS</td>
<td>Bureau of Statistics</td>
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<td>BCR</td>
<td>Benefit Cost Ratio</td>
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<tr>
<td>BOT</td>
<td>Build-Operate-Transfer</td>
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<tr>
<td>CBA</td>
<td>Cost-Benefit Analysis</td>
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<td>CDWP</td>
<td>Central Development Working Party</td>
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<td>CEA</td>
<td>Cost-Effectiveness Analysis</td>
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<td>CM</td>
<td>Chief Minister</td>
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<td>DAO</td>
<td>District Accounts Officer</td>
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<td>DDC</td>
<td>District Development Committee</td>
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<td>DDSC</td>
<td>Departmental Development Sub-Committee</td>
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<td>DDWP</td>
<td>Divisional Development Working Party</td>
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<tr>
<td>DFID</td>
<td>Department for International Development</td>
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<td>DP</td>
<td>Development Partner</td>
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<td>EAD</td>
<td>Economic Affairs Division</td>
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<td>ECA</td>
<td>External Capital Assistance</td>
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<td>ECNEC</td>
<td>Executive Committee for National Economic Council</td>
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<tr>
<td>GIS</td>
<td>Geographic Information System</td>
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<td>GoP</td>
<td>Government of Pakistan</td>
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<td>GoPb</td>
<td>Government of the Punjab</td>
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<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IRR</td>
<td>Internal Rate of Return</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MfDR</td>
<td>Managing for Development Resources</td>
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### Acronyms

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<tr>
<td>MPDD</td>
<td>Management and Professional Development Department</td>
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<tr>
<td>MTDF</td>
<td>Medium-Term Development Framework</td>
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<tr>
<td>NEC</td>
<td>National Economic Council</td>
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<td>NESPAK</td>
<td>National Engineering Services Pakistan</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>NPV</td>
<td>Net Present Value</td>
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<tr>
<td>O&amp;M</td>
<td>Operating and Maintenance</td>
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<tr>
<td>P&amp;D</td>
<td>Planning and Development</td>
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<tr>
<td>PDWP</td>
<td>Provincial Development Working Party</td>
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<td>PHE</td>
<td>Public Health Engineering</td>
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<td>PERI</td>
<td>Punjab Economic Research Institute</td>
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<td>PKR</td>
<td>Pakistani Rupee</td>
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<td>PMIU</td>
<td>Project Management and Implementation Unit</td>
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<td>PPP</td>
<td>Public-Private Partnership</td>
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<td>PP&amp;H</td>
<td>Physical Planning &amp; Housing</td>
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<td>PSDP</td>
<td>Public Sector Development Programme</td>
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<td>PV</td>
<td>Present Value</td>
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<td>RBM</td>
<td>Results-Based Management</td>
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<td>S&amp;GA</td>
<td>Services and General Administration</td>
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<td>SDG</td>
<td>Sustainable Development Goals</td>
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<tr>
<td>SBP</td>
<td>State Bank of Pakistan</td>
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<td>TEVTA</td>
<td>Technical Education &amp; Vocational Training Authority</td>
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<td>TMA</td>
<td>Town/Tehsil Municipal Administration</td>
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<td>TMO</td>
<td>Town/Tehsil Municipal Officer</td>
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<tr>
<td>ToRs</td>
<td>Terms of Reference</td>
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<td>TUU</td>
<td>The Urban Unit</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>VGF</td>
<td>Viability Gap Fund</td>
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Overview
Training Manual for Planners

Why is there any need for development planning? This question needs to be answered to appreciate the rationale for planning. A close look at developing countries reveals that they have certain common characteristics/features. These common features are: poverty, primitive agriculture, population pressure, scarcity of capital, social exclusion and gender inequality, low rate of savings, inequitable income distribution, and low level of literacy and high unemployment, with a consequent low level of economic development.

Accordingly, planning is based on the following grounds:

- It takes care of the collective needs of the people, including women, girls and the most vulnerable.
- It helps in determining the future desirable direction of the economy.
- It facilitates the equitable distribution of economic power.
- It serves as a powerful instrument for reducing uncertainty and provides direction for future development.
- It provides for proper coordination and thereby avoids the waste of scarce resources.
- It helps in coping with major economic changes.
- It facilitates the optimum utilisation of a country’s resources.
- It enables the economy to look ahead and, thereby, to lay the foundation for long-term growth.

Development planning primarily aims at the structural or economic transformation of less developed economies in a manner that ensures the achievement of universally acceptable economic and social objectives, e.g. rapid development of resources, optimisation of resource, provision of a reasonable standard of living, equitable distribution of wealth and promotion of welfare of the society as a whole.

Plans, Programmes and Projects

In earlier stages of development, when the priorities in various sectors of economy are not clearly defined, programmes and projects may be conceived without reference to an overall sector or national plan. However, as the development process gains momentum, the choice of investment opportunities becomes wider and the task of resource allocation against various competing demands becomes very complex and difficult. At this stage, identification of specific plan objectives/targets and setting out of detailed sectoral programmes become imperative. The achievement of physical targets set for various sectors of the economy necessitates the preparation of a number of programmes and projects. In order to distinguish between the two, it is necessary to explain the difference between a ‘programme’ and ‘project’.

Normally, a programme consists of a number of identical projects. For instance, under a programme for poverty alleviation for Southern Punjab, there could be a number of projects, such as the establishment of an enterprise fund for providing micro-loans, skill development, etc. Sometimes, the terms ‘programme’ and ‘project’ may mean the same thing. A project is a specific investment entity with specific benefits to be attained in a specific time.
Nevertheless, projects, even if they are independent entities, are not conceived and implemented in isolation. They are linked to the development programme of the sector or sub-sector in which they fall, as well as to overall development. Good plans necessitate consistent linkage of projects, programmes and plan targets. The success of a plan, therefore, hinges upon the formulation of sound projects and their timely implementation.

The main instrument to implement a plan is the Annual Development Programme (ADP). This document, commonly known as ADP, includes all those programmes and projects that are duly approved and funded. More recently, the concept of the Medium-Term Development Framework (MTDF) has evolved to develop a longer-term perspective for planning, which consists of plans for the next three years.

Formation of ADP

The formulation of the ADP/MTDF is an important exercise carried out by the P&D Department, Government of Punjab (GoPb), in collaboration with the Finance Department and other provincial departments and agencies. This exercise is based on the guidelines provided by the federal government in accordance with the national priorities and resource availability. As a result of the ADP formulation exercise, the size and the direction of the public sector programme in the province is determined. Thus, the task of formulation of ADP is of crucial importance, as it has a significant impact on the socioeconomic standing of the province of Punjab.

Structure of the Training Manual

The training manual has been developed on the matrix of the earlier published Punjab Planning Manual 2015. It is function-focused and public sector-oriented with a multitude of exercises. It also includes excerpts from Punjab Planning Manual 2015 along with elaborate explanations.

The Manual covers:
- Framework to Planning
- How to Identify and Formulate a Project
- How to Appraise and Approve a Project
- How to Monitor and Evaluate a Project
- New Planning Imperatives
Introduction - Framework
Chapter 1: Introduction

A. Session Topics:

Overview of planning in Pakistan:
   a) Development planning – concept and practice
   b) Planning process and project cycle management
   c) Planning institutional regime
   d) User guidance for Planning Manual

B. Session Objectives:

   a) To understand development planning – concept and practice
   b) To know the major planning process and tools of planning process and management of project cycle
   c) To get an overview of planning institutions involved from District level to Federal Government.

C. Duration of Session: (To be decided by the trainer)

D. Session Schedule and Facilitator's Guide:

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|      |                                   | 1.1.3 Developing Countries have Common Features |                     |          |
|      |                                   | 2.1 Need of Planning                        |                     |          |
| 2    | Why Plan?                         |                                               |                     |          |
| 3    | Plans, Programmes and Projects    | 3.1 Difference between Plans Projects and Programmes | Slide 14 - 15       |          |
|      |                                   | 3.1.1 Plan                                  |                     |          |
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- **6.1 Planning Commission**
  - Composition
  - Functions

- **6.2 P & D Board**
  - Composition
  - Functions

- **6.3 Planning at Divisional /District level**

- **6.4 Financing of Annual Development Programme**

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F. Session Details:

1 Development Planning - Concept and Practice

Development is a process through which an improvement takes place in the availability of basic needs, when economic growth has contributed to greater sense of self-esteem for the country and individual within it, and when material advancement has expanded the range of choice for the individual.

1.1 What is Development Planning?

1.1.1 Economic Development

Qualitative change and restructuring in a country’s economy in connection with technological and social progress. The main indicator of economic development is increasing GNP per capita (or GDP per capita), reflecting an increase in the economic productivity and average material wellbeing of a country’s population. Economic development is closely linked with economic growth. (World Bank)

Progress in an economy, or the qualitative measure of this. Economic development usually refers to the adoption of new technologies, transition from agriculture-based to industry-based economy, and general improvement in living standards. (Business Dictionary)

An increase in living conditions, improvement of the citizens’ self-esteem needs and a free and just society. (Professor Michael Tadaro)

From a policy perspective, economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base. Economic development is the process and policies by which a nation improves the economic, political, and social well-being of its people. Whereas economic development is a policy intervention endeavor with aims of economic and social well-being of people, economic growth is a phenomenon of market productivity and rise in GDP.

Indicators of Economic Development are growth in GDP and per capita income, declining poverty rates, increasing literacy rates, declining infant morbidity and increasing life expectancy, etc.

1.1.2 Planning in the Paradigm of Public Policy

Planning, also called urban planning or city and regional planning, is a dynamic profession that works to improve the welfare of people and their communities by creating more convenient, equitable, healthful, efficient, and attractive places for present and future generations. (American Planning Association)

Planning can also be explained as decision making about the future for efficient use of available resources to achieve explicit objectives within a stipulated time.
A basic management function involving formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources. The planning process

i. Identifies the goals or objectives to be achieved;
ii. Formulates strategies to achieve them;
iii. Arranges or creates the means required; and
iv. Implements, directs, and monitors all steps in their proper sequence.  

(Business Dictionary)

1.1.3 Developing Countries Have Common Features

A close look at developing countries reveals that they have certain common characteristics/features with a consequent low level of economic development. These common features are:

i. Poverty
ii. Primitive agriculture
iii. Population pressure
iv. Scarcity of capital
v. Social exclusion and gender inequality
vi. Low rate of savings
vii. Inequitable income distribution
viii. Low level of literacy and high unemployment

2 Why Plan?

2.1 Need of Planning

Why is there any need for development planning?

This question needs to be answered so as to appreciate the rationale for planning.

Accordingly, the importance of development planning is based on the following grounds:

i. It takes care of the collective needs of the people, including women, girls and the most vulnerable.
ii. It helps in determining the future desirable direction of the economy.
iii. It facilitates the equitable distribution of economic power.
iv. It reduces uncertainty and provides direction for future development.
v. Provides for proper coordination and thereby avoids the waste of scarce resources.
vi. It helps in coping with major economic changes.
vii. It facilitates the optimum utilization of a country’s resources.
viii. It enables policy-makers to look ahead and, thereby, to lay the foundation for long-term growth.
Development planning primarily aims at the structural or economic transformation of less developed economies in a manner that ensures the achievement of universally acceptable economic and social objectives, e.g.

i. Rapid development of resources;
ii. Optimization of resource use;
iii. Provision of a reasonable standard of living; and
iv. Equitable distribution of wealth and promotion of welfare of the society as a whole, etc.

3 Plans, Programmes and Projects

3.1 Difference between Plans, Programmes and Projects

3.1.1 Plan
A detailed proposal for doing something.

3.1.2 Programme
Normally, a programme consists of a number of identical projects. For instance, under a programme for poverty alleviation for Southern Punjab, there could be a number of projects such as establishment of an enterprise fund for providing micro-loans, skill development, etc.

Sometimes, the terms ‘programme’ and ‘project’ may mean the same thing.

3.1.3 Project
A project is a specific investment entity with specific objectives/benefits to be attained in a specific time. Nevertheless, projects, even if they are independent entities, are not conceived and implemented in isolation.

They are linked to the development programme of the sector or sub-sector in which they fall as well as to overall development plan.

Projects, therefore, are also considered "building blocks" of development.

Accordingly good plans necessitate consistent linkage of projects, programmes and plan targets. The success of a plan, therefore, hinges upon the formulation of sound projects and their timely implementation.

3.2 Role of Plan, Programme and Project in Early and Later Stage of Development

3.2.1 Early Stage of Development
In earlier stages of development, when the priorities in various sectors of the economy are not clearly defined, programmes and projects may be conceived without reference to an overall sector or national plan.
3.2.2 Later stage of Development

However, as the development process gains momentum, the choice of investment opportunities becomes wider and the task of resource allocation against various competing demands becomes very complex and difficult. At this stage, identification of specific plan objectives/targets and setting out of detailed sectoral programmes become imperative. The achievement of physical targets set for various sectors of the economy necessitates the preparation of number of programmes and projects.

3.3 Importance of ADP and MTDF

3.3.1 ADP

The main instrument to implement a plan is the Annual Development Programme (ADP). This document, commonly known as ADP, includes all those programmes and projects that are duly approved and funded.

3.3.2 MTDF

More recently, the concept of the Medium-Term Development Framework (MTDF) has evolved to develop a longer-term perspective for planning, which consists of plans for the next three years.

4 Process of Formulation of ADP and MTDF

4.1 ADP and MTDF

- The formulation of the ADP/MTDF is an important collaborative exercise carried out by:
  - The P&D Board, Government of Punjab (GoPb);
  - The Finance Department; and
  - Other provincial departments and agencies.

  This exercise is based on the guidelines provided by the federal government in accordance with the national priorities and resource availability.

- As a result of the ADP formulation exercise, the size and the direction of the public sector programme in the province is determined.
- Thus, the task of formulation of ADP is of crucial importance as it has a significant impact on the socioeconomic standing of the province.

The preparation of the ADP involves a number of stages, which are briefly discussed below.

4.2 Five Stages of ADP Formulation

1. Estimation of resources and determination of inter-sectoral priorities;
2. Preparation of portfolio of schemes;
3. Preparation of preliminary draft of ADP;
4. Meeting with department and preparation of ADP; and
5. Finalization of ADP and its authentication.
### 4.2.1 First Stage: Estimation of Resources and Determination Of Inter-Sectoral Priorities

The first six months of a financial year typically represent the first stage of formulation of the ADP. During this period, two main exercises are conducted in the P&D Board in collaboration with the Finance Department.

- Firstly, an estimate is made in respect of the expected resource availability for the next financial year.
  - The trend of the past few years and outlook of the economy constitute the basis of the estimate;
  - An assessment of the anticipated external capital assistance is also included in this estimate.
- Secondly, determination of inter-sectoral priorities is carried out on the basis of the latest government policies regarding:
  - Concerned sectors;
  - Ongoing programmes expected to be completed; and
  - New programmes likely to be initiated.

After conducting these two exercises, the tentative size of the ADP, indicating sector-wise allocation for the next financial year, is communicated to all the concerned departments.

---

The departments are required to prepare lists of the ongoing and the new schemes relating to their respective sectors. Every year the P&D Board also issues ADP Formulation Guidelines (as discussed later in this section).
4.2.2 Second Stage: Preparation of Portfolio of Schemes

All departments and concerned agencies prepare a portfolio of schemes for the sector/sub-sector allocated to them. While preparing such portfolio the following guidelines are to be considered:

- Formulation of the ADP should follow the medium-term perspective, with the objectives of ensuring predictability of flow of funds and the ability to plan with a longer-term horizon in view, while realizing fiscal discipline and allocative and operational efficiencies.
- In line with the MTDF, the ADP should comprise a portfolio of development schemes for the next year and projections for the two subsequent financial years in the prescribed format.
- Line departments are required to submit a write-up on the department/sector’s vision, objectives/policy and strategic interventions to be achieved in the next two–three years. The importance of the sector in the provincial economy and benefits/linkage of proposed interventions in realizing targets set out in the provincial growth framework should be highlighted.

---

1 Government of Punjab Guidelines for Formulation of Annual Development Program 2015-16
2 Punjab Economic Growth Strategy
• Proposed interventions under the ADP must be arranged by assigning clear and logical prioritization, as well as facilitating readjustments and course correction during the year, in accordance with the resource situation. Proposed interventions establishing robust linkages with growth targets and exhibiting a high multiplier effect on economic growth have to be assigned top priority.

• The foreign aid component for the medium term (three-year period) has to be determined/finalized by respective sectors/departments in consultation with the ECA Section, P&D Department.

• Departmental ADP proposals should be provided on a prescribed pro forma (VOLUME TWO – SECTION C).

• Priority for allocation of funds should be as follows:
  o Counterpart funds for foreign-aided projects as per commitment should be given highest priority.
  o The maximum allocation should be provided to ongoing projects that are at a fairly advanced stage of implementation, and have a demonstrated multiplier effect on economic growth.
  o Full funding should be allocated to projects that are due for completion in the next financial year.
  o Projects dealing with emergencies, such as flood relief, rehabilitation, etc. may be priorities.
  o Departments dealing with social sectors may focus on consolidation and improvement of service delivery activities instead of expansion and coverage of uncovered areas.

• Allocations to the individual projects should be decided on the basis of past performance and the phasing set out in the PC-I/PC-II (project cycle proformas, described in Section 1.3.3).

• Counterpart funding for the foreign-aided projects and projects co-financed with the federal government should be phased as per the PC-I.

• For new projects, the departments are required to prepare a detailed concept paper highlighting different aspects of the project, on a prescribed form (VOLUME TWO – SECTION C).

• Cost estimation of new schemes proposed for inclusion in the ADP has to be based on rational calculation, cost escalation and market analysis. Any scheme whose cost would exceed by 15% the original cost stipulated in the ADP would require fresh approval of the competent authority.

• Project life should be kept at the minimum possible and ideally should not exceed two–three years, unless dictated by the nature of the project/sector. Projections for the two subsequent years (as per the MTDF) have to worked out with due care.

• The allocation among new versus ongoing projects for the ADP should be in accordance with the prescribed distribution formula, which currently stipulates 70% for ongoing projects and 30% for reform initiatives and new programmes.

• Unapproved projects in the current year may be considered for removal if they are no longer priorities of the sector, after giving adequate justification. All projects unapproved by the 30th of June of the current year would automatically become new projects in the next ADP.
• To reinforce the government’s priority to effectively mainstream gender and achieve the MDGs/SDGs, line departments should consider fair and just distribution of opportunities and resources between women and men. Collection and analysis of gender-disaggregated data across all departments should be emphasized to monitor progress for girls and women.
• The time schedule for preparation of the ADP may be seen in VOLUME II - SECTION C.

Stage II

4.2.3 Third Stage: Preparation of Preliminary Draft of ADP
• Preparation of the preliminary draft of the ADP starts from January every year.
• A series of inter-departmental meetings are held during this period by the chief / senior chief of sections / members of the P&D Department.
• The initial draft of the ADP serves as a working paper for the final round of ADP meetings to be held in March.
• The initial draft of the ADP, in accordance with the guidelines, is based upon the methodology of preparing sector and sub-sector-wise listing of ongoing and new programmes in descending order of priorities.
• This allows the subsequent changes in accordance with the likely resource availability.

4.2.4 Fourth Stage: Meeting with Departments and Preparation of ADP

• This stage takes two-three months, i.e. from 15 February to the first week of April.
• During this period, ADP meetings are held in the P&D Board with the concerned departments – including the Finance Department – headed by the chairman, P&D Board.
• In these meetings, the lists prepared/finalized in the previous stages are modified, if necessary, and brought in line with the anticipated financial resources.
• Simultaneously, the draft ADP for the financial year is prepared.
• It represents an estimate of possible minimum available resources.
• The departments have to complete the formalities, e.g., preparation of PC-I, as well as scrutiny and approval of projects from the competent authorities, before publication of the ADP.
4.2.5 Fifth Stage: Finalization of ADP and its Authentication

- In the fifth stage, which is spread over the second week of April to the end of June, the final shape is given to the ADP.
- During this period several meetings are held to finalize the federal and provincial ADPs, e.g., of the
  o Priorities Committee;
  o Annual Plan Coordination Committee;
  o Executive Committee of the National Economic Council; and
  o National Economic Council.
- It is presented to the Cabinet and Provincial Assembly in June.
- After approval and with the governor's authentication by the end of June, the ADP is ready for implementation with effect from the beginning of the financial year.
5 Tools of PCM

5.1 Types

Various pro formas are used for different cycles of the project, as prescribed by the Planning Commission, as follows:

| PC-I | Detailed project document |
| PC-II | For preparation of pre-feasibility and feasibility surveys |
| PC-III | For submission of monthly/annual monitoring/progress report of project |
| PC-IV | For submission of completion report of project |
| PC-V | For submission of evaluation/implementation report on annual basis for five years |

Appendices (VOLUME TWO – SECTION B) present these forms and guidance notes from Planning Commission.
5.2 Project Cycle

![Project Cycle Diagram]

<table>
<thead>
<tr>
<th>PC-I PROFORMA</th>
<th>PC-II PROFORMA</th>
<th>PC-III PROFORMA</th>
<th>PC-IV PROFORMA</th>
<th>PC-V PROFORMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project information for pre-investment appraisal</td>
<td>Feasibility study of a large-scale development project</td>
<td>Progress report on use of funds and achievement of project milestones</td>
<td>Project completion report</td>
<td>Project impact assessment report</td>
</tr>
<tr>
<td>A planning process from project identification to its approval</td>
<td>Complete survey of project design</td>
<td>Extent of project performance on a quarterly basis</td>
<td>Self-assessment of project financial and physical conduct</td>
<td>Follow-up of the terminal evaluation report</td>
</tr>
<tr>
<td>A milestone to improve project quality</td>
<td>Experts' opinions and justifications to tie up large resources in a programme</td>
<td>Identification of bottlenecks experienced during ongoing project activities</td>
<td>Internal analysis of project outputs</td>
<td>Particulars regarding operation and maintenance (O&amp;M) of the project with regard to project evaluation</td>
</tr>
<tr>
<td>Baseline for monitoring and evaluation (M&amp;E) performance measures</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

Figure: Planning Commission forms and their use
6 Institutional Regime for Planning

The planning process was initially formalized in Pakistan with the creation of the National Planning Board in 1953 along with provincial departments. The Planning Commission at the federal level was set up in 1958 along with the provincial departments. In addition, a number of planning agencies have come into existence at different levels in the country. The present chapter briefly surveys the planning machinery in operation at various levels:

- Planning Commission of Pakistan;
- Provincial P&D departments/Board; and
- Planning agencies at the divisional/district level

6.1 Planning Commission

6.1.1 Composition

The Planning Commission, including the Planning, Development & Reforms Division, occupies the central position in the overall planning machinery. The prime minister is the chairman of the Planning Commission, which, apart from the deputy chairman, comprises various members including the secretary, Planning, Development & Reforms Division / member (Coordination); member (Private Sector Development & Competitiveness); member (Energy); member (Food Security & Climate Change); member (Science & Technology); member (Development Communication); member (Infrastructure & Regional Connectivity); member (Social Sectors & Devolution) member (Governance, Innovation & Reforms); and vice chancellor, Pakistan Institute of Development Economics (PIDE)/member (Research).

6.1.2 Functions of Planning Commission

- Preparing the national plan and review and evaluating its implementation;
- Formulating the annual plan and ADP;
• Monitoring and evaluating implementation of major development projects and programmes;
• Stimulating preparation of sound projects in regions and sectors lacking adequate portfolio; continuously evaluating the economic situation and coordinating economic policies; organising research and analytical studies for economic decision-making;
• Assisting in defining the national vision, and undertaking strategic planning;
• Assessing the material, capital and human resources of the country and formulating proposals for augmenting such resources;
• Facilitating capacity building of agencies involved in development; and any other functions assigned by the Prime Minister.

6.2 P & D Board

6.2.1 Composition
At the provincial level, P&D activities of all nation-building departments and agencies are coordinated by this board. The P&D Board is headed by a chairman. He is assisted by the chief economist, secretary, joint chief economists, members, senior chief and chief of sections.

Distribution of work – The P&D Board is divided into self-contained sections, each of which is headed by a senior chief / chief of section. The main sections are as follows:

• Economic sections – There are a number of economic sections established in the P&D Board, Punjab. The matters dealt with by these sections include: coordination with the federal government on economic issues and development plans; macroeconomics and policy analysis; appraisal; and monitoring & evaluation (M&E).

• Technical sections – The technical sections appraise projects from a technical viewpoint. These include: Water & Power; Roads & Bridges; Urban Development / Development Authorities / Regional Planning; Agriculture; Livestock & Dairy Development; Forests & Fisheries; and Industries & Manpower.

• Social sections – The social sections mainly consist of health, population welfare and nutrition; education and training; information, culture, tourism and social welfare; housing and physical planning; and urban/rural water supplies/sewerage.

• Other sections—Other sections include external capital assistance (ECA); environment; and foreign training.
6.2.2 Functions

The main functions of the Board as per the Rules of Business include:

- Formulation of the provincial government vision, policies and strategies for economic P&D in consultation with all stakeholders in light of the National Economic Council’s (NEC’s) guidelines
- ADP/MTDF
  - Preparation in coordination with all departments of the government
  - Monitoring implementation
  - Evaluation of development projects and programmes
- Economic issues
  - Conducting of research/surveys
  - Review/analysis of socioeconomic data
- Public Sector Development Programmes (PSDPs):
  - Preparation of short-term and long-term provincial development plans
  - Coordination with federal government
- Policy for the approval of development schemes as a catalyst for different departments/sectors to improve the pace and quality of economic development
- Resource allocation, re-appropriation of development funds, appropriations from block allocations and disbursement of supplementary grants
- Secretariat for the Provincial Development Working Party (PDWP) and clearinghouse for development within the competence of the Central Development Working Party (CDWP) and Executive Committee of the National Economic Council (ECNEC)
- Foreign assistance:
  - Determination of key areas for foreign assistance and preparation of the sector-wise portfolio for foreign assistance
  - Loan negotiations and securing of federal financial guarantees, wherever required
  - Review of foreign-aided projects
- Coordination of nominations for foreign training, seminars, conferences and workshops for all officials serving with the provincial government
- Capacity building of government departments, agencies and functionaries for good governance
- Focusing on accelerated development of rain-fed (barani) and less developed areas
- Framing of guidelines for procurement of consultancy service
- Policy formulation with respect to private sector development and promotion and public–private partnership (PPP) implementation, development and administration in respect to foreign-assisted/funded and mega ADP projects
- Matters relating to attached departments, autonomous bodies and special institutions of the P&D Department
- Information technology:
- Punjab Information Technology Board (PITB) attached department of P&D
- Budget, accounts and audit matters
- Purchase of stores and capital goods for the department
- Service matters except those entrusted to service and General Administration Department
- Administration of the following organizations along with related laws and the rules framed there under:
  - The Cholistan Development Authority Act, 1976
  - The Punjab Economic Research Institute Ordinance, 1980
  - The Punjab Public-Private Partnerships for Infrastructure Act, 2010
  - Agency for Barani Areas Development
- Matters incidental and ancillary to the above subjects

While performing its functions the Board closely coordinates with the Finance and other Provincial Departments regarding formulation and determination of the ADP. The Finance and other Departments are also involved with the process of approval of individual development schemes; this function is associated more directly with the process of ADP implementation.

6.3 Planning at Divisional Level

The divisional functions for planning include:

- **Finalization of Lists of Schemes** – Assist the provincial government to finalize lists of schemes for inclusion in the ADP.
- **Approval of Schemes** – Approval of development schemes is accorded in a systematic manner at various levels. At the divisional level a committee for that purpose has been constituted, which is known as the Divisional Development Working Party.

All local government tiers prepare and implement development programmes through their own budget. In addition, autonomous bodies like the Lahore Development Authority, Multan Development Authority, Faisalabad Development Authority, Gujranwala Development Authority, Bahawalpur Development Authority, Punjab Small Industries Corporation, Punjab Mineral Development Corporation, Punjab Industrial Development Board and Tourism Development Corporation have emerged over time to cater for the specific development needs of those areas and relevant sectors. These development authorities have streamlined their own procedures for preparation, approval and implementation of their programmes. All these autonomous bodies are carrying out small and big development projects, which are not fully reflected in the ADP.

At all levels, efforts have been accelerated to involve non-governmental organisations (NGOs)/communities in development works. For social sectors NGOs involvement in development work through health and education foundations is being promoted. Lately, the private sector has also come forward in supplementing the PSDP.

6.4 Financing of Annual Development Programme

There are three main sources to finance the Annual Development Programme as given below:-
i. Provincial Contribution
ii. Federal Assistance
iii. External Assistance
Punjab Planning Manual: A Training for Provincial Planners

Contents

Introduction to the training

Planning manual

Section 1- Introduction
Section 2- How to identify & formulate the project
Section 3- How to appraise & approve a project
Section 4- How to monitor & evaluate
Section 5- New planning imperatives

Volume 2: Appendices

Group Exercise
Introduction to Training

**Purpose**
- Training & capacity building support to provincial officers on:
  - Punjab Planning Manual
  - Gender Sensitive, pro-poor & evidence based development planning and
  - ADP Guidelines (performance based/result-oriented planning & budgeting)

**Training outcomes**
- Sustained and improved capacity of provincial government officers on:
  - Gender sensitive, pro-poor & evidence based planning
  - Planning as per procedures, processes, instructions & techniques outlined in the Punjab Planning Manual, ADP guidelines, etc.
Agenda

Day 1
- Section 1: Introduction
- Section 2: How to identify and formulate a project?

Day 2
- Section 3: How to appraise & approve a project?
- Section 4: How to monitor & evaluate?
- Section 5: New planning imperatives

Day 3
- Group Exercise

PUNJAB PLANNING MANUAL
Section 1: Introduction

- Development planning – concept and practice
- Planning process & project cycle management
- Planning - institutional regime
Development Planning (1/7)

**Economic Development**: Efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.

**Planning**: The establishment of goals, policies, and procedures for a social or economic unit.

**Aim of Development Planning** is to have structural or economic transformation of less developed economies for the achievement of economic and social objectives.

Development Planning (2/7)

Vision 2025

Link planning with SDGs
Exercise:

- What are problems that need to be addressed?
- How important is planning for addressing the identified problems?
Development Planning (4/7)

- Inclusive approach (women, girls & marginalized)
- Optimum resource utilization (management & equity)
- Economic growth (long-term & sustainable)

Development Planning (5/7)

**Plan**
A detailed proposal of doing something.

- Example?

**Development Programme**
Consists of a number of identical projects.

- Example?

**Project**
A project is a specific investment entity with specific benefits to be attained in a specific time.

- Example?
Development Planning (6/7)

Plan
- Five Year Plan (2013-18)
- Industries Sector Plan 2014-18
- Punjab Skills Development Plan 2014-18

Development Programme
- Southern Punjab Poverty Alleviation Programme
- Sub National Governance (PFM, Governance & GIS, Challenge Fund)
- Punjab Education Support Program (access to schools, retention of children & quality of education)

Project
- Lahore Orange Line Metro Train project
- Upgrading of Mechanical System for Sewerage & Drainage Services in Gujranwala
- Livestock and Access to Markets Project

Development Planning (7/7)

The formulation of the ADP/MTDF is an important exercise carried out by the P&D Board, Government of Punjab (GoPb), in collaboration with the Finance Department and other provincial departments and agencies.

Annual Development Plan ADP
- Instrument to implement a plan is the ADP.

Medium-Term Development Framework (MTDF)
- MTDF has evolved to develop a medium term perspective for planning, which consists of plans for the next three years.
Planning Process (1/2)

ADP formulation:
- Guidelines provided by the federal government in accordance with the national priorities & resource availability
- Determines the size and the direction of the public sector programme in the province
- Significantly impacts the socioeconomic standing of the province
Planning Process (2/2)

- Estimation of resources and determination of inter sectoral priorities
- Preparation of portfolio of schemes
- Preparation of preliminary draft of ADP
- Meeting with department and preparation of ADP
- Finalization of ADP and its authentication

Planning Process – 5 Stages
Stage 3

- Finance Department
- Planning & Development Board
- Line Department
- Provincial Assembly/CM/Governor

Preliminary Draft of Departmental ADP

Stage 4

- Finance Department
- Planning & Development Board
- Line Department
- Provincial Assembly/CM/Governor

Meeting/ Prioritization/ Review by CM

Draft ADP for FY
Stage 5

Finance Department
Planning & Development Board
Line Department
Provincial Assembly/CM/Governor

Finalization → Meeting Federal → Approval → Authentication
Cabinet → Assembly → Governor

Project Cycle Management (1/2)
Project Cycle Management (2/2)

Proformas with specific formats:

PC-I  Detailed project document

PC-II  For preparation of pre-feasibility and feasibility surveys

PC-III For submission of monthly/annual monitoring/progress report of project

PC-IV For submission of completion report of project

PC-V  For submission of evaluation/implementation report on annual basis for five years

Development Planning – concept and practice

Planning process and project cycle management

Planning – institutional regime
Planning: Institutional Regime (1/8)

- Planning Commission of Pakistan
- Provincial P&D Departments/Board
- Planning agencies at the divisional/district level

Planning: Institutional Regime (2/8)

Functions of Planning Commission
- Preparing, monitoring & evaluating implementation of:
  - National plan & review/evaluate its implementation
  - Annual plan and ADP
  - Major development projects and programs
- Stimulating preparation of sound projects in regions and sectors lacking adequate portfolio
- Evaluating:
  - Economic situation (coordinating economic policies)
  - Material, capital and human resources to formulate proposals
Planning: Institutional Regime (3/8)

Functions of Planning Commission

- Organizing research and analytical studies for economic decision-making
- Assisting in defining the national vision, and undertaking strategic planning
- Facilitating capacity building of agencies involved in development
- Any other functions assigned by the Prime Minister

Planning: Institutional Regime (4/8)

Distribution of Work:

<table>
<thead>
<tr>
<th>Economic Sections</th>
<th>Technical Sections</th>
<th>Social Sections</th>
<th>Other Sections</th>
</tr>
</thead>
</table>
Planning: Institutional Regime (7/8)

Planning Agencies at District/Divisional Level
- Prepare and implement development programmes through their own budget
- Efforts for involving non-governmental organisations/communities in development works

Planning: Institutional Regime (8/8)

Autonomous Bodies
- Include Lahore Development Authority, Multan development Authority, Faisalabad Development Authority, Gujranwala Development Authority, Bahawalpur Development Authority, Punjab Small Industries Corporation, Punjab Mineral Development Corporation, Punjab Industrial Development Board, Tourism Development Corporation
- Cater to specific development needs
- Carry out small and big development projects, not fully reflected in the ADP
- Streamlined their procedures for preparation, approval and implementation of their programmes
Handout 1A: ADP Formulation Guidelines

TOP PRIORITY

Governor of the Punjab

To
1. Senior Member, Board of Revenue, Punjab.
2. Provincial Police Officer, Punjab.
3. All Administrative Secretaries to Government of the Punjab.
4. Registrar, Lahore High Court, Lahore.
5. Chairman, PITU, Arfa Software Technology Park, Lahore.
6. Secretary, Provincial Assembly, Assembly Chambers, Lahore.
7. All Divisional Commissioners in the Punjab.

Subject: GUIDELINES FOR THE FORMULATION OF ANNUAL DEVELOPMENT PROGRAM 2015-16

Planning & Development Department initiates the process of formulation of Annual Development Programme (ADP) in January / February, each year. Government of the Punjab is moving towards modern planning, budgeting, and monitoring systems under its Medium Term Development Framework (MTDF) with the aim to enhance delivery of public services.

2. Hence, the ADP 2015-16 will be prepared in accordance with the guidelines within the Punjab Economic Growth Strategy, Sectoral Plans, Medium Term Development Framework (MTDF) and Policy decisions taken by the Government from time to time. The inclusion of medium term perspective to the ADP/budgeting process is aimed to help the Provincial Government in achieving overall fiscal discipline, as well as allocative and operational efficiencies.

3. The formulation of ADP shall be based on the following parameters:
   i. ADP 2015-16 will be developed in the light of development vision of provincial government articulated through Punjab Economic Growth Strategy 2014-18.
   ii. The exact size of the program cannot be indicated at this stage, however, the sectoral allocations proposed in MTDF may be followed.
   iii. The foreign component for the Medium Term i.e. 2015-18 shall be determined / finalized by respective sectors / Departments in consultation with ECA Section of the P&D Department.
   iv. ADP 2015-16 will comprise of a scheme based portfolio with allocation of funds for 2015-16, while the subsequent years i.e. 2016-17 and 2017-18 will have tentative financial projections supported by schemes / programmes separately listed in the database. The relevant proformas to be used for scheme based sectoral programme is attached as Annex-I & II.
4. It is requested to initiate the process of formulation of ADP 2015-16 and complete the task within the prescribed time schedule (Annex-III). The Attached Departments, Autonomous Bodies, Project Directors and Project Executing Agencies under your administrative control may also be advised to prepare the programme within the MTDF framework and in the light of guidelines available at the P&D website www.pndpunjab.gov.pk. The draft document may be furnished (hard and soft copy) to P&D Department by March 16, 2015.

(JAVID LATIF)
SENIOR CHIEF (COORD / ADPF)
PH#:042-99210465

No. & Date Even:
A copy is forwarded for information and with the request to liaise with their counterparts in Administrative Departments and ensure that Sectoral Programmes are prepared according to the guidelines and are ready for presentations in inter-departmental meetings according to prescribed timelines:

(i) The Chief Economist / JCE / all Members, P&DD.
(ii) The Director General, Monitoring & Evaluation Cell, P&D Department.
(iii) All Sr. Chief/Chief of Sections, P&D Department
(iv) The Manager, (MIS), P&DD.

(SENIOR CHIEF (COORD / ADPF)

CC

i) Secretary to the Chief Minister, Punjab.
ii) Additional Secretary / Staff Officer to the Chief Secretary, Punjab.
iii) PS to the Parliamentary Secretary, P&D Department
iv) All Heads of Attached Departments, Government of the Punjab.
v) Team Leader, Sub National Governance Programme, Lahore.
vi) PSO to the Chairman, P&D Board.
vii) PS to Secretary, P&D Department.
MOST IMPORTANT/TOP PRIORITY

GUIDELINES FOR
PREPARATION OF
ANNUAL DEVELOPMENT PROGRAM (2015-16)

(February, 2015)

PLANNING AND DEVELOPMENT DEPARTMENT
GOVERNMENT OF THE PUNJAB
GUIDELINES FOR
ANNUAL DEVELOPMENT PROGRAM (2015-16)

General:
1. Annual Development Program represents a key policy instrument for implementing development vision of the government through strategic resource allocation with a medium term perspective. By virtue of its size and sectoral range, ADP interventions are the principal drivers of Government’s vision for pro-poor, inclusive, and gender sensitive economic development and growth. For these reasons, ADP formulation process needs to be accorded utmost priority and meticulous handling by provincial departments.

2. P&D Department, Government of the Punjab, intends to ensure that formulation process of ADP 2015-16 is fully geared towards and informed by principles of value for money through public sector investments. It is therefore expected that provincial government departments will view this process as a means to support actualization of sectoral policy goals and assign it utmost priority.

Overarching Development Policy Framework:

3. Government of the Punjab is embarking upon formulation process for ADP 2015-16 within a specific and well-defined development policy environment articulated in the Punjab Economic Growth Strategy 2014-18. The Strategy is founded on the following principles:

- It is private sector-led, employment-intensive, export-oriented, eco-friendly and regionally balanced.
- It aims to tap into new sources of growth such as Punjab’s rapidly growing urban centres, its youth bulge and its geo-strategic location.
- Key outcomes of the strategy include human capital and skills development, overcoming energy shortages, institutional reforms and good governance, gender mainstreaming, equitable regional development, export-led growth and productivity enhancement.

4. The Departments are advised to consult the Strategy and the Sector Plans for determining the contours of their ADP interventions. It is expected that departments will make every effort to ensure that their ADP 2015-16 is
not merely a compendium of PC-Is but is actually reflective of priorities set out in the Economic Growth Strategy and the Sector Plans.

5. Last but not least, sectoral interventions in ADP 2015-16 should contribute to the growth target of 8% for Punjab by the year 2018. Other targets that need to be focused by departments include increasing private sector investment, achieving MDGs, narrowing security gaps, imparting skills development trainings to 2,000,000 skills graduates and creating a million jobs annually and inclusive growth with special focus on women, girls and the marginalized.

ADP Formulation Parameters:

- Formulation of ADP 2015-16 will continue to follow the medium term perspective, adopted for ADP 2014-15. Such a perspective is central to helping provincial government in realizing its objectives of fiscal discipline, and allocative as well as operational efficiencies.
- Following Medium-Term Development Framework, ADP 2015-16 will comprise portfolio of development schemes for 2015-16 and projections for next two financial years, viz. 2016-17 and 2017-18 in the prescribed format.
- Each department/sector is required to submit proposed ADP including department's vision, objectives / policy and strategic interventions to be achieved in the next 2-3 years. These statements will also highlight the importance of the respective sector in the provincial economy and elaborate benefits / linkage of proposed interventions in realizing targets set out in economic growth strategy.
- Proposed interventions under ADP 2015-16 must be arranged by assigning clear and logical prioritization, facilitating readjustments and course correction during the year, in accordance with resource situation. Proposed interventions, establishing robust linkages with growth targets and exhibiting a high multiplier effect on economic growth shall be assigned top priority.
- The exact size of the program cannot be indicated at this stage, however, the sectoral allocations proposed in MTDF may be followed.
- The foreign aid component for the medium term i.e. 2015-18 shall be determined/finalized by respective sectors/departments in consultation with the Foreign Aid Section, P&D Department.
- Departmental ADP proposals should be provided on proforma at Appendix-I. All figures in relevant columns of the proforma are to be indicated in million rupees.
• Details of ADP will be provided as per prescribed Proformas. The priority for allocation of funds should be as follows:
  a. Counterpart funds for foreign aided projects as per commitment should be given highest priority.
  b. Maximum allocation should be provided to on-going projects that are at fairly advanced stage of implementation, and have a demonstrated multiplier effect on economic growth.
  c. Full funding should be allocated to projects that are due for completion in 2015-16.
  d. Projects dealing with emergencies, such as flood relief, rehabilitation etc. may be prioritized.
  e. Departments dealing with social sectors may focus on consolidation and improving service delivery activities, besides, coverage of uncovered areas.
  f. New projects. Allocations for new schemes should not be less than 15% of the financial requirement. While proposing scheme-wise allocations, the above benchmarks may be strictly observed except in cases where feasibility or token allocations are to be made.
  g. Allocation to the Districts of Southern Punjab should have linkages with their population with more weightage. Preferential treatment be given to the districts ranked low in socio-economic indicators (consult MICS, PERI & SPDC ranking).
  h. While undertaking exercise, Administrative Departments may also identify projects that are based on (a) public private partnership (PPP) and (b) community / NGOs participation in terms of cost sharing or otherwise.

• Allocations to the individual projects should be decided on the basis of past performance and the phasing set out in the PC-I/PC-II.
• Counterpart funding for the foreign aided projects and projects co-financed with Federal Government be phased as per PC-I.
• For new projects, the departments shall prepare a detailed concept paper highlighting different aspects of the project. For this purpose the details should be put in the proforma at Annex-II. This will enable the Planning & Development Department to capture necessary inputs on new initiatives. Please note that no proposal of new project would be accepted for which the proforma in not properly filled.
• Cost Estimation of new schemes proposed for inclusion in the ADP 2015-16 should be based on rational calculation, cost escalation and marketing analysis, because any scheme whose cost would exceed by 15% of the ADP cost would require fresh approval of the competent authority.
• Project life should be kept at minimum possible so that the benefits of the project accrues to the public in time. Projection for 2016-17 and 2017-18 may be worked out with due care on the proforma at Annex-I.
The Sectoral allocation for ADP 2015-16 shall preferably be in accordance with the ADP 2013-14 as per following distribution formula unless special circumstances dictate otherwise:

i. 70% ongoing projects
ii. 30% for reforms initiatives and new program.

- Efforts should be made to focus the new portfolio on Economic Growth Strategy and Sector Plans.
- Education & Health Departments shall make every effort to ensure consolidation and improvement in services delivery projects for enhancing efficiency and effectiveness to achieve MDGs.
- Unapproved on-going projects reflected in the current year (ADP 2014-15) may be considered for deletion if they are no longer priority of the sector, after giving adequate justification. All un-approved projects by 30th of June 2015 would automatically become new projects in the next ADP (2015-16).
- Special attention may be given to new initiatives /programmes of the Government with emphasis on pro-poor growth, poverty alleviation, MDGs attainment, creation of productive assets and gender mainstreaming.

6. All the above-mentioned ADP guidelines shall be read with the Budget Call Circular (2015-16) already issued by Finance Department vide its letter No. B-13(11)/BCC/2015-2016 (Part-I) dated 01-09-2014 to ensure greater integration of recurrent and development budget for a more focused approach towards service delivery.

7. All provincial government departments are requested to indicate their proposed programs under ADP 2015-16 after thorough deliberations and get these countersigned by the Administrative Secretary accompanying one page brief indicating vision of the sector, objectives and highlights of the strategic intervention. The proposals must also be shared with respective Ministers.

8. The tentative schedule for preparation of ADP 2015-16 is attached.

* * * * *
Annex-I

PROFORMA FOR DEVELOPMENT PROGRAMME 2015-16

(Rs. In N/Net)

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Project Code (C/N No.)</th>
<th>Old S.S. No. 2014-15</th>
<th>Name of Scheme</th>
<th>District</th>
<th>Total</th>
<th>Condition/PP No.</th>
<th>Age of Invest. Date</th>
<th>Estimated Cost (Rs.)</th>
<th>Major Components</th>
<th>Major Target</th>
<th>Exp. &amp; Aid Ann., 2015</th>
<th>ADP 2015-16 Proposed</th>
<th>Realised Total</th>
<th>Pref. Ind.</th>
<th>Pref. S.N.</th>
<th>Pref. %</th>
<th>Through</th>
<th>Through</th>
<th>Through</th>
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</tbody>
</table>

Guidelines for Formulation of ADP 2015-16
### Project Concept Form for New Projects / Initiatives

<table>
<thead>
<tr>
<th>Cost</th>
<th>Allocation for 2015-16</th>
<th>Rs in million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local</td>
<td>Foreign</td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

#### 1. Title of the Proposed Project

#### 2. Proponent Information

#### 3. Goals & Objectives set to be achieved

#### 4. Rationale for ADP Funding

#### 5. Geographical Coverage (For whole province or specific district/tehsil).

#### 6. Is the project aligned with Sector Plan

#### 7. Relationship of the Project with growth objectives

#### 8. Nearest place where similar facility is available

#### 9. Gestation Period

#### 10. Financial Phasing

#### 11. Detail of post completion annual operation and maintenance cost (AOM&R)
- Maintenance
- HR
- Operation
- Repairs
- Others

#### 12. Beneficiaries (Type & Number)

#### 13. Expected Output (Qualitative & Quantitative)

#### 14. Priority (Indicate Top, Normal, or Low)
## SCHEDULE FOR PREPARATION OF ANNUAL DEVELOPMENT PROGRAMME 2015-16 (MTDF 2015-18)

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt; March to 16&lt;sup&gt;th&lt;/sup&gt; March, 2015</td>
<td>Submission of scheme-wise first draft ADP 2015-16 and MTDF 2015-18 to the Planning &amp; Development duly cleared by Minister In-charge of the Department.</td>
</tr>
<tr>
<td>20&lt;sup&gt;th&lt;/sup&gt; March, 2015</td>
<td>All Chief of Sections will have to submit the draft ADP 2015-16 to Computer Section for processing after scrutiny &amp; examination of the proposal received from counterpart line department(s)</td>
</tr>
<tr>
<td>27&lt;sup&gt;th&lt;/sup&gt; March, 2015</td>
<td>The Computer Section will furnish the consolidated report of Draft ADP 2015-16 to the Chief Economist, P&amp;D Department for review.</td>
</tr>
<tr>
<td>30&lt;sup&gt;th&lt;/sup&gt; March to 6&lt;sup&gt;th&lt;/sup&gt; April, 2015</td>
<td>Inter departmental meetings in P&amp;D Department to finalize the ADP 2015-16. The agenda of the inter-departmental meetings will be issued in due course.</td>
</tr>
<tr>
<td>13&lt;sup&gt;th&lt;/sup&gt; April, 2015</td>
<td>Departments would submit second draft of Annual Development Programme 2015-16 to P&amp;D Department. Special initiatives, policy directions and guidelines, if required, must be obtained from Provincial Chief Executive and incorporate in the ADP.</td>
</tr>
<tr>
<td>20&lt;sup&gt;th&lt;/sup&gt; April to 25&lt;sup&gt;th&lt;/sup&gt; April, 2015</td>
<td>Inter-departmental meetings with Chairman, P&amp;D to finalize the Draft ADP 2015-16.</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; May, 2015</td>
<td>Meeting of the National Economic Council (Tentative)</td>
</tr>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt; May, 2015</td>
<td>Submission of Draft ADP 2015-16 to Chief Minister for approval</td>
</tr>
<tr>
<td>28&lt;sup&gt;th&lt;/sup&gt; May, 2015</td>
<td>Final Draft 2015-16 will be sent to Finance Department for printing.</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; week of June, 2015</td>
<td>Discussion and approval by Provincial Assembly.</td>
</tr>
</tbody>
</table>
Handout 1B: Schematic for ADP Formulation

Stage I
- Trend
- Outlook of Economy
- Anticipated External Support
- Forecasting
- Economic Projections
- Financial Analysis

Stage II
- Accruing Intake Sectoral Priorities
- Tentative ADP
- Sector Wise Allocation
- ACP Formulation Guidelines

Stage III
- Scheme Formulation
- Preliminary Draft of Departmental ADP

Stage IV
- Meeting/Notification / Review by CM
- Finalization
- Meeting
- PC
- APCC
- ECNEC
- NEC

Stage V
- Approval
  - Cabinet
  - Assembly
- Authentication
  - Governor

Schematic for ADP Formulation
### 1F: Planning Commission Forms and their Use

<table>
<thead>
<tr>
<th>PC-I PROFORMA</th>
<th>PC-II PROFORMA</th>
<th>PC-III PROFORMA</th>
<th>PC-IV PROFORMA</th>
<th>PC-V PROFORMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project information for pre-investment appraisal</td>
<td>Feasibility study of a large-scale development project</td>
<td>Progress report on use of funds and achievement of project milestones</td>
<td>Project completion report</td>
<td>Project impact assessment report</td>
</tr>
<tr>
<td>A planning process from project identification to its approval</td>
<td>Complete survey of project design</td>
<td>Extent of project performance on a quarterly basis</td>
<td>Self-assessment of project financial and physical conduct</td>
<td>Follow-up of the terminal evaluation report</td>
</tr>
<tr>
<td>A milestone to improve project quality</td>
<td>Experts' opinions and justifications to tie up large resources in a programme</td>
<td>Identification of bottlenecks experienced during ongoing project activities</td>
<td>Internal analysis of project outputs</td>
<td>Particulars regarding operation and maintenance (O&amp;M) of the project with regard to project evaluation</td>
</tr>
<tr>
<td>Baseline for monitoring and evaluation (M&amp;E) performance measures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

Instructions to Fill-in PC-I Pro Forma (Infrastructure Sectors)

1. Name of the Project
   Indicate name of the project.

2. Location
   - Provide name of the district/province.
   - Attach a map of the area, clearly indicating the project location.

3. Authorities responsible for
   Indicate name of the agency responsible for sponsoring, execution, operation and maintenance. For provincial projects, name of the concerned federal ministry be provided.

4. (a) Plan provision
   - If the project is included in the medium term/five year plan, specify actual allocation.
   - If not included in the current plan, what warrants its inclusion and how is it now proposed to be accommodated.
   - If the project is proposed to be financed out of block provision, indicate:

<table>
<thead>
<tr>
<th>Total block provision</th>
<th>Amount already committed</th>
<th>Amount proposed for this project</th>
<th>Balance available</th>
</tr>
</thead>
</table>

(b) Provision in the current year PSDP/ADP

5. Project Objectives
   - The objectives of the sector/sub sector as indicated in the medium term/five year plan be reproduced. Indicate objectives of the project and develop a linkage between the proposed project and sectoral objectives.
   - In case of revised Projects, indicate objectives of the project if different from original PC-I.

6. Description and Justification of Project (enclose feasibility study for projects costing Rs.300 million & above.)
   - Describe the project and indicate existing facilities in the area and justify the establishment of the Project.
- Provide technical parameters i.e. input and output of the project. Also discuss technological aspect of the project.
- Provide details of civil works, equipment, machinery and other physical facilities required for the project.
- Indicate governance issues of the sector relevant to the project and strategy to resolve them.

In addition to above, the following sector specific information be provided

Transport & Communication

- Provide technical parameters i.e. selected design features and capacity of the proposed facilities alongwith alternates available.
- For roads, provide information regarding land width, geometric and pavement design including formation width, pavement width.
- Land classification for bridges and culverts.
- Thickness/width of road way on bridges and culverts.
- Design speed, traffic capacity of road in terms of passenger car units per day.
- Saving in distance for diverted traffic. Average daily traffic of motor vehicles by category as well as the car units be provided.
- In case of improvement within the urban areas, separate traffic counts within that area should be given. Brief information regarding traffic and pavement width etc. in adjoining sections should also be given.
- For bridges provide location, total length of bridge, number of spans with length of each span, width roadway and footpath, type of sub and superstructure and load classification.

Telecommunication

- Mention alternate means of providing the same facilities (for example microwaves versus optic fiber cable, underground cable versus overhead cable etc.) and the cost of each of the alternatives means.

Information Technology

- Provide Hardware specification
- Attach Networking/LAN diagram
- Software requirements
- Availability of services (DSL, Dial-ups, wireless)

Energy (Fuel & Power)
**Fuel**
- Detailed description of major equipments, items and structure.
- Provide basis of design of the project.
- Indicate alternate technology along with the selected one with justification.
- For exploration projects give details of previously work undertaken.

**Power**
- Give detailed description of major equipment and structure.
- For **Hydroelectric projects**: Give information regarding geological investigations, flow duration curve, water storage, estimated monthly kilowatt hours generation under minimum and average flow conditions and the flow conditions assumed in the project and operational regime i.e. base load or peak load plant. Rainfall record, stream flow calculation, hydrograph and other available water data along with siltation problems are provided.
- For **thermal projects**: Give information on sources and availability of cooling water and fuel, calorific value, heat rate price (with custom duties and taxes shown separately) and disposal of ash and effluents.
- Give a comprehensive, comparison of available technology and rationale/criteria for selection of specified technology.
- Provide analysis of adopted technology with respect to existing system.
- Indicate whether maintenance facilities are available. If not, provide details/plans for maintenance facilities.
- For **transmission and distribution system**: Basis of design voltage drop allowance system stability, reliability, operating voltage, policy regarding reserves, design and material to be used for supporting structure, average span length and conductor size, type of spacing.
- Load flow studies for the year in which plant is proposed to be commissioned and five years thereafter.
- For **sub-stations and switching stations**: Give location and purpose of each station KVA voltage, type and structure, number of circuits, type of transformers and major circuit breakers.
- Load conditions of the existing facilities, in case of extension facilities.
- In case of new projects, loading conditions of sub stations be provided.

**Housing, government buildings & town planning**
- Provide alternate designs and proposed design features of the project, keeping in view the income levels, family size of the population to be served along with weather conditions etc.
- Mention the nature and size of land available and indicate whether the design ensures the most economical use of space.
- Indicate whether the project is in consonance with the master plan of the city.
- **Town Planning** and covered area parameters/space standards applied in determining land and flood area requirements.
• Specifications of the civil works.

**Irrigation, drainage and flood control**

• Provide project areas characteristics in terms of population, climate, geology, soil, Irrigation, ground water, drainage and agriculture (crops, yields etc.)
• For multipurpose projects, provide basis of allocation of costs between different purposes.
• Engineering projects be supported by technical background data and each distinct segment of the project be described separately.

7. **Capital cost estimates**

• Indicate date of estimation of Project cost.
• Basis of determining the capital cost be provided. It includes market survey, schedule rates, estimation on the basis of previous work done etc.
• Provide year-wise estimation of physical activities as per following:

<table>
<thead>
<tr>
<th>Year-wise/component-wise physical activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Items</strong></td>
</tr>
<tr>
<td>A.</td>
</tr>
<tr>
<td>B.</td>
</tr>
<tr>
<td>C.</td>
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</tbody>
</table>

• Phasing of capital cost be worked out on the basis of each item of work as stated above and provide as per following:

<table>
<thead>
<tr>
<th>Year-wise/component-wise financial phasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Million Rs)</td>
</tr>
<tr>
<td><strong>Item</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td>A.</td>
</tr>
<tr>
<td>B.</td>
</tr>
<tr>
<td>C.</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

In case of revised projects, provide

• History of project approval, year-wise PSDP allocation, releases and expenditure.
• Item-wise, year-wise actual expenditure and Physical progress.
• Justification for revision of PC-I and variation in scope of project if applicable.
8. Annual Operating Cost

Item-wise annual operating cost based on proposed capacity
Utilization be worked out for 5 years and sources of its financing.

9. Demand and supply analysis

- Existing capacity of services and its supply/demand
- Projected demand for 10 years.
- Capacity of the projects being implemented in public/private sector.
- Supply – demand gap.
- Designed capacity and output of the proposed project.

10. Financial Plan

Sources of financing

(a) Equity:

Indicate the amount of equity to be financed from each source
- Sponsors own resources
- Federal government
- Provincial government
- DFI’s/banks
- General public
- Foreign equity
- NGO’s/beneficiaries
- Others

(b) Debt

Indicate the local & foreign debt, interest rate, grace period and repayment period for each loan separately. The loan repayment schedule be also annexed.

c) Grants along with sources

d) Weighted cost of capital

11. Benefits of the project and analysis

- Financial: Income to the Project alongwith assumptions
• Economic: Benefit to the economy along with assumptions
• Social: Benefits with Indicators
• Environmental: Environmental impact assessment negative/positive

Financial/Economic Analysis (with assumptions)

• Financial analysis
  • Quantifiable output of the project
  • Profit and loss account and Cash Flow statement
  • Net present value (NPV) and Benefit Cost Ratio
  • Internal financial rate of return (IFRR)
  • Unit cost analysis
  • Break even Point (BEP)
  • Payback period
  • Return on equity (ROE)

• Economic analysis
  • Provide taxes & duties separately in the capital and operating cost
  • Net present value (NPV) and benefit cost ratio (BCR)
  • Internal economic rate of Return (IERR)

• Employment analysis
  • Employment generation (direct and indirect)

• Sensitivity analysis
  • Impact of delays on project cost and viability

12. a) Implementation Schedule
  • Indicate starting and completion date of the project
  • Item-wise/year-wise implementation schedule in line chart correlated with the phasing of physical activities.

b) Result Based Monitoring (RBM) Indicators
  • Indicate Result Based Monitoring (RBM) framework indicators in quantifiable terms in the following table.
13. **Management Structure and Manpower Requirements**

- Administrative arrangements for implementation of project.
- The manpower requirements by skills during execution and operation of the project be provided.
- The job description, qualification, experience, age and salary of each post be provided.

14. **Additional projects/decisions required**

- Indicate additional projects/decisions required to optimize the investment being undertaken on the project.

15. **Certificate**

- The name, designation and Phone # of the officer responsible for

<table>
<thead>
<tr>
<th>S.No</th>
<th>Input</th>
<th>Output</th>
<th>Outcome</th>
<th>Baseline Indicator</th>
<th>Targets after Completion of Project</th>
<th>Targeted Impact</th>
</tr>
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<tbody>
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</table>

preparing and checking be provided. It may also be confirmed that PC-I has been prepared as per guidelines issued by the Planning Commission for the preparation of PC-I for Infrastructure Sector projects.

- The PC-I along with certificate must be signed by the Principal Accounting Officer to ensure its ownership.
GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

Instructions to Fill-in PC-I Pro Forma (Production Sector)

1. Name of the Project
   Indicate name of the project.

2. Location
   - Provide name of district and province.
   - Attach a map of the area, clearly indicating the projects location.

3. Authorities responsible for
   - Indicate name of the agency responsible for sponsoring, execution, operation and maintenance
   - In case of more than one agency, give their component-wise responsibility. For provincial projects, name of the concerned federal ministry be provided.

4. (a) Plan provision
   - If the project is included in the medium term/five year plan, specify actual allocation.
   - If not included in the current Plan, what warrants its inclusion and how is it now proposed to be accommodated.
   - If the project is proposed to be financed out of block provision, indicate:

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<th>Amount already committed</th>
<th>Amount proposed for this project</th>
<th>Balance available</th>
</tr>
</thead>
</table>

   (b) Provision in the current year PSDP/ADP.

5. Project objectives
   - The objectives of the sector/sub sector as indicated in the medium term/five year plan be reproduced. Indicate objectives of the project and a linkage between the proposed project and the sectoral objectives.
   - In case of revised project, indicate objectives of the project if different from original PC-I.

6. Description and Justification of Project
   - Describe the project and indicate existing facilities in the area and justify the establishment of the project.
   - Provide technical parameters i.e. input and output of the project in quantitative terms. Also discuss the technology aspect of the project.
   - Provide details of civil works, equipment, machinery and other physical facilities required for the project.
   - Indicate governance issues of the sector relevant to the project and strategy to resolve them.

In addition to above the following sector specific information be provided.

Agriculture Production
- For fisheries projects: Give area for fishing and the legal rights to that area; the availability of trawlers; amount and type of fish likely to be available.
- For forestry projects: Indicate nature and state of existing forests, their growth rate and any problems connected therewith. Give details of species; rotation and anticipated rotation and volume yield. Indicate availability of complementary services, e.g., access roads, saw mills etc.
- For livestock projects: Give the livestock situation of the country and mention any problems connected therewith. Present and future herd size, their species age characteristics and production capacity.
- For agriculture production projects: Give present and future crop yield, cropping intensity; land use pattern, technological intervention and the basis for calculation of the future output.
- For all agriculture production sector projects, provide (i) transport, equipment & field machinery available with the department (ii) effect on farm income and basis for pricing of outputs (iii) farm gate and international prices.

Agriculture extension
- Provide history of extension work in and around project area and justify the extension work.
- Provide transport, equipment and field machinery etc available with the department.

Industry, Commerce and Minerals
- Provide installed capacity, proposed expansion and available technologies, the selected technology and reason for its selection.
- Whether the output is meant for (i) import substitution (ii) meeting domestic demand or (iii) export oriented.
- In case of exports, give likely markets and their size, competitive prices and cost of production to justify the project.
- Provide all information under with and without project conditions in case of BMR & expansion projects.

7. Capital cost estimates
- Indicate date of estimation of project cost estimates.
- Basis of determining the capital cost be provided. It includes market survey, schedule rates, estimation on the basis of previous work done etc.
- Provide year-wise estimation of physical activities as per following:

<table>
<thead>
<tr>
<th>Year wise/component wise physical activities</th>
<th>Quantities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Items</strong></td>
<td><strong>Unit</strong></td>
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<td>A</td>
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<td>B</td>
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</table>

- Phasing of capital cost be worked out on the basis of each item of work as stated above and provide as per following:
Year-wise/Component-wise financial phasing

<table>
<thead>
<tr>
<th>Items</th>
<th>Year-I Total</th>
<th>Local</th>
<th>FEC</th>
<th>Year-II Total</th>
<th>Local</th>
<th>FEC</th>
<th>Year-III Total</th>
<th>Local</th>
<th>FEC</th>
<th>Total Total</th>
<th>Local</th>
<th>FEC</th>
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</table>

- In case of revised projects, provide
  - Project approved history along with PSDP allocations, releases and expenditure.
  - Item-wise, year-wise actual expenditure and Physical progress.
  - Justification for revision of PC-I and variation in scope of project if applicable.
  - Item-wise comparison of revised cost with the approved cost and give reasons for variation.
  - Exchange rate used to work out FEC in the original and revised PC-I’s.

8. **Annual Operating Cost**

- Item-wise annual operating cost based on proposed capacity utilization for 5 years.

9. **Demand and supply analysis(for Industrial and Agricultural Production Projects)**

- Description of product/services.
- Demand/Supply along with unit price for the last five years
- Imports/Exports for the last five years along with unit price (if applicable)
- Projected demand/supply for 10 years.
- Proposed year-wise production and unit price of the product.
- Existing and proposed arrangements for marketing.

10. **Financial Plan**

    **Sources of financing**

    a) **Equity:**

    - Indicate the amount of equity to be financed from each source
      - Sponsors own resources
      - Federal government
      - Provincial government
      - DFIs/banks
      - General public
      - Foreign Equity (Indicate partner agency)
      - NGO’s/Beneficiaries
      - Others

    b) **Debt**
Indicate the local & foreign debt, interest rate, grace period and repayment period for each loan separately. The loan repayment schedule be also annexed.

c) Grants along with source

d) Weighted cost of capital

11. **Benefits of the project and analysis**
   - Financial: Income to the project along with assumptions
   - Economic: Benefit to the economy along with assumptions
   - Social: Benefits with indicators
   - Environmental: Environmental impact assessment negative/positive

**Financial/Economic Analysis (with assumptions)**

**Financial analysis**
- Quantifiable output of the project
- Profit and loss account and cash flow statement
- Net present value (NPV) and benefit cost ratio (BCR)
- Internal financial rate of return (IFRR)
- Unit cost analysis
- Break even Point (BEP)
- Payback period
- Return on equity (ROE)

**Economic analysis**
- Provide taxes & duties separately in the capital and operating cost
- Net present value (NPV) and benefit cost ratio (BCR)
- Internal economic rate of return (IERR)
- Foreign exchange rate of the project (Bruno's Ratio) for import substitute and export oriented projects

**Employment analysis**
- Employment generation (direct and indirect)

**Sensitivity analysis**
- Impact of delays on project cost and viability

12. a) **Implementation Schedule**
   - Indicate starting and completion date of the project
   - Item-wise/year-wise implementation schedule in line chart co-related with the phasing of physical activities.

b) **Result Based Monitoring (RBM) Indicators**
   - Indicate Result Based Monitoring (RBM) framework indicators in quantifiable terms in the following table.
13. **Management structure and manpower requirements**
   - Administrative arrangements for implementation of project
   - The manpower requirements by skills/profession during execution and operation of the Project.
   - The job description, qualification, experience, age and salary of each job may be provided.

14. **Additional projects/decisions required**
   - Indicate additional projects/decisions required to optimize the investment being undertaken on the project

15. **Certificate**
   - The name, designation and phone # of the officer responsible for preparing and checking be provided. It may also be confirmed that PC-I has been prepared as per instructions issued by the Planning Commission for the preparation of PC-I for Production Sector projects.
   - The PC-I along with certificate must be signed by the Principal Accounting Officer to ensure its ownership.
GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

Instructions to Fill-in PC-I Pro Forma (Social Sectors)

1. **Name of the Project**
   Indicate name of the project.

2. **Location**
   - Provide name of District/Province.
   - Attach a map of the area, clearly indicating the project location.

3. **Authorities responsible for**
   Indicate name of the agency responsible for sponsoring, execution, operation and maintenance. For provincial projects, name of the concerned federal ministry be provided.

4. **Plan provision**
   - If the project is included in the medium term/five year plan, specify actual allocation.
   - If not included in the current plan, what warrants its inclusion and how is it now proposed to be accommodated.
   - If the project is proposed to be financed out of block provision, indicate:

<table>
<thead>
<tr>
<th>Total block provision</th>
<th>Amount already committed</th>
<th>Amount proposed for this project</th>
<th>Balance available</th>
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</table>

5. **Project objectives**
   - The objectives of the sector/sub sector as indicated in the medium term/five year plan be reproduced. Indicate objectives of the project and develop a linkage between the proposed project and sectoral objectives.
   - In case of revised Projects, indicate objectives of the project, if different from original PC-I.

6. **Description and justification of project**
   - Describe the project and Indicate existing facilities in the area and justify the establishment of the Project.
   - Provide technical parameters and discuss technology aspect of the Project.
   - Provide details of civil works, equipment, machinery and other physical facilities required for the project.
- Indicate governance issues of the sector relevant to the project and strategy to resolve them.

In addition to above, the following sector specific information be provided

**Education, training and manpower**

- Give student-teacher ratio for the project and the national average for the proposed level of education.
- Year-wise proposed enrolment of the institution for 5 years.
- For scholarship projects, indicate number of scholarships to be awarded each year along with selection criteria.
- Provide faculty strength in relevant discipline in case of expansion of facilities.
- Indicate the extent of library and laboratory facilities available in case of secondary, college and university education.
- Provide details of technical staff required for operation & maintenance of laboratories.

**Health, nutrition, family planning and social welfare**

a) **Health projects**

- Indicate whether the proposed facilities are preventive or curative.
- Bifurcate the facilities between indoor, outdoor and department-wise.

b) **Nutrition**

- Indicate the infrastructure and mechanism required for the project.
- Measures taken for involvement and participation of the community.
- Net improvement in the nutritional status of target groups in quantitative terms.

c) **Family planning**

- Provide information relating to motivation and distribution sub-system.
- Give benchmark data and targets relating to number of couples to be approached and number of contraceptives and other devices to be distributed.
- Mode/mechanism of advocacy and awareness

**Water supply & sewerage**

- Present and projected population and water availability/demand.
- Indicate source and water availability (mgd) during next 5, 10, 20 years.
- For waste water/sewerage, provide present and future disposal requirements, gaps if any and proposed treatment methods and capacity.
- Indicate present and proposed per capita water supply in the project area, comparison be made with water supply in similar localities.
- Indicate whether the proposed project is a part of the master plan. If so, provide details.
Culture, sports, tourism & youth

- Existing and projected flow of tourists in the country/project area.
- Capacity of existing departments to maintain archaeological sites/museums.
- Relationship of archaeological projects with internal and foreign tourism.

Mass media

- Indicate area and population to be covered with proposed project.

Research

- Indicate benefits of the research to the economy.
- Mention number of studies/papers to be produced.
- Indicate whether these studies would result in commercial application of the process developed (if applicable).

7. Capital cost estimates

- Indicate date of estimation of Project cost.
- Basis of determining the capital cost be provided. It includes market survey, schedule rates, estimation on the basis of previous work done etc.
- Provide year-wise estimates of Physical activities by main components as per following:

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<tr>
<th>Items</th>
<th>Unit</th>
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<th>Year-II</th>
<th>Year-III</th>
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- Phasing of Capital cost be worked out on the basis of each item of work as stated above and provide information as per following.

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<th>Item</th>
<th>Year-I Total</th>
<th>Local</th>
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</table>
In case of revised Projects, Provide

- Projects approval history, year wise PSDP allocations, releases and expenditure.
- Item-wise, year-wise actual expenditure and Physical progress.
- Justification for revision of PC-I and variation in scope of the project if applicable.
- Item-wise comparison of revised cost with the approved cost and give reasons for variation.
- Indicate exchange rate used to work out FEC in the original and revised PC-I.

8. **Annual operating cost**

- Item-wise annual operating cost for 5 years and sources of financing.

9. **Demand supply analysis (excluding science & technology, research, governance & culture, sports & tourism sectors)**

- Existing capacity of services and its supply
- Projected demand for ten years
- Capacity of projects being implemented both in the public & private sector
- Supply – demand gap
- Designed capacity & output of the proposed project

10. **Financial plan**

**Sources of financing**

(a) **Equity:**

Indicate the amount of equity to be financed from each source

- Sponsors own resources
- Federal government
- Provincial government
- DFI’s/banks
- General public
- Foreign equity (indicate partner agency)
- NGO’s/beneficiaries
- Others

(b) **Debt**

Indicate the local & foreign debt, interest rate, grace period and repayment period for each loan separately. The loan repayment schedule be also annexed.

c) **Grants along with sources**
d) Weighted cost of capital

11. (a) Project benefits and analysis

- Financial: Income to the project along with assumptions.
- Social: Quantify benefit to the target group
- Environmental: Environmental impact assessment negative/positive.

(b) Project analysis

- Quantifiable output of the project
- Unit cost analysis
- Employment generation (direct and indirect)
- Impact of delays on project cost and viability

12. a) Implementation of the project

- Indicate starting and completion date of the project
- Item-wise/year-wise implementation schedule in line chart co-related with the phasing of physical activities.

b) Result Based Monitoring (RBM) Indicators

- Indicate Result Based Monitoring (RBM) framework indicators in quantifiable terms in the following table.

| S.No | Input | Output | Outcome
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<td>Baseline Indicator</td>
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</table>
13. **Management structure and manpower requirements**
   - Administrative arrangements for implementation of the project.
   - Manpower requirements during execution and operation of the project be provided by skills/profession.
   - Job description, qualification, experience, age and salary of each job be provided.

14. **Additional projects/decisions required**
   - Indicate additional projects/decisions required to optimize the investment being undertaken on the project.

15. **Certificate**
   - The name, designation and phone # of the officer responsible for preparing and checking be provided. It may also be confirmed that PC-I has been prepared as per instructions for the preparation of PC-I for social sector projects.
   - The PC-I along with certificate must be signed by the Principal Accounting Officer to ensure its ownership.
Revised 2005

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

Instructions to fill in PC-II Pro Forma

1. **Name of the Project**
   
   Please indicate the name by which survey/feasibility study will be undertaken.

2. **Administrative authority**
   
   Indicate name of the agency responsible for sponsoring and execution of the project.

3. **Details of survey/feasibility study**
   
   - Provide a general description of the aims, objectives and coverage of the survey/feasibility Study.
   - Provide justification for undertaking the survey/feasibility Study. Indicate whether previous studies in the field have been undertaken. If so, provide details.
   - Indicate duration of study and proposed months of commencement and completion of the study.
   - Provide item-wise/year-wise capital cost estimate of the study broken down between local and foreign exchange.
   - Indicate date on which cost estimates were prepared and the basis of these estimates.
   - Sources of financing the capital cost be provided
   - Indicate requirements separately for local and foreign personnel i.e. professional, technical, administrative, clerical, skilled, unskilled, others along with their terms of reference.
   - Indicate the period of contract of both the local and foreign consultants along with qualifications, experience and the terms of their appointment.

4. **Expected outcome**
   
   - Indicate the expected outcome of the survey/feasibility study in quantifiable terms. It may also be indicated whether any project will be prepared after the survey.
Government of Pakistan
Planning Commission
Instructions to fill-in PC-III (a) Pro Forma

1. **Name of the Project:**
   Indicate name of the project.

2. **Approved capital cost:**
   Provide approved capital cost by the competent forum.

3. **Expenditure upto the end of last financial year:**
   Provide the actual and accrued expenditure upto end of last financial year.

4. **PSDP allocations for the current year:**
   Provide allocations for the project as shown in the PSDP/ADP.

5. **Annual Work Plan:**
   - Provide scope of work as indicated in the PC-I by major items of work.
   - Actual physical achievements upto the end of last financial year against the scope of work indicated in PC-I.
   - Physical targets for the year be determined on the basis of activity chart/work plan to be prepared each year on the basis of PSDP allocations. (Blank activity chart/work plan for major items of works enclosed).

6. **Quarterly Work Plan:**
   The quarterly work plan be prepared on the basis of annual work plan.

7. **Cash Plan:**
   Indicate the finances required to achieve the quarterly work plan targets as indicated at 6 above.

8. **Output indicators:**
   A number of projects start yielding results during its implementation. In such projects the recurring cost is capitalized and the project start yielding results during its Implementation. Indicate quantifiable outcome of the projects for the current year.

   The Pro forma along with activity chart/work plan has to be furnished by 1st July of each financial year.
Government of Pakistan
Planning Commission

Implementation of Development Projects
(To be furnished by 5th day of each month)

1 Name of the Project: _______________________

2 Financial Status
   i) PSDP allocations for the current year
      _______________________
   ii) Current quarter requirements as per cash plan
       _______________________
   iii) Releases during the month
       _______________________
   iv) Expenditure during the month
       _______________________

3 Physical Status
   Physical achievements during the month under report

<table>
<thead>
<tr>
<th>S.No</th>
<th>Items</th>
<th>Unit</th>
<th>Quantities</th>
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4 Output Indicators
   _______________________
   _______________________
   _______________________
   _______________________

5 Problem/Bottlenecks in Projects Implementation
   - Ban on Recruitment
   - Delay in Consultants Appointments
   - Lack of coordination between Fed/Prov Govts.
   - Land Acquisition
   - Turn over PD/Staff
   - Concept & Design Problems
   - Delay in Release of Fund
   - Law & Order Situation
   - Management Capacity
   - Non Existence of PMUs
   - Intra-Departmental Problems
   - Procurement Problems
   - Contractor’s Problem
   - Others
GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
******

Instructions to fill in the PC-IV Pro forma

1. **Name of the project**
   Indicate the same name of the project as appeared on PC-I and also mentioned locations of the project.

2. **Sector/Sub-Sector**
   Indicate Sector & Sub-Sector in which the project falls and as indicated in the PC-I.

3. **Sponsoring Ministry/Agency**
   Indicate the full name of the Ministry/Department/Agency with address.

4. **Executing Agency**
   Indicate the name and address of the Organization responsible for implementation of the project.

5. **Agency for Operation & Maintenance after Completion**
   Indicate the name and address of the Agency/Organization.

6. **Date of Approval**
   Mention date of approval of the competent forum like DDWP, CDWP, ECNEC, etc. and enclose copy of the decision(s).

7. **Implementation period**
   Indicate planned, actual commencement & completion date and total duration (in months). Provide details of extension granted in the implementation period with dates and the notification indicating the name of authority.

8. **Capital cost**
   Provide capital cost of the project as approved by the competent forum and actual expenditure incurred on the project till preparation of PC-IV with expected/actual completion cost.
9-10. **Financing the project**

Provide financing/funding requirement and agency (indicating exchange rate in case of foreign component provided in the PC-I).

11. **Financial Phasing as per PC-I and Expenditure**

- Provide PC-I phasing as per approved PC-I.
- PSDP allocations as reflected in annual PSDP/ADP.
- Year-wise releases made to the project.
- Year-wise actual expenditure incurred on the project.

12. **Item-wise physical targets and achievements**

- Provide item-wise quantifiable physical targets as given in the approved PC-I.
- Actual physical achievements against physical targets be provided.

13. **Item-wise planned and actual expenditure**

- Provide item-wise allocations as per approved PC-I.
- Item-wise actual expenditure incurred on the project be provided.

14. **Recurring Cost after Completion of the Project**

Indicate Source and Agency Responsible for Financing the Recurring Cost after completion of the project.

15. **Achievements of Objectives**

Indicate actual achievements against objectives envisaged in the PC-I.

16. **Year-wise income from services rendered/income generation:**

Indicate the details and type of services rendered to other agency(s), private agencies and amount of income generated.

17. **Indicate Result Based Monitoring & Evaluation (RBM&E) indicators as envisaged in the Column 12(b) of the PC-I**

18. **List of Project Directors (PDs) Since Inception**

Give details of the PDs of the projects with full details of working periods.
19. **Responsibility/ownership of assets (procured/developed) after completion of the project**

Indicate to whom assets of the project (developed/procured) will be transferred after completion of project. Details of assets may also be provided.

20. **Impact after Completion of the Project**

Provide impact of the project on the target group/area, etc.

21. **Mechanism for sustainability of project/activities**

Indicate the mechanism by which project activities will be continued in a sustainable manner.

22. **Financial/Economic results based on actual cost**

- Undertake financial, unit cost and economic analysis based on actual capital and recurring cost. The benefits of the project may also be calculated on prevailing prices and output.
- In case of social sector projects, unit cost analysis may only be provided.

23. **Project implementation**

- Indicate whether project has been implemented as per approved cost, scope and time. In case of variation, reasons be provided.

24. **Lessons learned**

- Provide lesson's learned during identification, preparation, approval, financing and implementation of the project.

25. **Suggestions**

- Suggestions for planning & implementation of similar nature of projects, keeping in view the lessons learned during the implementation of this project.
Government of Pakistan
Planning Commission

Instructions to fill in PC-V Pro Forma

1. **Name of the Project:**
   
   Indicate name of the project.

2. **Objective & scope of the project:**
   
   Indicate objectives and scope of the project as stated in the approved PC-I. It may also be indicated that up to what extent the objectives of the project have been met.

3. **Planned & actual recurring cost:**
   
   Provide planned (as per PC-I) and actual recurring cost of the project along with details for the financial year under report.

4. **Planned & actual manpower employed:**
   
   Provide category-wise details of manpower actually employed for the operation of the project as compared to proposed in the PC-I.

5. **Planned & actual physical output:**
   
   Provide output of the project as given in the PC-I for the year under report and compare it with actual output of the project.

6. **Planned & actual income of the project:**
   
   Provide income of the project as indicated in the PC-I for the year under report along with assumptions and compare it with the actuals for the year.

7. **Benefits to the economy:**
   
   Provide quantifiable planned & actual benefits to the economy for the year under report.

8. **Planned & actual social benefits:**
   
   Provide social benefits to the target group as given in the PC-I, compare with the year under report and state to what extent the social benefits have been achieved.

9. **Planned & actual cost per unit produced/sold:**
   
   Provide cost per unit produced and sold at the weighted cost of capital of the project.
10. **Market mechanism:**

   Indicate how the output of the project is being marketed. In case it differs from the PC-I, the details may be provided.

11. **Maintenance of building & equipment:**

   Provide arrangements made for the maintenance of building & equipment during the last financial year. It may also be indicated whether annual maintenance of building & equipment was carried out in the last financial year.

12. **Output targets:**

   Indicate whether output targets as given in the PC-I for the year under report have been met. In case of variation, give reasons.

13. **Lessons learned:**

   Provide lessons learned during the year under report
   i. Operation
   ii. Marketing
   iii. Management.

14. **Change in project management:**

   In case of any change in the senior management of the project, the details along with justification be provided.

15. **Suggestions to improve project performance:**

   Based on the experience gained during last financial year, suggest measures to improve the projects performance.
GENERAL QUESTIONS AND FAQs
Frequently Asked Questions (FAQs) - Chapter-1

Q.No. 1  What is project life?
Ans. The time from start of project to the break even point is known as project life.

Q.No. 2  What is basic difference between ADP and MTDF?
Ans. In past, fund provisions for schemes were made in ADP only for one year whereas in MTDF, fund provision is made for one year and projected funds for next three years are also estimated and indicated.

Q.No. 3  As per instructions/guidelines issued by P&D Department, no un-approved scheme would be accommodated in the preparation of ADP. In spite of this instruction, it is experienced that some schemes with the status of “un-approved” are added in the ADP every year. How will you like to comment on this aspect?
Ans. It does not happen always. However, sometimes schemes having extremely high priority submitted at the last moments, are included in the ADP with the permission of competent authority.

Q.No. 4  What is meant by unfunded scheme?
Ans. An on-going scheme which could not be reflected in the ADP/MTDF, for whatsoever reason, is called unfunded scheme.

Q.No. 5  It happens that an on-going scheme, if not included in the ADP by mistake or due to any reason, resultantly becomes “un-funded” How it would be funded in the same year or in the coming year?
Ans. A summary is submitted to the Chief Minister for seeking permission to fund the scheme.

******************
How to Identify and Formulate a Project - Framework
Chapter 2: How to Identify and Formulate a Project

A. Session Topics:

a) Project identification
b) Screening project for PPPs
c) Project formulation
d) Cross cutting themes
e) Results framework

B. Session Objectives:

a) To get a know-how about project identification
b) To understand the role of PPPs in development
c) To understand project formulation and various themes relating to project planning

C. Duration of Session: (To be decided by the trainer)

D. Session Schedule and Facilitator’s Guide:

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F. Session Details

1. Project Identification

1.1 Vision 2025 (National Growth Framework)

Pakistan Vision 2025 is the national growth plan, recently developed by the Planning Commission of Pakistan. The vision document puts forward the goal of transforming Pakistan into one of the top 10 economies in the world by 2047.

By the year 2025, it envisions Pakistan among the top 25 economies of the world and an upper-middle income country.

1.1.1 Why Vision 2025

Vision 2025 will be about unlocking the immense potential within this country, it will primarily aim at:

- Private sector as an engine of growth;
- An efficient professional and accountable public sector;
- Corporate Governance based on OECD guidelines;
- Macroeconomic stability with inclusive growth;
- Political stability and peaceful Pakistan.

1.1.2 Objectives of Vision 2025

- To have good quality of life and high living standard compatible with emerging economies like Malaysia.
- To achieve an annual average growth rate of 7 to 8 percent by 2025.
- To bring about structural transformation of economy from low productivity to high productivity in all real sectors.
- To build institutions and social capital commensurate with requirements of high growth economy.
- To have energy, food and water security.
- To put private sector as driver of growth and ensuring enabling environment through better public management and good corporate governance.

1.1.3 Outline of Vision 2025

The Vision 2025 is the country’s long-term development blueprint. It aspires to transform Pakistan into an industrialized and knowledge based high income country by 2025. To this end we have to ensure:

- Energy security;
- Sustained and inclusive higher growth;
- Private sector led growth;
- Modernization of existing infrastructure;
- Improving Competitiveness in industry & trade;
- Internal resource mobilization through tax reforms;
- Ensure peace, security and tranquility in the country and the region;
- Financial sector reforms;
- Institutional and governance reforms;
- Fully harnessing potential of social capital; and
- Revival of confidence.

1.1.4 Major Themes of Vision 2025
- Integrated energy;
- Inclusive and sustained higher growth;
- Private sector led growth;
- Internal resource mobilization;
- Modernization of infrastructure;
- Social capital;
- Strategic regional initiatives; and
- Institutional reforms & governance.

1.1.5 Five Enablers
The document also identifies five enablers and seven pillars to offer an integrated approach for development and prosperity. The enablers include:

i. A shared vision;
ii. Political stability and continuity of policies;
iii. Peace and security;
iv. Rule of law; and
v. Social justice.

1.1.6 Seven Pillars:
- **Pillar I:** Putting people first – developing human and social capital
- **Pillar II:** Achieving sustained, indigenous and inclusive growth
- **Pillar III:** Democratic governance, institutional reform and modernization of the public sector
- **Pillar IV:** Water, energy and food security
- **Pillar V:** Private sector and entrepreneurship-led growth
- **Pillar VI:** Developing a competitive knowledge economy through value addition
- **Pillar VII:** Modernizing transportation infrastructure and greater regional connectivity

2. GoPb’s Growth Strategy

2.1 Strategic Target/Vision
Punjab's growth strategy envisions Punjab as a

- Secure;
- Economically vibrant;
- Industrialized; and
- Knowledge-based
province, which is prosperous and competitive and where every citizen can expect to lead a fulfilling life.

2.2 Key Impediments
The strategy also highlights key impediments to growth including:

- Underutilized manufacturing capacity;
- Stagnant exports;
- Low productivity of physical and human capital;
- Unemployment, under-employment and skills shortages;
- Slow progress on achieving the MDGs/SDGs; and
- Difficult security situation.

2.3 Key Objectives
i. Achieving 8% economic growth (real growth rate in gross domestic product) in Punjab by 2018.
ii. Increasing annual private sector investment in Punjab to US$ 17.5 billion by 2018.
iii. Creating 1 million quality jobs every year in Punjab.
v. Increasing Punjab’s exports by 15% every year until 2018.
vi. Achieving all MDGs and targeted SDGs in Punjab.
vii. Narrowing the security gap with regional neighbors such as India and Bangladesh by reducing crime and improving law and order in Punjab.

3. Departmental Goals
(Goals have defined in departments’ strategies and planning documents.)

4. Screening Projects for Public Private Partnership (PPPs)
A number of factors need to be considered while screening a project to assess if it can be undertaken in PPP mode. Some of these criteria are explained briefly below. For more detailed guidance, please consult the GoPb’s PPP Project Inception Policy Guidelines.

4.1 Sector Eligibility
Schedule I of the Punjab Public–Private Partnership Act 2014 lists the eligible sectors for PPP projects. The proposed project should belong to one of these sectors.

4.2 PPP Applicability
The project should be consistent with the following PPP definition that underlies the government’s PPP policy:

"PPPs are medium- to long- term contractual arrangements between the public sector and a private party for the provision of an infrastructure facility and / or service with a clear allocation of risks between the two parties."

---

1 Project inception guidelines for public-private sector partnerships in infrastructure, October 2009
In line with this definition, the project should provide opportunities for risk transfer to the private sector, which is the primary driver of value for money in PPPs.

### 4.3 Specification of Outputs

The focus under PPP projects is on outputs, i.e., services being provided. By contrast, the focus in traditional public procurement has always been on inputs.

This change in the procurement paradigm means that the line department should be able to specify in clear and measurable terms the project’s outputs in terms of the expected improvements in the quantity and quality of service delivery, based on which a payment mechanism can be devised in the PPP agreement.

### 4.4 Private Sector Capability and Appetite

- The project should be within the capability of the private sector to finance and implement.
- At the same time, the project should be able to attract sufficient market interest and have the potential to operate as a commercially viable venture.

These criteria highlight the importance of project size.

- On one hand, the project should have a certain minimum size to generate cash flows that will enable both public and private parties to achieve value for money and thereby attract investors’ interest.
- On the other hand, the project should not have investment requirements that are so large that they exceed the financial capability of the majority of potential investors.

### 4.5 Technical Scope of the Project

The project should be prima facie technically viable. The PPP approach is particularly suitable if the following are needed:

- Advanced design and state-of-the-art technology of equipment and processes, which traditional public procurement is unlikely to provide;
- Faster construction of the project than under traditional public procurement; Improved quality of infrastructure services to customers in accordance with internationally recognized standards; and
- Enhanced management of the project O&M compared with the management competence and capacity of the existing public utility. (By transferring the management of public infrastructure to the private sector, staff of the public utility can focus on infrastructure planning and performance monitoring, leaving the management of day-to-day delivery of infrastructure services to the private party.)

### 4.6 Financial Viability of the Project

To attract private investors and satisfy their lenders, it should be demonstrated that the project most likely can generate revenues over the concession period at levels sufficient to:

- Recover and repay estimated investment cost;
• Cover the estimated O&M expenses; and
• Generate a commercially acceptable rate of return on equity.

4.7 Ability and Willingness of Customers to Pay

The public demand and willingness to pay for a more expensive project may be a key factor for successful implementation of the project.

• The line department should therefore make a preliminary assessment of whether the project and the customer charges needed to make it financially viable are publicly acceptable.
• If not, then it should be determined whether any viability gap funding is available.

4.8 Need for and Availability of Government Support

There are four main categories of government support for PPP projects including:

• Administrative support such as land acquisition, permits, etc.;
• Asset-based support such as leasing land or infrastructure facilities;
• Direct financial support; and
• Contingent support in the form of government guarantees.

It is important to identify any such support required for the project and assess if such support is viable or likely.

4.9 Impact of the Project on Competition

• A PPP project may create a monopoly or provide extensive exclusivity rights for the private party for a long-term period.
• This may have a negative impact on tariffs for the services and constrain the government's ability to promote competition and innovations in the service provisions at a later stage.

4.10 Comparison with Other Project Candidates

After the department has completed the screening of the project and found the outcome positive, it should compare it to other potential projects in the same sector and/or geographical area in order to select the best candidate for the PPP mode.

5. PPP Modalities

Furthermore, the project should adopt one of the PPP modalities listed in Schedule II of the Punjab Public–Private Partnership Act 2014. Some guidance on these models is given in the following matrix:
5.1 Stakeholders relationship in different management models

The following matrix shows the stakeholders relationship and ownership of different modes of management in Public Private Contracts.

<table>
<thead>
<tr>
<th>Modality</th>
<th>Ownership</th>
<th>Investment</th>
<th>O&amp;M</th>
<th>Commercial Risk</th>
<th>Duration (years)</th>
<th>Typical Example</th>
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<tr>
<td>Service Contracts</td>
<td>Public</td>
<td>Public</td>
<td>Public / Private</td>
<td>Public</td>
<td>1–3</td>
<td>Meter reading and billing, or road maintenance outsourcing</td>
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<td>Management Contracts</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
<td>Public</td>
<td>2–5</td>
<td>Public utility management</td>
</tr>
<tr>
<td>Lease Contracts</td>
<td>Public</td>
<td>Public / Private</td>
<td>Private</td>
<td>Public / Private</td>
<td>10–15</td>
<td>Leasing of existing tourism facilities</td>
</tr>
<tr>
<td>Concessions</td>
<td>Public / Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>25–30</td>
<td>Water supply concession</td>
</tr>
<tr>
<td>BOT and Other Similar Contracts</td>
<td>Public / Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>20–30</td>
<td>Independent power producer</td>
</tr>
</tbody>
</table>

PPP modalities
BOT = build–operate–transfer; O&M = operation and maintenance.

6. Project Formulation

6.1 PC I

PC-I is a standard pro forma / format designed by the Planning Commission of Pakistan for developing and presenting developing project proposals for seeking approval.

All development projects in the ADP / MTDF have to be prepared strictly in the approved format of PC-I pro forma. The Planning Commission of Pakistan has devised three types of PC-I pro forma, listed as below for:

i. Infrastructure sector;
ii. Production sector; and
iii. Social sector.
All the PC pro forma, along with detailed instructions for filling them, are placed in VOLUME TWO – SECTION B.

6.2 PC II

For mega projects, where significant resources for feasibility studies are involved, a separate proposal on the PC-II pro forma is to be submitted for approval.

Feasibility: Feasibility studies have to be undertaken before the submission of the PC-I in more complex and mega projects.

*Mega project means a project having cost exceeding the limit of Rs. 500 million.*

*Complex project means project involving latest technologies and sensitive with regard to strategic position.*

Technical assistance: Such assistance can be requested from one of the donors. For other low-cost projects, in-house feasibility studies can be carried out. Based on the data and positive findings of the feasibility study, the PC-I is prepared and submitted for approval by the concerned forum.

6.3 Output vs. Outcome

Another important aspect, which needs to be considered, is the sustainability aspect after completion: how it would yield the required output / outcome. Therefore, due attention has to be given to the sustainability aspect of the project at the preparation stage.

6.4 Various Indicators

At the project preparation stage, various indicators such as required inputs, baseline data, and expected outputs and outcomes are determined over the life of project. In addition, the viability of the project in terms of financial and economic indicators is determined, which focuses on financial and economic costs and benefits of the project.

6.5 Sources of Data

For accurate estimates, the users need to use credible / reliable sources of data only and should clearly mention any source that they use. The users may consult the following sources / documents for data and only if they cannot find the requisite data from these sources, should they consult other sources:

I. Punjab Development Statistics released every year by the Bureau of Statistics (www.bos.gop.pk);
II. Multiple Indicator Cluster Survey (http://www.bos.gop.pk/?q=mics);
III. Economic Survey of Pakistan (www.finance.gov.pk);
IV. State Bank Data and reports (www.sbp.org.pk/eoedata);
V. Pakistan Bureau of Statistics (http://www.pbs.gov.pk) – various surveys and statistical bulletins including the Pakistan Social and Living Standards Measurement Survey (PSLM);
VI. Management information systems developed by various line departments for their respective sectors; and
6.6 Stakeholder Consultation – Needs Assessment

Project stakeholders are those who have a 'stake' (investment, involvement, concern, interest) in the success of the project. They are citizens or organizations that have interests that are positively or negatively impacted by the project or that can positively or negatively impact the project processes, outputs or outcomes.

Project success depends in part on:

- Maintaining the commitment and confidence of those providing resources;
- Gaining the agreement of those who will utilize the project outputs; and/or
- Responding appropriately to the people and groups who are impacted by (or who can impact the interests of) the project.

The potential stakeholder community surrounding a project can be difficult to identify because:

- They may be large;
- They may be diffuse and amorphous; and/or
- Their interests are usually varied.

Stakeholder engagement is the process of identifying key stakeholders, analyzing their influence on the project, and managing their influence and impact – including winning their support where possible. To keep everyone engaged for the duration of the project, it is important to develop an understanding of the values and issues that stakeholders have and address them.

Stakeholders can be defined as key or non-key for the purpose of planning engagement strategies:

**Key stakeholders** are those individuals or groups whose interest in the project must be recognized if the project is to be successful – in particular, those stakeholders who will be positively or negatively affected during the project or on successful completion of the project. [Improvement of water courses is a good example to explain/elaborate this point.]

**Non-key stakeholders** are those individuals or groups identified as having a stake in the project but who do not necessarily influence its outcome.

6.6.1 Classification of Stakeholders

Classifying key stakeholders into groups according to their

- interest in, or
- influence on

A project is a useful tool which allows for their effective management. There are generic stakeholder classes within government projects that are a useful starting point
for analysis. This is a useful way to broaden the thinking from the immediately obvious
stakeholders and gain a wider picture of the project’s impact.

The table below provides a list of classifications that may be adopted by a project to
categorize groups of project stakeholders. In this classification method the holders of
specific roles within the project governance structure are not included as stakeholders
because they have been deliberately engaged to fulfil a requirement (e.g., project
manager, project team, consultants, contractors, etc.) and would likely have no particular
interest in the project if not appointed to that role.

The classification list is not definitive, nor will every project utilize every classification. It may
be necessary to break some groups down into sub-categories, for example breaking the
outcome-impacted group into beneficiaries (those stakeholders who receive a benefit) and
affected people (those stakeholders who may experience some form of penalty, be harmed
by the project or bear a cost). It may also be useful to further break the groups down by
gender to understand different outcomes of a project for men and women separately.

<table>
<thead>
<tr>
<th>Group Classification</th>
<th>Group Description</th>
<th>Stakeholder Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review/Decision-making</td>
<td>Which groups/individuals/decision-makers/organizations will review project outputs or outcomes?</td>
<td>Political decision-makers (e.g. CM Punjab for a micro hydel project)</td>
</tr>
<tr>
<td>Allied/Peripheral Effects</td>
<td>What projects and change activities will impact the project and in what way? What projects and change activities will the project impact and how?</td>
<td>Allied stakeholders (National Electric Power Regulatory Authority)</td>
</tr>
<tr>
<td>Outcome Impact</td>
<td>Which individuals / groups / organizations will be impacted positively or negatively by project outcomes?</td>
<td>Beneficiaries (positive – users of electricity) Affected people (negative – communities that have to be displaced)</td>
</tr>
<tr>
<td>Output Delivery</td>
<td>Which groups / organizations will be required to deliver project outputs?</td>
<td>Project Delivery Unit (Punjab Power Development Board / Project Management and Implementation Unit (PMIU))</td>
</tr>
<tr>
<td>Output Accountability</td>
<td>Who is responsible for project success?</td>
<td>Project Developer/Financer (Secretary Energy)</td>
</tr>
</tbody>
</table>

Stakeholder group classification matrix

The roles of all stakeholders should be fully understood and their concerns should be
highlighted. Any good project proposal would pre-emptively address concerns of all
stakeholder groups and would have mitigating strategies integrated into the proposal to
manage any risks. Such an approach would have avoided later delay issues or objections during the appraisal and approval process.

7. **Pre-feasibility and Feasibility Studies**
A pre-feasibility or feasibility study is the starting point / pre-requisite for project formulation, if either of the following two situations exists:

1. No data/information to examine the viability of a project; and
2. Inadequacy of available data/information for ascertaining the feasibility of a project.

The aforementioned studies are required to find out whether the project would be technically feasible, administratively manageable, economically and financially viable. These are normally required for big projects [at present costing more than PKR 500 million. Referred Ministry of Planning, Development & Reforms, Government of Pakistan’s letter bearing No.20 (1) PIA-1 / PC / 2015 dated 19th November, 2015)]. In the case of medium and small projects, preliminary investigations are comparatively simple. Hence, formally outsourced pre-feasibility and feasibility studies are not needed for such projects.

7.1 **Pre-Feasibility Study**
A pre-feasibility study may be required primarily to:

1. Curtail the range of feasible alternative solutions; and
2. Ascertaining whether or not a more detailed feasibility study is needed.

Sometimes a pre-feasibility study is undertaken as a component of project identification.

7.1.1 **Outcome of Pre-Feasibility Study**
Such a study helps in weeding out non-feasible solutions. Feasibility and pre-feasibility studies differ mainly in respect of details and accuracy. The results of a pre-feasibility study may lead to any of the following decisions:

1. The proposed project may be rejected because it is not found to be a viable proposition.
2. Detailed planning of the project may be initiated on the basis of the pre-feasibility results (preparation of PC-I).
3. A detailed feasibility study may be initiated (preparation of PC-II).

7.2 **Feasibility Study**
If the decision is to undertake a detailed feasibility study, it will entail a further probe into a number of areas or aspects pertaining to an investment proposal. These areas / aspects have been briefly discussed below:

7.2.1 **Market Aspect**
The study of the market is of basic importance. It is on the basis of such a study that the demand for the product / services to be produced is estimated. Similarly, levels and trends of supply are examined. The comparison of the project demand with the supply gives the 'net
demand’. The factors that determine the extent of marketability of a product/service are the following:

i. Gap between the projected demand and forecasted supply;
ii. Competitiveness of the proposed product/services with similar available products/services; and
iii. Effectiveness of the marketing plan and organization.

7.2.2 Technical Aspects
At the feasibility stage, technical aspects of the proposed project are also examined critically. There may be a number of alternatives to implement and operate a project. The choices regarding size, location and technology are ultimately based on the alternative chosen for the project. The guiding principles for selecting an appropriate technical alternative are as follows:

i. The size, location and technology match the project requirements. All technical features are reasonably defined and found feasible.
ii. Resources are available in the required quantity and quality in accordance with the selected alternatives adopted.

7.2.3 Financial Analysis
The objective of financial analysis is to ascertain:

- whether or not the proposed project is a financially viable proposition.

For this purpose, financial costs are compared with the financial benefits expected to be generated during the life of the project. The financial feasibility is determined by the discounted cash flow measures, i.e. benefit–cost ratio (BCR), net present value (NPV) and internal rate of return (IRR).

7.2.4 Economic Analysis
The economic analysis of the project helps to spell out the impact of the project on the economy or the society as a whole. Such an analysis involves comparison of the costs that the economy or society is required to bear to see the expected benefits.

A project is considered to be economically viable if it contributes to the gross national product. The financial and economic analyses of projects are discussed in detail in the next chapter.

7.2.5 Operational Aspects
Operational aspects are examined to ascertain the viability of a project on a:

- legal;
- organizational;
- managerial;

or other administrative basis.

The agencies responsible for project implementation are identified at this stage. The role of a sponsoring agency:

- whether it is a government department; or
• a board of directors;
Is to decide:
• policies;
• approve budgets; as well as,
• to appoint the management.

The management on the other hand consists of key officials who are responsible for making
day-to-day decisions about the operation and supervision of the project.

8. Provision for Consultancy

8.1 Need for Consultants
In the case of projects, the need for consultants should be carefully considered and
approved during the appraisal / formulation of the project through a PC-I or PC-II.

Here it is pertinent to mention that the approving forum for the PC-II, irrespective of its cost,
is only the PDWP.

When consultants are used, it should be ensured that the functions and responsibilities to
be assigned to the consultant are adequately defined in the Terms of Reference (ToRs). The
consultants to be engaged by the client may, depending on the circumstances:
• be individual consultants or
• consulting firms.

8.2 Costing and Funding
The provision for consultancy should preferably be prepared on:
• a person-month or
• person-days basis.

For development projects the client should use a PC-II or PC-I to secure the necessary funds for consultancy work.

For non-development work the client can secure funding through an allocation to the budget head "Payment to others for services rendered".

8.3 Selection of Consultants
After approval of the PC-II / PC-I from the competent forum, including TORs for the consultants, the procuring agency shall select the consultants following the provisions of Punjab Procurement Rules 2014.

In the said rules Chapter VII has specifically been added for procurement of consultancy services. The client department shall also ensure that the consultant has adequate expertise to perform the assignment. In the case of non-development funding, the Client Department may select the consultant/firm without having a PC-I / PC-II. However, TORs may be cleared from the P&D Department.
9. Detailed Planning of the Project
Once the viability of a project is determined on the basis of pre-feasibility or feasibility study, its detailed planning is initiated. A number of activities need to be carried out at this stage, which includes:

- technical investigation;
- surveys and tests;
- site layout;
- design of basic civil works;
- design of auxiliary facilities; and
- phasing of various project activities.

Details are spelled out below.

9.1 Projects with Civil Works as Major Component

9.1.1 Technical Investigations
For big projects, technical investigations are needed in various phases of the technical study, in the form of:

- research;
- surveys; and
- tests.

Field reconnaissance is performed to probe into the technical requirements further.

9.1.2 Land Acquisition
For projects where land is required, either the government land is provided or it has to be acquired under Land Acquisition Act, 1894.

9.1.3 Site Layout
For projects where construction work is involved, a site plan is drawn. Such a plan shows spatial arrangements of various facilities. Thus, the site plan helps in finding out the functional layout for the project.

9.1.4 Basic Civil Works
Various civil works are identified on the basis of the objectives of a project. The types and characteristics of the civil works will depend on the selected design. At the feasibility stage, civil work design includes preliminary architectural and engineering plans along with specifications. The basic structural framework, thus determined, should give the desired operational efficiency.

9.1.5 Auxiliary Facilities
Besides basic civil works, auxiliary facilities are also required to be spelled out. The auxiliary works normally include:

i. roads;
ii. water supply and drainage;
iii. power supply;
iv. housing facilities for employees; etc.

Such works are also planned in detail at the time of project formulation. The auxiliary works, in fact, are the key elements, which need to be properly identified and provided in a project to ensure its smooth and successful operation.

9.2 Projects without Substantial Civil Work

For projects in which construction work is not a substantial part, the overall methodology would be as follows:

For construction works, the guidelines as given in the preceding section are applicable.

For other works, e.g.,

- Extension;
- Research;
- Training;
- Education;
- Health coverage; etc.

The implementation schedule should specifically indicate the various activities and timings for their completion to achieve the desired objectives. Clear parameters for measuring the success of the project or achievement of objectives should be highlighted for subsequent M&E. For performance evaluation, the benchmark survey should precede the project implementation.

9.3 Phasing of Project Activities

Once the basic and auxiliary civil works and other activities have been planned, the next stage is to chalk out suitable schedules for implementation and operation of the project. The implementation schedule should indicate the manner of executing the physical work. In short, it should clearly reflect:

I. Time required for land preparation / clearing, foundation work, building construction, roofing etc.;
II. Main elements affecting time and costs by using a network diagram and
III. Types and quantities of inputs (manpower, material, equipment, etc.) required for the project at different stages of its implementation.

9.4 Project Requirements

The detailed planning of basic and auxiliary works enables the project planner to determine:

- the types and quantity of resources required for project implementation; and
- its subsequent operation.

Different types of resources required for the project are

- finances;
- machinery and equipment;
• manpower;
• supplies;
• materials;

and various utilities which should be commensurate with the requirements and implementation plan.

Details are given below.

9.4.1 Machinery and Equipment
The choice for machinery and equipment is influenced by:

• The nature of project;
• Alternative use of machinery;
• Available technology levels;
• Scale of output;
• Costs and availability of spare parts; and
• Performance reliability.

When selecting any machinery and/or equipment it is essential to consider the scale of production for its optimal use.

9.4.2 Workforce Requirement
The requirements for workforce should be worked out in detail according to the different types:

• Professional skilled;
• Semi-skilled; and
• Unskilled.

In addition, requirements of the workforce at the implementation and operation stages need to be clearly identified and determined.

9.4.3 Supplies and Material
The quantities and specifications of supplies and materials required for implementation and operation of the project may also be worked out in detail. While estimating such requirements the availability and continuity of supply of these resources may be thoroughly examined.

9.4.4 Utilities
The requirements for different utilities such as

• water;
• power; and
• fuel;

should be properly identified for both implementation and operation of the project. The analysis should also clearly indicate the sources and the cost for provision of the required utilities.
In order to ensure timely implementation and subsequent smooth operation of the project, a schedule in respect of resource requirements may also be chalked out in detail. This schedule should clearly indicate the time quantities, specifications and resources to meet various project requirements at different stages of implementation and operation of project.

10. Project Costs Analysis
Once the project requirements have been identified and quantified, its cost analysis is initiated. This task should preferably be undertaken jointly by the experts to ensure that the technical as well as economic considerations have been taken into account at the stage of project formulation. Details are as follows:

10.1 Classification of Project Costs
Project cost consists of all the expenditure incurred on various goods and services required for the implementation, operation and maintenance of the project. It includes local and foreign costs. In addition, specification of the foreign assistance (donation/grant/loan), along with the local currency as the counterpart should be reflected on a year-wise and component-wise basis.

10.1.1 Capital Cost
All the expenditure incurred on physical assets such as basic and auxiliary civil works, machinery and equipment constitute the capital cost of the project.

10.1.2 Recurring Cost
The expenditure incurred on goods and services, e.g. salaries, wages and running costs of essential utilities (water, fuel, electricity, etc.) and expenses on repair constitute the recurring cost of a project.

Phasing of costs – The capital and recurring costs of a project should be phased out on an annual basis for the entire project life. The requirements for funds to implement the project will be mainly regulated by the financial phasing of the project.

11. Cross-Cutting Themes
All project proposals should conform to certain cross-cutting themes such as sustainability, gender responsiveness and inclusive growth.

11.1 Sustainability
Sustainability can be defined as the ability of a project to maintain its:

- operations;
- services; and
- benefits;

during its projected lifetime.

The World Bank defines sustainability as ‘the ability of a project to maintain an acceptable level of benefit flows through its economic life’.

Some of the sustainability dimensions are the:
• level of continued delivery of project goods and services;
• changes stimulated / caused by the project and
• new initiatives caused by the project.

In order to ensure that all project proposals are sustainable, the following issues must be considered:

i. The project receives the necessary support (both budgetary and institutional) to enable it to maintain the required level of facilities.
ii. All the costs and benefits under varying conditions are weighted properly and the project guarantees an acceptable level of financial and economic return.
iii. There is continued community participation in projects where active community participation is crucial for stimulating new actions as well as for cost recovery.
iv. There is equitable sharing and distribution of project benefits.
v. The project adequately considered the institutional requirements and thus made provisions so that management support to project operations continues during the life of the project.
vi. The project considered environmental implications so that negative impacts on environment are either avoided or mitigated during the life of the project.

11.2 Inclusive Growth

"Inclusive growth is a concept that advances equitable opportunities for economic participants during economic growth with benefits incurred by every section of society. The definition of inclusive growth implies direct links between the macroeconomic and microeconomic determinants of the economy and economic growth".

i. All projects to the extent possible should have the inclusive growth integrated within the proposals. Each project proposal should address the following issues:
ii. Does the project aim to reduce absolute poverty by appropriate targeting mechanisms for direct or indirect beneficiaries?
iii. Does the project aim to and is it likely that it will lead to increasing employment of poor people?
iv. Does the project aim to reduce economic and social disparities in income? Does the project positively impact non-income dimensions of well-being? Does the project encourage inclusion of disadvantaged and marginalized groups?
v. Does the project promote the human capacities of poor people, especially in terms of health and education, so that they are better able to contribute to / benefit from economic growth?
vi. Does the project results framework have appropriate indicators to track inclusive growth?

11.2.1 Punjab’s Vision for Inclusive Growth

We envision Punjab as a secure, economically vibrant, industrialized and knowledge-based province, which is prosperous and where every citizen can expect to lead a fulfilling life.

11.2.2 Challenges to Growth

The Growth Strategy is designed to target the key challenges that are slowing down growth in Punjab. These challenges include an:
- Under-utilized manufacturing capacity, stagnant exports and low productivity of physical and human capital that have kept GDP growth and investment low.
- Slow employment generation, under-employment and skills shortages that make it harder to provide quality jobs to nearly 1 million people entering the workforce every year in Punjab.
- Slow progress on achieving MDGs and SDGs that has a substantial impact on national-level indicators as the province accounts for around 60% of Pakistan's population - even though Punjab's progress is better than the national average on several key social indicators.
- Underpinning all these challenges is the difficult security situation, especially when compared to regional neighbors such as India and Bangladesh. This strongly impacts the investment climate and slows economic growth across all sectors.

11.2.3 Four Pillars of Punjab Growth Strategy
The four pillars of the Punjab Growth Strategy are:

i. Higher, sustained GDP growth target to create jobs for everyone: In order to absorb the growing workforce, Punjab's economy needs to grow at a rate of around 7.5% per annum. This growth target is similar to that proposed in the Government of Pakistan's Vision 2025 which sets doubling of the current GDP growth rate (current real rate 3.5%) as the target.

ii. Private sector-led growth: Punjab's growth has to be private sector-led, employment-intensive and export-oriented while being regionally balanced and environmentally sound. A private sector-led growth strategy will ensure that the relatively modest public investment program will leverage, via public-private partnerships in a number of sectors such as the provision of infrastructure, a much larger private investment in downstream production activity (the "crowding-in effect").

iii. Higher productivity of scarce resources: This will not only require improving the investment climate by upgrading infrastructure and addressing energy shortages but also streamlining regulations that slow down the growth of productivity in manufacturing, agriculture and services sectors. It will also require tapping into new sources of growth in productivity, such as Punjab's rapidly growing urban centers, its youth bulge and its strategic regional location.

iv. Better performing social sectors and a stronger social safety net: This will require redoubling efforts to meet the MDG targets in education and primary healthcare. The Government of Punjab will also seek to work in close collaboration with the Federal Government to strengthen existing and proposed social protection mechanisms that assist the poorest segments of the society.

11.2.4 Transforming Punjab: Objectives and Drivers of Growth
For sustained job creation and improvement in living standards, the Government will tap into several drivers of growth that underpin the Growth Strategy.

The six key drivers that will play a critical role in transforming Punjab, and help us achieve the objectives set within the Growth Strategy, are:
<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Drivers of growth</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Catalyzing Punjab’s GDP growth based on improvements in productivity of resources and better functioning urban clusters</td>
<td>Objective 1: Achieving 8% economic growth (real GRP growth rate) in Punjab by 2018</td>
</tr>
<tr>
<td>2.</td>
<td>Private Sector-led economic growth that will require a revival of investment by the private sector.</td>
<td>Objective 2: Increasing annual private sector investment in Punjab to USD 17.5 billion by 2018</td>
</tr>
<tr>
<td>3.</td>
<td>Employment-intensive economic growth that will require a focus on employment generation by revival of employment-intensive sectors and creation of quality jobs by addressing critical gaps in human capital.</td>
<td>Objective 3: Creating 1 million quality jobs every year in Punjab Objective 4: Training 2 million skills graduates in Punjab by 2018</td>
</tr>
<tr>
<td>4.</td>
<td>Export buoyancy to be driven by a focus on export-oriented economic growth.</td>
<td>Objective 5: Increasing Punjab’s exports by 15% every year till 2018</td>
</tr>
<tr>
<td>5.</td>
<td>Complete social sector coverage to be embedded in quality provision of education, healthcare and social protection for the poor and vulnerable.</td>
<td>Objective 6: Achieving all MDGs and targeted SDGs in Punjab by 2018</td>
</tr>
</tbody>
</table>

### 11.3 Gender Responsiveness

"Comprehensively address the needs of a gender group (female or male), fostering positive gender identity development."

All projects should have gender-responsive proposals and ensure equitable gender representation in project beneficiaries.

Project design and implementation should ensure that the projects aim to achieve positive results for:

- women and girls; and
- other social groups.

For example, human resources should also be planned with a gender-sensitive lens. The project teams should also have gender considerations knitted into their recruitment/selection criteria. Reporting and M&E should be based on gender-disaggregated data. All public facilities as part of any development project should ensure women-friendly facilities and all projects should have clear targets for women and girls. Some key questions to consider are:

- Does the project identify the needs of specific groups, especially for women, girls and other vulnerable groups?
- Do the project targets specifically include women, girls and other marginalized groups?
Does the project help reduce gender disparity and help contribute to the empowerment of women and girls and help promote social inclusion?
Does the project promote capacity building of women, girls and other marginalized groups?
Does the project results framework have gender-sensitive indicators to track results for women and girls?

11.4 Results Framework

A results framework comprises different forms of representation of different levels, or chains, of results expected from a particular project or programme. The results typically comprise the:

- longer-term objectives (often referred to as 'outcomes' or 'impact');
- the intermediate outcomes and outputs that precede and lead to those desired longer-term objectives.

Other terms similar to 'results framework' include:

- logical framework;
- logic model;
- theory of change;
- results chain; and
- outcome mapping.

Thus, the results framework captures the essential elements of the:

- logical and
- expected cause–effect relationships among:
  - inputs;
  - outputs;
  - intermediate results or outcomes and
  - impact.

The Planning Commission has now also incorporated a results framework in the PC-I format and there is a separate sub-section in PC-I pro forma for laying down RBM indicators. The topic of RBM is covered in much more detail in Section 5.

Irrespective of the level of results, for both intermediate and longer-term objectives, the project proposal should clearly list

- quantifiable or measurable indicators

to make the project structure more objective and accountable. While these indicators would vary from project to project, each sector/department should develop a repository for relevant indicators to help the project formulation teams to make their results framework more crisp and clear. VOLUME TWO – SECTION A lists some indicators/parameters for social, productive and infrastructure sectors.
POWERPOINT SLIDES
Section 2: How to Identify and Formulate a Project?

- Project identification
- Screening projects for PPPs
- Project formulation
- Cross cutting themes
- Results framework
Project Identification

- Global developmental imperatives (SDGs)
- Country assistance & partnership strategies of donors and development partners
- Integrated sector frameworks
- National growth framework (Vision 2025)
- Provincial growth frameworks (provincial economic growth policy)

Vision 2025 (1/3)

- Vision 2025 is National Growth Plan
- Developed by the Planning Commission of Pakistan
- Goal:
  - Pakistan among the top 25 world economies and an upper-middle income country by 2025
  - Transforming Pakistan into one of the top 10 world economies by 2047
Vision 2025 (2/3)

5 Enablers

- Shared vision
- Political stability & continuity of policies
- Peace & security
- Rule of Law
- Social Justice

Vision 2025 (3/3)

7 Pillars

- Putting people first – developing human and social capital
- Achieving sustained, indigenous and inclusive growth
- Democratic governance, institutional reform and modernization of the public sector
- Water, energy and food security
- Private sector and entrepreneurship-led growth
- Developing a competitive knowledge economy through value addition
- Modernizing transportation infrastructure and greater regional connectivity
GoPb’s Growth Strategy (1/2)

- Strategic Target/Vision
- Key Impediments to Growth
- Sector Goals
- Departmental Goals
  - Available in department strategies and planning document

GoPb’s Growth Strategy (2/2)

1. Achieving 8% economic growth (real growth rate in gross domestic product) in Punjab by 2018
2. Increasing annual private sector investment in Punjab to US$ 17.5 billion by 2018
3. Creating 1 million quality jobs every year in Punjab
4. Training 2 million skilled graduates in Punjab by 2018
5. Increasing Punjab’s exports by 15% every year until 2018
6. Achieving all MDGs and targeted SDGs in Punjab
7. Narrowing the security gap with regional neighbors by reducing crime and improving law and order in Punjab
Provincial Priority Sectors (1/15)

Punjab Growth Strategy 2018

Accelerating Economic Growth
- Manufacturing & industrial development
- Skills & job creation: Punjab Skills Strategy
- Enabling cities to become engines of growth
- Improving productivity in agriculture and livestock

Achieving Social Outcomes & Improving Human Capital
- Education to enhance human capital
- Demography & population planning
- Focusing on preventive health

Provincial Priority Sectors (2/15)

Manufacturing & Industrial Development
- Improving industrial estates by providing requisite infrastructure
- Clear property rights
- Improving regulatory framework - reduce cost of doing business
- Individual & cluster based lending for:
  - Small & cottage industries
  - Skills/ semi-skilled unemployed youth
  - Technically trained individuals & graduates
- Developing new industrial estate
- Improving facilities in existing industrial estates
Provincial Priority Sectors (3/15)

Manufacturing & Industrial Development contd.
- Realize full potential of:
  - Readymade garment sector
  - Infrastructure
  - Garments sector-specific skills
  - Trade policy
  - Market access
- Effective manufacturing strategy - coordinated with the Government’s skills development strategy
- Enforcement of quality standards & required capacity building
- Initiatives by PBIT:
  - Promotion of identified sectors
  - Advisory services for foreign and domestic clients

Provincial Priority Sectors (4/15)

Skills Development
- Develop:
  - ‘Market’ for skills training
  - Best-practice curriculum
  - Teaching and learning resources
  - ‘knowledge partnerships’ with private sector
  - Incentives to the private sector to engage in supply of skills training
- Creating a link between:
  - Skills provision-need of priority sectors
  - High employability-high growth clusters and value-chains
Provincial Priority Sector (5/15)

Skills Development contd.

- Institutionalizing mechanisms
- Restructuring public sector institutions (increase efficiency)
- Reducing the cost of accessing training opportunities for both men & women
- Strengthening job and market linkages by introducing integrated programmes

Provincial Priority Sectors (6/15)

Urban Development

- Building a modern system of land records (especially in urban areas)
- Reform to increase density
- Amending building control regulations
- Promoting mixed land use
- Develop critical regions of economic growth:
  - Conducting regional planning centered around cities
- Institutional realignment & capacity building of civic agencies
Provincial Priority Sectors (7/15)

Urban Development contd.
- Providing adequate public transport
- Make the transport convenient for the poor
- Improve public health (urban areas)
  - Clean drinking water
  - Sanitation / solid waste management service
- Improve the administration and coverage of UIPT (equitable & efficient)

Provincial Priority Sectors (8/15)

Agriculture & Livestock
- Creating better value chains
- Promoting high-value agriculture
- Better use of energy for agriculture
- Improving land resources & environment
  - Water logging
  - Soil quality
  - Climate change mitigation
- Increasing area under cultivation
- Implementing critical regulatory & institutional changes
Provincial Priority Sectors (9/15)

Agriculture & Livestock contd.

- Increasing per animal productivity via:
  - Genetic improvement
  - Cross breeding
  - Compliance to international standards
- Increasing the coverage & results of extension services
- Improving:
  - Animal husbandry
  - Regulation in livestock sector
  - Functioning of livestock markets
- Transformation of livestock business from subsistence to commercial ventures

Provincial Priority Sectors (10/15)

Agriculture & Livestock contd.

- Developing & implementing a livestock export strategy
- Providing nutritious food & improving the quality of semen
- Bringing livestock farmers into formal sector through collective services
- Adoption of:
  - Modern techniques: E-monitoring while encouraging farmers to use modern technology
  - Revolving fund measures to decrease reliance on the ‘gawala’ system
**Provincial Priority Sectors (11/15)**

**Education Sector**
- Focus on demand side interventions (increase the demand by poor and vulnerable)
- Enhance:
  - Resource utilization of existing schools
  - Enrolment through cash transfer programmes
  - Public-private partnerships to improve the quality of education
- Regulation & monitoring of school performance
- Improving school management to ensure better learning outcomes
- Empower the District Education Authority as per the Punjab Local Government Act 2013

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**Provincial Priority Sectors (12/15)**

**Population Planning & Demography**
- Strengthen the Population Welfare Programme (contraceptives procurement & availability)
- The Punjab Regional Training Institutes & Population Welfare Training Institute will be fully revamped & renovated
- Training programmes & materials need a fresh review and made widely available
- Department to expand coverage in remote & uncovered areas
Provincial Priority Sectors (13/15)

Population Planning & Demography contd.

- Improve the performance of the Lady Health Worker (LHW) programme
- Using NGOs and CBOs in absence of LHW coverage
- Tackle inequality within the province & for family planning via engagement of:
  - Population Welfare mobile units
  - Community volunteers
  - Subcontractors
- Develop a Punjab-wide social mobilization & behavior change communications strategy

Provincial Priority Sectors (14/15)

Preventive Healthcare

- Uninterrupted supply of essential medicines at all public health facilities
- Create an extension programme for basic drug information targeting vendors / pharmacist
- Create a system for the diagnosis of major infectious diseases at primary health facilities
- Improvement in the management of health system
- Linking health provision with social protection programmes
- Establishing a disease surveillance system
Provincial Priority Sectors (15/15)

Preventive Healthcare contd.

- Increasing investment for (especially in rural areas):
  - Improving water
  - Sanitation and hygiene services
- Reducing infant & maternal mortality
- Maternal Neonatal & Child Health interventions
- Focus on Economic Growth Strategy & Sector Plans
- Education & Health Departments - improvement in services delivery projects (achieve MDGs & SDGs)

Departmental Goals

Available in departments strategies/sector plans
Screening Projects for Public Private Partnership (PPPs)

Project screening tool

Project Identification
Screening Projects for PPPs
Project Formulation
Cross Cutting Themes
Results Framework
Punjab Public-Private Partnership Act 2014
Modalities given in Schedule-II

<table>
<thead>
<tr>
<th>Modality</th>
<th>Ownership</th>
<th>Investment</th>
<th>D&amp;M</th>
<th>Commercial Risk</th>
<th>Duration (years)</th>
<th>Typical Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Contracts</td>
<td>Public</td>
<td>Public</td>
<td>Public/Private</td>
<td>Public</td>
<td>1-3</td>
<td>Meter reading, street lighting, or road maintenance outsourcing</td>
</tr>
<tr>
<td>Management</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
<td>Public</td>
<td>2-5</td>
<td>Public utility management</td>
</tr>
<tr>
<td>Lease Contracts</td>
<td>Public</td>
<td>Public/Private</td>
<td>Private</td>
<td>Public/Private</td>
<td>10-15</td>
<td>Leasing of existing business facilities</td>
</tr>
<tr>
<td>Concessions</td>
<td>Public/Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>25-30</td>
<td>Water supply concession</td>
</tr>
<tr>
<td>BOT and Other</td>
<td>Public/Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>20-30</td>
<td>Independent power producer</td>
</tr>
<tr>
<td>Similar Contracts</td>
<td>Public/Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

BOT = build-operate-transfer; D&M = operation and maintenance.

Criteria for Screening PPP Projects (1/3)

1) Sector eligibility
   - Proposed project should belong to one of the eligible sectors enlisted in Schedule I of the Punjab Public–Private Partnership Act 2014

2) PPP applicability
   - Project should provide opportunities for risk transfer to the private sector
   - Project should adopt one of the PPP modalities listed in Schedule II of the Punjab Public–Private Partnership Act 2014

3) Specification of outputs
   - Line department to specify the project's outputs in terms of the expected improvements in quantity and quality of service delivery
Criteria for Screening PPP Projects (2/3)

4) Private sector capability and appetite
   - Project should be within the capability of the private sector to finance and implement
   - Have the potential to operate as a commercially viable venture

5) Technical scope of the project
   - Project should be prima facie technically viable

6) Financial viability of the project
   - In order to attract the investors and satisfy lenders, project should generate enough revenues to recover and repay the investment cost, O&M expenses, and an acceptable rate of return on equity

7) Ability and willingness of customers to pay
   - The public demand and willingness to pay for a more expensive project may be a key factor for successful implementation of the project

Criteria for Screening PPP Projects (3/3)

8) Need for and availability of government support
   - There are four main categories of government support for PPP projects:
     - administrative support;
     - asset-based support;
     - direct financial support and
     - contingent support

9) Impact of the project on competition
   - A project may create a monopoly that adversely impacts the tariffs and constrain the government’s ability to promote competition and innovations

10) Comparison with other project candidates
    - After the completion of project screening and attaining positive outcomes, departments should compare the project to other potential projects in the same sector and/or geographical area in order to select the best candidate for the PPP mode
Project Formulation

Project Document Preparation
- PC I
  - Infrastructure Sector
  - Production Sector
  - Social Sector
- PC II (Mega Projects only)
  - Feasibility (before submission of PC I)
  - Technical assistance may be taken

- Various Indicators
  - Required inputs
  - Baseline data, and
  - Expected outputs and outcomes
- Stakeholder Consultation
- Output vs. Outcome
  - How it would yield the required output/outcome?
- Sustainability?
PC-I Form (Headings only) (1/2)

1. Name of the project
2. Location
3. Authority responsible for:
   i. Sponsoring
   ii. Execution
   iii. Operation and maintenance
4. Plan provision
5. Project objectives and its relationship with sectoral objectives
6. Description, justification and technical parameters
7. Capital cost estimates
8. Annual operating and maintenance cost after completion of the project

PC-I Form (Headings only) (2/2)

1. Demand and supply analysis
2. Financial plan and mode of financing
3. Project benefits and analysis
   1. Financial
   2. Social benefits with indicators
   3. Employment generation (direct and indirect)
   4. Environmental impact
   5. Impact of delays on project cost and viability
4. Implementation schedule
5. Management structure and manpower requirements including specialized skills during execution and operational phases
6. Additional projects/decisions required to maximize socio-economic benefits from the proposed project
7. Certify that the project proposal has been prepared on the basis of instruction provided by the planning commission for the preparation of PC-I for social sector projects
PC-II (Headings only)

1. Name by which survey / feasibility will be identified
2. Administrative authorities responsible for:
   1. Sponsoring
   2. Execution
3. Details of survey / feasibility study:
   1. General description and justification
   2. Implementation period
   3. Year wise estimated cost
   4. Manpower requirements
   5. Financial plan
4. Expected outcome of the survey feasibility study and details of projects likely to be submitted after the survey

Sources of Data

For the headings used in PC-1 and PC-2 data will be available from the following sources:

Punjab Bureau of Statistics (www.bos.gop.pk)
   • Punjab Development Statistics
   • Multiple Indicator Cluster Survey (http://www.bos.gop.pk/?q=mics)

Pakistan Bureau of Statistics (http://www.pbs.gov.pk/)
   • Pakistan Social and Living Standards Measurement Survey (PSLM)

Finance Division, Government of Pakistan (www.finance.gov.pk/)
   • Economic Survey of Pakistan

State Bank of Pakistan (www.sbp.org.pk/ecodata)

World Bank (http://data.worldbank.org/)
Stakeholders (1/3)

Exercise

• How do we identify the stakeholders (key stakeholders and non-key stakeholders) of a project?

Stakeholders (2/3)

Key stakeholders are those individuals or groups whose interest in the project must be recognized if the project is to be successful – in particular those stakeholders who will be positively or negatively affected during the project or on successful completion of the project.

Non-key stakeholders are those individuals or groups identified as having a stake in the project but who do not necessarily influence its outcome.
**Stakeholders (3/3)**

<table>
<thead>
<tr>
<th>Stakeholder Examples</th>
<th>Group Classification</th>
<th>Group Description</th>
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<tbody>
<tr>
<td>Political decision-makers (e.g. CM Punjab for a micro hydel project)</td>
<td>Review/Decision-making</td>
<td>Which groups/individuals/decision-makers/organizations will</td>
</tr>
<tr>
<td>Allied stakeholders (National Electric Power Regulatory Authority)</td>
<td>Allied/Peripheral Effects</td>
<td>What projects and change activities will the project</td>
</tr>
<tr>
<td>Beneficiaries (positive – users of electricity)</td>
<td>Outcome Impact</td>
<td>Which individuals/groups/organizations will be impacted positively or negatively by project outcomes?</td>
</tr>
<tr>
<td>Affected people (negative – communities that have to be displaced)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Delivery Unit (Punjab Power Development Board/Project Management and Implementation Unit (PMIU))</td>
<td>Output Delivery</td>
<td>Which groups/organizations will be required to deliver project outputs?</td>
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<tr>
<td>Project Developer/Financer (Secretary Energy)</td>
<td>Output Accountability</td>
<td>Who is responsible for project success?</td>
</tr>
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</table>

**Pre-feasibility & Feasibility Studies**

- Mostly for projects costing more than Rs. 300 million
- No data/information to examine the viability of a project
- Inadequacy of available data/information for ascertaining the feasibility of a project

**Purpose:** To determine feasibility (technical, administrative, economic and financial)
Pre-feasibility

- Curtail the range of feasible alternative solutions
- Ascertain whether or not a more detailed feasibility study is needed
- Sometimes undertaken as a component of project identification
- Outcomes:
  - Rejection
  - Detailed planning (PC-I)
  - Detailed feasibility study (PC-II)

Feasibility Study Major Areas (1/2)

<table>
<thead>
<tr>
<th>Market Aspect</th>
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<th>Economic Analysis</th>
<th>Operational Aspect</th>
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<td>Size, location and technology</td>
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<td>NPV</td>
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<td>Effectiveness</td>
<td>Resource availability (quantity/quality)</td>
<td>IRR</td>
<td>Managerial</td>
<td>Managerial</td>
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<tr>
<td>(market plan and organizations)</td>
<td></td>
<td></td>
<td>Identification of project implementation agency</td>
<td>Identification of project implementation agency</td>
</tr>
</tbody>
</table>
Feasibility Study (2/2)

Provision for consultancy:

- Need for Consultant
  - Clearly Defined TOR
  - Considered and approved during PC I and PC II
- Costing & Funding
  - Development Project
  - PCI or PC II
- Non Development Projects
  - Allocation to budget without PCI - PC II
  - TORs approved by P & D Department
- Selection of Consultants
  - PPRA Rules 2014
  - Chapter VII

Detailed Planning

- Civil Works Project
  - Technical Investigations
  - Land Acquisition
  - Site Layout
  - Basic Civil Works
  - Auxiliary facilities

- Projects without substantial civil work
  - Extension, research, training, education, health coverage, etc.
  - Parameters for measuring success project success

- Phasing of works and project activities
  - Implementation schedule
  - Operational plan
Project Requirement

- Machinery and equipment
- Workforce requirement
- Supplies and material
- Utilities
- Project costs
  - Capital cost and recurring cost
  - Foreign assistance and local funding

Project Identification
Screening Projects for PPPs
Project Formulation
Cross Cutting Themes
Results Framework
Sustainability: ‘The ability of a project to maintain an acceptable level of benefit flows through its economic life’ (World Bank)

Issues to be considered

- Budgetary and institutional support
- Weighing costs & benefits
- Continued community participation
- Equitable sharing and distribution of benefits
- Institutional requirements & management support
- Environmental implications
Inclusive Growth (1/2)

Inclusive growth: “Equitable opportunities for economic participants during economic growth with benefits incurred by every section of society.”

It implies direct links between economy’s macroeconomic & microeconomic determinants & economic growth

Inclusive Growth (2/2)

Project proposals aim to:

- Reduce absolute poverty for direct or indirect beneficiaries
- Increase employment of poor people
- Reduce economic and social disparities in income
- Positively impact non-income dimensions of well-being
- Encourage inclusion of disadvantaged and marginalized groups
- Promote the human capacities of poor people, especially in terms of health and education
- Track inclusive growth through appropriate indicators in results framework
Gender Responsiveness (1/2)

Gender Responsiveness is to ensure equitable gender representation in project beneficiaries. Project design and implementation should ensure that the projects aim to achieve positive results for women and girls, along with other social groups.

The project should have:
- Gender considerations knitted into their recruitment/selection criteria
- Reporting and M&E should be based on gender-disaggregated data
- All public facilities as part of any development project should ensure women-friendly facilities
- All services projects should have clear targets for women and girls

Gender Responsiveness (2/2)

Issues to be considered:

- Identify & target needs of specific groups (especially women girls & vulnerable)
- Reduce gender disparity, promote social inclusion and contribute to the empowerment of women & girls
- Promote capacity building of women, girls & marginalized
- Track gender-sensitivity through appropriate indicators in results framework
Results Framework

Result Framework

- Output, impact & outcome results from long term objectives
- Logical framework, logic model, theory of change, results chain, outcome mapping are other similar terms of Result Framework
- Planning commission incorporated a result framework (Sub-section in PC I for laying down Results-based management (RBM) indicators)
- Result framework should be more crisp and clear

The project proposal should be:
- Quantifiable or measurable indicators
- Objective and accountable
HANDBOOKS
Handout 2B: Pillars of Vision 2025

Pillars of Vision 2025

Pillar I: Putting People First – Developing Human and Social Capital
Pillar II: Achieving Sustained, Indigenous and Inclusive Growth
Pillar III: Democratic Governance, Institutional Reform and Modernization of the Public Sector
Pillar IV: Water, Energy and Food Security
Pillar V: Private Sector and Entrepreneurship-Led Growth
Pillar VI: Developing a Competitive Knowledge Economy through Value Addition
Pillar VII: Modernizing Transportation Infrastructure and Greater Regional Connectivity
Handout 2C: Punjab’s Growth Strategy

Punjab’s Growth Strategy

Key objectives

1. Achieving 8% economic growth (real growth rate in gross domestic product) in Punjab by 2018
2. Increasing annual private sector investment in Punjab to US$17.5 billion by 2018
3. Creating 1 million quality jobs every year in Punjab
4. Training 2 million skilled graduates in Punjab by 2018
5. Increasing Punjab’s exports by 15% every year until 2018
6. Achieving all MDGs and targeted Sustainable Development Goals in Punjab
7. Narrowing the security gap with regional neighbors such as India and Bangladesh by reducing crime and improving law and order in Punjab
### Handout 2D: PPP Modalities

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<th>Ownership</th>
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<th>O&amp;M</th>
<th>Commercial Risk</th>
<th>Duration (years)</th>
<th>Typical Example</th>
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<td>Public</td>
<td>Public</td>
<td>Public/Private</td>
<td>Public</td>
<td>1-3</td>
<td>Meter reading and billing, or road maintenance outsourcing</td>
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<td>Management Contracts</td>
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<td>Public</td>
<td>Private</td>
<td>Public</td>
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<td>Public utility management</td>
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<td>Lease Contracts</td>
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<td>Leasing of existing tourism facilities</td>
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<td>Concessions</td>
<td>Public/Private</td>
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<td>BOT and other Similar Contracts (Please see Schedule II of Punjab PPP Act 2014)</td>
<td>Private/Private</td>
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<td>Private</td>
<td>Private</td>
<td>20-30</td>
<td>Independent power producer</td>
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</table>
Handout 2E Challenges to Growth

Challenges to Growth
The Growth Strategy is designed to target the key challenges that are slowing down growth in Punjab. These challenges include an:

- Under-utilized manufacturing capacity, stagnant exports and low productivity of physical and human capital that have kept GDP growth and investment low.
- Slow employment generation, under-employment and skills shortages that make it harder to provide quality jobs to nearly 1 million people entering the workforce every year in Punjab.
- Slow progress on achieving Millennium Development Goals (MDGs) that has a substantial impact on national-level indicators as the province accounts for around 60% of Pakistan’s population - even though Punjab’s progress is better than the national average on several key social indicators.
- Underpinning all these challenges is the difficult security situation, especially when compared to regional neighbors such as India and Bangladesh. This strongly impacts the investment climate and slows economic growth across all sectors.
Handout 2F: Four pillars of Punjab Growth Strategy

Four pillars of Punjab Growth Strategy
The four pillars of the Punjab Growth Strategy are:

I. **Higher, sustained GDP growth target to create jobs for everyone:** In order to absorb the growing workforce, Punjab’s economy needs to grow at a rate of around 7.5% per annum. This growth target is similar to that proposed in the Government of Pakistan’s Vision 2025 which sets doubling of the current GDP growth rate (current real rate 3.5%) as the target.

Punjab needs to create more than 1 million jobs every year to absorb the increasing labour force. The Government aims that these jobs be of a higher quality, in order to move Pakistan higher up the productivity ladder. Such job creation will occur by catalyzing GDP growth, which in turn requires higher private sector investment, export buoyancy and a stable security environment. Further, progress in social sectors is essential to have a productive workforce needed to generate higher economic growth.

Punjab and in fact Pakistan’s biggest challenge is to create better quality jobs to absorb the rapidly growing labour force. This will also have spillovers such as a reduction in crime and improvement in security. Research in Pakistan shows that increased crime and violence are correlated with higher unemployment - a reduction in unemployment is related to a decline in property crime.

II. **Private sector-led growth:** Punjab’s growth has to be private sector-led, employment-intensive and export-oriented while being regionally balanced and environmentally sound. A private sector-led growth strategy will ensure that the relatively modest public investment program will leverage, via public-private partnerships in a number of sectors such as the provision of infrastructure, a much larger private investment in downstream production activity (the “crowding-in effect”).

III. **Higher productivity of scarce resources:** This will not only require improving the investment climate by upgrading infrastructure and addressing energy shortages but also streamlining regulations that slow down the growth of productivity in manufacturing, agriculture and services sectors. It will also require tapping into new sources of growth in productivity, such as Punjab’s rapidly growing urban centers, its youth bulge and its strategic regional location.

IV. **Better performing social sectors and a stronger social safety net:** This will require redoubling efforts to meet the MDG targets in education and primary healthcare. The Government of Punjab will also seek to work in close collaboration with the Federal Government to strengthen existing and proposed social protection mechanisms that assist the poorest segments of the society.
### Handout 2G: Transforming Punjab’s Objectives and Drivers of Growth

<table>
<thead>
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<th>Sr. No</th>
<th>Drivers of growth</th>
<th>Objectives</th>
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<tr>
<td>1.</td>
<td><strong>Catalyzing Punjab’s GDP growth</strong> based on improvements in productivity of resources and better functioning urban clusters</td>
<td>Objective 1: Achieving 8% economic growth (real GRP growth rate) in Punjab by 2018</td>
</tr>
<tr>
<td>2.</td>
<td><strong>Private Sector-led economic growth</strong> that will require a revival of investment by the private sector.</td>
<td>Objective 2: Increasing annual private sector investment in Punjab to USD 17.5 billion by 2018</td>
</tr>
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</table>
| 3.     | **Employment-intensive economic growth** that will require a focus on employment generation by revival of employment-intensive sectors and creation of quality jobs by addressing critical gaps in human capital. | Objective 3: Creating 1 million quality jobs every year in Punjab  
Objective 4: Training 2 million skills graduates in Punjab by 2018 |
| 4.     | **Export buoyancy** to be driven by a focus on export-oriented economic growth.     | Objective 5: Increasing Punjab’s exports by 15% every year till 2018        |
| 5.     | **Complete social sector coverage** to be embedded in quality provision of education, healthcare and social protection for the poor and vulnerable. | Objective 6: Achieving all Millennium Development Goals and targeted Sustainable Development Goals in Punjab by 2018 |
GENERAL QUESTIONS AND FAQs
FREQUENTLY ASKED QUESTIONS (FAQs) – Chapter-2

Q. No.1. In case, the private sector does not have the capability to implement projects, how the Government is supposed to help the private sector, if a project identified is of extreme importance with regard to improvement in economy?

Ans. The following are four main categories of government support for PPP projects:
   - administrative support such as land acquisition, permits, etc.;
   - asset-based support such as leasing land or infrastructure facilities;
   - direct financial support; and
   - contingent support in the form of government guarantees.

Q. No.2. What are the aspects to be ensured after launching a project for keeping it sustainable?

Ans. In order to ensure sustainability of a project, the following issues may be taken into consideration:

a. The project receives the necessary support (both budgetary and institutional) to enable it to maintain the required level of facilities.

b. All the costs and benefits under varying conditions are weighted properly and the project guarantees an acceptable level of financial and economic return.

c. There is continued community participation in projects where active community participation is crucial for stimulating new actions as well as for cost recovery.

d. There is equitable sharing and distribution of project benefits.

e. The project adequately considered the institutional requirements and thus made provisions so that management support to project operations continues during the life of the project.

f. The project considers environmental implications so that negative impacts on environment are either avoided or mitigated during the life of the project.

Q. No.3. How the word ‘mega’ would be defined in poor economy and in a big economy? Is the word ‘mega’ used here is a relative term?
Ans. The word 'mega' is a relative term. A low-cost project in poor economy may be termed as mega whereas a large size project may not be a mega project in a big economy.

Q. No.4. Can we charge the recurring cost estimated for a project from the Development Budget? If yes, then how?

Ans. No. Recurring cost cannot be charged from Development Budget.
How to Appraise and Approve Projects - Framework
Chapter 3: How to Appraise and Approve Project

A. Session Topics:
   a) Appraisal
   b) Identification of costs and benefits
   c) Types of appraisal
   d) Project approval and initiation
   e) Approval at federal level
   f) Administrative approval
   g) Project procurement, governance, appointments and allowances

B. Session Objectives:
   a) To get a know-how about project appraisal and types of appraisal
   b) To understand the process of approval at administrative and federal level
   c) To understand concepts related to project procurement, governance, appointments and allowances.

C. Duration of Session: (To be decided by the trainer)

D. Session Schedule and Facilitator’s Guide:

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**E. List of Handouts:**

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<td>Functions of ECNEC</td>
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F. Session Details

1 Appraisal

1.1 What is Project Appraisal

Project appraisal assesses the:

- Technical soundness
- Financial and
- Economic viability of a project.

Appraisal facilitates the selection of suitable projects by clearly identifying the:

- Overall objective of the project.
- Financial and economic implications of various alternatives.
  If a project is well formulated and thoroughly appraised, a good follow-through on
  subsequent stages of the project cycle will see successful implementation of the project
  and achievement of desired outcomes, and
- To achieve better spending decisions for expenditure.

Input

Appraisal involves a careful review of the basic data, assumptions and methodology used in
project preparation, an in-depth review of the work plan, review of cost estimates and funding
arrangements, an assessment of the project's organizational and management aspects.

Output

On the basis of such an assessment, a judgment is reached as to whether the project is
technically sound, financially justifiable, economically and socially viable.

A comprehensive project appraisal is carried out in the P&D Department at approval stage.
However, the responsibility of some form of appraisal also lies at multiple stages, whenever
the PC-I or PC-II is reviewed or approved (such as at district, division or department level).

2 Identification of Costs and Benefits

The first step in project appraisal is proper identification of costs and benefits.

2.1 Concepts of Cost and Benefit and their Comparison

To determine the viability of a project, the costs are compared with the benefits, i.e. if the
benefits are greater than costs, a project is considered viable. In project appraisal, the project
objectives provide the basis of costs and benefits. For public projects, the objectives can be

- As specific as provision of municipal services to citizens of a community to sometimes
• As broad as to maximize the national income or reduce poverty or stimulate economic growth.

With or Without Vs before and After

While appraising a project an analyst attempts to identify and value the costs and benefits that will arise 'with' the proposed project and compare them to the situation that will prevail 'without' the project. The difference between these two situations is the incremental net benefit arising from the proposed project. Therefore, to identify the contribution of a project, the correct approach is to compare the 'with-project situation' with the 'without-project situation'.

It is inappropriate to compare the situations 'before' and 'after' the project because such a comparison fails to account for changes happening irrespective of the project.

2.2 Classification of Costs and Benefits

There are different categories of costs and benefits, which need to be identified carefully for their proper treatment. Various categories of costs and benefits are listed below:

2.2.1 Costs

• Direct costs

These costs are directly borne or applied to the project and are also known as primary costs. All direct costs are charged to the project. The components of direct cost are expenditure incurred on all goods and services used in the execution of a project including taxes, import duties, subsidies, etc. However, these components are treated differently in financial and economic analyses.

• Indirect Costs

The project may lead to costs being incurred outside the project itself. Such costs are known as indirect or secondary cost. Indirect costs are not charged to the project rather borne by the community. For example, construction of a dam may reduce river flow, causing an increase in the cost of dredging of the dam site. If such a technological externality is significant and is to be identified and valued, it may be treated as an indirect cost to the project. Another example of indirect cost may be “Loss of agriculture land due to water logging and salinity as a result of canal project.

• Tangible Costs

The costs that can be monetized / measured in terms of money are known as tangible costs, and these may include components of direct and indirect costs.

• Intangible Costs (and Negative Externalities)

The costs that cannot easily be measured in terms of money / monetized are intangible costs. The damage caused to the human health by air, water and noise pollution gives examples of Intangible costs.

2.2.2 Benefits

• Direct Benefits
Direct or primary benefits are those benefits that directly flow from the project or accrue within the project vicinity.

- **Indirect Benefits**

The benefits that occur outside the project boundaries are considered as indirect or secondary benefits. In contrast to the primary benefits, which accrue with in the project itself and are also derived as direct benefits. Secondary benefits are not considered in project benefits, Secondary benefits, if quantifiable are, however, considered in economic analysis.

- **Tangible Benefits**

All the direct and indirect benefits that can be measured in money terms are known as tangible benefits.

- **Intangible Benefits (and Positive Externalities)**

Intangible benefits refer to the benefits that cannot be measured in money terms. Examples of intangible benefits are: i) improvement of a site as a result of construction of a dam. ii) Addition in value of land due to construction of a road project. iii) Appreciation in value of real estate due to infrastructural development.

### 3 Types of Appraisal

Various types of appraisals are typically involved in project appraisal. As an appraiser, you may want to at least look into the following dimensions:

- **Validating Assumptions and Design**

The first step of any appraisal should be to carefully review the project proposal and to assess the following:
- Ensure that the project goal and objectives are in line with sector plans and the provincial growth framework.
- Validate all assumptions used.
- Make sure that specified project outputs are directly linked with intended plan outcomes.
- The results framework should be a core element of this technical review.

3.1 Technical Appraisal

Every project must be technically feasible. Technical appraisal provides a comprehensive review of all technical aspects of the project such as rendering judgment on merits of technical proposals and operating costs. The following elements should be reviewed during technical appraisal:

- There is a sound rationale for the selected technical design or approach.
- The proposed design conforms to international standards to the extent possible.
- The proposed design meets the identified needs in the best possible way.
- The proposed technology has been proven or tested or has been in practice elsewhere.
- The proposed design is aligned with existing structure / facilities / programs.
- A list of equipment and machinery to be installed with the costs and specifications of the equipment is attached.
- Equipment capacity is satisfactory and in line with requirements.

3.2 Social and Environmental Appraisal

A social appraisal reviews the project design and the process of project identification through to implementation and monitoring, from a social perspective. Particular attention is paid to the likely impact of the project on different stakeholders, their opportunities for participation and the project's contribution to poverty reduction. Social and environmental appraisal should focus on following dimensions:

- Is the project likely to cause air and water pollution?
- Is the project posing any threat to community health, safety and security?
- Is the project resulting in any land acquisition and involuntary resettlement?
- Is the project likely to create differential access to project benefits or changes in traditional rights or entitlements or does it ensure equal opportunities and resources for women, girls and other vulnerable groups?
- Is the project likely to adversely affect labor and working conditions?
- Is the project going to threaten biodiversity conservation and natural resource sustainability?
- Is the project causing any harm to indigenous peoples?
- What is the public perception and degree of voice in governance of the project?
- Has the project proposal ensured the adequacy of the targeting and delivery mechanism?
- Are interests of various stakeholder groups including women likely to be affected and have they been consulted?
- What are the intended and unintended impacts on various social groups, including women, girls and minority groups?
- Is the project going to destroy cultural heritage in any way?
• Has the project proposal addressed gender considerations to ensure balanced participation by women?
• Does the project have a poverty focus?

The likely impacts in each of the above areas should be categorized as a potentially significant impact.

Mitigation

If adverse impacts due to implementation of a project are unavoidable, utmost efforts should be made to mitigate these impacts to ensure that the affected people are restored or improved their living standards compared with the situation before the project.

3.3 Financial and Economic Appraisal

3.3.1 Financial Appraisal

In financial analysis, we undertake analysis of the project with regard to the point of view of investor / entrepreneur only.

For financial appraisal, the financial soundness of the project must be assessed. This should include:

• incremental financial benefits and costs to the project and the IRR or NPV;
• assumptions underlying the forecasts of financial benefits and costs (e.g., market outlook for key outputs and inputs, pricing, phasing of development);
• results of sensitivity analysis testing and changes in assumptions; and
• adequacy of project financing and any risk it is likely to present.

Financial Appraisal Tools

The recommended analytical methods for appraisal are generally discounted cash flow techniques, which take into account the time value of money. People generally prefer to receive benefits as early as possible while paying costs as late as possible. Costs and benefits occur at different points in the life of the project, so the valuation of costs and benefits must take into account the time at which they occur. This concept of time preference is fundamental to proper appraisal and so it is necessary to calculate the present values (PVs) of all costs and benefits.

Concept of Time Value of Money

The costs and benefits of a project do not occur at a particular point of time. They are spread over a period depending upon the life of the project. Since the value of money changes over time, valuation of costs and benefits of a project differ at different points in time during its life time. As such, the costs and benefits cannot be directly compared unless they are converted into a common denominator called "present worth". This brings us to the concept of time value of money. Investment in project causes commitment of resources at a particular cost against some expected benefits. But these costs and benefits occur at different points in time and in different amounts. Therefore, how valuable the costs and benefits are dependent on the time of their occurrence. The value of resources at different points in time is compared with the Compounding and Discounting techniques which are briefly explained below:
a) **Compounding**

The techniques of compounding are used to calculate the future value or worth of a known amount today at any positive rate of growth. The formula to calculate future worth is:

\[ F = P (1+r)^n \]

Where:
- \( F \) = Future Worth
- \( P \) = Present Worth (Value of principal amount to-day)
- \( r \) = Rate of interest
- \( n \) = Number of years (Time Period)

In compounding, we intend to determine the size of capital in the future which is invested to-day at a certain rate of interest.

b) **Discounting**

Discounting is the reverse of compounding. This technique helps in determining the present worth or value of a known future amount.

The formula for discounting is:

\[ P = \frac{F \times 1}{(1+r)^n} \]

In project appraisal, technique of discounting is used to determine value of the future costs and benefits of a project so as to make them comparable in terms of a common denominator i.e. present worth.

- **Net Present Value (NPV)**

  The value in the present of a sum of money, in contrast to some future value it will have when it has been invested at compound interest.

  In the NPV method, the revenues and costs of a project are estimated and then are discounted and compared with the initial investment.

  The preferred option is the one with the highest positive NPV.

  Projects with negative NPVs should be rejected because the present value of the stream of benefits is insufficient to recover the cost of the project.

  Compared to other investment appraisal techniques such as the IRR and the discounted payback period, the NPV is viewed as the most reliable technique to support investment appraisal decisions. There are some disadvantages with the NPV approach. If there are several independent and mutually exclusive projects, the NPV method will rank projects in order of descending NPV values. However, a smaller project with a lower NPV may be more attractive due to a higher ratio of discounted benefits to costs (see the section on BCR below), particularly if there are affordability constraints.

Using different evaluation techniques for the same basic data may yield conflicting conclusions. In choosing between options A and B, the NPV method may suggest that option A is preferable, while the IRR method may suggest that option B is preferable. However, in such cases, the results indicated by the NPV method are more reliable.

The NPV method should always be used where money values over time need to be appraised. Nevertheless, the other techniques also yield useful additional information and may be worth using.

The key determinants of the NPV calculation are the:

- Appraisal horizon;

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\(^{2}\) Time value of money – The idea that money available at the present time is worth more than the same amount in the future due to its potential earning capacity. This core principle of finance holds that, provided money can earn interest, any amount of money is worth more the sooner it is received. (Finance - Professional Essays and Assignments; Edited by Zaan NG)
- The discount rate; and
- The accuracy of estimates for costs and benefits.

**Discount rate**: The discount rate is a concept related to the NPV method. The discount rate is used to convert costs and benefits to PV to reflect the principle of time preference. The calculation of the discount rate can be based on a number of approaches, including, among others:
- The social rate of time preference—the way society values present, as opposed to future, consumption.
- The opportunity cost of capital—the value of the next-highest-valued alternative use of capital.
- Weighted average method—weighted average of different rates reflecting proportions of funds obtained from their respective sources.

The current recommended discount rate is 12.5%.

**EXAMPLE**: Computation of NPV of Lahore–Sialkot Motorway (hypothetical figures)

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*PKR in billions; discount rate 12%*

NPV = PV of Benefits - PV of Costs = PV of Incremental Net Benefits

NPV = PKR 41.23 billion

Based on these hypothetical figures, the NPV of the Lahore–Sialkot Motorway project at a 12% discount rate is PKR 41.23 billion. This value being positive shows that the project in question is feasible on the basis of the NPV.
• **Internal Rate of Return (IRR)**

**Internal rate of return (IRR)** is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero. **Internal rate of return** is used to evaluate the attractiveness of a project or investment.

Formula for IRR is given as under:

\[
\text{IRR} = \frac{\text{PV CF at Lower DR} - \text{PV CF at Higher DR}}{\text{PV CF at Higher DR}}
\]

The IRR is the discount rate\(^a\) that, when applied to cash inflows of a project, sets them equal to the initial investment. The preferred option is the one with the IRR most in excess of a specified rate of return. An IRR of 10% means that with a discount rate of 10%, the project breaks even. The IRR approach is usually associated with a hurdle cost of capital / discount rate, against which the IRR is compared.

The hurdle rate corresponds to the opportunity cost of capital. In the case of public projects, the hurdle rate is the discount rate.

**If the IRR exceeds the hurdle rate, the project is accepted.**

Following are few disadvantages associated with the IRR as a performance indicator:

- It is not suitable for the ranking of competing projects. It is possible for two projects to have the same IRR but different NPVs due to differences in the timing of when those costs and benefits are accrued.
- Applying different appraisal techniques to the same basic data may yield contradictory conclusions.
- IRR technique is only suitable for projects that are supposed to yield some revenues / cash inflows.

**EXAMPLE:** Computation of NPV of Lahore–Sialkot Motorway (hypothetical figures)

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</table>

\(^a\)\text{PKR in billions; discount rate 12%}

NPV = PKR 41.23 billion

\(^a\) Interest rate used for discounting future cash flows to compute present value of those cash flows.
Based on these hypothetical figures, the NPV of the Lahore–Sialkot Motorway project at a 12% discount rate is PKR 41.23 billion. This value being positive shows that the project in question is feasible on the basis of the NPV.

- **Balance to Cost Ratio (BCR)**

  The BCR is the discounted net revenue divided by the initial investment.  
  The preferred option is the one with the ratio most in excess of 1.

In any event, a project with a BCR of less than 1 should generally not proceed. The advantage of this method is its simplicity. Using the BCR alone to rank projects can lead to suboptimal decisions as a project with a slightly higher BCR ratio will be selected over a project with a lower BCR, even though the latter project has the capacity to generate much greater economic benefits because it has a higher NPV value and involves greater scale.

EXAMPLE: Computation of BCR of Lahore–Sialkot Motorway (hypothetical figures)

<table>
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<tr>
<th>Year</th>
<th>Capital Cost</th>
<th>O&amp;M Cost</th>
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<th>PV of Costs</th>
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</table>

*PKR in billion; discount rate 12%

BCR = PV of benefits / PV of costs = 106.41 / 65.17 = 1.63

Based on these hypothetical figures, the BCR of the Lahore–Sialkot Motorway project at a 12% discount rate is 1.63. This value being greater than 1 shows that the project in question is feasible on the basis of the BCR.

- **Sensitivity analysis**

  Through Sensitivity Analysis, it is possible to identify those parameters and assumptions to which the outcome of the analysis is most sensitive.

  The use of sensitivity analysis allows users of the CBA methodology to challenge the robustness of the results to changes in the assumptions made (i.e. discount rate, time horizon, estimated value of costs and benefits, etc.). This allows the user to determine which assumptions and parameters may need to be re-examined and clarified.

  Sensitivity analysis is the process of establishing the outcomes of the CBA, which is sensitive to the assumed values used in the analysis. This form of analysis should also be part of the appraisal for large projects. If an option is very sensitive to variations in a particular variable (e.g. traffic estimates for a road), then it should probably not be undertaken. If the relative merits
of options change with the assumed values of variables, those values should be examined to see whether they could be made more reliable. It can be useful to attach probabilities to a range of values to help pick the best option.

EXAMPLE: Sensitivity analysis of NPV and BCR with discount rate of Lahore–Sialkot Motorway (hypothetical figures; data given in earlier examples)

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<th>Discount Rate</th>
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- Scenario analysis

A number of scenarios are formulated – best case, worst case, etc. – and for each scenario identified, a range of potential values is assigned for each cost and benefit variable.

The scenario analysis technique is related to sensitivity analysis. Whereas the sensitivity analysis is based on a variable-by-variable approach, scenario analysis recognizes that the various factors impacting upon the stream of costs and benefits are independent. In other words, this approach assumes that altering individual variables while holding the remainder constant is unrealistic (i.e. for a motorway project, it is unlikely that traffic count and service area sales are independent). Rather, scenario analysis uses a range of scenarios (or variations of the option under examination), where all of the various factors can be reviewed and adjusted within a consistent framework.

When formulating these scenarios, it is important that appropriate consideration is given to the sources of uncertainty about the future (i.e. technical, political, etc.). Once the values within each scenario have been reviewed, the NPV of each scenario can then be recalculated.

EXAMPLE: Scenario analysis with three Scenarios (best, middle, worst) of Lahore–Sialkot Motorway (hypothetical figures; data given in earlier examples; middle case uses information given in above examples)
### SCENARIO 1 – BEST CASE

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*PKR in billions; discount rate 10%

NPV
BCR 2.36
IRR 40%

PKR 90.90 billion

### SCENARIO 2 – MIDDLE CASE

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*PKR in billions; discount rate 12%

NPV
BCR 1.63
IRR 27%

PKR 41.23 billion

### SCENARIO 3 – WORST CASE

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<th>Year</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PKR 41.23 billion
2 25
3 22
4 3 10
5 3.5 12
6 4 14
7 4.5 16
8 5 18
9 5.5 20
10 6 22
TOTAL 77 31.50 112.00
*PKR in billions; discount rate 14%

3.3.2 Economic Appraisal

For economic appraisal, the results of the analysis of economic soundness of the project must be assessed carefully. Economic appraisal aims to assess the desirability of a project from the Societal Perspective.

This form of appraisal differs from financial appraisal because financial appraisal is generally done from the perspective of purely financial returns. Economic analysis also considers non-market impacts such as externalities. In economic analysis market prices are adjusted as to reach real prices or shadow prices.

Various analytical techniques are used for economic appraisal of projects but the most frequently used are CBA (after incorporating economic returns) and CEA. While the former is used for projects with benefits that are measurable in monetary terms, the latter is used for projects with benefits normally not quantified in monetary terms.

For projects appropriate for CBA, the analysis is based on summary measures of performance (economic internal rate of return or NPV), calculated based on the incremental benefits and costs of the project to society as a whole (using the ‘with-project’ and ‘without-project’ criteria). The main benefits and costs, including the key underlying assumptions made (e.g., market output for key outputs and inputs, phasing of development, shadow prices) and sensitivity analysis should be presented.

For projects not appropriate for cost-benefit analysis, the basis for the performance of project should be clearly specified. For example, the project’s cost-effectiveness ratios may be compared with those of alternative designs that achieve the same desired results. The analysis should identify those key variables that render the cost-effectiveness ratio higher than that of a rejected alternative, or higher than some critical point. All key assumptions should be presented.

---

5 In economic analysis, an externality is the cost or benefit that affects a party that did not choose to incur that cost or benefit. For example, a firm that causes environmental degradation and resources problems imposes environmental and social costs on the whole society. Similarly, a project may entail external benefits, such as improvement in public safety.
• Cost to Benefit Analysis (CBA)

The general principle of CBA is to assess whether or not the social and economic benefits associated with a project are greater than its social and economic costs. To this end, a project is deemed to be desirable where the benefits exceed the costs.

However, should the benefits exceed the costs, this does not necessarily imply that a project will proceed as other projects with a higher NPV may be in competition for the same scarce resources. In addition, there are affordability constraints, which mean that projects should not proceed even if the NPV is positive.

In CBA, all of the relevant costs and benefits, including indirect costs and benefits, are taken into account. Cash values, based on market prices (or shadow prices, where no appropriate market price exists) are placed on all costs and benefits and the time at which these costs / benefits occur is identified. The analytic techniques outlined above (i.e. NPV method, IRR method, etc.) are applied using the discount rate. The general principle of CBA is that a project is desirable if the economic and social benefits are greater than economic and social costs. It is vital that CBA is objective. Its conclusions should not be prejudiced. It should not be used as a device to justify a case already leaning for or against a proposal. Factors of questionable or uncertain relevance to a project should not be introduced into an analysis in order to affect the result in a preferred direction.

3.4 Organizational and Management Appraisal

An essential part of any appraisal is to carefully review the project organizational and management aspects. This should include:

- Ensuring that adequate resources exist or planned for;
- Assessing if previous experience exists for managing similar projects; and
- Verifying that any external support exists, if required.

3.5 Overall Quality Review

The overall quality review should include the following:

- Verify that all proposed financial management, recruitments and procurements processes are in line with the GoPlb’s policies and procedures.
- If it is a complicated project, the design and structure should be fully informed by a feasibility study or other diagnostic work.
- The project proposal should fully conform to the PC-I format and guidelines.

The users can also use the following appraisal toolkit as a hands-on tool to go through the important dimensions of project appraisal:

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>III?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project outcomes are aligned with national / provincial framework</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Outputs are leading to outcomes</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>Criteria</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----</td>
<td>----------</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>6</td>
<td>Sound rationale for the selected technical design or approach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Proposed design conforms to international standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Proposed design meets the identified needs in the best possible way</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Proposed technology is proven or tested</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Proposed design is aligned with existing structure / facilities / programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>List of equipment and machinery to be installed with costs and specifications attached</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Equipment capacity is satisfactory and in line with requirements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Air and water pollution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Community health, safety and security</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Land acquisition and involuntary resettlement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Differential access to project benefits or changes in traditional rights or entitlements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Labor and working conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Biodiversity conservation and natural resource sustainability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Indigenous peoples</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Public perception and degree of voice in governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Adequacy of targeting and delivery mechanism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Interest of various stakeholders and whether they have been consulted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Cultural heritage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Gender equity and considerations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Poverty focus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Financial Appraisal</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Methodology Used</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Economic Appraisal</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Methodology Used</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Results</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Organizational and Management Appraisal

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Yes</th>
<th>No</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>Adequate resources exist or are planned for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Previous experience in agency for managing similar projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Any external support exists</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Quality Review

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Yes</th>
<th>No</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>Data inputs are valid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Proposal conforms to PC-I format and guidelines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Feasibility study done, if required</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table: Project appraisal toolkit

4 Project Approval and Initiation

For project approvals, various bodies/committees involved in granting approvals for execution of projects exist at three levels:

i. Federal;
ii. Provincial; and
iii. Sub-provincial (divisional and district).

The functioning and powers of these bodies are briefly discussed in the approval matrix below:

<table>
<thead>
<tr>
<th>WHO?</th>
<th>WHEN?</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECNEC</td>
<td>All projects referred by provincial government exceeding PKR 10,000 million or having external financing – no limit</td>
</tr>
<tr>
<td>PDWP</td>
<td>Projects up to PKR 10,000 million (with external financing for up to 25% of the project) No water project Projects referred by Departmental Development Sub-Committee (DDSC)</td>
</tr>
<tr>
<td>DDSC</td>
<td>Projects up to PKR 200 million</td>
</tr>
<tr>
<td>Divisional Development Party</td>
<td>Projects up to PKR 100 million</td>
</tr>
<tr>
<td>District Development Committee (DDC)</td>
<td>Schemes of devolved sectors up to PKR 50 million</td>
</tr>
<tr>
<td>Category I Officer</td>
<td>Schemes of respective offices / departments reflected in the ADP costing up to PKR 2.5 million (without PC-I)</td>
</tr>
<tr>
<td>Union</td>
<td>Schemes with costs below PKR 0.100 million included in</td>
</tr>
</tbody>
</table>
4.1 Approval at Provincial Level

4.1.1 PDWP

The highest body at the provincial level is the PDWP, composed of the following:

<table>
<thead>
<tr>
<th>No.</th>
<th>Position</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chairman, P&amp;D Board</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Secretary P&amp;D</td>
<td>Secretary / Member</td>
</tr>
<tr>
<td>3.</td>
<td>Secretary, Finance Department</td>
<td>Member</td>
</tr>
<tr>
<td>4.</td>
<td>Secretary of the concerned Department</td>
<td>Member</td>
</tr>
<tr>
<td>5.</td>
<td>Secretary, Environmental Protection Department</td>
<td>Member</td>
</tr>
<tr>
<td>6.</td>
<td>Director, Punjab Economic Research Institute (PERI)</td>
<td>Member</td>
</tr>
<tr>
<td>7.</td>
<td>All P&amp;D members</td>
<td>Member</td>
</tr>
<tr>
<td>8.</td>
<td>Director general M&amp;E, P&amp;D</td>
<td>Member</td>
</tr>
<tr>
<td>9.</td>
<td>Chief Economist, P&amp;D Department</td>
<td>Member</td>
</tr>
</tbody>
</table>

Table: Composition of PDWP

The PDWP is competent to approve development projects costing up to PKR 10,000 million provided no external financing is involved. It cannot take any water project. In the case of foreign-funded schemes, where rupee cover is to be provided from the provincial resources, the project should be discussed between the Planning Commission and the provincial government and the appropriate proposal, if required, may be brought before the NEC\(^7\). In the case of projects referred to the PDWP by the DDSC for consideration, the PDWP is fully empowered to approve / reject the same irrespective of the costs of the projects. However, the PDWP is a recommendatory body for projects whose costs exceed PKR 10,000 million.

- Approval procedure

As regards the procedure for approval,

- concerned administrative secretaries send eight copies of each PC-I form, along with a soft copy of the same, with at least four copies of rough cost estimates to the Coordination Section of the P&D Department.
- Simultaneously, the administrative secretaries forward five copies of the PC-I form to the Finance Department and two copies each to the chief engineer, buildings, Punjab, Lahore (only in cases where construction of a building is involved) and the director, PERI.
- On receipt of schemes by the Coordination Section, one hard copy each is sent

\(^7\)Notified by the Finance Department vide letter No. FD(FR)II-2 / 89 dated 10.07.2012
to the member (technical), concerned member and concerned section chief to offer their comments.

- Each PC-I is also forwarded to the Finance Department as well as the federal government
- a soft copy is sent to the Environment Protection Department.
- The task of economic / financial analysis of the schemes has been entrusted to PERI, an autonomous organization attached to the P&D Department.

Once comments of the member (technical) and PERI are received by the Coordination Section, these are separately annexed with the working papers prepared by the sector chiefs.

- The sector chiefs supply the working paper (10 copies) to the Coordination Section within a week after the receipt of the schemes in their sections for placing it before the PDWP.
- The concerned chief of section of the P&D Department prepares minutes of the meetings.
- Having got the minutes approved from the chairman, P&D Board, the chiefs of sections send the minutes to the Coordination Section for issuing to all the concerned departments / agencies.
- The concerned administrative secretary then issues administrative approval.

The projects where costs exceed PKR 10,000 million are recommended by the PDWP to the CDWP for consideration.

The PC-I of the project recommended by the PDWP is modified in light of its observations and after clearance from the section concerned of P&D, the Coordination Section of the P&D Department sends 50 copies of the relevant PC-I duly signed by the chairman, P&D Board (and supplied by the Administrative Department), to the Ministry of Planning, Development and Reform, Government of Pakistan for placing it before the CDWP and for recommending it for final approval by the ECNEC.

The PDWP has no authority to approve such schemes involving foreign exchange component of more than 25% of the total cost of the projects.

### 4.1.2 DDSC

The next important body at the provincial level is the DDSC, which has the following membership:

<table>
<thead>
<tr>
<th>No.</th>
<th>Post / Department</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Administrative Secretary</td>
<td>Convener</td>
</tr>
<tr>
<td>2.</td>
<td>Representative of P&amp;D Department</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td><em>(Not below the rank of chief of section)</em></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Representative of Finance Department</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td><em>(Not below the rank of additional secretary)</em></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Director (Works), Communication and Works Department</td>
<td>Member</td>
</tr>
</tbody>
</table>

---

*Notified vide letter No.12(3) PO(COORD)P&D / 2014 dated 04.04.2014
*Notified under the Punjab Delegation of Powers Rules, 2006 (amended up to 26th May 2009);
Powers of DDSC were enhanced from PKR 100 million to 200 million and notified vide letter No.35 (231) RO(COORD) / P&D / 2006 dated 30.10.2006*
Table: Composition of DDSC

The DDSC is competent to approve the projects where the cost is up to PKR 200 million. The DDSC is fully competent to approve projects placed before it, reject them outright or approve them with certain conditions. However, in the case of a difference of opinion, the scheme is referred to the PDWP for consideration / approval.

Terms and conditions of DDSC:

i. The DDSC is presided over by the administrative secretary in person and attended by officers not below the rank of additional secretary / chief of section of the Finance and P&D Departments.

ii. These powers are exercised only in respect of approved plans of schemes included in the ADP.

iii. No expenditure is allowed to be incurred on a scheme that is not included in the development budget of the year.

iv. The scheme finally sanctioned by PDWP is sent to the P&D Department and Finance Department for their records.

v. Posts created under the approved scheme should not be in grade 17 or above. Whenever a post at grade 17 or above is involved, prior approval of the Finance Department would be necessary.

vi. A notice of the meeting is sent simultaneously to the P&D Department and Finance Department at least 10 days before the scheduled date of the meeting.

vii. The committee is not competent to approve any scheme based on a subsidy. All development schemes with a subsidy element are sent to PDWP for approval irrespective of their costs.

viii. Five copies of the PC-I for all the schemes to be considered by the DDSC have to be furnished to the Coordination Section of the P&D Department at least two weeks earlier than the scheduled date of the meeting for internal distribution in the P&D Department.

ix. The minutes of this sub-committee's meeting are approved and issued by the concerned department and be simultaneously furnished to the Finance Department and other members of the DDSC.

x. Administrative approval of the approved scheme is issued by the administrative secretary of the department concerned.

xi. On receipt of the schemes by the Coordination Section, copies of PC-I are supplied to the technical, appraisal, and concerned chief of section. The views / comments of these sections are separately annexed with the working paper.

xii. The DDSC is not competent to approve schemes based on foreign aid component and subsidy.

4.1.3 DDWP

DDSCs were established in 1979 at divisional headquarters. These committees were abolished in 2001 due to introduction of a devolution plan. In 2008, a DDWP was
constituted at each divisional headquarters\textsuperscript{10}, which is competent to approve projects up to PKR 100 million. The existing composition of DDWP is as follows:

<table>
<thead>
<tr>
<th>1. Divisional Commissioner</th>
<th>Convener</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. District Coordination Officers in the division concerned</td>
<td>Member</td>
</tr>
<tr>
<td>3. Divisional head of concerned department</td>
<td>Member</td>
</tr>
<tr>
<td>4. Superintending Engineer, Irrigation &amp; Power Department</td>
<td>Member</td>
</tr>
<tr>
<td>5. Superintending Engineer, Highway &amp; Building</td>
<td>Member</td>
</tr>
<tr>
<td>6. Director (Development &amp; Finance)</td>
<td>Member / Secretary</td>
</tr>
</tbody>
</table>

Table: Composition of DDWP

Terms and conditions of DDWP:

i. The administrative approval of the schemes approved by the DDWP is issued by the sponsoring department.

ii. The development schemes relating to the judiciary under the Lahore High Court, Lahore and other special institutions, including the Provincial Assembly, Punjab Public Service Commission, Office of Ombudsman, Punjab Election Authority and Technical Educational & Vocational Training Authority (TEVTA), fall outside the purview of the DDWP.

iii. Where a divisional tier of the concerned department exists, the divisional officer, with the signatures of the divisional commissioner, issues administrative approval. In cases where a divisional tier of the department does not exist, the administrative approval is issued by the director (development & finance), with the signatures of the divisional commissioner.

iv. The schemes of district governments, financed through grants-in-aid of the provincial government, and beyond the powers (up to PKR 50 million) of the DDC, are approved by the administrative departments in DDSCs.

\section*{4.1.4 DDC}

The DDCs were established in October 1998 to approve the schemes of the devolved sectors costing up to PKR 20 million. Later on, these powers were enhanced to approve development schemes up to PKR 50 million\textsuperscript{11}. The DDC can also approve schemes of TMAs exceeding PKR 5.0 million.

The DDC cannot consider the schemes involving subsidy, foreign aid, creation of posts, purchase of vehicles, etc. The composition of the DDC is as follows:

\textsuperscript{9} Notified by the Finance Department vide letter No. FD(FR) II-5 / 82-P-II dated 6th November 2008.

\textsuperscript{10} Finance Department's Notification No. FD(FR) II-5 / 82-P-II dated 1st January 2009.

\textsuperscript{11} Vide the Finance Department's Notification No. FD(UHS) II-5 / 82 dated 20th October 2006; Notified by the Finance Department vide No. FD(P)-I-5 / 82 dated 11.08.2007.

The powers of DDC were enhanced from PKR 20 million to PKR 50 million vide the Finance Department's Notification No. FD(F) II-5 / 82 dated 30.12.2008.

The TMAs shall act as a member of the DDC to consider and approve development schemes of the respective block / area above PKR 5 million vide the Finance Department's Notification No. FD(P)-I-5 / 82 dated 01.04.2016.
1. District Coordination Officer  
2. Executive District Officer, Finance & Planning  
3. Executive District Officer, Works & Services Department  
4. Executive District Officer, concerned sector  
5. District Officer, concerned department  
6. District Officer Planning  
7. TMO, respective TMA

Table: Composition of DDC

4.1.5 Category I Officer

Category I officers (i.e. district coordination officers, heads of departments, administrative secretaries, etc.) are competent to approve schemes of the offices / departments reflected in the ADP costing up to PKR 2.5 million. There is no need for preparing a PC-I for a scheme costing less than PKR 2.5 million. Schemes involving subsidies, foreign aid or creation of new posts would not be considered by Category I officers.

4.1.6 Union Administration

The Union Administration is competent to approve development schemes pertaining to union administration that have costs of less than PKR 0.100 million and are included in the ADP of union administration, approved by the Union Council. The composition is as follows:

1. Union Nazim  
2. Naib Union Nazim  
3. Three councillors including one female  
4. Union Secretary, Municipal Services

Table: Composition of Union Administration

4.1.7 TMA Works Committee

The TMA Works Committee is empowered to approve development schemes of TMA development works costing up to PKR 5 million included in the approved budget of TMA. Those schemes involving a subsidy, a foreign aid component or creation of new posts would not be considered. Administrative approval of the scheme is issued by the concerned TMO. The composition of the committee is as follows:

1. TMO  
2. Tehsil / Town Officer (Finance)  
3. Tehsil / Town Officer (Planning)  
4. Tehsil / Town Officer (I & S)

Table: Composition of TMA Works Committee

4.2 Approval at Federal Level

At the federal level, three main bodies are involved in the process of project approval. These are briefly described below.
4.2.1 DDWP\textsuperscript{12}

The DDWP is a forum constituted in each ministry / division to approve projects costing up to PKR 60 million belonging to a ministry, division or federal-level department. The composition of DDWP is as below:

1. Administrative secretary of the concerned ministry  
   Chairman
2. Representative of Ministry of Finance  
   Member
3. Representative of Ministry of P&D Reform  
   Member
4. Representative of Economic Affairs Division (EAD)  
   Member

*(in case of foreign-aided projects)*

Table: Composition of DDWP

4.2.2 CDWP\textsuperscript{13}

The next higher forum at the federal level is CDWP with the following composition:

1. Deputy Chairman / Secretary, Ministry of Planning, Development and Reform, Government of Pakistan (in absence of DCPC)  
   Chairman
2. Chairman, P&D Board, GoPb, Lahore  
   Member
3. Additional Chief Secretary(DEV), P&D Department, Government of the Sindh, Karachi  
   Member
4. Additional Chief Secretary(DEV), P&D Department, Government of the Khyber Pakhtunkhwa, Peshawar  
   Member
5. Additional Chief Secretary(DEV), P&D Department, Government of the Baluchistan, Quetta  
   Member
6. Additional Chief Secretary(DEV), P&D Department, Government of Azad Jammu and Kashmir, Muzaffarabad  
   Member
7. Secretary, Development, Gilgit-Baltistan, Gilgit  
   Member
8. Additional Chief Secretary, Development, Federally Administered Tribal Areas, Peshawar  
   Member
9. Finance Division, Government of Pakistan, Islamabad  
   Member
10. EAD, Government of Pakistan, Islamabad  
    Member
11. Chairman, Pakistan Council of Science & Technology, Islamabad  
    Member
12. Climate Change Division, Government of Pakistan, Islamabad  
    Member
13. Relevant federal administrative ministry  
    Member

**MINISTRY OF PLANNING, DEVELOPMENT AND REFORM / PLANNING COMMISSION**

1. Secretary  
   Member
2. Chief Economist  
   Member
3. Members, Planning Commission  
   Members
4. Additional Secretary  
   Member
5. Joint Chief Economist (Operation & Macro)  
   Member

\textsuperscript{12}Decision of NEC in its meeting held on 04.06.2009, notified by the P&D Department vide its letter No. 25(231) RO(COMRD) / P&D / 2009.

\textsuperscript{13}Decision of NEC notified by Ministry of Planning, Development and Reform vide letter No. 20(1) PIA-1 / PC / 2013 dated 03.06.2014 and also notified by the P&D Department vide its letter No. 35(231) RO(COMRD) / P&D / 2014 dated 12.06.2014.
Table 1: Composition of CDWP

The CDWP is empowered to approve all the projects belonging to ministries/ divisions costing up to PKR 3 billion. Projects of ministries/ divisions with costs exceeding PKR 3 billion are forwarded to the ECNEC to arrange approval. All development projects of the provincial departments/ agencies costing more than PKR 10 billion, initially recommended by the PDWP, are processed/examined by the CDWP and recommended to the ECNEC for consideration.

Approval Process

- On the receipt of projects (50 copies) from the Provincial P&D Departments, the Ministry of Planning, Development and Reform, Government of Pakistan circulates copies of these projects among the concerned sections of the ministry.
- These projects are scrutinized for their economic/financial and technical aspects by each section and the findings/results are forwarded to the related section. For instance, in the case of a water supply project, the Chief, PP&H will prepare the working paper after incorporating views of different sections of the Ministry of Planning, Development and Reform.
- The working paper is then circulated among all the members of the CDWP for their comments.
- The sponsoring department/agency is required to prepare the replies to the points raised in the working paper and also to supply additional data, if required.
- The project is then put up for consideration by the CDWP and recommendation to ECNEC.
- ECNEC is fully competent to approve or reject a project on the basis of its merits and demerits.
- The CDWP may send a project back to the sponsoring agency after making some observations and suggesting modifications. These agencies carry out the
amendments accordingly and again forward the projects to the Ministry of Planning, Development and Reform, Government of Pakistan. The concerned sections of this division prepare summaries thereon for consideration by ECNEC.

Functions of CDWP

The CDWP, organized by the Planning Commission, should perform the following functions:

i. Review all development schemes submitted by the provincial governments and central ministries or departments; approve schemes costing up to PKR 1,000 million and recommend schemes costing more than PKR 1,000 million for the approval of ECNEC.
ii. Ensure that the scheme has been prepared on sound lines and that the necessary economic, financial and technical scrutiny has been carried out.
iii. Ensure that, as far as possible, the examination of the scheme in various offices is conducted simultaneously and not in successive stages, and that the scheme is completed in accordance with the schedule.

It is the function of Planning Commission to see that the scheme has been prepared correctly, that all the information required in the pro forma has been furnished, and that relevant papers, such as project reports, maps and plans, are made available. The Planning Commission Secretariat can, when necessary, make a consolidated enquiry of the sponsoring authority with respect to deficiencies in the pro forma, points requiring elucidation, and matters involving further data.

4.2.3 ECNEC

All the projects of provincial government departments / agencies recommended by CDWP and those of federal ministries / divisions / agencies costing more than PKR 3,000 million are submitted to ECNEC) for final approval. The current composition of ECNEC is as follows:

<table>
<thead>
<tr>
<th>I.</th>
<th>Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii.</td>
<td>Minister for Planning &amp; Development</td>
<td>Member</td>
</tr>
<tr>
<td>iii.</td>
<td>Minister for Industries and Production</td>
<td>Member</td>
</tr>
<tr>
<td>iv.</td>
<td>Minister for Water and Power</td>
<td>Member</td>
</tr>
<tr>
<td>v.</td>
<td>Member of Provincial Assembly, Baluchistan</td>
<td>Member</td>
</tr>
<tr>
<td>vi.</td>
<td>Senior Minister for Finance, Government of Khyber Pakhtunkhwa</td>
<td>Member</td>
</tr>
<tr>
<td>vii.</td>
<td>Minister for Finance, GoPb</td>
<td>Member</td>
</tr>
<tr>
<td>viii.</td>
<td>Adviser to CM, Sindh on Finance</td>
<td>Member</td>
</tr>
</tbody>
</table>

Table: Present composition of ECNEC

Functions of ECNEC:

i. To sanction development schemes (in the public sector) pending their submission to the NEC.
ii. To allow moderate changes in the plan and sectoral re-adjustments within the overall plan allocation.
iii. To supervise the implementation of the economic policies laid down by the Cabinet and the NEC.
iv. Reports asked for by the committee in pursuance of its earlier decisions.
v. Any other matter referred to the committee by the prime minister, the NEC, the Council of Common Interests or the Cabinet or raised by a member with the committee with the permission of the chairman.

4.2.4 Multi-Stage Process of Approval for Projects

The detailed preparation of a project involves a considerable investment of money, amounting to sometimes as much as 3.5% of the total cost of the project. The sponsoring agency has a strong urge to seek approval of a project at a very early stage, even before the details of the project and the cost estimates are firm.

Therefore, ECNEC has approved a 'multi-stage' process of approval for projects where the individual costs exceed PKR 50 million. This system is as follows:

i. ECNEC should approve the project finally only when detailed cost estimates are available.
ii. In cases where only rough cost estimates are available, ECNEC should give approval in principle, subject to preparation of detailed cost estimates and such other conditions as it may wish to impose.
iii. Where approval, in principle, has been given, the sponsoring agency may proceed to work out the detailed cost estimates. The sanction would be specific and would not imply any permission to start work on the project or make other irrevocable commitments, and the expenditure would be confirmed for those elements necessary for project preparation.
iv. The final sanction will be given by ECNEC after detailed estimates are ready. The chairman, ECNEC would have authority to give the final sanction when:
   • There is no material change in the basic features of the projects as approved in principle;
   • The increase in costs, compared to the estimates that were sanctioned in principle, is within 15%; and
   • The project remains economically/financially and technically viable.

4.2.5 NEC

Although the NEC does not approve projects, it is important to explain the composition and functions of this body. According to Article 156 of the Constitution of Pakistan, the composition of the NEC is as follows:

- Prime Minister of Pakistan (Chairman);
- CMs of all provinces;
- One member from each province, to be nominated by the respective CM; and
- Four other members, nominated by the prime minister.

The following attend the meetings of the NEC by special invitation for all items on the agenda:
I. Governor, Province of Khyber Pakhtunkhwa
ii. Prime Minister, Azad Jammu and Kashmir
iii. Chief Minister, Gilgit-Baltistan
iv. Deputy Chairman, Planning Commission
v. Secretary, EAD
vi. Secretary, Finance Division
vii. Secretary, P&D Division

Table 2: Special invitees for NEC meetings

Other federal secretaries, including the secretary of the Board of Investment and chief secretaries of the provinces Azad Jammu & Kashmir and Gilgit-Baltistan, attend the meetings of the NEC by special invitation, as needed.

Charter of NEC

156- National Economic Council:

i. The President shall constitute a National Economic Council which shall consist of
   - The Prime Minister, who shall be the Chairman of the Council;
   - The Chief Ministers and one Member from each Province to be nominated by the
     Chief Minister; and
   - Four other members as the Prime Minister may nominate from time to time.

ii. The National Economic Council shall review the overall economic condition of the
country and shall for advising the Federal Government and the Provincial
Governments, formulate plans in respect of financial, commercial, social and
economic policies; and in formulating such plans it shall, amongst other factors,
ensure balanced development and regional equity and shall also be guided by the
Principal of Policy set out in Chapter-II of Part-II.

iii. The meetings of the Council shall be summoned by the Chairman or on a requisition
made by one-half of the members of the Council.

iv. The Council shall meet at least twice in a year and the quorum for a meeting of the
Council shall be one-half of its total membership.

v. The Council shall be responsible to the Majlis-e-Shoora (Parliament) and shall submit
an annual Report to each House of Majlis-e-Shoora (Parliament).

5 Administrative Approval

5.1 Prescribed Procedure

With the approval of a scheme by the competent authority, e.g. administrative secretary,
DDSC, PDWP, CDWP and ECNEC, the stage is set for the issue of administrative approval,
release of funds and implementation of the scheme.

The administrative approval is issued by the concerned Administrative Department on behalf
of the governor of the province.

- Before issue, the audit copies of the draft of the administrative approval approved by
the PDWP or a higher body is sent to the Finance Department for countersigning.
As soon as the audit copy is received back from the Finance Department, the administrative approval is issued and its copies are sent to the P&D Board, Finance Department, Accountant General's Office and the executing agencies.

Countersigning of audit copy by the Finance Department is not required for a scheme costing up to PKR 6 million and approved by DDSCs, DDCs and Category I officers. The administrative approval of such schemes can be issued straight away by the aforementioned bodies.

The administrative approval contains details regarding:
- Total cost of a scheme;
- Its breakdown into capital and revenue expenditure;
- Number of posts created;
- Provision for machinery and equipment;
- Recurring expenditure of a scheme after its completion; and
- Head of Account under which the expenditure would be debited; etc.

If the implementation of a scheme is spread over a period of more than one year, the sanction of the scheme is issued on a yearly basis for the continuation of the scheme and release of funds.

Revision
The administrative approval once issued remains valid unless there is a change in the cost and or scope of work of the scheme. If a scheme is revised, the revised administrative approval is issued by the Administrative Department without seeking the approval of the P&D Board and Finance Department, provided the increase in the cost is less than 10%. Increases in costs of more than 10% are referred to the P&D Board and Finance Department for approval. Similarly, revised approval is also required if the design or scope of a scheme already approved is changed.

5.2 Re-Appropriation of Funds
During the course of implementation, if the work on a project is not proceeding according to the plan for various reasons, such as:
- non-availability of required manpower;
- problem with the acquisition of land due to litigation; and
- delay in the import of equipment and machinery for the project etc.

Then some or all of the funds allocated for the scheme may have to be surrendered at the end of the financial year.

There may be some schemes that are expected to run short of funds on account of rapid progress. In such cases, re-appropriation of funds from the schemes for which these cannot be utilized to those schemes that are in need of more funds can be made by the Administrative Department with the prior permission of the Finance Department through the P&D Board.

The scrutiny of a re-appropriation case should be based on the following factors:

i) The importance of a scheme to which the diversion of funds is suggested through a re-appropriation proposal should be carefully ascertained.
ii) The stage of completion should also be kept in view. If a scheme can be completed through re-appropriation of funds, it should be a better case for this purpose. Simultaneously, the stage of implementation of the scheme from which funds are proposed to be withdrawn should also be looked into. If this scheme is also important and is nearing completion, re-appropriation should normally not be allowed.

iii) No re-appropriation should be allowed from an unapproved scheme.

iv) Re-appropriation should also generally not be allowed in cases where it will increase the approved cost of the project beyond 10%.

v) Re-appropriation should also not be made if the scope of work of the scheme for which re-appropriation is being made is changed. This should in fact be treated as a revised unapproved scheme.

The Administrative Department is empowered to make re-appropriations within the schemes / sector provided the scope of the work remains unchanged.

5.2.1 Anticipatory Approval for Projects

In some of the projects, whose approval is not granted by the ECNEC, a request for anticipatory approval is made to the Secretary, Planning Division, Government of Pakistan, generally through a D.O. Letter addressed by the Chairman, P&D Board. Anticipatory approval is sought for those projects that have been recommended by the PDWP. If the ECNEC cannot consider this project for some reason, then the provincial governments move to the federal government for a grant of anticipatory approval, so that objectives / physical targets of the project may not suffer. Along with the request of the Provincial P&D Department an annexure is enclosed (VOLUME TWO – SECTION C), which clearly explains the main features of the project. The annexure includes information such as the name of the project, its location, the sponsoring agency, a brief description of the project entailing the scope of the work, its physical targets, organizational structure, head-wise financial phasing, etc. Apart from this, the date of consideration of the project by the PDWP and, in case the project has been recommended by the CDWP, this date as well, should be indicated. The reasons forgetting anticipatory approval should be elaborated as well. The finances already incurred and the physical targets achieved should also be depicted in the annexure, so that the approving authority may have a picture of the ongoing state of the project. It may be mentioned that anticipatory approval should only be sought for those projects whose cost is beyond the approving competency of the PDWP.

5.2.2 Proposal for Project Concept Clearance

All those projects that involve a foreign exchange component in the form of aid, grants and technical assistance need to be cleared by a Project Concept Clearance Committee. For all such projects whose sanction is within the competency of the provincial government and that involve a foreign exchange component as well, the concept clearance should be given by the provincial government and then forwarded to the EAD directly for finding a suitable donor agency for foreign assistance.

The chairman, P&D Board, GoPb has constituted a committee for the concept clearance of foreign-aided projects. The composition of committee is as follows:

*Demi official*
Table: Composition of committee for concept clearance for foreign-aided projects

<table>
<thead>
<tr>
<th>Chairman, P&amp;D Board</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Secretary / Additional Secretary, Finance Department</td>
<td>Member</td>
</tr>
<tr>
<td>Joint Chief Economist, P&amp;D Department</td>
<td>Member</td>
</tr>
<tr>
<td>Additional Secretary, in charge of ECA, P&amp;D Department</td>
<td>Member</td>
</tr>
<tr>
<td>Chief (ECA), P&amp;D Department</td>
<td>Member</td>
</tr>
<tr>
<td>Chief, concerned section, P&amp;D Department</td>
<td>Member</td>
</tr>
<tr>
<td>Representative of department concerned, not below the rank of additional secretary</td>
<td>Member</td>
</tr>
</tbody>
</table>

All the administrative departments are required to submit proposals for project concept clearance on a prescribed pro forma.

6 Project Procurement, Governance, Appointments and Allowances

The following guidelines apply for projects as well as programs, policy units and policy cells.

- For larger projects, project steering committees may be formed, with due approval from the government. Such steering committees should be empowered to take all key decisions regarding project implementation.
- The ToRs for such steering committees should include:
  - Providing overall policy direction to the project;
  - Deciding strategies for the implementation of the project;
  - Constituting sub-committees as and when required;
  - Reviewing work of any sub-committees and the project management for conformity to the overall policy framework of the government;
  - Sorting out administrative and financial matters relating to the project;
  - Monitoring the performance of the project in the terms of quality and timelines;
  - Reviewing the impact of the project;
  - Taking corrective/remedial actions in the case of delays in the implementation of the project activities; and
  - Ensuring corrective/remedial actions in cases where the quality of the deliverables is not in accordance with specifications.

Project Allowance

- As per the existing rules and regulations, all officers / officials appointed / posted in different projects after selection through a competitive process are entitled to a certain project allowance (as explained below) in addition to their admissible salary under their respective pay scales. Appointment of an independent project director is mandatory for projects costing PKR 1,000 million and above. However, if an independent project director is required to be appointed for projects costing below PKR 1,000 million, such cases have to be submitted for approval of the PDWP by providing proper justification.
Project Director

- Project directors have to be appointed for the project's life, in any case not exceeding five years. Upon expiry of this project posting, a project director is liable to serve under government for at least same period before jumping to the next posting in a project. The higher pay packages / project allowances are admissible for those government servants who are posted in different projects and entities (both development and non-development) after selection through a competitive process.

The government officers / officials assigned special duties as ex-officio under various projects may also be granted a special allowance / honorarium@ 50% of the project allowance sanctioned for the same categories. To PKR or specific tasks to be accomplished by the project director and other project employees have to be made part of the PC-I.

Qualification / experience requirements

- The minimum educational qualification for the post of project director should be broad based and not less than 16 years of education in the relevant field from institutions recognized by the Higher Education Commission of Pakistan. However, administrative departments may fix minimum qualifications according to the nature and requirement of the project.
- Project directors must have a minimum five years' experience in project management / implementation. They must also possess basic knowledge of the project planning and management processes and procedures.
- An age limit may be prescribed by the administrative department according to the requirement of the project.

- Private sector employees posted in projects are entitled to a market-based salary that is standardized by the Finance Department separately.
- As per the prevalent rules and regulations, officers / officials so appointed / posted in projects through a competitive process are entitled to the following monthly rates of project allowances in addition to their admissible salary (substantive pay + admissible allowances) under their respective pay scales with immediate effect:
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Basic Scale</th>
<th>Project Allowance (PKR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>BS-20 to BS-22</td>
<td>80,000 / -</td>
</tr>
<tr>
<td>2.</td>
<td>BS-19</td>
<td>60,000 / -</td>
</tr>
<tr>
<td>3.</td>
<td>BS-18</td>
<td>50,000 / -</td>
</tr>
<tr>
<td>4.</td>
<td>BS-17</td>
<td>40,000 / -</td>
</tr>
<tr>
<td>5.</td>
<td>BS-16</td>
<td>15,000 / -</td>
</tr>
<tr>
<td>6.</td>
<td>BS-11 to BS-15</td>
<td>8,000 / -</td>
</tr>
<tr>
<td>7.</td>
<td>BS-5 to BS-10</td>
<td>4,000 / -</td>
</tr>
<tr>
<td>8.</td>
<td>BS-01 to BS-04</td>
<td>2,000 / -</td>
</tr>
</tbody>
</table>

Table: Project allowances for different basic pay scales

**Selection Committee**

i. A committee headed by the secretary of the project sponsoring department concerned and including representatives of P&D (chief head of concerned section), Finance and Service and General Administration (S&GA) Departments (additional secretary concerned) shall select the programme/project director.

ii. For mega projects/foreign funded projects or projects financed by the federal and provincial government on a 50:50 cost-sharing basis, the chairman, P&D Board would chair the committee with representatives of the Planning, Finance and S&GA Departments (not below the rank of the additional secretary concerned).

iii. In the case of disagreement between members of the Committee, the matter will be referred to the chairman, P&D (in the case of i) and to the chief secretary (in the case of ii) for final decision.

iv. The Selection Committee mentioned in para (i) headed by the administrative secretary shall also be empowered to select all other project employees.

v. The administrative secretary of the concerned department may approve the appointment of the project director on the basis of recommendations of the aforementioned committee.

**Box: Selection Committee for recruitment of project staff**

### 6.1 Project procurement

Projects may entail procurement of works, goods, consultancy services or other services. All such procurements have to comply with Punjab Procurement Regulatory Authority Act, 2009 and Punjab Procurement Rules 2014. Key steps involved in procurement cycle include:

- Identification of procurement needs;
- Definition of specifications and the procurement method;
- Supplier selection through pre-qualification and open bidding;
- Technical and financial bid evaluation;
- Acceptance of the bid and contract award; and
- Management of the contract.

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15 Notification No. 10, SR-I (9-20) 2005, dated 21st November 2014, Govt. Finance Department
16 Procurement Training Handbook: Punjab Cities Governance Improvement Project
POWERPOINT SLIDES
Section 3: How to Appraise and Approve a Project?

- Appraisal
- Identification of costs & benefits
- Types of appraisal
- Project approval and initiation
  - Approval at federal level
  - Approval at provincial level
  - Administrative approval at departmental level
  - Project procurement, governance, appointments and allowance
Appraisal (1/2)

Overall Objective:
- Achieve better spending decisions for capital & current expenditure on schemes, projects & programs

Facilitates the selection of suitable projects

Carried out by:
- District, Division or Department at various stages
- P&D at approval stage

Appraisal (2/2)

Appraisal involves:
- Basic data
- Assumptions and methodology used in PC-I
- Work plan
- Cost estimates & funding arrangements
- Project’s organizational and management aspects
- Validity of the expected financial, economic and social benefits
Identification of Costs and Benefits (1/2)

- Determines project’s viability
- Project objectives provide the basis of costs & benefits
- Value & compare the costs and benefits that will arise
  - With the proposed project and without the proposed project
- Classification
Identification of Costs and Benefits (2/2)

Costs
- Direct costs
- Indirect Cost
- Tangible Cost
- Intangible Costs

Benefits
- Direct Benefits
- Indirect Benefits
- Tangible Benefits
- Intangible Benefits

Appraisal
Identification of Costs and Benefits
Types of Appraisal
Project Approval and Initiation
Types of Appraisal

- Project goal & objectives in line with sector plans & provincial growth frameworks
- Validate assumptions
- Ensure project outputs link with intended outcomes

- All processes in line with GoPU’s policies & procedures
- Informed by feasibility study or diagnostic work
- Conform to PC-I format & guidelines

Technical
Social and Environmental
Economic and Financial
Organizational and Management

Project Appraisal
Technical Appraisal

1. Rationale for selected technical design or approach
2. Conforms to international standards
3. Meets the identified needs
4. Proposed technology has been proven, tested or has been in practice elsewhere
5. Aligned with existing structure/facilities/programmes
6. List of installed and attached equipment & machinery along with their costs and specifications
7. Equipment capacity is satisfactory and in line with requirements
Focus on

**SOCIAL**
- Equality in opportunities and resources for women, girls & vulnerable
- Harm to indigenous peoples
- Adversely affect labor & working conditions
- Differential access to project benefits / changes in traditional rights or entitlements
- Land acquisition and involuntary resettlement
- Public perception & degree of voice in governance of the project
- Adequacy of the targeting and delivery mechanism

Focus on

**SOCIAL Contd.**
- Intended & unintended impacts on various social groups, including women, girls and minorities
- Gender considerations to ensure balanced participation
- Poverty focus
- Affect on various stakeholder groups including women & consulting them

**ENVIRONMENTAL**
- Air and water pollution
- Threaten biodiversity conservation & natural resource sustainability
- Threat to community health, safety and security
- Impact on cultural heritage
Social & Environmental Appraisal (3/3)

Categorization of Impacts:

- Potentially significant unless mitigation measures are taken
- Less than significant impact
- No impact at all

Financial Appraisal:
CBA based on purely financial terms

Economic Appraisal:
CBA includes societal perspective
TIME VALUE OF MONEY

- The value of money decreases as the time passes.
- Costs and benefits occur at different point of time.
- How to compare benefits with costs?
  
  a. Compounding \( F = P(1+r)^n \) → Future Value

  b. Discounting \( P = F/(1+r)^n \) → Present Value

Financial Appraisal (1/5)

Appraisal on purely financial terms
Incremental financial benefits & costs to the project & the IRR or NPV
Methods of financial appraisal (discounted cash flow techniques) – consider time value of money
  - Net Present Value (NPV)
  - Internal Rate of Return (IRR)
  - Benefit Cost Ratio (BCR)

These differing appraisal techniques may give contradictory conclusion
Financial Appraisal (2/5)

Net Present Value (NPV)

"The revenues and costs of a project are estimated and then are discounted and compared with the initial investment."

Preferred option - highest positive NPV
Reject projects with negative NPVs

Disadvantages of NPV

Rank projects in order of ascending NPV (smaller project with lower NPV might be more attractive due to higher ratio of discounted benefits to costs).

Financial Appraisal (3/5)

Internal Rate of Return (IRR)

"The IRR is the discount rate that, when applied to cash inflows of a project, sets them equal to the initial investment."

Preferred option - with the IRR most in excess of a specified rate of return
IRR of 10% means that with a discount rate of 10%, the project breaks even
Interest rate used for discounting future cash flows to compute present value of those cash flows
IRR exceeds the hurdle cost of capital - discount rate, the project is accepted

Disadvantage of using IRR method
Not suitable for ranking of competing projects
Two projects may have same IRR but different NPVs when time horizon differs.
Financial Appraisal (4/5)

**Benefit Cost Ratio (BCR)**

“The BCR is the discounted net revenue divided by the initial investment.”

- Preferred option - ratio most in excess of 1
- Project with a BCR of less than 1 should generally not proceed
- Advantage is simplicity of the method

Disadvantage of using BCR method
- Suboptimal decision as a project with higher BCR will be selected over a project with lower BCR even when the latter project has the capacity to generate much greater economic benefits because it has a higher NPV value and involves greater scale.

Financial Appraisal (5/5)

**Sensitivity Analysis**

- Possible to identify those parameters and assumptions to which the outcome of the analysis is most sensitive
- Challenges the robustness of the results to changes in the assumptions made (i.e. discount rate, time horizon, estimated value of costs and benefits, etc.)

**Scenario Analysis**

- Scenarios are formulated: best case, worst case, etc.
- Potential values assigned for each cost and benefit variable
Economic Appraisal

Economic soundness of the project - Societal Perspective

Considers non-market impacts
- Externality: Cost or benefit that affects a party that did not choose to incur that cost or benefit.
- Example: Environmental degradation by a dam or improved income by

Frequently used analytical techniques:
- Cost Benefit Analysis (CBA): Impacts can be quantified in monetary terms
- Cost Effectiveness Analysis (CEA): Impacts cannot be quantifies in monetary terms
Organizational & Management Appraisal

Project’s organizational & management aspects

Elements:

- Adequate resources exist or planned for
- Previous experience of managing similar projects
- External support if required

Project Appraisal Toolkit (1/5)

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>X</th>
<th>✓</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project outcomes are aligned with national/provincial framework</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Outputs are leading to outcomes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Inputs are sufficient for producing outputs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Inputs are not excessive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Assumptions are valid and objective</td>
<td></td>
<td></td>
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</tbody>
</table>
### Project Appraisal Toolkit (2/5)

#### Technical Appraisal

<table>
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<th>Comments</th>
</tr>
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<tbody>
<tr>
<td>6</td>
<td>Sound rationale for the selected technical design or approach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Proposed design conforms to international standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Proposed design meets the identified needs in the best possible way</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Proposed technology is proven or tested</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Proposed design is aligned with existing structure/facilities/programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>List of equipment and machinery to be installed with costs and specifications attached</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Equipment capacity is satisfactory and in line with requirements</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Project Appraisal Toolkit (3/5)

#### Social and Environmental Appraisal

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>X</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Air and water pollution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Community health, safety and security</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Land acquisition and involuntary resettlement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Differential access to project benefits or changes in traditional rights or entitlements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Labour and working conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Biodiversity conservation and natural resource sustainability</td>
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<td>19</td>
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<td>Adequacy of targeting and delivery mechanism</td>
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<td>Interest of various stakeholders and whether they have been consulted</td>
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<td>23</td>
<td>Cultural heritage</td>
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<td>24</td>
<td>Gender equity and considerations</td>
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<td>25</td>
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### Project Appraisal Toolkit (4/5)

#### Financial and Economic Appraisal

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<td>*Results</td>
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### Project Appraisal Toolkit (5/5)

#### Organisational and Management Appraisal

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<td>28</td>
<td>Adequate resources exist or are planned for</td>
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<td>Previous experience in agency for managing similar projects</td>
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<td>Any external support exists</td>
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#### Quality Review

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<td>32</td>
<td>Proposal conforms to PC-I format and guidelines</td>
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<td>33</td>
<td>Feasibility study done, if required</td>
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Project Approval and Initiation

Various bodies involved in granting approvals (field to federal level)

Three categories:
- Sub-provincial (divisional and district) levels
- Provincial Level
- Federal Level
Approval Matrix

<table>
<thead>
<tr>
<th>Who</th>
<th>When</th>
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</thead>
<tbody>
<tr>
<td>ECNEC</td>
<td>All projects referred by provincial government exceeding PKR 10,000 million or having external financing – no limit</td>
</tr>
<tr>
<td>PDWP</td>
<td>Projects up to PKR 10,000 million (with external financing for up to 25% of the project) No water project Projects referred by Departmental Development Sub Committee (DDSC) Projects up to PKR 200 million</td>
</tr>
<tr>
<td>DDSC</td>
<td>Projects up to PKR 100 million</td>
</tr>
<tr>
<td>Divisional Development Working Party (DDWP)</td>
<td>Projects up to PKR 100 million</td>
</tr>
<tr>
<td>District Development Committee (DDC)</td>
<td>Schemes of devolved sectors up to PKR 50 million</td>
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<tr>
<td>Category I Officer</td>
<td>Schemes of respective offices/departments reflected in the ADP costing up to PKR 2.5 million (without PCI)</td>
</tr>
<tr>
<td>Union Administration</td>
<td>Schemes with costs below PKR 0.100 million included in ADP of Union Administration</td>
</tr>
<tr>
<td>TMA Works Committee</td>
<td>Development works costing upto PKR 5 million included in approved budget of TMA</td>
</tr>
<tr>
<td>CDWP</td>
<td>Approving provincial projects up to PKR 3,000 million, where federal or foreign component is involved</td>
</tr>
</tbody>
</table>

Approval at District Level

- **Union Administration** (Up to PKR 0.1 million)
- **Category I Officer** (Up to PKR 2.5 million)
- **TMA Works Committee** (Up to PKR 5 million)
Approval at Provincial Level (1/11)

- District Development Committee (DDC)
- Divisional Development Working Party (DDWP)
- Departmental Development Sub-Committee (DDSC)
- Provincial Development Working Party (PDWP)

Approval at Provincial Level (2/11)

**DDC**

- *Established in October 1998*
- *Limit of DDC*
  - Approve development schemes up to PKR 50 million
  - Approve schemes of TMAs exceeding PKR 5.0 million
  - It cannot consider schemes involving subsidy, foreign aid, creation of posts, purchase of vehicles, etc.
## Approval at Provincial Level (3/11)

### Composition of DDC

1. District Coordination Officer  
   Chairman
2. Executive District Officer, Finance & Planning  
   Member
3. Executive District Officer, Works & Services Department  
   Member
4. Executive District Officer, concerned sector  
   Member
5. District Officer, concerned department  
   Member
6. District Officer Planning  
   Member/Secretary
7. TMO, respective TMA  
   Member

## Approval at Provincial Level (4/11)

### DDWP

- DDSCs were established in 1979 at divisional headquarters
- Abolished in 2001 - devolution plan.
- In 2008, a DDWP constituted at each divisional headquarters
- Limit of DDWP
  - Competent to approve projects up to PKR 100 million
Approval at Provincial Level (5/11)

- Composition of DDWP

<table>
<thead>
<tr>
<th>Rank</th>
<th>Position</th>
<th>Status</th>
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<tbody>
<tr>
<td>1</td>
<td>Divisional Commissioner</td>
<td>Convener</td>
</tr>
<tr>
<td>2</td>
<td>District Coordination Officers in the division concerned</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Divisional head of concerned department</td>
<td>Member</td>
</tr>
<tr>
<td>4</td>
<td>Superintending Engineer, Irrigation &amp; Power Department</td>
<td>Member</td>
</tr>
<tr>
<td>5</td>
<td>Superintending Engineer, Highway &amp; Building</td>
<td>Member</td>
</tr>
<tr>
<td>6</td>
<td>Director (Development &amp; Finance)</td>
<td>Member/Secretary</td>
</tr>
</tbody>
</table>

Approval at Provincial Level (6/11)

**DDSC**

- Second highest body at provincial level
- Limit of DDSC
  - Projects that cost up to PKR 200 million
  - Fully competent to approve projects placed before it, reject them outright or approve them with certain conditions
  - Where difference of opinion, the scheme is referred to the PDWP for consideration/approval
### Approval at Provincial Level (7/11)

**Composition of DDSC**

1. Administrative Secretary  
   **Convener**

2. Representative of P&D Department  
   *(Not below the rank of chief of section)*  
   **Member**

3. Representative of Finance Department  
   *(Not below the rank of additional secretary)*  
   **Member**

4. Director (Works), Communication and Works Department  
   *(If building component is involved and technical advice is needed)*  
   **Member**

### Approval at Provincial Level (8/11)

**PDWP**

- Highest body at provincial level
- Limit of PDWP
  - Development projects costing up to PKR 10,000 million *(provided no external financing is involved)*
  - Cannot approve any water project
- **Foreign funded** scheme *(rupee cover to be provided from provincial resources)*
  - Should be discussed with the Planning Commission & provincial government.
  - Appropriate proposal *(if required brought before NEC)*
- Projects referred to the PDWP by the DDSC for consideration, the PDWP is fully empowered to approve/reject the same irrespective of the costs of the projects, except for projects cost exceeding PKR 10,000 million it is a recommendatory body
Approval at Provincial Level (9/11)

Approval procedure of PDWP:
- Concerned administrative secretaries send 8 copies of PC-I and 4 copies of rough cost estimates to the coordination section of P&D
- 5 copies of PC-I are sent to Finance Department, 2 to Chief Engineer (only in cases where construction of building is involved) and Director PERI by administrative secretaries
- Coordination section then sends one hard copy each to member (technician) and concerned chiefs for comments
- Each PC-I is forwarded to Finance Department, Federal Government and Environmental Protection Department
- The project where costs exceed PKR 10,000 million are recommended by the PDWP to CDWP
- CDWP then presents it to ECNEC for final approval
- PDWP cannot approve schemes with foreign exchange component greater than 25% of the project’s total cost

Approval at Provincial Level (10/11)

- Composition of PDWP

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<thead>
<tr>
<th></th>
<th>1. Chairman, P&amp;D Board</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Secretary P&amp;D</td>
<td>Secretary / Member</td>
</tr>
<tr>
<td>3.</td>
<td>Secretary, Finance Department</td>
<td>Member</td>
</tr>
<tr>
<td>4.</td>
<td>Secretary of the concerned Department</td>
<td>Member</td>
</tr>
<tr>
<td>5.</td>
<td>Secretary, Environmental Protection Department</td>
<td>Member</td>
</tr>
<tr>
<td>6.</td>
<td>Director, Punjab Economic Research Institute (PERI)</td>
<td>Member</td>
</tr>
<tr>
<td>7.</td>
<td>All P&amp;D members</td>
<td>Member</td>
</tr>
<tr>
<td>8.</td>
<td>Director General M&amp;E, P&amp;D</td>
<td>Member</td>
</tr>
<tr>
<td>9.</td>
<td>Chief Economist, P&amp;D Department</td>
<td>Member</td>
</tr>
</tbody>
</table>
Approval at Provincial Level (11/11)

- DDC (Up to PKR 20 million)
- DDWP (Up to PKR 100 million)
- DDSC (Up to PKR 200 million)
- PDWP (Up to PKR 1000 million)

Approval at Federal Level (1/6)

Three main bodies:

- Departmental Development Working Party (DDWP)
- Central Development Working Party (CDWP)
- Executive Committee of National Economic Council (ECNEC)
Approval at Federal Level (2/6)

**DDWP**
- Forum constituted in each ministry/division
- Limit of DDWP:
  - Approve projects costing up to PKR 60 million belonging to:
    - Ministry
    - Division
    - Federal-level department

Approval at Federal Level (3/6)

**CDWP**
- The next forum at the federal level
- Empowered to approve all the projects belonging to ministries/divisions

**Limit of CDWP**
- Up to PKR 3 billion
- Projects of ministries/divisions with costs exceeding PKR 3 billion are forwarded to the ECNEC to arrange approval
- All development projects of the provincial departments/agencies costing more than PKR 10 billion, initially recommended by the PDWP, are processed/examined by the CDWP and recommended to the ECNEC for consideration
Approval at Federal Level (4/6)

ECNEC
- Approves all projects of
  - Provincial government departments
  - Agencies recommended by CDWP
  - Federal ministries/divisions/agencies

Limit of ECNEC
Projects costing more than PKR 3,000 million are submitted to ECNEC for final approval

Approval at Federal Level (5/6)

NEC
- Does not approve projects
- According to Article 156 of the Constitution of Pakistan, the composition of the NEC is as follows:
  - Prime Minister of Pakistan (chairman)
  - CMs of all provinces
  - One member from each province, to be nominated by the respective CM
  - Four other members, nominated by the prime minister
Approval at Federal Level (6/6)

Administrative Approval (1/7)

- Prescribed Procedure
- Re-Appropriation of Funds
- Anticipatory Approval for Projects
- Proposal for Project Concept Clearance
Prescribed Procedure contd.

Administrative approval is issued by the concerned Administrative Department on behalf of the governor of the province

- Countersigning of audit copy by the Finance Department not required:
  - For a scheme costing up to PKR 6 million and approved by DDSCs, DDCs and category I officers

Prescribed Procedure

- Procedure starts after the approval of a scheme by the competent authority, e.g.:
  - Administrative secretary
  - DDSC
  - PDWP
  - CDWP
  - ECNEC

- Audit copy of the draft of administrative approval approved by PDWP or a higher body is sent to Finance Department for countersigning

- Administrative approval is issued when audit copy is received back from the Finance Department
Prescribed Procedure contd.

- Administrative approval contains details regarding:
  - Total cost of a scheme
  - Capital and revenue expenditure
  - Number of posts created
  - Provision for machinery and equipment
  - Recurring expenditure of a scheme after its completion
  - Head of Account under which the expenditure would be debited etc.
  - Scheme with completion period more than one year:
    - Sanction of the scheme is issued on a yearly basis for the continuation of the scheme and release of funds

Re-Appropriation of Funds

- Funds surrendered: project not proceeding as per plan
- Re-appropriation of funds: Administrative Department with the prior permission of the Finance Department through the P&D Board for projects requiring more funding
Anticipatory Approval for Projects

- Projects, approval not granted by the ECNEC:
  - Request for anticipatory approval is made to the secretary Planning Division, generally through a D.O
  - Sought for those projects that have been recommended by the PDWP
  - ECNEC cannot consider this project:
    - Provincial governments move to the federal government for a grant of anticipatory approval

Proposal for Project Concept Clearance

- Foreign exchange component in the form of aid, grants and technical assistance
- To be cleared by a project concept clearance committee, constituted by Chairman P & D

<table>
<thead>
<tr>
<th>Chairman, P&amp;D Board</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Secretary/Additional Secretary, Finance Department</td>
<td>Member</td>
</tr>
<tr>
<td>Joint Chief Economist, P&amp;D Department</td>
<td>Member</td>
</tr>
<tr>
<td>Additional Secretary, incharge of ECA, P&amp;D Department</td>
<td>Member</td>
</tr>
<tr>
<td>Chief (ECA),P&amp;D Department</td>
<td>Member</td>
</tr>
<tr>
<td>Chief, economic section, P&amp;D Department</td>
<td>Member</td>
</tr>
<tr>
<td>Representative of department concerned, not below the rank of additional secretary</td>
<td>Member</td>
</tr>
</tbody>
</table>

- Administrative departments to submit proposals for project concept clearance on a prescribed proforma
Guidelines:

- For larger projects, project steering committees may be formed, with due approval from the government

**ToRs of Committee:**

- Providing overall policy direction to the project
- Deciding strategies for the implementation of the project
- Constituting sub-committees as and when required
- Reviewing work of any sub-committees and the project management for conformity to the overall policy framework of the government

**TORs of Committee contd.:**

- Sorting out administrative & financial matters relating to the project
- Monitoring the performance of the project in the terms of quality & timelines
- Reviewing the impact of the project
- Taking corrective/remedial actions in the case of delays in the implementation of the project activities
- Ensuring corrective/remedial actions in cases where the quality of the deliverables is not in accordance with specifications
Appointments:

- Officers/officials so appointed/posted in projects through a competitive process are entitled to the following monthly rates of project allowances in addition to their admissible salary under their respective pay scales

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<th>Sr. No.</th>
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<tr>
<td>1.</td>
<td>BS-20 to BS-22</td>
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<td>BS-15 to BS-16</td>
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<td>BS-5 to BS-10</td>
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<tr>
<td>8.</td>
<td>BS-04 to BS-04</td>
<td>2,000/-</td>
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Source: Notification No. FD. SR-I/9-20/2006; dated 21st November 2014; GoPb; Finance Department

Project Procurement

- Procurement of works, goods, consultancy services or other services

Project Procurement, Governance, Appointments & Allowances (5/5)

Steps of Procurement Cycle:

1. Identification of procurement needs
2. Definition of specifications and the procurement method
3. Supplier selection through pre-qualification and open bidding
4. Technical and financial bid evaluation
5. Acceptance of the bid and contract award and
   Management of the contract
HANDOUTS
Handout 3A: Example of NPV

EXAMPLE: Computation of NPV of Lahore Sialkot Motorway (hypothetical figures)

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<td>38.50</td>
<td>98.50</td>
<td>245.00</td>
<td>146.50</td>
<td>41.23</td>
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</table>

*PKR in billions; discount rate 12%

NPV = PKR 41.23 billion

Based on these hypothetical figures, the NPV of the Lahore–Sialkot Motorway project at a 12% discount rate is PKR 41.23 billion. This value being positive shows that the project in question is feasible on the basis of the NPV.
**Handout 3B - Example of IRR**

EXAMPLE: Computation of IRR of Lahore-Sialkot Motorway (hypothetical figures)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Cost</th>
<th>O&amp;M Cost</th>
<th>Total Cost</th>
<th>Gross Benefit</th>
<th>Incremental Net Benefit</th>
<th>PV of Incr. Net Ben. @ Disc Rate</th>
<th>PV of Incr. Net Ben. @IRR</th>
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<td>60</td>
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<td>245</td>
<td>146.5</td>
<td></td>
<td>41.23</td>
<td>(0.00)</td>
</tr>
</tbody>
</table>

*PKR in billions; discount rate 12%

**IRR = 27%**

The IRR is 27%. Since this rate is higher than the opportunity cost of capital (assumed to be 12%), the project is considered to be a feasible proposition.
Handout 3C - Example of BCR

EXAMPLE: Computation of BCR of Lahore–Sialkot Motorway (hypothetical figures)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Cost</th>
<th>O&amp;M Cost</th>
<th>Total Cost</th>
<th>PV of Costs</th>
<th>Toll Collected</th>
<th>PV of Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>17.86</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2</td>
<td>20</td>
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<td>20</td>
<td>15.94</td>
<td>0.00</td>
<td>0.00</td>
</tr>
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<td>3</td>
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<td>20</td>
<td>14.24</td>
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<td>0.00</td>
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<td>2.54</td>
<td>20</td>
<td>12.71</td>
</tr>
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<td>4.5</td>
<td>4.5</td>
<td>9.5</td>
<td>2.55</td>
<td>25</td>
<td>14.19</td>
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<td>5</td>
<td>10</td>
<td>2.53</td>
<td>30</td>
<td>15.20</td>
</tr>
<tr>
<td>7</td>
<td>5.5</td>
<td>5.5</td>
<td>11.0</td>
<td>2.49</td>
<td>35</td>
<td>15.83</td>
</tr>
<tr>
<td>8</td>
<td>6</td>
<td>6</td>
<td>12</td>
<td>2.42</td>
<td>40</td>
<td>16.16</td>
</tr>
<tr>
<td>9</td>
<td>6.5</td>
<td>6.5</td>
<td>13.0</td>
<td>2.34</td>
<td>45</td>
<td>16.23</td>
</tr>
<tr>
<td>10</td>
<td>7</td>
<td>7</td>
<td>14</td>
<td>2.25</td>
<td>50</td>
<td>16.10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>60.00</td>
<td>38.50</td>
<td>98.50</td>
<td>65.17</td>
<td>245.00</td>
<td>106.41</td>
</tr>
</tbody>
</table>

*PKR in billion; discount rate 12%

\[
BCR = \frac{PV \text{ of benefits}}{PV \text{ of costs}} = \frac{106.41}{65.17} = 1.63
\]

Based on these hypothetical figures, the BCR of the Lahore – Sialkot Motorway project at a 12% discount rate is 1.63. This value being greater than 1 shows that the project in question is feasible on the basis of the BCR.
**Handout 3D - Example of Sensitivity Analysis**

EXAMPLE: Sensitivity analysis of NPV and BCR with discount rate of Lahore–Sialkot Motorway (hypothetical figures; data given in earlier examples)

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>NPV</th>
<th>BCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>51.94</td>
<td>1.75</td>
</tr>
<tr>
<td>11%</td>
<td>46.35</td>
<td>1.69</td>
</tr>
<tr>
<td>12%</td>
<td>41.23</td>
<td>1.63</td>
</tr>
<tr>
<td>13%</td>
<td>36.54</td>
<td>1.57</td>
</tr>
<tr>
<td>14%</td>
<td>32.72</td>
<td>1.52</td>
</tr>
<tr>
<td>15%</td>
<td>28.26</td>
<td>1.47</td>
</tr>
<tr>
<td>16%</td>
<td>24.62</td>
<td>1.42</td>
</tr>
<tr>
<td>17%</td>
<td>21.27</td>
<td>1.37</td>
</tr>
<tr>
<td>18%</td>
<td>18.19</td>
<td>1.32</td>
</tr>
<tr>
<td>19%</td>
<td>15.35</td>
<td>1.28</td>
</tr>
<tr>
<td>20%</td>
<td>12.74</td>
<td>1.24</td>
</tr>
</tbody>
</table>
**Handout 3E - Example of Scenario Analysis**

EXAMPLE: Scenario analysis with three Scenarios (best, middle, worst) of Lahore–Sialkot Motorway (hypothetical figures; data given in earlier examples; middle case uses information given in above examples)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Cost</th>
<th>O&amp;M Cost</th>
<th>Toll Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>5.5</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>6</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>6.5</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>7</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>7.5</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>8</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>55.00</td>
<td>45.50</td>
<td>315.00</td>
</tr>
</tbody>
</table>

*PKR in billions; discount rate 10%*

**PKR 90.90 billion**

- **NPV**
- **BCR**
- **IRR**

**SCENARIO 1: PROJECT FINANCIALLY FEASIBLE BY ALL THREE METHODS**

**SCENARIO 2 – MIDDLE CASE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Cost</th>
<th>O&amp;M Cost</th>
<th>Toll Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>20</td>
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<td></td>
</tr>
<tr>
<td>3</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>4.5</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>5</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>5.5</td>
<td>35</td>
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<tr>
<td>8</td>
<td>6</td>
<td>40</td>
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</tr>
<tr>
<td>9</td>
<td>6.5</td>
<td>45</td>
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</tr>
<tr>
<td>10</td>
<td>7</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60.00</td>
<td>38.50</td>
<td>245.00</td>
</tr>
</tbody>
</table>
**Scenario 2: Project Financially Feasible by All Three Methods**

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Cost</th>
<th>O&amp;M Cost</th>
<th>Toll Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>25</td>
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<td>3</td>
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<td>4</td>
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<td>3.5</td>
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<td>4</td>
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<tr>
<td>7</td>
<td>4.5</td>
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<td>8</td>
<td>5</td>
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<td>9</td>
<td>5.5</td>
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<td>20</td>
</tr>
<tr>
<td>10</td>
<td>6</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>77.00</strong></td>
<td><strong>31.50</strong></td>
<td><strong>112.00</strong></td>
</tr>
</tbody>
</table>

*PKR in billions; discount rate 14%*

<table>
<thead>
<tr>
<th></th>
<th>PKR (29.56) billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPV</td>
<td></td>
</tr>
<tr>
<td>BCR</td>
<td>0.59</td>
</tr>
<tr>
<td>IRR</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Scenario 3: Project Financially Infeasible by All Three Methods**
### Handout 3F - Appraisal Tool Kit

#### PROJECT APPRAISAL TOOLKIT

#### Validating Assumptions and Design

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>X1?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project outcomes are aligned with national/provincial framework</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Outputs are leading to outcomes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Inputs are sufficient for producing outputs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Inputs are not excessive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Assumptions are valid and objective</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Technical Appraisal

<table>
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<tr>
<th>No</th>
<th>Criteria</th>
<th>X1?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Sound rationale for the selected technical design or approach</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Proposed design conforms to international standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Proposed design meets the identified needs in the best possible way</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Proposed technology is proven or tested</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Proposed design is aligned with existing structure/facilities/programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>List of equipment and machinery to be installed with costs and specifications attached</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Equipment capacity is satisfactory and in line with requirements</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Social and Environmental Appraisal

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>X1?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Air and water pollution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Community health, safety and security</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Land acquisition and involuntary resettlement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Differential access to project benefits or changes in traditional rights or entitlements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Labour and working conditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Biodiversity conservation and natural resource sustainability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Indigenous peoples</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Public perception and degree of voice in governance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Adequacy of targeting and delivery mechanism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Interest of various stakeholders and whether they have been consulted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Cultural heritage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Gender equity and considerations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Poverty focus</td>
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</tr>
</tbody>
</table>

#### Financial and Economic Appraisal

<table>
<thead>
<tr>
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<th>Criteria</th>
<th>X1?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>Financial Appraisal</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

1. The person entrusted with appraisal may like to look at different criteria with varying importance, depending upon the project requirements. A simple checklist, rather than a scorecard, is deliberately used to accommodate a variety of projects.
<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>✓</th>
<th>?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>Methodology Used</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Results</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Economic Appraisal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Methodology Used</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Results</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Adequate resources exist or are planned for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Previous experience in agency for managing similar projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Any external support exists</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Data inputs are valid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Proposal conforms to PC-I format and guidelines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Feasibility study done, if required</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Handout 3G - Approval Matrix

## APPROVAL MATRIX

<table>
<thead>
<tr>
<th>WHO?</th>
<th>WHEN?</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECNEC</td>
<td>All projects referred by provincial government exceeding PKR 10,000 million or having external financing – no limit</td>
</tr>
<tr>
<td>PDWP</td>
<td>Projects up to PKR 10,000 million (with external financing for up to 25% of the project) No water project Projects referred by Departmental Development Sub-Committee (DDSC)</td>
</tr>
<tr>
<td>DDSC</td>
<td>Projects up to PKR 200 million</td>
</tr>
<tr>
<td>Divisional Development Working Party (DDWP)</td>
<td>Projects up to PKR 100 million</td>
</tr>
<tr>
<td>District Development Committee (DDC)</td>
<td>Schemes of devolved sectors up to PKR 50 million Schemes of town/tehsil municipal administrations (TMAs) exceeding PKR 5.0 million</td>
</tr>
<tr>
<td>Category I Officer</td>
<td>Schemes of respective offices/departments reflected in the ADP costing up to PKR 2.5 million (without PC-I)</td>
</tr>
<tr>
<td>Union Administration</td>
<td>Schemes with costs below PKR 0.100 million included in ADP of Union Administration</td>
</tr>
<tr>
<td>TMA Works Committee</td>
<td>Development works costing up to PKR 5 million included in approved budget of TMA</td>
</tr>
<tr>
<td>CDWP</td>
<td>Approving provincial projects up to PKR 3,000 million, where federal or foreign component is involved</td>
</tr>
</tbody>
</table>
Handout 3H – Approval Procedure of PDWP

Approval Procedure of PDWP

As regards the procedure for approval, concerned administrative secretaries send eight copies of each PC-I form, along with a soft copy of the same, with at least four copies of rough cost estimates to the Coordination Section of the P&D Department. Simultaneously, the administrative secretaries forward five copies of the PC-I form to the Finance Department and two copies each to the chief engineer, Buildings, Punjab, Lahore (only in cases where construction of a building is involved) and the director. PERI. On receipt of schemes by the Coordination Section, one hard copy each is sent to the member (technical), concerned member and concerned section chief to offer their comments. Each PC-I is also forwarded to the Finance Department as well as the federal government, while a soft copy is sent to the Environment Protection Department.

The task of economic/financial analysis of the schemes has been entrusted to PERI, an autonomous organisation attached to the P&D Department. Once comments of the member (technical) and PERI are received by the Coordination Section, these are separately annexed with the working papers prepared by the sector chiefs. The sector chiefs supply the working paper (10 copies) to the Coordination Section within a week after the receipt of the schemes in their sections for placing it before the PDWP. The concerned chief of section of the P&D Department prepares minutes of the meetings. Having gotten the minutes approved from the chairman, P&D Board, the chief of sections send the minutes to the Coordination Section for issuing to all the concerned departments/agencies. The concerned administrative secretary then issues administrative approval.

The projects where costs exceed PKR 10,000 million are recommended by the PDWP to the CDWP for consideration. The PC-I of the project recommended by the PDWP is modified in light of its observations and after clearance from the section concerned of P&D, the Coordination Section of the P&D Department sends 50 copies of the relevant PC-I, duly signed by the chairman, P&D Board (and supplied by the Administrative Department), to the Ministry of Planning, Development and Reform, Government of Pakistan for placing it before the CDWP and for recommending it for final approval by the ECNEC.

The PDWP has no authority to approve such schemes involving foreign exchange component of more than 25% of the total cost of the projects.
Handout 31 - Terms and Conditions of DDSC

Terms and conditions for DDSC

1. The DDSC is presided over by the administrative secretary in person and attended by officers not below the rank of additional secretary/chief of section of the Finance and P&D Departments.
2. These powers are exercised only in respect of approved plans of schemes included in the ADP.
3. No expenditure is allowed to be incurred on a scheme that is not included in the development budget of the year.
4. The scheme finally sanctioned by PDWP is sent to the P&D Department and Finance Department for their records.
5. Posts created under the approved scheme should not be in grade 17 or above. Whenever a post at grade 17 or above is involved, prior approval of the Finance Department would be necessary.
6. A notice of the meeting is sent simultaneously to the P&D Department and Finance Department at least 10 days before the scheduled date of the meeting.
7. The committee is not competent to approve any scheme based on a subsidy. All development schemes with a subsidy element are sent to PDWP for approval irrespective of their costs.
8. Five copies of the PC-I for all the schemes to be considered by the DDSC have to be furnished to the Coordination Section of the P&D Department at least two weeks earlier than the scheduled date of the meeting for internal distribution in the P&D Department.
9. The minutes of the sub-committee's meeting are approved and issued by the concerned department and be simultaneously furnished to the Finance Department and other members of the DDSC.
10. Administrative approval of the approved scheme is issued by the administrative secretary of the department concerned.
11. On receipt of the schemes by the Coordination Section, copies of PC-I are supplied to the technical, appraisal, and concerned chief of section. The views/comments of these sections are separately annexed with the working paper.
12. The DDSC is not competent to approve schemes based on foreign aid component and subsidy.
Handout 3J - Terms and Conditions of DDWP

Terms and conditions of DDWP

1) The administrative approval of the schemes approved by the DDWP is issued by the sponsoring department.

2) The development schemes relating to the judiciary under the Lahore High Court, Lahore and other special institutions, including the Provincial Assembly, Punjab Public Service Commission, Office of Ombudsman, Punjab Election Authority and Technical Educational & Vocational Training Authority (TTVTA), fall outside the purview of the DDWP.

3) Where a divisional tier of the concerned department exists, the divisional officer, with the signatures of the divisional commissioner, issues administrative approval. In cases where a divisional tier of the department does not exist, the administrative approval is issued by the director (development & finance), with the signatures of the divisional commissioner.

4) The schemes of district governments, financed through grants-in-aid of the provincial government, and beyond the powers (upto PKR 50 million) of the DDC, are approved by the administrative departments in DDSCs.
Handout 3K – Approval Process of CDWP

Approval Process of CDWP

On the receipt of projects (50 copies) from the Provincial P&D Departments, the Ministry of Planning, Development and Reform, Government of Pakistan circulates copies of these projects among the concerned sections of the ministry. These projects are scrutinized for their economic/financial and technical aspects by each section and the findings/results are forwarded to the related section. For instance, in the case of a water supply project, the Chief, PP&H will prepare the working paper after incorporating views of different sections of the Ministry of Planning, Development and Reform. The working paper is then circulated among all the members of the CDWP for their comments. The sponsoring department/agency is required to prepare the replies to the points raised in the working paper and also to supply additional data, if required. The project is then put up for consideration by the CDWP and recommendation to ECNEC. ECNEC is fully competent to approve or reject a project on the basis of its merits and demerits. The CDWP may send a project back to the sponsoring agency after making some observations and suggesting modifications. These agencies carry out the amendments accordingly and again forward the projects to the Ministry of Planning, Development and Reform, Government of Pakistan. The concerned sections of this division prepare summaries thereon for consideration by ECNEC.
**Handout 3L - Functions of CDWP**

**Functions of CDWP**

The CDWP, organised by the Planning Commission, should perform the following functions:

1) Review all development schemes submitted by the provincial governments and central ministries or departments, approve schemes costing up to PKR 1,000 million and recommend schemes costing more than PKR 1,000 million for the approval of ECNEC.

2) Ensure that the scheme has been prepared on sound lines and that the necessary economic, financial and technical scrutiny has been carried out.

3) Ensure that, as far as possible, the examination of the scheme in various offices is conducted simultaneously and not in successive stages, and that the scheme is completed in accordance with the schedule.

It is the function of Planning Commission to see that the scheme has been prepared correctly, that all the information required in the proforma has been furnished, and that relevant papers, such as project reports, maps and plans, are made available. The Planning Commission Secretariat can, when necessary, make a consolidated enquiry of the sponsoring authority with respect to deficiencies in the proforma, points requiring elucidation, and matters involving further data. 
Handout 3M - Functions of ECNEC

Functions of ECNEC

1) To sanction development schemes (in the public sector) pending their submission to the
   NEC.
2) To allow moderate changes in the plan and sectoral re-adjustments within the overall
   plan allocation.
3) To supervise the implementation of the economic policies laid down by the Cabinet and
   the NEC.
4) Reports asked for by the committee in pursuance of its earlier decisions.
5) Any other matter referred to the committee by the prime minister, the NEC, the Council
   of Common Interests or the Cabinet or raised by a member with the committee with the
   permission of the chairman.
Handout 3N - Charter of NEC

Charter of NEC

156- National Economic Council:

1) The President shall constitute a National Economic Council which shall consist of:
   - the Prime Minister, who shall be the Chairman of the Council;
   - the Chief Ministers and one Member from each Province to be nominated by the Chief Minister; and
   - four other members as the Prime Minister may nominate from time to time.

2) The National Economic Council shall review the overall economic condition of the country and shall for advising the Federal Government and the Provincial Governments, formulate plans in respect of financial, commercial, social and economic policies; and in formulating such plans it shall, amongst other factors, ensure balanced development and regional equity and shall also be guided by the Principal of Policy set out in Chapter-II of Part-II.

3) The meetings of the Council shall be summoned by the Chairman or on a requisition made by one-half of the members of the Council.

4) The Council shall meet at least twice in a year and the quorum for a meeting of the Council shall be one-half of its total membership.

5) The Council shall be responsible to the Majlis-e-Shoora (Parliament) and shall submit an annual Report to each House of Majlis-e-Shoora (Parliament).
PROCEDURE FOR APPROVAL OF PROJECTS

A project is normally prepared on PC-I form by the field officers of the sponsoring/administrative departments/agencies. Later on, the projects formulated by the officers of District Governments/ Directorates/Field Offices are forwarded to the respective Administrative Departments. After receipt of the PC-I forms, these are scrutinized, amended, if needed, and then forwarded to the concerned competent authorities/bodies for approval because simply approval of PC-I form does not entitle the sponsoring department/agency to execute the project. For this purpose, various bodies involved in granting approvals for execution of projects exist right from field levels to the federal level. These bodies/committees can be divided into three categories i.e. approval of projects by Bodies/Committees constituted at federal, provincial and District Levels. The functioning and powers of these bodies are briefly discussed in the following paragraphs:-

APPROVAL AT PROVINCIAL LEVEL

1. Provincial Development Working Party (PDWP)

The highest body at the provincial level is the Provincial Development Working Party comprising of the following:-

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of the post</th>
<th>Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chairman, Planning and Development Board</td>
<td>Chairman</td>
</tr>
<tr>
<td>2</td>
<td>Secretary, Finance Department</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Secretary of the concerned Department</td>
<td>Member</td>
</tr>
<tr>
<td>4</td>
<td>Secretary, Environmental Protection Department</td>
<td>Member</td>
</tr>
<tr>
<td>5</td>
<td>Director, Punjab Economic Research Institute</td>
<td>Member</td>
</tr>
</tbody>
</table>

This body is competent to approve development projects costing above Rs. 25.00 million and up to Rs. 100.00 million provided no external financing is involved; in case of foreign funded schemes, where rupee cover is to be provided from the provincial resources, should be discussed by the Planning Commission with the Provincial Government and appropriate approval, if required, may be obtained before the National Economic Council (Notified by the Finance Department vide letter no. 1/EP-1/2-93 dated 10.07.2012).

In case of projects referred to the PDWP by the Departmental Development Sub-Committee (DDSC) for consideration, PDWP is fully empowered to approve/reject the same irrespective of the costs of the projects. However, PDWP is a recommendatory body for projects exceeding costs Rs. 10,000 million.

As regards proper procedure for approval, concerned Administrative Secretaries send ten copies of each PC-I form with at least four copies of rough cost estimates to the Coordination Section of Planning and Development Department. Simultaneously, the Administrative Secretaries forward five copies of the PC-I form to the Finance Department and two copies each to the Chief Engineer, Buildings, Punjab, Lahore (only in cases where construction of building is involved) and the Director, Punjab Economic Research Institute. On receipt of schemes in the Coordination Section, one copy each is sent to the Member (Technical), Chief Economist and the concerned Chief of Section for offering their comments. The task of economic/financial analysis of the schemes has entrusted to the Punjab Economic Research Institute (PERI), an attached autonomous organization.
of the Planning and Development Department (Notified vide letter No.12(2)PO(Coord)P&D/2011 dated 04.04.2014). When comments of the Member (Technical) and PER are received in the Coordination Section, these are separately annexed with the working papers prepared by the Sectoral Chiefs. The Sectoral Chiefs supply the working paper (10 copies) to the Coordination Section within a week after the receipt of the schemes in their sections for placing it before PDWP. Minutes of the meetings are prepared by the concerned Chief of Section of the Planning and Development Department. Having got the minutes approved from the Chairman, P&D Board, the Chiefs of Sections send the minutes to the Coordination Section for issue to all the concerned departments/agencies. Administrative Approval (AA) is then issued by the concerned Administrative Secretary.

The projects where costs exceed Rs.10,000 million are recommended by the PDWP to the Central Development Working Party (CDWP) for consideration. The PC-I of the project recommended by PDWP is modified in light of its observations and after clearance from the Section concerned of P&D, the Coordination Section of the P&D Department sends ninety copies of the relevant PC-I (supplied by the Administrative Department) to the Ministry of Planning, Development and Reform, Government of Pakistan for placing it before the CDWP and for recommendation to final approval by the Executive Committee of the National Economic Council (ECNEC).

The PDWP has no authority to approve such schemes involving FEC more than 25% of the total cost of the projects.

2. **Departmental Development Sub-Committee**

The next important body at the Provincial level is Departmental Development Sub-Committee which stands constituted as under:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Administrative Secretary</td>
</tr>
<tr>
<td>2.</td>
<td>Representative of P&amp;D Department (Not below the rank of Chief of Section)</td>
</tr>
<tr>
<td>3.</td>
<td>Representative of Finance Department (Not below the rank of Addl. Secretary)</td>
</tr>
<tr>
<td>4.</td>
<td>Director (Works), C&amp;W Department</td>
</tr>
</tbody>
</table>

2. Powers of DDSC were enhanced from Rs.100 million to 200 million and notified vide letter No.35 (231)PO(Coord)P&D/2011 dated 09-10-2006

The above body is competent to approve the projects where cost is more than Rs.2.0 million but does not exceed Rs.200 million. Departmental Development Sub-Committee is fully competent to approve projects placed before it, reject them out-rightly or to approve them to certain conditions. However, in case of difference of opinion, the scheme shall be referred to the PDWP for consideration/approval.

**Terms and Conditions for DDSC**

i) The DDSC shall be presided by the Administrative Secretary in person and attended by Officers not below the rank of Additional Secretary/Chief of Section of the Finance and P&D Departments.
ii) These powers shall be exercised only in respect of approved plan of schemes included in the ADP.

iii) No expenditure will be incurred on the scheme which is not included in the Development Budget of the year.

iv) The scheme finally sanctioned by the PDWP shall be sent to the P&D Department and Finance Department for their record.

v) Post created under the approved scheme shall not include any post in grade-17 or above. Whenever grade-17 post or above is involved, prior approval of Finance Department would be necessary.

vi) Notice of the meeting shall be sent simultaneously to P&D Department and Finance Department not less than 10 days earlier than the scheduled date of the meeting.

vii) The committee shall not be competent to approve any scheme based on subsidy. All development schemes having a subsidy element shall be sent to the PDWP for approval irrespective of their costs.

viii) Five copies of the PC-I for all the schemes to be considered by the DDSC be furnished to the Coordination Section of P&D Department at least two weeks earlier than the scheduled date of the meeting for internal distribution in P&D Department.

ix) The minutes of this sub-committee’s meeting are approved and issued by the concerned department and be simultaneously furnished to the Finance Department and other members of the DDSC.

x) A copy of the approved scheme shall be issued by the Administrative Secretary of the department concerned.

xi) On receipt of the schemes in Coordination Section, copies of PC-I will be supplied to the Technical, Appraisal, and concerned Chief of Section. The views/comments of these sections shall be separately annexed with the working paper.

xii) DDSC is not competent to approve schemes based on foreign aid component and subsidy.

3. **Divisional Development Working Party (DDWP)**

Divisional Development Sub-Committees (DDSC) were established in 1979 at Divisional Headquarters. These committees were abolished in 2001 due to introduction of Devolution Plan. In 2008, Divisional Development Working Party (DDWP) was constituted at each Divisional Headquarter and notified by the FD vide letter No.FD(FR) II-5/82-P-III dated 6th November, 2008. The existing composition of DDWP is as under:

<table>
<thead>
<tr>
<th>No.</th>
<th>Divisional Commissioner</th>
<th>Convener</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>District Coordination Officers in the Division concerned</td>
<td>Member</td>
</tr>
<tr>
<td>2</td>
<td>Divisional Head of concerned Department</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Superintending Engineer, Irrigation &amp; Power Department</td>
<td>Member</td>
</tr>
</tbody>
</table>
5. Superintending Engineer, Highway & Building.  
6. Director (Development)  
   
| Member |
|---|---|
| | |


1. The administrative approval of the schemes approved by the DDWP shall be issued by the sponsoring Department.
2. The Development schemes relating to Judiciary under Lahore High Court, Lahore and other Special Institutions including Provincial Assembly, Punjab Public Service Commission, Office of Ombudsman, Punjab Election Authority and TEVTA shall be outside the purview of DDWP.
3. Where divisional tier of the concerned Department exists, administrative approval shall be issued by the Divisional Officer under the signatures of the Divisional Commissioner. In cases where divisional tier of the Department does not exist, the administrative approval shall be issued by the Director (Dev. & Finance) under the signatures of the Divisional Commissioner.
4. The schemes of District Governments, financed through Grants-in-aid of the Provincial Government, and beyond the powers (upto Rs.50 million) of District Development Committee (DDC), shall be approved by the Administrative Departments in Departmental Development Sub-Committee (DDSC).

4. **DISTRICT DEVELOPMENT COMMITTEE (DDC)**

The District Development Committees were established in October, 1998 empowering to approve the schemes of the devolved sectors costing to Rs.20.0 million. Later on these powers were enhanced to approve development schemes upto 50 million vide Finance Department's Notification No. FD(FR)II-5/82 dated 20th October, 2006. DDC can also approve schemes of TMAs exceeding Rs.5.0 million.

The schemes involving subsidy, foreign aid, creation of posts and purchase of vehicles etc. would not be considered by the DDC. The composition of DDC is as under:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. District Coordination Officer.</td>
<td>Chairman</td>
</tr>
<tr>
<td>2. E.D.O. Finance &amp; Planning.</td>
<td>Member</td>
</tr>
<tr>
<td>3. E.D.O Works &amp; Services Department.</td>
<td>Member</td>
</tr>
<tr>
<td>4. E.D.O. Concerned Sector.</td>
<td>Member</td>
</tr>
<tr>
<td>5. District Officer of concerned Department.</td>
<td>Member</td>
</tr>
<tr>
<td>6. District Officer Planning.</td>
<td>Member/Secretary</td>
</tr>
</tbody>
</table>

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ii) The powers of DDC were enhanced from Rs.20.0 million to Rs.50.0 million vide Finance Department's Notification No. FD(FR)II-5/82 dated 20.10.2006.

iii) Tehsil/Town Municipal Officer shall act as member of the DDC to consider and approve development schemes of the respective Tehsil/Town above Rs.5.0 million vide Finance Department's Notification No. FD(FR)II-5/82(P)I dated 01.04.2014.
5. **Category-I Officer**

Category-I Officers (i.e. DCO, Head of Departments and Administrative Secretaries etc) are competent to approve schemes of his offices/Departments reflected in the ADP costing to Rs.2.0 million. There is no need of preparing PC-I for the schemes costing less than Rs.2.0 million. The schemes involving subsidy, foreign aid and creation of new posts would not be considered by the category-I Officers.

6. **Union Administration**

The Union Administration is competent to approve development schemes pertaining to Union Administration less than the costs Rs.0.100 million included in the ADP of Union Administration, approved by the Union Council.

The composition is as under:-

<table>
<thead>
<tr>
<th></th>
<th>Union Nazim</th>
<th>Convener/Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Naib Union Nazim</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Three Councillors including one female</td>
<td>Member</td>
</tr>
<tr>
<td>4</td>
<td>Union Secretary Municipal (Services)</td>
<td>Secretary/Member</td>
</tr>
</tbody>
</table>

7. **Tehsil/Town Municipal Administration Works Committee**

The Tehsil/Town Municipal Administration Works Committee is empowered to approve development schemes of TMAs development works costing upto Rs.5.0 million included in the approved budget of TMA. Those schemes involving subsidy, foreign aid component and creation of new posts would not be considered. A.A of the scheme is issued by the concerned TMO. The composition of the committee is as under:-

<table>
<thead>
<tr>
<th></th>
<th>Tehsil/Town Municipal Officer</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Tehsil/Town Officer (Finance)</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Tehsil/Town Officer (Planning)</td>
<td>Member</td>
</tr>
<tr>
<td>4</td>
<td>Tehsil/Town Officer (I &amp; S)</td>
<td>Secretary/Member</td>
</tr>
</tbody>
</table>

**APPROVAL AT FEDERAL LEVEL**

At the federal level, three main bodies are involved in the process of project approval, briefly described as under:-

1. **Departmental Development Working Party**

Departmental Development Working Party (DDWP) is a forum constituted in each Ministry/Division to approve projects costing upto Rs.60.0 million belonging to Ministry, Division and its Federal level Departments. The Composition of DDWP is as below:-

<table>
<thead>
<tr>
<th></th>
<th>Administrative Secretary of the concerned Ministry</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Representative of Ministry of Finance</td>
<td>Member</td>
</tr>
<tr>
<td>3</td>
<td>Representative of Ministry of P&amp;D &amp; Reform</td>
<td>Member</td>
</tr>
<tr>
<td>4</td>
<td>Representative of EAD (In case of Foreign Aided Projects)</td>
<td>Member</td>
</tr>
</tbody>
</table>

Decision of NEC in its meeting held on 04.05.2009, notified by the P&D Department vide its letter No. 35/231/RQ/COORD/P&D/2009.
Working Party (CDWP) and the Executive Committee of National Economic Council (ECNEC), stage is set for the issue of Administrative Approval, release of funds and taking up of scheme for implementation.

The administrative approval is issued by the concerned Administrative Department on behalf of the Governor of the Province. Before issue, the audit copy of the draft of the administrative approval approved by the Provincial Development Working Party or a higher body is sent to the Finance Department for countersigning. As soon as the audit copy is received back from the Finance Department, the administrative approval is issued and its copies are sent to the Planning and Development Board, Finance Department, Accountant General’s Office and the executing agencies.

Countersigning of audit copy by the Finance Department is not required for the scheme costing upto Rs. 6.00 million and approved by the Departmental Development Sub-Committees, District Development Committees and Category-I Officers. The administrative approval of such schemes can be issued straight away by aforesaid bodies.

The administrative approval contains details regarding total cost of a scheme, its breakdown into capital and revenue expenditure. Number of posts created, provision for machinery and equipment etc. Apart from capital costs, the administrative approval also includes recurring expenditure of a scheme after its completion. The head of Account to which the expenditure would be debited, is indicated in the Administrative Approval as well.

In case the implementation of a scheme is spread over a period of more than one year, the sanction of the scheme is issued on yearly basis for the continuance of the scheme and release of funds. The administrative approval once issued remains valid unless there is a change in the cost and or scope of work of the scheme. If a scheme is revised, the revised administrative approval is issued by the Administrative Department without seeking the approval of the Planning and Development Board and Finance Department provided the increase in the cost is less than 10 per cent. Increase in costs of more than 10% are referred to the Planning and Development Board and Finance Department for approval. Similarly, revised approval is also required in case the design or scope of the scheme already approved is changed.

2. Deviations from the Procedure

It has been observed that while implementing projects, the procedure with regard to administrative approval is not strictly adhered to by some of the departments and agencies. Expenditure on some of the schemes continues to be incurred even if the increase in their costs are beyond 10% without seeking revised approval from the competent authority. This disturbs not only the financial discipline, but causes complications in the regularization of unauthorised expenditure later.

3. Re-appropriation of Funds

During the course of implementation, it is sometimes observed that work on a project is not proceeding according to the plan for various reasons such
as non-availability of required manpower, problem in the acquisition of land due to litigation, delay in the import of equipment and machinery for the project etc. Therefore, it may be apprehended that funds allocated for the scheme may have to be surrendered at the end of the financial year. On the other hand, there may be some schemes which are expected to run short of funds on account of good performance. In such cases, re-appropriation of funds from the schemes for which these can not be utilised to those schemes which are in need of more funds, can be made by the Administrative Department with the prior permission of the Finance Department through the Planning and Development Board. The scrutiny of a re-appropriation case is based on the following factors:

i) The importance of a scheme to which the diversion of funds is suggested through re-appropriation proposal is ascertained.

ii) The stage of completion is also kept in view. If a scheme can be completed through re-appropriation of funds; it will be a better case for this purpose. Simultaneously, the stage of implementation of the scheme from which funds are proposed to be withdrawn, is also looked into. If this scheme is also important and is nearing completion, re-appropriation will normally not be allowed.

iii) No re-appropriation is allowed from an unapproved scheme.

iv) Re-appropriation is also generally not allowed in cases where it will increase the approved cost of the project beyond 10%.

v) Finally, the re-appropriation is also not made if the scope of work of the scheme for which re-appropriation is being made is changed. This is fact be treated as a revised unapproved scheme.

The Administrative Department is empowered to make re-appropriation within the schemes/ Sector provided the scope of the work remains unchanged.

Anticipatory Approval for the Projects

In some of the projects, whose approval is not granted by the ECNEC, the highest body for approval of development projects at Federal level, a request for anticipatory approval is made to the Secretary, Planning Division, Government of Pakistan, generally through a D.O. letter addressed by the Chairman, P & D Board. Anticipatory approval is sought in case of those projects which have been recommended by the Provincial Development Working Party and the ECNEC cannot consider this project for some reasons, then the provincial Governments move to the Federal Government for a grant of anticipatory approval, so that objectives/physical targets of the project may not suffer. Alongwith the request of the Provincial Planning and Development Department an annexure is enclosed, which clearly explains the main features of the project. A copy of the format of the annexure is also enclosed as annexure-I of this lecture notes. The study of the column of this annexure shows that information regarding the name of the project, its location, the sponsoring agency, brief description of the project entailing the scope of the work, viz. Physical targets, organisational structure, the head-wise financial phasing etc. are to be incorporated in the annexure. Apart from this, the date of consideration of the project by the PDWP and in case the project has been recommended by the CDWP, such dates are to be indicated. The reasons of
The nomination of Member at Sr. No. (ix) to (xii) of Para 1 above are in their personal capacity, irrespective of their portfolios. The following will attend the meetings of the National Economic Council by special invitation for all items on the agenda:

<table>
<thead>
<tr>
<th>i.</th>
<th>Governor, Province of Khyber Pakhtunkhwa</th>
</tr>
</thead>
<tbody>
<tr>
<td>ii.</td>
<td>Prime Minister, Azad Jammu and Kashmir</td>
</tr>
<tr>
<td>iii.</td>
<td>Chief Minister, Gilgit-Baltistan</td>
</tr>
<tr>
<td>iv.</td>
<td>Deputy Chairman, Planning Commission</td>
</tr>
<tr>
<td>v.</td>
<td>Secretary, Economic Affairs Division</td>
</tr>
<tr>
<td>vi.</td>
<td>Secretary, Finance Division</td>
</tr>
<tr>
<td>vii.</td>
<td>Secretary, Planning and Development Division</td>
</tr>
</tbody>
</table>

Other Federal Secretaries, including Secretary Board of Investment and Chief Secretaries of the Provinces, Azad Jammu & Kashmir and Gilgit-Baltistan will attend the meetings of the National Economic Council by special invitation, on need basis.

**CHARTER OF NEC**

156- National Economic Council:-

1. The President shall constitute a National Economic Council which shall consist of-
   a) the Prime Minister, who shall be the Chairman of the Council;
   b) the Chief Ministers and one Member from each Province to be nominated by the Chief Minister; and
   c) four other members as the Prime Minister may nominate from time to time.

2. The National Economic Council shall review the overall economic condition of the country and shall for advising the Federal Government and the Provincial Governments, formulate plans in respect of financial, commercial, social and economic policies, and informulating such plans it shall, amongst other factors, ensure balanced development and regional equity and shall also be guided by the Principal of Policy set out in Chapter-II of Part-It.

3. The meetings of the Council shall be summoned by the Chairman or on a requisition made by one-half of the members of the Council.

4. The Council shall meet at least twice in a year and the quorum for a meeting of the Council shall be one half of its total membership.

5. The Council shall be responsible to the Majlis-e-Shoora (Parliament) and shall submit an annual Report to each House of Majlis-e-Shoora (Parliament).

**ISSUE OF THE ADMINISTRATIVE APPROVAL**

1. **The Procedure**

   With the approval of a scheme by the competent authority e.g. Administrative Secretary, Departmental Development Sub-Committee, Provincial Development Working Party (PDWP), Central Development
2. **Central Development Working Party (CDWP)**

Next higher forum at Federal level is CDWP with the following composition:-

<table>
<thead>
<tr>
<th>No.</th>
<th>Position</th>
<th>Ministry/Department</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Deputy Chairman/Secretary, Ministry of Planning, Development and Reform, Government of Pakistan</td>
<td>Chairman</td>
<td>Deputy Chairman/Secretary, Ministry of Planning, Development and Reform, Government of Pakistan</td>
</tr>
<tr>
<td>2.</td>
<td>The Chairman, Planning &amp; Development Board, Government of the Punjab, Lahore</td>
<td>Member</td>
<td>The Chairman, Planning &amp; Development Board, Government of the Punjab, Lahore</td>
</tr>
<tr>
<td>3.</td>
<td>The Additional Chief Secretary, Planning &amp; Development Department, Government of the Sindh, Karachi</td>
<td>Member</td>
<td>The Additional Chief Secretary, Planning &amp; Development Department, Government of the Sindh, Karachi</td>
</tr>
<tr>
<td>4.</td>
<td>The Additional Chief Secretary, Planning &amp; Development Department, Government of the NWFP, Peshawar</td>
<td>Member</td>
<td>The Additional Chief Secretary, Planning &amp; Development Department, Government of the NWFP, Peshawar</td>
</tr>
<tr>
<td>5.</td>
<td>The Additional Chief Secretary, Planning &amp; Development Department, Government of the Balochistan, Quetta</td>
<td>Member</td>
<td>The Additional Chief Secretary, Planning &amp; Development Department, Government of the Balochistan, Quetta</td>
</tr>
<tr>
<td>6.</td>
<td>The Additional Chief Secretary, Planning &amp; Development Department, Government of AJK, Muzaffarabad</td>
<td>Member</td>
<td>The Additional Chief Secretary, Planning &amp; Development Department, Government of AJK, Muzaffarabad</td>
</tr>
<tr>
<td>7.</td>
<td>Secretary, Planning &amp; Development Department, Northern Areas, Gilgit</td>
<td>Member</td>
<td>Secretary, Planning &amp; Development Department, Northern Areas, Gilgit</td>
</tr>
<tr>
<td>8.</td>
<td>Finance Division, Government of Pakistan, Islamabad</td>
<td>Member</td>
<td>Finance Division, Government of Pakistan, Islamabad</td>
</tr>
<tr>
<td>9.</td>
<td>Economic Affairs Division, Government of Pakistan, Islamabad</td>
<td>Member</td>
<td>Economic Affairs Division, Government of Pakistan, Islamabad</td>
</tr>
<tr>
<td>10.</td>
<td>Housing &amp; Works Division, Government of Pakistan, Islamabad</td>
<td>Member</td>
<td>Housing &amp; Works Division, Government of Pakistan, Islamabad</td>
</tr>
<tr>
<td>11.</td>
<td>Women Development Division, Government of Pakistan, Islamabad</td>
<td>Member</td>
<td>Women Development Division, Government of Pakistan, Islamabad</td>
</tr>
<tr>
<td>12.</td>
<td>Environment Division, Government of Pakistan, Islamabad</td>
<td>Member</td>
<td>Environment Division, Government of Pakistan, Islamabad</td>
</tr>
<tr>
<td>13.</td>
<td>Industries &amp; Production Division, Government of Pakistan, Islamabad</td>
<td>Member</td>
<td>Industries &amp; Production Division, Government of Pakistan, Islamabad</td>
</tr>
<tr>
<td>14.</td>
<td>Chairman, Pakistan Council of Science &amp; Technology, Islamabad</td>
<td>Member</td>
<td>Chairman, Pakistan Council of Science &amp; Technology, Islamabad</td>
</tr>
<tr>
<td>15.</td>
<td>Relevant Federal Administrative Ministry</td>
<td>Member</td>
<td>Relevant Federal Administrative Ministry</td>
</tr>
<tr>
<td></td>
<td><strong>BY SPECIAL INVITATION</strong></td>
<td></td>
<td><strong>BY SPECIAL INVITATION</strong></td>
</tr>
<tr>
<td></td>
<td>➢ Secretary, Board of Investment, Islamabad</td>
<td></td>
<td>➢ Secretary, Board of Investment, Islamabad</td>
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<td>➢ Additional Secretary, Ministry of Foreign Affairs, Islamabad</td>
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<td></td>
<td>➢ Executive Director, IPDF, Islamabad</td>
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<td>➢ Cabinet Division, Government of Pakistan, Islamabad</td>
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<td>➢ Engineering Directorate, GHQ, Rawalpindi</td>
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<td></td>
<td>➢ Registrar, Pakistan Engineering Council, Islamabad</td>
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Decision of NEC notified by Ministry of Planning, Development and Reform vide letter No. 291/(1)/PPA(IPC)/2013 dated 03.06.2014 and also notified by the P&D Department vide its letter No. 39/231/RO/CO/ROD/P&D/2014 dated 12.06.2014.

The Central Development Working Party (CDWP) is empowered to approve all the projects belonging to Ministries/Divisions costing more than Rs.60.0 million and upto Rs.3000 million. In case of projects of Ministries/Divisions having costs exceeding Rs.3000 million are forwarded to the ECNEC for arranging approval. All the development projects of the Provincial Departments/Agencies costing more than Rs.10000 million, initially recommended by the Provincial Development Working Party (PDWP), are
that relevant papers, such as project reports, maps and plans, are made available.)

The Planning Commission Secretariat should, when necessary, make a consolidated enquiry of the sponsoring authority with respect to deficiencies in the proforma, points requiring elucidation, and matters involving further data.

3. **Executive Committee of the National Economic Council (ECNEC)**

All the projects of Provincial Government Departments/Agencies recommended by CDWP and those of Federal Ministries/Divisions/Agencies costing more than Rs.3000 million are submitted to the Executive Committee of National Economic Council (ECNEC) for final approval. The composition of ECNEC is as under:

<table>
<thead>
<tr>
<th>Mr. Muhammad Ishaq Dar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization</td>
</tr>
<tr>
<td>Chairman</td>
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<thead>
<tr>
<th>i.</th>
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<tbody>
<tr>
<td>Mr. Ahsan Iqbal</td>
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<tr>
<td>Minister for Planning &amp; Development</td>
</tr>
<tr>
<td>Member</td>
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</tbody>
</table>

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<th>ii.</th>
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<tbody>
<tr>
<td>Mr. Ghulam Murtaza Khan Jatoi</td>
</tr>
<tr>
<td>Minister for Industries and Production</td>
</tr>
<tr>
<td>Member</td>
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<td>Khawaja Muhammad Asif</td>
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<td>Minister for Water and Power</td>
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<tr>
<td>Member</td>
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<th>v.</th>
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<tr>
<td>Mr. Abdul Rahim Ziaratwal</td>
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<tr>
<td>MPA, Balochistan</td>
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<tr>
<td>Member</td>
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<th>vi.</th>
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<tr>
<td>Mr. Siraj-ul-Haq</td>
</tr>
<tr>
<td>Senior Minister for Finance, Government of Khyber Pakhtunkhwa</td>
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<tr>
<td>Minister for Finance, Government of the Punjab</td>
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<td>Member</td>
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<th>viii.</th>
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<tbody>
<tr>
<td>Syed Murad Ali Shah</td>
</tr>
<tr>
<td>Adviser to Chief Minister Sindh on Finance</td>
</tr>
<tr>
<td>Member</td>
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</tbody>
</table>

**By Special Invitation**

1. Mr. Sikandar Hayat Khan Bosan, Minister for National Food Security & Research
2. Mr. Anusha Rahman Ahmad Khan, Minister of State for Information Technology and Telecommunications
3. Mr. Jam Kamal Khan, Minister of State for Petroleum & Natural Resources
4. Mr. Abdul Hakeem Baloch, Minister of State for Railways
5. Engineer Khurram Dastgir Khan, Minister of State for Science and Technology
6. Minister for Information, Broadcasting and National Heritage
7. Deputy Chairman, Planning Commission
8. Secretary, Economic Affairs Division
9. Secretary, Finance Division
10. Secretary, Planning and Development Division
11. Secretary, Statistics Division
processed / examined by the CDWP and recommended to the ECNEC for consideration.

On the receipt of projects from the Provincial Planning and Development Departments, the Ministry of Planning, Development and Reform, Government of Pakistan circulates copies of these projects among the concerned Sections of the Ministry. These projects are scrutinized from the economic/financial and technical aspects by each section and the findings/results are forwarded to the related section. For instance, in case of water supply project, the Chief, Physical Planning and Housing will prepare the working paper after incorporating views of different sections of the Ministry of Planning, Development and Reform. The working paper is then circulated among all the members of CDWP for their comments. The sponsoring department/agency is required to prepare the replies to the points raised in the working paper and also to supply additional data, if required. The project is then put up for consideration by CDWP and recommendation to the ECNEC. The ECNEC is fully competent to approve or reject a project on the basis of its merits and demerits. The Central Development Working Party may send a project back to the sponsoring agency after making some observations and suggesting modifications. These agencies carry out the amendments accordingly and again forward the projects to the Ministry of Planning, Development and Reform, Government of Pakistan. The concerned sections of this Division prepare summaries thereof for consideration by the Executive Committee of the National Economic Council.

Functions of CDWP

The Central Development Working Party, organized by the Planning Commission, should perform the following functions:

a. Review all development schemes submitted by the Provincial Governments and Central Ministries or Departments and approve schemes costing upto Rs. 1000 million and recommend schemes costing more than Rs. 1000 million for the approval of the Executive Committee of the National Economic Council.

Note: copies of all schemes sanctioned by the Provincial Governments shall be supplied to the Planning Commission, the Ministry of Finance and the Administrative Ministry of Central Government.

b. Ensure that the scheme has been prepared on sound lines and that the necessary economic, financial and technical scrutiny has been carried out.

c. Ensure that, as far as possible, the examination of the scheme in various offices is conducted simultaneously and not in successive stages, and that the scheme is disposed of in accordance with the time schedule.

Note: (it should be the duty of the Planning Commission to see that the scheme has been prepared correctly, that all the information required in the proforma has been furnished, and
b) In cases where only rough cost estimates are available, ECNEC should give approval in principle subject to preparation of detailed cost estimates and such other conditions as it may wish to impose.

c) Where approval, in principle, has been given, the sponsoring agency may proceed to work out the detailed cost estimates. The sanction would be specific and would not imply any permission to start work on the project or make other irrevocable commitments and the expenditure would be confirmed to those elements necessary for project preparation.

d) The final sanction will be given by ECNEC after detailed estimates are ready. The Chairman, ECNEC would have authority to give the final sanction when:

i) There is no material change in the basic features of the projects as approved in principle.

ii) The increase in costs, compared to the estimates which was sanctioned in principle, is within 15% and

iii) The project remains economical, financial and technical viable.

4. National Economic Council

Although the National Economic Council does not approve projects, but it will not be out of place to explain, in brief, the composition and functions of this body. The composition of NEC is as under.-

**COMPOSITION**

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<tr>
<th>Province of Balochistan</th>
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<th>Province of Khyber Pakhtunkhwa</th>
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<th>Province of the Punjab</th>
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<th>Province of Sindh</th>
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<th>Other Members, nominated by the Prime Minister</th>
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<tr>
<td>The Prime Minister of Pakistan</td>
<td>Chairman</td>
<td>j) Chief Minister</td>
<td>Member</td>
<td>i) Chief Minister</td>
<td>Member</td>
<td>v) Chief Minister</td>
<td>Member</td>
<td>ix) Dr. Arbab Afzal, Khan, Minister for</td>
<td>Member</td>
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<td></td>
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<td>ii) Minister for Finance</td>
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<td>ii) Senior Minister for</td>
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<td>vi) Mr. Muhammad</td>
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<td>Planning &amp; Development</td>
<td>Member</td>
<td>Ishaq Dar, Senator</td>
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<td>and Power</td>
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<td>x) Dr. Abdul Hafeez Shaikh, Minister for</td>
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<td>Finance, Revenue, Planning &amp; Development</td>
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<td>Economic Affairs and Statistics</td>
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<td>xi) Mir Changez Khan Jamali, Minister for</td>
<td>Member</td>
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<td>Science and Technology</td>
<td>Member</td>
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<td>xii) Ch. Ahmad Mukhtar, Minister for Water and</td>
<td>Member</td>
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<td>Power</td>
<td>Member</td>
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**Provincial Governments**

12. Chairman, Planning & Development Board, Government of the Punjab
13. Additional Chief Secretary, Planning & Development Department, Government of Sindh
14. Additional Chief Secretary, Planning & Development Department, Government of Khyber Pakhtunkhwa
15. Additional Chief Secretary, Planning & Development Department, Government of Baluchistan

**Note:**
1. Members at Sr. No. (1) to (4) of above are in their personal capacity, irrespective of their portfolios.
2. Other officers of the Federal and Provincial Governments as well as of the Governments of AJ&K, Gilgit - Baltistan & FATA may be invited to the meetings of the ECNEC, on need basis.
3. One-half of the total membership of the ECNEC will be the quorum of its meetings as provided in Article 156(4) of the Constitution for the meetings of the NEC.
4. Secretariat assistance will be provided to the ECNEC by the Cabinet Division

**FUNCTIONS OF ECNEC**

a. To sanction development schemes (in the Public Sector) pending their submission to the National Economic Council.
b. To allow moderate changes in the plan and sectoral re-adjustments within the over-all plan allocation.
c. To supervise the implementation of the economic policies laid down by the Cabinet and the National Economic Council.
d. Reports asked for by the Committee in pursuance of its earlier decisions.
e. Any other matter referred to the Committee by the Prime Minister, the National Economic Council, the CCI or the Cabinet or raised by a member in the committee with the permission of the Chairman.

**Multi-stage Process of Approval for Projects**

The detailed preparation of a project involves a considerable investment of money, amounting to sometimes 3 1/3% of the total cost of the project, the sponsoring agency has a strong urge to seek approval of a project at a very early stage even before the details of the project and the cost estimates have become firmed.

Therefore, at its meeting held on 16th January, 1978, the Executive Committee of the National Council approved a "Multi-Stage" process of approval for projects where the individual costs exceed Rs.50.0 million. This system in essence expostulates:

a) The ECNEC should approve the project finally only when detailed cost estimates are available.
getting anticipatory approval are elaborated as well. The finances already incurred and the physical targets achieved are also depicted in the annexure, so that, the approving authority may have a picture about the on-going state of the project. It may be mentioned that anticipatory approval will be sought in case of only those projects whose cost is beyond the approving competency of the Provincial Development Working Party.

Proposal for Project Concept Clearance

All those projects which involve foreign exchange component in the form of Aid, Grant & Technical Assistance need to be cleared by a project concept clearance committee. Formally all projects involving foreign exchange components were sent to the Planning Division, Government of Pakistan for the purpose of concept clearance wherein a committee considered the project concept clearance proposal. The committee was headed by the Secretary, Planning and Development Division and a high level officers of the Ministry of Economic Affairs and Finance Division, Government of Pakistan were its members. Similarly, from the Provincial Planning and Development Department, the Chairman P&D Board or his high level nominees i.e. Chief Economist or Joint Chief Economist were also member of the committee referred to above. In the recent past i.e. last quarter of 1984 it was decided by the Planning Division, vide its letter No.7(4)EA/PC/84-F.A. dated 9.10.1984 to the effect that all such projects whose sanction was within the competent of the Provincial Government and they involved foreign exchange component as well, the concept clearance of such projects should be given by the respective provincial Governments and then forwarded to the Economic Affairs Division directly for finding suitable donor agency for foreign assistance.

In view of the above fact, the Chairman, P&D Board, Government of the Punjab constituted a committee for the concept clearance of foreign aided projects. The composition of committee is as under:

i) Chairman, Planning & Dev. Board
ii) Finance Secretary/Additional Secretary, Finance Department
iii) Joint Chief Economist, Planning and Development Department
iv) Additional Secretary, in charge of ECA, P&D Department
v) Chief (ECA) Planning & Development Department
vi) Chief concerned section Planning & Development Department
vii) Representative of the Department concerned, not below the rank of Additional Secretary

All the Administrative Departments are required to submit proposals for project concept clearance on a prescribed proforma.
GENERAL QUESTIONS AND FAQs
Frequently Asked Questions (FAQs) - Chapter-3

Q.No.1. What is the role/importance of appraisal while undertaking a project for approval?
Ans. Appraisal is a process for testing economic viability of a project. If, through the process of appraisal, it is proved that project is a viable proposal, the project is then considered for approval by the concerned competent forum. Hence appraisal is a criterion to approve/reject a project.

Q.No.2. Indirect costs appear outside the vicinity of a project. Would it be considered/added as cost to the project entity while carrying out financial analysis?
Ans. No. It would not be considered/added towards project cost.

Q.No.3. What is intangible cost?
Ans. In project analysis, a cost which cannot be measured in money terms is called intangible cost.

Q.No.4. What should be the role of the government, if people/community is adversely affected due to implementation of a project?
Ans. If project is financially/economically highly viable, government should do all out efforts to mitigate negative impact on people/community due to implementation of such a project.

Q.No.5. Can opportunity cost of capital be termed as yard-stick for measuring / evaluation other options for decision making about a project?
Ans. Yes.

Q.No.6. Which one is comparatively better estimate i.e. BCR or NPV for testing project viability?
Ans. NPV is considered comparatively better estimate.

Q.No.7. How shadow prices are calculated?
Ans. Shadow Prices are calculated by removing all market distortions.

Q.No.8. What is FOB Price?
Ans. Free on Board Price.

Q.No.9. Can NEC approve development projects?
Ans. No project is approved by the NEC. It is a highest forum to take policy decisions about development matters.
20-Questions for Pre-Post Induction Test--Chapter-3

Tick appropriate box.

1. What is Project Appraisal?
   - To see impact of a project
   - To test viability of a project

2. Inputs are the items consumed by the project.
   - Correct
   - Incorrect

3. What is a cost?
   - Sacrifice for achieving an objective
   - To assess value of inputs

4. Saving of loses of a project is a Benefit.
   - True
   - False

5. Different types of costs consumed by the project itself are called direct costs.
   - True
   - False

6. Tangible costs cannot be measured in money terms.
   - True
   - False

7. Are intangible costs quantitatively measurable?
   - Yes
   - No

8. Direct benefits can accrue outside the project vicinity.
   - Yes
   - No

9. Indirect benefits may also be primary benefits.
   - True
   - False

10. There is no difference between social impact and environmental impact.
    - Yes
    - No

11. Financial analysis is carried out with respect to investor's point of view.
    - True
    - False

12. Economic analysis assesses contribution of a project to the economy.
    - True
    - False
13. A project may be economically viable but financially not feasible. In such a case, should there be a role of the Government to support such project?  
   Yes  No.

14. NPV is used for testing viability of a project.

15. IRR is that discount rate at which the discounted worth cash flow becomes zero.
   Yes  of  No.

16. Can opportunity cost of capital be termed as yardstick decision making?  
   Yes  for  No.

17. What would be the decision if NPV is equal to zero?  
   Accepted  Indifferent

18. Which one is comparatively better estimate for testing project viability?  
   BCR  IRR

19. Is PDWP empowered to approve projects of Water Sector.  
   Yes  No.

20. DDC can approve project costing up to PKR .......... million.  
   20  50.
How to Monitor and Evaluate - Framework
Chapter 4: How to Monitor and Evaluate

A. Session Topics:
   a) Project planning and M&E
   b) Implementing the M&E regime for a project
   c) Use of GIS in monitoring
   d) M&E institutional regime in Punjab

B. Session Objectives:
   a) To get a know-how of project planning and monitoring and evaluation
   b) To understand the use of GIS for monitoring
   c) To understand monitoring & evaluation in the context of Punjab

C. Duration of Session: (To be decided by the trainer)

D. Session schedule and facilitator’s guide:

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<th>Sub Topics</th>
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<th>Presentation Slides No</th>
<th>Handouts</th>
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<td>1.1 Definition of Project Planning</td>
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<td>1.2 Project Monitoring</td>
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<td>1.2.1 Definition of Monitoring</td>
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<td>1.2.3 Monitoring Indicators</td>
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<td>1.3 Project Evaluation</td>
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<td>1.3.1 Purpose of Evaluation</td>
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<td>1.3.2 Objectives of Evaluation</td>
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<td>1.4 Result Based Management (RBM)</td>
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<td>1.5 Monitoring &amp; Evaluation</td>
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<td>2. Implementing the M&amp;E Regime for a Project</td>
<td>2.1 Introduction to 7 steps M&amp;E Regime</td>
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<td>2.1.3 Step 3–Selecting Indicators</td>
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<td>2.1.4 Step 4–Data Collection</td>
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2.1.5.1 Periodic Reporting and Review Meetings  
2.1.5.2 Multiple Stages of M&E  
2.1.6 Step 6 - Resources  
2.1.7 Step 7 - Implementation  

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3. Use of GIS in Monitoring  
3.1 What is GIS?  
3.2 Linking GIS with M&E  
3.3 GIS in Punjab  
3.4 Guidelines for Using GIS in M&E  
3.5 Recommendations for Use of Geospatial Tools

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4. M&E Institution Regime in Punjab  
4.1 Monitoring at Provincial Level - Punjab  
4.1.1 Monitoring Section - P&D Board  
4.1.2 Departmental Monitoring  
4.1.3 Divisional Level Monitoring  
4.2 Evaluation at Province Level - Punjab  
4.2.1 Evaluation Section - P&D Board  
4.2.2 Planning Cells  
4.2.3 Other Agencies  
4.2.4 Divisional Directorate of Development  
4.2.5 Chief Minister's Inspection Team  
4.2.6 Directorate General, M&E

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<th>Handout</th>
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<td>Step 1 - Relevant Questions about Result Chain</td>
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<tr>
<td>2.</td>
<td>Step 2 - Monitoring, Evaluation and Impact Assessment</td>
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<td>3.</td>
<td>Step 3 - Indicators at Various Levels of Results Chain</td>
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<td>4.</td>
<td>Step 4 - Data Collection Tools</td>
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<td>Types of Evaluation</td>
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<td>Schematic for Evaluation Methodology Adopted by Director General, M&amp;E, Punjab</td>
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<td>PC III</td>
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<td>Multiple Stages of M&amp;E</td>
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<td>Step 5 - Key Questions</td>
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<td>11</td>
<td>Project Evaluation Rating Index (PERI)</td>
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F. Session Details

1. Project Planning and Monitoring & Evaluation

1.1 Definition of Project Planning

   a. Project planning defines the project activities and end products that will be performed and describes how the activities will be accomplished. The purpose of project planning is to define each major task, estimate the time and resources required, and provide a framework for management review and control.

   b. Project planning is a procedural step in project management, where required documentation is created to ensure successful project completion. Documentation includes all actions required to define, prepare, integrate and coordinate additional plans. The project plan clearly defines how the project is to be executed, monitored, controlled and closed.

   Project planning requires an in-depth analysis and structuring of the following activities:
   - Setting project goals
   - Identifying project deliverables
   - Creating project schedules
   - Creating supporting plans

1.2 Project Monitoring

In the phases of Project Cycle, the first three stages i.e. identification, preparation and appraisal/approval, precede the actual project implementation stage. Once the implementation stage is reached, the "monitoring activity" assumes great importance which is followed by the final stage, i.e. project completion/post-completion evaluation. The importance of "monitoring and evaluation" activities hardly needs any emphasis as both provide timely and useful information not only to the project management/implementation agencies but also a feed-back to the policy makers. The linkage between the stages is also important. Each stage leads to the next and the last phase, in turn, produces new approaches/ideas, improving the planning and implementation process of future projects. This makes the "Project Cycle" self-renewing.

1.2.1 Definition of Monitoring

Conceptually, "monitoring" means to check and assess the implementation status of a project/programme/plan during its implementation on a regular basis. The system of watching/monitoring the progress of a programme/project implementation, besides being an important link in the project cycle, helps in achieving following objectives for project monitoring:

i. It enables a regular tracking of the progress made by the project;

ii. It ensures identification of bottlenecks experienced during the execution of the project;
iii. It provides an opportunity to take timely corrective/remedial measures, so that the cost and time over runs are avoided;

iv. It highlights areas for improvement in design/implementation of the project;

v. It serves as device to ensure adherence to financial discipline during implementation stage;

vi. It provides proper coordination among concerned agencies engaged in smooth execution and scheduled completion of the project; and

vii. Finally, it ensures delivery of high quality results.

Project monitoring is invariably done with the active participation of the project management and is, therefore, quite distinct from inspection which is generally undertaken at a higher level but not very regularly. In fact, *project monitoring is a tool to serve the interests of both the project management and the planners, as they share a common concern for the timely completion of projects within the approved cost, scope and time schedule.*

For an effective monitoring system, the project document must have the following essential data/information:-

- A clear-cut statement of project objectives and benefits;
- Detailed project cost estimates component/activity wise;
- Source of funding;
- Annual financial phasing conceived on the basis of implementation plan;
- Physical scope in quantitative terms with components detail; and
- Phasing of the physical scope as per its implementation schedule, duly based on PERT/CPM or Bar Charts.

### 1.2.2 Types of Monitoring

Conceptually, monitoring is distinguishable into two categories i.e. i) Internal monitoring and ii) External monitoring, described as under:

i. **Internal Monitoring**

Internal monitoring serves the objectives of internal project management and is always the responsibility of those sponsoring ministries/ divisions and executing agencies who are directly or indirectly involved in project formulation, appraisal/approval and implementation, i.e. on daily basis at the project level, monthly by the executing agency and quarterly by the sponsoring agency. The internal project monitoring unit is to work like an eye of the project management for ensuring the successful and timely completion of the project. A close collaboration and understanding between the project management and the project monitoring unit is very important. The essential thing is the quick taking of appropriate decisions on the part of the project management to remove the bottle-necks and solve the problems.

ii. **External Monitoring**

Monitoring which serves the objectives of higher level authorities outside project management is always undertaken by an outside central agency like the Projects Wing of the Planning and Development Division, Planning and Development Departments/Board at
the provincial levels, District Development Committees at the District Levels and the donor agencies to watch the progress of the development projects and for strategic feed-back on the progress of implementation. This is done to watch the progress of development projects to gain inside knowledge for the benefit of the planning agency from the macro-planning point of view and that of the sponsoring agency for strategic feed-back on the progress of implementation, its impact on problems and removal of bottlenecks. According to the ECNEC's decision of March, 2003 all line Ministries have been asked to establish small planning and monitoring cells to improve planning and monitoring capacities of the Ministries. Progress monitoring of all major development projects/programmes, identification of bottle-necks and initiation of timely action is included in the charter of duties of the Planning and Development Division/Provincial Planning and Development Departments/Board. The external monitoring unit which works along with the internal monitoring system provides a link between the higher level authorities and the project management. The internal project monitoring unit has to feed the external monitoring unit with necessary information. The external project monitoring unit makes efforts for the preparation of special review reports and collection of information on the spot, through field visits, to counter-check the validity of information being provided by the field staff.

1.2.3 Monitoring Indicators

Monitoring indicators are specific yardsticks which can measure progress or changes in the results, achievements (output, effect, or impact) of a project/programme or a national plan. The indicators are thus specific measures of the degree to which an activity or a project is producing its outputs and achieving its objectives. The indicators can also be stated as specific targets, to be achieved at specific points in time during the implementation stage of an activity or can be categorized by type, such as, output or impact indicators. The indicators can be direct or indirect, if direct measurement is not feasible/possible. The main monitoring indicators can be identified as under:

i. Primary/Direct Indicators

- Completion of preliminaries like drawing, designing, tendering etc. as per schedule;
- Financial utilization vis-a-vis PSDP/ADP allocations, fund releases and item-wise cost utilization;
- Physical progress, as per approved work scope and time schedule;
- Staff and equipment usage rate; and
- Managerial performance (timely decisions, efficiency and controls, inventory level, rate of progress, lack of labor and inter-agencies coordination problems etc.).

ii. Secondary/Indirect Indicators

- Technical/qualitative parameters, quality control standards, input usage rate, credit supply, extension services (transfer of knowledge and technology with adoption rate etc.);
- Economic parameters (capacity utilization, crop production, intensity, yield, growth rate, etc.).
• Social parameters (income distribution index, availability of basic needs, etc.);
  and
• Environmental parameters (pollution, climate consideration, etc.).

1.3 Project Evaluation

Ministry of Planning, Development and Reforms (former P&D Division) which occupies the central position in the planning machinery in Pakistan, also assumes the role of project evaluator. The evaluation of on-going and completed projects is one of the basic responsibilities of Ministry of Planning, Development and Reforms and Planning and Development Departments in the Provincial Governments. The former Planning and Development Division (Projects Wing) while submitting a summary to the NEC on “Improving the Efficiency of Development Expenditure through Institution of Appropriate Monitoring and Evaluation Procedures” on 30th June, 1988, brought out that post-completion evaluation is necessary for improving the effectiveness of development expenditure which had largely been ignored. The NEC while taking a note of the summary not only accorded approval for creating/strengthening the Project Monitoring and Evaluation Cells (PME) in the Federal Ministries Divisions but also provision of computers for evaluation purposes and enhancement of the status of the Projects Wing to that of a Division. Accordingly, M&E Wing was established in the P&D Department, Govt. of the Punjab for systematically evolving the process of evaluation so that actual benefits from the projects could be realized.

1.3.1 Purpose of Evaluation

The final phase in the project cycle is project evaluation. The analyst looks systematically at the elements of success and failure in the project experience to learn how to plan better for the future. The basic objective of such a study is to ascertain the real worth of a project or programme as far as possible. Broadly speaking, evaluation may be defined as "a process which attempts to determine as systematically and objectively as possible the relevancy, effectiveness and impact of activities in the light of the objectives". It is, thus, a critical analysis of the factual achievements/results of a project, programme or policy vis-a-vis the intended objectives, underlying assumptions, strategy and resource commitment. In specific terms, following are the objectives to be achieved through an evaluation.

1.3.2 Objectives of Evaluation

• To ensure that all kinds of inputs applied are in consonance with the objectives and targets of a development project;
• To review critically actual implementation of a project with reference to its cost and physical work as given in the PC-I and identify cost and time overruns, if any;
• To assess whether the financial and physical benefits accruing as a result of completion of that project have been helpful in improving the socio-economic condition of the population of the project area;
• To identify the causative factors which result in shortfall in the achievement of targets fixed in a development project;
To check efficiency and adequacy of the pace of progress of the project/programme, where the focus is mainly on managerial performance and productivity; and

- To identify the reasons for satisfactory or unsatisfactory accomplishment of the results/objectives of the project/programme and to deduce critical issues and lessons for learning and better project planning in future.

1.4 Result Based Management (RBM)

RBM is defined as ‘a broad management strategy aimed at achieving improved performance and demonstrable results’ and has been adopted by many multilateral development organizations, bilateral development agencies and public administrations throughout the world.

RBM is a management strategy which uses feedback loops to achieve strategic goals. All people and organizations, who contribute directly or indirectly to the result, map out their business processes, products and services, showing how they contribute to the outcome.

RBM is a good approach to synthesize planning and M&E, and is adopted by the Planning Commission of Pakistan as well as the GoPb. All PC-Is now have a section on desired results, although they are seldom given due consideration in project planning.

RBM is an ongoing process, encompassing continuous feedback, learning and improving. Existing plans are regularly modified based on the lessons learned through M&E, and future plans are developed based on these lessons. More details on RBM are covered in next chapter.

Monitoring is also an ongoing process of RBM. The lessons from monitoring are discussed periodically and used to inform actions and decisions. Evaluations should be done for programmatic improvements while the project/programme is still ongoing and should also inform the planning of new projects/programmes. This ongoing process of implementing, learning and improving is what is referred to as the RBM life-cycle approach.

1.5 Monitoring & Evaluation

Monitoring and evaluation (M&E) is a process that helps improving performance and achieving results. Its goal is to measure, gauge, and improve current and future management of outputs, outcomes and impact.

1.6 Strategy Alignment

Effective M&E of a project depends on how effectively it has been planned and how clearly the desired outcomes have been stipulated. It has been observed that in many ongoing government projects, the outputs have been clearly earmarked but either:

- The intended outcome and impact are not clear; or
- There are gaps in the results chain

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1 At some places, RBM is also referred to as Managing for Development Results (MfDR) to place the emphasis on development rather than organizational results.
2 Handbook on Planning, Monitoring and Evaluating for Development Results; UNDP
Planning and M&E processes should be geared towards ensuring that results are achieved, not towards ensuring that all activities and outputs get produced as planned.

Moreover, these individual project results must be in line with the overall national, provincial, sectoral and departmental goals and vision.

Figure: The RBM life-cycle approach

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Footnote:

Handbook on Planning, Monitoring and Evaluating for Development Results; UNDP 2009
2. Implementing the M&E Regime for a Project

2.1 Introduction
There is a need to implement an efficient M&E regime for each project. While the subsequent sections discuss in detail how to carry out M&E, this section presents a step-by-step approach for relevant project managers or departmental staff on how to implement the M&E regime for a particular project or activity.

Figure: M&E – conceptual differences

In order to start M&E for any ongoing or new project or activity, there are seven steps involved:

- **STEP 1** – Identify the key questions to be asked and answered by the M&E
- **STEP 2** – Agree the overall M&E approach and methodology
- **STEP 3** – Choose the appropriate indicators
- **STEP 4** – Select tools and instruments for data collection and analysis
- **STEP 5** – Plan clear timeframes with milestones
- **STEP 6** – Identify people and other resources for undertaking the M&E
- **STEP 7** – Implement the M&E plan

All these steps have been summarized here with relevant examples:

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*Director general, M&E, P&D Punjab*
2.1.1 Step 1 – Identify Key Questions to be asked

The first step for developing any M&E regime would be to identify key questions that need to be answered through M&E. The answers to these questions would then help in reviewing progress of their projects and would feed into better planning.

While identifying these questions, the relevant project manager/secretaries/officials may want to ask the following questions:

- Does this project have a results framework?
  - If it does, then what are the key
    - Outputs:
    - Desired outcomes; and
    - Impacts.
  - If it does not, then what should be the desired results?
  - Has any other organization undertaken a similar project earlier?
    - If yes, then what have been the lessons learnt?
  - How would the M&E results feed into the project cycle?
    - Is the design flexible enough to incorporate the learning?

This section provides some guidance on developing a results framework for various projects. However, detailed technical guidance is also available through a number of internationally available resources on implementing RBM. To begin with, the project development team needs to clearly identify:

- The desired impact
- Outcome of every project activity
- Planned outputs
- Necessary Inputs (or activities)

Indicators for all targets also need to be identified along with the source of their verification. The following matrix provides some guidance on these terms:

<table>
<thead>
<tr>
<th>PARAMETER</th>
<th>QUESTIONS THAT THE RELEVANT PROJECT MANAGER OR SECRETARY OF THE DEPARTMENT SHOULD ASK:</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPACT (Vision, goal, objective, longer-term outcome, long-term results)</td>
<td>What are we trying to achieve? Why are we working on this problem? What is our overall goal?</td>
</tr>
<tr>
<td>OUTCOME (First, positive result or immediate result,</td>
<td>Where do we want to be in three to five years? What are the most immediate things we are trying to change? What are the things that must be in place first before we can achieve our goals and have an</td>
</tr>
</tbody>
</table>

---

4 A) Results Based Management Handbook for UNDP
B) Promoting Results-Based Management in the Public Sectors of Developing Countries
<table>
<thead>
<tr>
<th>prerequisites, short- and medium-term results)</th>
<th>impact?</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUTPUT (Interventions)</td>
<td>What are the things that need to be produced or provided through projects for us to achieve our short- to medium-term results? What are the things that different stakeholders must provide?</td>
</tr>
<tr>
<td>ACTIVITIES (Inputs, actions)</td>
<td>What needs to be done to produce these outputs?</td>
</tr>
<tr>
<td>INDICATORS (Measurements of performance, performance standards)</td>
<td>How will we know if we are on track to achieve what we have planned?</td>
</tr>
<tr>
<td>MEANS OF VERIFICATION (Data sources, evidence)</td>
<td>What precise information do we need to measure our performance? How will we obtain this information? How much will it cost? Can the information be monitored?</td>
</tr>
</tbody>
</table>

**Table: Relevant questions about results chain**

The **outcome** and impact part answers the **why** question

The **outputs** present the answer to **what** is going to be done under any given project

Together, they define the desired results.

The **input** and activities on the other hand answer **how** all of this is going to be done and what resources would be required for achieving this.

Evaluation usually involves using a number of different data collection tools to obtain a range of:

- Quantitative and
- Qualitative information about the
  - Outcomes and
  - Impact of a project or programme.

For example, focus group discussions and a small number of detailed case studies as well as in-depth interviews may complement surveys with key informants. This performs a checking role or triangulates the information collected by combining multiple data sources and methods. In this way, this can help to overcome the bias that comes from only using one source and method of data collection.
What are the Key Questions for Evaluation? 6

Evaluation is the systematic and objective assessment of an ongoing or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and development partners.

EXAMPLES

<table>
<thead>
<tr>
<th>SOLAR POWER PROJECT</th>
<th>MOBILE HEALTHCARE UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desired impact: poverty reduction;</td>
<td>Desired impact: poverty reduction; reduction in mortality rates</td>
</tr>
<tr>
<td>economic growth</td>
<td></td>
</tr>
<tr>
<td>Desired outcome: better access to</td>
<td>Desired outcome: better access to healthcare</td>
</tr>
<tr>
<td>electricity; sustainable development</td>
<td></td>
</tr>
<tr>
<td>Desired output: solar power plant up</td>
<td>Desired output: fully equipped mobile</td>
</tr>
<tr>
<td>and running, connected to national grid</td>
<td>healthcare units delivering primary</td>
</tr>
<tr>
<td></td>
<td>healthcare services</td>
</tr>
<tr>
<td>Suggested inputs: civil works;</td>
<td>Suggested inputs: vehicles; doctors and</td>
</tr>
<tr>
<td>equipment (photovoltaic (PV) technology</td>
<td>paramedics; equipment; etc.</td>
</tr>
<tr>
<td>with solar panels, inverters and</td>
<td>M&amp;E results from pilot project will feed into</td>
</tr>
<tr>
<td>control systems); technical</td>
<td>full-scale project</td>
</tr>
<tr>
<td>services; engineering, procurement and</td>
<td></td>
</tr>
<tr>
<td>construction contractor; etc.</td>
<td></td>
</tr>
<tr>
<td>Overall project statistics would be used</td>
<td></td>
</tr>
<tr>
<td>for subsidy for solar tariff regime,</td>
<td></td>
</tr>
<tr>
<td>national feed-in tariff</td>
<td></td>
</tr>
</tbody>
</table>

2.1.2 Step 2 – M&E Approach and Methodology 7

This step would include developing the overall design of the M&E regime, such as the target population, sampling, control points, etc. Some of the questions that need to be answered at this stage include the following:

- What is going to be the best approach for M&E? What is the counterfactual?
- What has been learned from previous M&E designs?
- What is going to be the baseline? Would secondary data suffice or are primary data needed?
- How will the sample be selected?
- What will be the periodicity of data collection?
- Qualitative vs. quantitative?

6 Development Effectiveness Framework; Inter-American Development Bank; 2008
7 The Monitoring and Evaluation Handbook for Business Environment Reform
M&E projects and activities help an organization in assessing its performance, calibrating and refining ongoing activities, and informing development of future programmes and activities. M&E is also closely linked with planning as effective project plans clearly lay out the results framework, determine expected outputs and outcomes, and identify relevant indicators. It is also important to distinguish between monitoring and evaluation as they generally encompass different activities.

**Monitoring**

As already discussed, Monitoring can be defined as the ongoing process by which regular feedback can be obtained on the progress being made towards achieving a project’s goals and objectives. Monitoring in its true sense should focus not only on reviewing progress made in implementing actions or activities, but also reviewing progress against achieving goals. This would mean that monitoring should focus on not merely tracking inputs, as has been the case in many government projects, but also output tracking.

Monitoring gives information on where a programme or project is at any given time (or over time) relative to respective targets and outcomes. Monitoring focuses in particular on efficiency and the use of resources. While monitoring provides records of activities and results, and signals problems to be remedied along the way, it is descriptive and may not be able to explain why a particular problem has arisen, or why a particular outcome has occurred or failed to occur.

<table>
<thead>
<tr>
<th>Monitoring</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular systematic collection and analysis of information to track the progress of project implementation against preset targets and objectives.</td>
<td><strong>Clarifies project objectives</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Links activities and their resources to objectives</strong></td>
</tr>
<tr>
<td><strong>Did we deliver?</strong></td>
<td><strong>Translates objectives into performance indicators and sets targets</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Routinely collects data on these indicators, compares actual result with targets</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Reports progress to decision-makers and alerts them to problems</strong></td>
</tr>
</tbody>
</table>

**Evaluation**

Evaluation can also be explained as a rigorous and independent assessment of either completed or ongoing activities to determine the extent to which they are achieving stated objectives and contributing to decision-making.

Evaluations, like monitoring, can apply to many things, including:

- An activity
- Project
- Programme
- Strategy
- Policy
- Topic

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8 Director General, M&E has issued detailed evaluation guidelines, which are appended to this manual.
- Theme
- Sector or organization

The key distinction between the two is that evaluations are done independently to provide an objective assessment of whether or not they are on track.

They are also more rigorous in their procedures, design and methodology, and generally involve more extensive analysis. However, the aims of monitoring and evaluation are very similar: to provide information that can help inform decisions, improve performance and achieve planned results.

| Evaluation |  
| Objective assessment of an ongoing or recently completed project, its design, implementation and results. |  

**What has happened as a result?**

|  
| Analyses why intended results were or were not achieved  
| Assesses specific causal contributions of activities to results  
| Examines implementation process and explores unintended results  
| Provides lessons, highlights significant accomplishments or programme potential, and offers recommendations for improvement |

Evaluation deals with questions of cause and effect. It is assessing or estimating the value, worth or impact of an intervention and is typically done on a periodic basis – perhaps annually or at the end of a phase of a project or programme. Evaluation looks at the relevance, effectiveness, efficiency and sustainability of an intervention. It will provide evidence of why targets and outcomes are or are not being achieved and addresses issues of causality.

**When can Evaluations be done?**

Evaluations can be done at the following stages:

- Beginning of a project (baseline evaluation);
- During the course of a project (mid-year, year-end or mid-term evaluations);
- End of a project (end-term evaluation); or
- Even after a few months or years subsequent to the completion of a project (impact assessment).

**Impact Assessment**

| Impact assessment |  
| Impact assessment assesses what has happened as a result of the project and what may have happened without it—from a future point in time. |  

|  
| Seeks to capture and isolate the outcomes that are attributable (or caused by) the project  
| Will review all foregoing M&E activities, processes, reports and analysis  
| Provides an in-depth understanding of the various causal relationships and the mechanisms through which they operate  
| May seek to synthesize, compare or contrast a |
Have we made a different and achieved our goal? range of interventions in a region, timeframe, sector or reform area

Randomized Controlled Trials

A randomized controlled trial (RCT) is a type of scientific system, where the people/entities being studied are randomly allocated to one or other of the different treatments under study.

Randomized controlled trials (RCTs) have recently gained a lot of popularity in development science for evaluations. Under an RCT, the people being studied are randomly allocated one of the different treatments under study. RCTs are currently being used by a number of international development experts to measure the impact of development interventions worldwide. The GoPb is also using RCTs in a number of projects including Performance Incentive Scheme for excise officers as well as the Punjab Economic Opportunities Programme implemented by the Punjab Skills Development Company.

EXAMPLES

<table>
<thead>
<tr>
<th>SOLAR POWER PROJECT</th>
<th>MOBILE HEALTHCARE UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approach for M&amp;E: physical inspection; consultant validation</td>
<td>Approach for M&amp;E: smart geographic information system (GIS)-based monitoring by special M&amp;E firm; vehicle tracking system; feedback system by calling selected treated patients</td>
</tr>
<tr>
<td>What has been learned from previous M&amp;E designs? Project completion time estimates; approved tariffs</td>
<td>What has been learned from previous M&amp;E designs? Staff absenteeism; pilferage in medicine dispersion</td>
</tr>
<tr>
<td>What is going to be the baseline? Greenfield project</td>
<td>What is going to be the baseline? Special baseline study commissioned to assess state of access to primary healthcare services</td>
</tr>
<tr>
<td>How will the sample be selected? Not required</td>
<td>How will the sample be selected? Stratified sampling</td>
</tr>
<tr>
<td>What will be the periodicity of data collection? Monthly site visit by line department; resident consultant on site</td>
<td>What will be the periodicity of data collection? Weekly visits by M&amp;E firm; occasional visits by line departments; real-time data on tracking devices</td>
</tr>
<tr>
<td>M&amp;E will cover periodic monitoring and final project evaluation</td>
<td>M&amp;E will cover baseline study, mid-term and end-term evaluations, and impact</td>
</tr>
</tbody>
</table>
2.1.3 Step 3 – Selecting Indicators

Objectives

Selecting the right indicators is of paramount importance. Once key questions have been identified, these need to be translated into:

- Indicators; and
- Targets (in the results framework).

Indicators are then measured to demonstrate that the project is or is not doing what it set out to do.

The key questions that need to be asked at this stage include the following:

- Does the relevant sector/department use any core indicators?
- What should be the right mix of quantitative, core and customized, activity and process indicators?
- How can indicators be appropriately disaggregated for various dimensions, such as for gender, geography, etc.?

To measure something it is important to have a unit or variable ‘in which’ or ‘by which’ a measurement is made, i.e. an indicator.

The fundamental challenge for various project development teams is to develop appropriate performance indicators, which measure project performance.

These indicators measure:

- The things that projects do
- What they produce
- The changes they bring about and what happens as a result of these changes.

In order to choose indicators, decisions must be made about what to measure. Having the right indicators underpins effective project implementation and good M&E practice. Therefore time, effort, debate and thought should be given to their identification, selection and use.

<table>
<thead>
<tr>
<th>Indicators for M&amp;E should be SMART</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Specific</strong> – Reflect what the project intends to change and are able to assess performance</td>
</tr>
<tr>
<td><strong>Measurable</strong> – Must be precisely defined; measurement and interpretation are unambiguous</td>
</tr>
<tr>
<td><strong>Attainable</strong> – Achievable by the project and sensitive to change</td>
</tr>
</tbody>
</table>

Box: SMART indicators
Firstly, there is need to distinguish indicators for different levels of assessment, that is;

- Monitoring
  - Tracking the progress of project implementation and primarily relate to inputs and activities.
- Evaluation
  - Measuring the results of the project: the outputs, the outcomes
- Impact indicators
  - Measuring the ultimate the impact

Each aspect of implementing a project or programme has typical types of indicators illustrating performance at each project level, as the following table shows.

<table>
<thead>
<tr>
<th>LEVEL OF INDICATORS</th>
<th>GENERAL EXAMPLES</th>
<th>EXAMPLES FOR BRICK-AND-MORTAR PROJECT</th>
<th>EXAMPLES FOR SERVICES PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs/activities</td>
<td>Human resources; financial resources; material resources; training</td>
<td>Utilization of project funds; staff time; construction material; equipment</td>
<td>Training for unskilled youth</td>
</tr>
<tr>
<td>Outputs</td>
<td>Buildings; roads; bridges; schools; hospitals; plans; products, studies/reports</td>
<td>Completed school</td>
<td>Training sessions conducted; youth trained</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Better access to healthcare and education facilities; less time to communicate and travel; change in knowledge and/or behavior; improved practices; increased services</td>
<td>Enrolment of students from community</td>
<td>Skilled employment of youth</td>
</tr>
<tr>
<td>Impact</td>
<td>Reduction in mortality; improvement in life expectancy; economic growth; increased employment</td>
<td>Improvement in literacy rate</td>
<td>Reduction in unemployment</td>
</tr>
</tbody>
</table>

Table: Indicators at various levels of results chain

### EXAMPLES

<table>
<thead>
<tr>
<th>SOLAR POWER PROJECT</th>
<th>MOBILE HEALTHCARE UNITS</th>
</tr>
</thead>
</table>
2.1.4 Step 4 – Data Collection

Although this is the simplest step, it is also quite critical because the information that would feed into the M&E results is going to be collected at this stage.

Data collection needs to be undertaken at different times:

- Prior to project implementation;
- During project implementation; and
- As well as at fixed points including at and after the end of the project.

Some of the key considerations here would include:

- In the case of secondary data, are the sources reliable?
- In the case of primary data, who will be collecting the data? How can data integrity be ensured?
- How often should the various data sets be collected?
- Who will be responsible for subsequent steps such as data entry, consolidation, cleaning and analysis?

As noted earlier, monitoring is ongoing provision of information on where a programme or project is at any given time (and over time) relative to its respective targets and outcomes. The function and role of evaluation is to build upon monitoring data, bring together additional
information and examine whether or not the project results have been achieved.

**How to Monitor?**

Monitoring includes periodically collecting information, through use of appropriate tools, at specific points in the process. This information is then used to assess various parameters, as against the initial plan or set standards. There are a number of tools or instruments that can be used in M&E and in most of the projects more than one tool can be used some of these tools and approaches are complementary, some are substitutes, some have broad applicability, while others are quite narrow in their uses.

Which choice of these tools is appropriate for any given context will depend on a range of considerations. These include:

- The uses for which M&E is intended;
- The main stakeholders who have an interest in the M&E findings;
- The speed with which the information is needed; and
- The cost incurred

Different tools/instruments have

- Strengths; as well as
- Weaknesses.

As methods of collecting different types of data and their use with different types of stakeholders, application with different types of indicators and different target groups. Some of the tools used for data collection for both monitoring and evaluation are listed below, with a matrix indicating here various attributes:

<table>
<thead>
<tr>
<th>DATA COLLECTION TOOL</th>
<th>DESCRIPTION</th>
<th>EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring form</td>
<td>A form to record observations of an M&amp;E officer/manager against certain pre-selected parameters. Qualitative information can also be collected and converted to categorical information (scale 1 to 5). Such forms can also be sent to project staff for reporting purposes.</td>
<td>Templates developed by various government organizations and projects to record monitoring field visits' findings.</td>
</tr>
</tbody>
</table>
| Sample surveys       | Collect a range of data through questionnaires with a fixed format that are delivered via the post, electronically, over the telephone and in face-to-face interviews. Can also be used with a range of subjects such as households (socioeconomic survey); a sector (livestock or agriculture survey); or | A number of citizens are interviewed for use of a basic health unit. Quantitative data is produced on the average time taken by citizens on getting a land revenue }
| **Group interviews/focus groups** | Collect largely qualitative data through structured discussions among small groups of pre-selected participants. Usually these groups will comprise no more than 12 people and the sessions will last up to three hours. These discussions are managed by an appointed facilitator who is not a participant. |
| **Individual interviews** | Collect a range of data through face-to-face discussions with individual stakeholders often called ‘informants’. These can be ‘open’ interviews or ‘structured’ interviews, with questionnaires as part of a sample survey. They can vary in time and be held over a number of sessions. Often stakeholders who are viewed as being critical to the success of a project or programme will be selected for an interview. These are often called ‘key informant interviews’. |
| **Case studies** | Collection of data usually through face-to-face interviews with a particular individual, group, location or community on more than one occasion and over a period of time. The questioning involves open-ended and closed-type questions and involves the preparation of ‘histories’. |
| **Participant observation** | Data are collected through observation where the M&E person takes part in an event or attends a place or situation and assesses what is happening through what record) from a land revenue record center. A livestock census is another example. Citizens participate in a focus group discussion on a community-driven water supply and sanitation scheme. Parents participate in a focus group on school council activities. A resident engineer is interviewed on the progress of a brick-and-mortar overhead bridge construction project. Information is obtained on how learning outcomes of a particular school have improved over time. Observation is sought through participating in a TEVTA skill-training
they see.

May involve some questioning for clarification. Observations may take place over a period of time through a number of visits.

A range of data collection methods are used to collect different types of data on an individual group or community to determine the effects of an aid intervention over a longer period.

A sample of beneficiaries who have been provided literacy training are observed.

### Table: Data collection tools

#### Types of Evaluation

Project evaluation and impact evaluation are two main types of evaluation techniques. The following matrix summarizes the main components of these evaluations.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>Review Evaluation</th>
<th>Impact Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme/project outcomes</td>
<td>Focuses on outcomes in terms of effectiveness, efficiency and relevance.</td>
<td>Is typically carried out towards or at the end of projects, or after their completion.</td>
</tr>
<tr>
<td></td>
<td>Examines whether the activities have delivered the planned outputs and whether these outputs have in turn led to outcomes that are contributing to the purpose of the project.</td>
<td>Is usually carried out by those 'outside' of the project in an effort to enhance objective accountability but may also involve insiders in order to enhance lesson learning.</td>
</tr>
<tr>
<td></td>
<td>Programme/project outcomes</td>
<td>Impact evaluations focus on relevance, effectiveness, efficiency and sustainability in relation to project goals.</td>
</tr>
<tr>
<td></td>
<td>Whether the beneficiaries have been given due support and facilitation and whether they have been positively</td>
<td>Impact evaluations can also be carried out to assess and synthesis the outcomes of several initiatives together on a thematic, sector or programme basis to examine their overall impact.</td>
</tr>
<tr>
<td></td>
<td>Whether support to beneficiaries has led to increased contribution to the economy, leading to growth and poverty alleviation</td>
<td></td>
</tr>
</tbody>
</table>

---

22
Table: Types of evaluation

The evaluation methodology adopted by P&D’s Directorate General, M&E has laid out the following process.

Figure: Schematic for evaluation methodology adopted by Director General, M&E, Punjab
### EXAMPLES

<table>
<thead>
<tr>
<th><strong>SOLAR POWER PROJECT</strong></th>
<th><strong>MOBILE HEALTHCARE UNITS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>In case of secondary data, are the sources reliable? Not applicable</td>
<td>In case of secondary data, are the sources reliable? Benazir Income Support Programme data partially used for baseline study</td>
</tr>
<tr>
<td>In case of primary data, who will be collecting the data? How can data integrity be ensured? Line department staff visit; consultant reports</td>
<td>In case of primary data, who will be collecting the data? How can data integrity be ensured? M&amp;E firm validating staff-submitted data; triangulation through spot checks by department staff and feedback calls made to selected patients; real-time information coming from smart monitoring and vehicle tracking</td>
</tr>
<tr>
<td>How often should the various data sets be collected? Monthly inspection visit; 24/7 availability of resident consultant</td>
<td>How often should the various data sets be collected? Monthly M&amp;E reports; real-time data plotted on web-based dashboard</td>
</tr>
<tr>
<td>Who will be responsible for subsequent steps such as data entry, consolidation, cleaning and analysis? Line department’s M&amp;E cell</td>
<td>Who will be responsible for subsequent steps such as data entry, consolidation, cleaning and analysis? M&amp;E firm; vehicle tracking firm; etc.</td>
</tr>
</tbody>
</table>

### 2.1.5 Step 5 – Timeframe

It is essential to plan clear:

- Timeframes; with
- Milestones.

The key considerations at this stage include:

- What are the key M&E milestones and when should they be reached?
- How can the activities leading to these milestones be designed?
- What are the implications of delay?

#### 2.1.5.1 Periodic Reporting and Review Meetings

For smooth and timely implementation of development projects, a number of periodic progress reports are obtained from all the key departments and agencies. On-the-spot inspection is carried out and periodic meetings are held on the basis of performance data furnished by the line departments and agencies. A few words on the reporting procedure are given below:

- Monthly Progress Reports
The monthly progress reports are collected from all the administrative departments and agencies on a regular basis. The pro forma used for this purpose is given in VOLUME TWO - SECTION C.

The most important information collected through this pro forma relates to:
- The approval status,
- Total cost,
- Funds provision/allocation for the year
- Financial and physical targets and,
- Progress registered during the month being reported.

The administrative departments/agencies are supposed to furnish monthly progress reports, which are usually received with a time lag of 16 days.

- **Quarterly Progress Reports**

The quarterly progress reports are obtained from all the administrative departments/agencies in the PC-III pro forma. These reports are forwarded to the said agency on a quarterly basis. The quarterly progress reports consist of three parts.
- Part 'A' covers overall information regarding a project.
- Part 'B' is meant to record progress during the month being reported.
- Part 'C' gives the consolidated picture of the progress during the quarter being reported.

- **Meetings**

Apart from monitoring through reporting, review meetings are also held at different levels to review the pace of implementation of projects.

At the provincial level, ADP review meetings are organized regularly in the P&D Board. In these meetings, monthly progress reports sent by the administrative departments/agencies are considered.

A series of meetings are held in the P&D Board wherein:
- Sector-wise and
- Scheme-wise

Discussions are carried out to review the progress of implementation of ADP.

The main purpose of these meetings is to ascertain the absorptive capacity of each department. The schemes with poor progress are weeded out and additional funds are allocated to the schemes with good progress.

- The inter-sectoral and intra-sectoral re-appropriation proposals are also discussed and finalized in these meetings so as to ensure successful implementation of the ADP.
- The line departments/agencies also hold meetings to review the pace of implementation of their respective projects.
- At the divisional level, the implementation of development projects/programme is reviewed by the Divisional Coordination Committees.

2.1.5.2 **Multiple Stages of M&E**

The M&E work needs to be carried out at multiple stages, depending upon the project requirement. These stages include the following:

- **Baseline or Initial Mapping**
If a project involves undertaking a baseline or mapping exercise then the findings from this work need to be analyzed and reported quickly because they form an integral base from which the project proceeds and will often determine what tasks will be progressed and which will not.

- **Pilot Phase**

A project may involve undertaking a pilot phase, where something will be tested out with a group or a particular locality before the project is ‘rolled out’ further. Again it is important that the analysis of M&E data from this pilot is undertaken thoroughly and quickly, as the findings from this are needed to inform the progression of the project.

- **Mid-term or Periodic Evaluation/Review**

Key findings from periodic evaluation work, usually from the mid-term timeframe of the project onwards, need to be analyzed and reported in a timely manner as they illustrate whether the outputs of the project are being achieved or not and whether process issues are progressing. The findings from these mid-term evaluations inform the ongoing validity of the M&E plan for assessing outcomes and impact for the project. If initial findings show that the project is not achieving and/or is achieving in an unexpected way, then the M&E plan may need to be reviewed and updated for the end of project evaluation activities.

- **End of Project Evaluation/Review**

This is usually the most substantive analysis as it is bringing all of the above together, as well as undertaking data collection analysis and reporting for the end of project evaluation. This is the key time of activity for M&E work if findings are to be processed and reported in a timely manner after the end of the project. Therefore resources need to be in place and tasks managed well during this period.

- **Impact Assessment or Post-Project Evaluation/Review**

This comes a certain time period after the project completion to assess the impact of the project.

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**EXAMPLES**

<table>
<thead>
<tr>
<th>SOLAR POWER PROJECT</th>
<th>MOBILE HEALTHCARE UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What are the key M&amp;E milestones and when should they be reached?</strong> Design sign-off</td>
<td><strong>What are the key M&amp;E milestones and when should they be reached?</strong> Procurement of</td>
</tr>
<tr>
<td>and validation; ground breaking; civil works completion; equipment installation;</td>
<td>vehicles and equipment; recruitment of staff; procurement of medicine; commissioning</td>
</tr>
<tr>
<td>grid connectivity; commissioning</td>
<td></td>
</tr>
<tr>
<td><strong>How can the activities leading to these milestones be designed?</strong> Design sign-off</td>
<td><strong>How can the activities leading to these milestones be designed?</strong> M&amp;E firm</td>
</tr>
<tr>
<td>and validation – technical due diligence; ground breaking – physical</td>
<td>inspections and spot checks; validation by line department staff</td>
</tr>
<tr>
<td></td>
<td><strong>What are the implications for delay?</strong></td>
</tr>
</tbody>
</table>
inspection; civil works completion – Limited access to health services; cost physical inspection; equipment overruns; delays in meeting installation – consultant sign-off; grid national/provincial poverty reduction connectivity – consultant sign-off; commissioning – provision of power as per required technical parameters

What are the implications for delay? 
Cost overruns; Demand-supply gaps

2.1.6 Step 6 – Resources
Considering the general resource crunch and fiscal considerations, the resource identification would be critical. It is important to have a realistic M&E regime in place, so that the resource availability does not become a problem. Some of the important questions at this stage would include:

- Who is going to bear the costs or provide resources for these activities?
- Is there any provision for M&E costs in the PC-I?

EXCEPTIONS

<table>
<thead>
<tr>
<th>SOLAR POWER PROJECT</th>
<th>MOBILE HEALTHCARE UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost provision for technical consultant</td>
<td>2.5% of project cost dedicated for M&amp;E</td>
</tr>
<tr>
<td>Partial funding for joint venture</td>
<td></td>
</tr>
<tr>
<td>No separate provision of M&amp;E costs; to be borne by line department's M&amp;E cell</td>
<td></td>
</tr>
</tbody>
</table>

2.1.7 Step 7 – Implementation
Once the M&E plan is approved, the next stage is to undertake M&E activities. This would include;

- Assigning M&E tasks and responsibilities;
- Preparing ToRs for any external sources needed;
- Initiating baseline work; and
- Collecting data, etc.
3. Use of GIS in Monitoring

3.1 What is GIS?

A Geographical Information System (GIS) is a computer-based system capable of assembling, storing, manipulating and displaying geographically referenced information, i.e. data identified according to their locations. A GIS makes it possible to link or integrate information that is difficult to associate through any other means. Presenting data in the form of a map helps to understand the significance of where, when, and by whom. GIS represents data on a map using points, lines and polygons. Features that can be represented as points include schools, hospitals and other points of interest. GIS is designed to capture, store, manage, integrate and manipulate various layers of data, allowing the user to visualize and analyze the data in a spatial environment.

3.2 Linking GIS with M&E

Linking GIS with M&E in a development project/programme helps to assess progress while considering geographic characteristics. This can be better achieved by establishing a reliable baseline. For larger projects/programmes, baseline studies encompass socioeconomic surveys and their results are generally spatially distributed. Therefore, analysis of survey data benefits greatly from spatial display and analysis, as spatial patterns can be identified and generally data are more easily comprehensible if displayed graphically/spatially.

After baseline values for performance indicators are set, their change over time can be monitored using GIS to see if the planned targets are reached or can be reached realistically in the defined timeframe.

3.3 GIS in Punjab

In Punjab, the work done by The Urban Unit (TUU) has provided a strong technological foundation for implementing a GIS-based system. TUU has developed a provincial GIS-based electro-mobile governance system—IRIS—merging spatial data and providing valuable insights to a wide variety of users, through attribution of information. IRIS, when fully functional, will also have the capability of storing and maintaining spatial data from various government departments and geo-referencing them. The participating departments will be given access to respective datasets and information; TUU would also assist them in developing customized applications to make use of this information for effective decision-making.

IRIS will be a transformational solution, providing new insights for urban planners and managers, through integrating various layers of data and providing ready access to information. This in turn, once fully implemented, is expected to ensure better coordination among departments and increase planning and responsive capacity of the client departments. The benefits of the system include:

- Information validation from various sources;

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• Increased transparency; and
• Access to digitized information.

It is also a major step towards e-governance, as it is resulting in digitization of data sets in selected sectors and processes and has introduced use of technology by various government departments.\(^{10}\)

**IRIS – TUU**

TUU has been working on IRIS since its inception in 2006 and the funding has been provided from government’s own resources. The IT interface and solution have also been developed and deployed by an in-house team of experts, based at TUU. TUU initially collected spatial data of city boundaries by taking their paper maps and geo-referencing them. Government departments, which became clients for specific applications, were requested to share their lists of assets and other related information. TUU’s staff mapped these assets on the GIS-based map, after physical verification of their location and recording of their geo-coordinates. The spatial maps were then shared with the department for population of the attributed departmental data layer.

Evolution of GIS has proven to be a technological shift from paper-based maps to spatial data and has opened up numerous possibilities for data integration, mining and analysis. The government departments, which were initially hesitant in embracing technology, have also now gotten used to this innovative use of technology and are moving ahead, with TUU’s assistance, to develop various new applications. IRIS basically acts as an information cube, with multiple applications of various departments running on it.

**Box: IRIS – TUU**

### 3.4 Guidelines for using GIS in M&E

- All large projects should integrate a GIS-based approach into their M&E solutions;
- Any GIS-based solution should be aligned with IRIS, to the extent possible;
- The M&E plan should also explore using mobile GIS and the concept of smart monitoring through use of smartphones;
- GIS integration should start right from the baseline survey;
- All efforts should be made to align GIS-based systems with other systems deployed in the province to ensure data integration; and
- Adopting a GIS-based approach should encompass carefully reviewing planning consideration, technical considerations and implementation considerations:
  - At the planning stage, the project development staff should carefully review the project needs, type of information required for M&E, spatial maps and visualization required for decision-making, resource requirements, etc.;

\(^{10}\) A provincial department may only get access to its own data. Presently there is no mechanism in IRIS to download boundary files, road layers, locations of schools and hospitals, or other layers. A provincial department requiring such GIS layers for its M&E work would need to make some arrangement with TUU to access this data – possibly a licensing arrangement. Presently inter-departmental access to GIS layers from TUU is still facing some challenges and would require some memorandums of understanding between departments to facilitate access to whatever GIS layers they have themselves and to the GIS layers of TUU.
3.5 Recommendations for use of Geospatial Tools

i. Include geographic identifiers in programmatic data
   In order to use data in a GIS, it must have a link to geography. This can be something as simple as district or community name or could be coordinates collected using GPS receivers or from a digital globe such as Google Earth.

ii. Adhere to data standards for both geographic identifiers and programmatic data
   Many countries have standardized unique identifiers and spellings of geographic features in their country. Following these standards will make it easier to link datasets. Programmatic data should follow relevant standards for metadata, indicator selections and other key factors.

iii. Be open
   Making programmatic data widely available makes it easier to employ those data in other evaluations. There are confidentiality and security issues that must be considered; however, the growth of the open data movement offers promise to M&E.

iv. Build organizational capacity to use GIS first
   Before asking stakeholders to share data, it is critical they have the necessary skills to use GIS technology, and their own data, within their own organizations. Ensuring the training has a practical use builds ownership and supports effective data-sharing.

v. Develop a strong logical framework
   Linking data through GIS is feasible without a log frame. However, a robust log frame is critical to ensure a clear linkage between programme activities and the output and outcomes indicators associated with these programme activities. It is essential that GIS users understand not only GIS technology, applications and use, but also the need for a sound logical framework to justify the data linkage as well as how to use linked data to support decision-making.

vi. Continue to build the evidence base
   More research and better data are needed to improve project M&E information.

4. M&E Institutional Regime in Punjab

4.1 Monitoring at Provincial Level– Punjab
   In Punjab, the agencies at the provincial level that carry out monitoring functions are as follows:

4.1.1 Monitoring Section – P&D Board
   The main functions of this section are:
   • Monitoring of sector-wise projects in terms of financial utilization against the allocations;
   • Physical achievements in comparison with the envisaged targets at various levels;
   • For the purpose of monitoring, monthly progress reports are collected in the prescribed pro forma in respect of all the projects included in the ADP. The administrative
departments and other agencies are required to send monthly progress reports by the 18th of each month for the previous month. These reports are considered in the ADP review meetings held regularly in the P&D Board at various levels, i.e. under the chairmanship of the Chief Minister and Minister, P&D Department or Chairman, P&D Board; and

- The mid-year review of ADP is the most important exercise. In a series of meetings a scheme-by-scheme review is carried out in association with the Finance Department and the concerned administrative departments. As a result of this exercise, schemes with slow/poor progress are identified; additional funds are allocated to the schemes that register fairly good progress. Apart from monthly progress reports, quarterly progress reports are also obtained from the line departments. An example of the pro forma used for quarterly reporting is given in VOLUME TWO – SECTION C. The Monitoring Section incorporates the information received through project inspection by relevant P&D sections and respective divisional directors (development) for their review meetings.

4.1.2 Departmental Monitoring
Administrative departments monitor their projects on a regular basis. For this purpose, their monitoring system consists of supervisory tiers at different levels. For important projects the departmental inspection teams are constituted for checking the progress on the project site.

4.1.3 Divisional Level Monitoring
At the divisional level, a Divisional Coordination Committee has been constituted under the chairmanship of the divisional commissioner, to undertake monitoring of development projects. The committee holds regular review meetings, which are attended by all divisional heads. In these meetings efforts are made to remove bottlenecks in the pace of progress. The minutes of these meetings are circulated to all concerned, including the P&D and Finance Departments, for taking appropriate action. The development director acts as Secretary of the Divisional Coordination Committee.

4.2 Evaluation at Province Level - Punjab
The existing institutional arrangements for evaluation of projects at different levels in the province are briefly reviewed below:

4.2.1 Evaluation Section – P&D Board
At present, an Evaluation Section is functioning in the P&D Board, Punjab. The P&D Board is assigned the work of:

- Evaluating the completed projects; and
- Mid-term evaluation of important development projects.

4.2.2 Planning Cells
All the Nation-Building Departments and agencies are supposed to have Planning & Evaluation Units. However, a number of departments do not have proper Planning and Evaluation Cells. As such these units do not seem to be effective in carrying out evaluation functions in their respective sectors.
4.2.3 Other Agencies

From time to time the evaluation of important and big programmes/projects is entrusted to other independent/autonomous organizations. At the provincial level these agencies include PERI, NESPAK and other consultant firms.

4.2.4 Divisional Directorates of Development

Divisional Directorates of Development are functioning under the administrative control of the P&D Board. The staff provided in a directorate includes a director, a research officer and other supporting staff. With the creation of these directorates, schemes costing up to PKR 3.5 million in respect of rural and urban water supply, education, health and government buildings are processed and approved at the divisional level. These directorates are also responsible for carrying out M&E functions. The monitoring function is being performed by these directorates mostly through review meetings.

4.2.5 Chief Minister’s Inspection Team

The Chief Minister’s Inspection Team has the function of monitoring and inspection of the specific development projects at the direction of the chief minister. For this purpose, financial utilization and physical achievements of the concerned departments/agencies are scrutinized. The reports are duly submitted to the chief minister, on whose direction the follow-up action is initiated by the concerned agencies.

4.2.6 Directorate General, M&E

The Directorate General, M&E, headed by the director general, has been established in the P&D Department to focus on the following core areas:

- Policy guidelines and standards for project management;
- Project management services;
- Project management capacity building;
- Third party inspection and performance monitoring; and
- Project/programme evaluation.

The post-completion evaluation of development projects is an important function being performed by the Directorate General, M&E, in order to finalize the post-completion evaluation reports of development projects.

Evaluation Committee

Evaluation Committee comprises of:

- The Director General, M&E as Chairperson
- The concerned section chief in the P&D Department
- Representative of the Finance Department
- Chief (Monitoring), P&D Department
- Project Director/executing agency as members

The Monitoring Wing of the P&D Department in consultation with the sector chiefs prepares a list of completed projects every year in the month of July and forwards it to the Director General, M&E for post-completion evaluation.
The Director General, M&E then constitutes an Evaluation Team for evaluation and the reports prepared would be considered by the aforementioned committee.

The committee critically reviews actual implementation of projects with reference to their costs and physical work as given in the PC-I and identifies any costs and time overruns.

No evaluation report is required for the repetitive/standardized nature of schemes, e.g. projects relating to establishment/upgrading of health and education institutions.

However, the concerned Administrative Department/sponsoring agency has to submit completion report on the PC-IV of all completed projects in the month of July each year to the (Monitoring Wing) P&D and Finance Departments for record keeping and estimation of recurring/SNE\(^{11}\) liability of such schemes.

The Directorate General, M&E is an integral part of the quarterly review meetings of the P&D Board, wherein it submits its reports and also takes follow-up actions for implementation of recommendations of the Evaluation Committee reports.

**ToRs for Evaluation Committee**

- Make recommendations for further continuation of the project/programme in light of the evaluation report or its transfer to the recurring budget, indicating the annual budgetary requirement;
- Spell out factors responsible for deviation (if any), either in physical or financial terms or both, in implementation of the project;
- Make recommendations to the government for future planning on the basis of lessons learnt/feedback from evaluation;
- Handle direct preparation of PC-Vs and impact assessment reports of completed projects;
- Forward the final evaluation report to the concerned administrative department for implementation with a copy to the chairman, P&D Department and Finance Department; and
- The Directorate General, M&E will provide secretarial/logistical support to the committee.

\(^{11}\text{Schedule of New Expenditure}\)
POWERPOINT SLIDES
Chapter 4: How to Monitor and Evaluate a Project?

- Project planning and M&E
- Implementing the M&E regime
- Use of GIS in monitoring
- M&E institutional regime in Punjab

• Project Planning and M&E
  • Project Planning
  • Monitoring
  • Evaluation
  • M&E and RBM

• Implementing the M&E Regime for a Project
• Use of GIS in Monitoring
• M&E Institutional Regime in Punjab
Project Planning

- A procedural step in project management, where required documentation is created to ensure successful project completion
- Documentation - define, prepare, integrate and coordinate additional plans
- Defines project - how it is executed, monitored, evaluated & closed
- In-depth analysis & structuring includes:
  - Setting project goals
  - Identifying project deliverables
  - Creating project schedules
  - Creating supporting plans

Monitoring

Types of Monitoring

1. Internal Monitoring
2. External Monitoring
Monitoring Indicators

Monitoring indicators are specific yardsticks which can measure progress or changes in the results, achievements (output, effect, or impact) of a project/programme or a national plan.

Primary/Direct Indicators

- Completion of preliminaries like drawing, designing, tendering etc as per schedule.
- Financial utilization vis-a-vis PSDP/ADP allocations, fund releases and item-wise cost utilization.
- Physical progress, as per approved work scope and time schedule.
- Staff and equipment usage rate
- Managerial performance (timely decisions, efficiency and controls, inventory level, rate of progress, lack of labour and inter-agencies coordination problems etc.)
Secondary/Indirect Indicators

- Technical/qualitative parameters, quality control standards, input usage rate, credit supply, extension services (transfer of knowledge and technology with adoption rate etc.)
- Economic parameters (capacity utilization, crop production, intensity, yield, growth rate, etc.)
- Social parameters (income distribution index, availability of basic needs, etc.)
- Environmental parameters (pollution, climate consideration, etc.)

Monitoring

“Ongoing process by which regular feedback can be obtained on progress being made towards achieving a project’s goals and objectives”

- Periodically collecting information through use of appropriate tools at specific points in time
- Reviewing progress against:
  - Implementing actions & activities (Tracking inputs)
  - Achieving goals (Tracking outputs)
- Focusses on efficiency and use of resources
- Identifies problems (not necessarily its cause) to be rectified
Evaluation (1/3)

What is evaluation?
- Systematic objective assessment of an ongoing or completed project, program or policy, its design, implementation & results

Aim
- To determine relevance & fulfillment of objectives, development efficiency, effectiveness, impact & sustainability

- Involves different data collection tools to gather quantitative & qualitative information on outcomes & impacts
- Triangulates information collected from multiple sources to overcome bias
- Lessons learnt for incorporating in decision making
- Independent evaluations to provide managers & staff with an objective assessment
- More rigorous in procedure, design and methodology than monitoring

Evaluation (2/3)

• Deals with cause and effect:
  - Value, worth or impact of an intervention
  - Reason for achieving or deviation from targets & outcomes
• Determines relevance effectiveness, efficiency & sustainability of intervention
• Periodically does:
  - Baseline evaluation: Beginning of a project
  - Mid-term evaluation: During the project
  - End-term evaluation: End of the project
  - Impact assessment: Few months / years after project completion
• Impact Assessments:
  - Impacts of projects & could be impacts of the project (future perspective)
Evaluation (3/3)

- Seeks to:
  - Capture and isolate the outcomes attributable to (or caused by) the project
  - Synthesise, compare or contrast interventions in a region, timeframe, sector or reform area
- Review all foregoing M&E activities, processes, reports & analysis
- Provides in-depth understanding of causal relationships and their mechanisms

M&E and RBM (1/3)

Monitoring & Evaluation:
- Aim: provide information that can help inform decisions, improve performance & achieve planned results

Effective M&E relies on:
- Project Planning (well planned)
- Ensuring results are achieved (not activities & outputs)
- Results - inline with national, provincial, sector & department goals & vision
**M&E and RBM (2/3)**

**Result Based Management (RBM) = Managing for Development Results (MfDR)**

“Broad management strategy aimed at achieving improved performance & demonstrable results”

- Synthesis planning and M&E
- Ongoing process - continuous feedback, learning & improving
  - Regular modification of existing plans
  - Development of future plans

---

**M&E and RBM (3/3)**

**RBM Life Cycle Approach:**
- Ongoing process of implementing learning & improving

- Setting the vision
- Defining the result map and RBM Framework
- Planning for M&E
- Undertaking evaluation
- Undertaking monitoring
- Monitoring
- Evaluation
- Stakeholder Participation

---
• Project Planning and M&E
• Implementing the M&E Regime for a Project
• Use of GIS in Monitoring
• M&E Institutional Regime in Punjab

Implementing the M&E Regime (1/2)

Involves seven steps:

i. Identify the key questions to be asked and answered by the M&E
ii. Agree on the overall M&E approach and methodology
iii. Choose the appropriate indicators
iv. Select tools and instruments for data collection and analysis
v. Plan clear timeframes with milestones
vi. Identify people and other resources for undertaking the M&E
vii. Implement the M&E plan
Implementing the M&E Regime (2/2)

Implementing the M&E Regime for a Project

Set Project Objectives (Planned)
Actual Project Objectives (Achieved)

Project Start
Time (Gestation Period)
Project Finish

Step 1 Key Question Identification (1/4)

Major areas:

➡️ Guidance on developing results framework:
  ◦ Outputs
  ◦ Desired outcome
  ◦ Impact
  ◦ Desired results
  ◦ Indicator for targets

➡️ Similar project implemented elsewhere and its learning outcomes

➡️ M&E results contribution to project cycle (flexibility in design)
### Step 1 Key Question Identification (2/4)

#### Example

<table>
<thead>
<tr>
<th>PARAMETER</th>
<th>QUESTIONS THAT THE RELEVANT PROJECT MANAGER OR SECRETARY OF THE DEPARTMENT SHOULD ASK:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IMPACT</strong> (Vision, goal, objective, longer-term outcome, long-term results)</td>
<td>What are we trying to achieve? Why are we working on this problem? What is our overall goal?</td>
</tr>
<tr>
<td><strong>OUTCOME</strong> (First, positive result or immediate result, prerequisites, short- and medium-term results)</td>
<td>Where do we want to be in three to five years? What are the most immediate things we are trying to change? What are the things that must be in place first before we can achieve our goals and have an impact?</td>
</tr>
<tr>
<td><strong>OUTPUT</strong> (Interventions)</td>
<td>What are the things that need to be produced or provided through projects for us to achieve our short- to medium-term results? What are the things that different stakeholders must provide?</td>
</tr>
<tr>
<td><strong>ACTIVITIES</strong> (Inputs, actions)</td>
<td>What needs to be done to produce these outputs?</td>
</tr>
<tr>
<td><strong>INDICATORS</strong> (Measurements of performance, performance standards)</td>
<td>How will we know if we are on track to achieve what we have planned?</td>
</tr>
<tr>
<td><strong>MEANS OF VERIFICATION</strong> (Data sources, evidence)</td>
<td>What precise information do we need to measure our performance? How will we obtain this information? How much will it cost? Can the information be monitored?</td>
</tr>
</tbody>
</table>

### Step 1 Key Question Identification (3/4)

#### Hypothetical Example: Education Enrolment Project

**Issue:** Low enrolment rate in schools (Enrolment rate is number of children of school-going age group enrolled in schools divided by their total school-going age population)

**Causes:**
- No incentives for parents as well as children
- Low income
- High opportunity cost (source of income, nurturing of siblings etc.)

**Goal:** To promote human capital development among poor families, especially children, to break the intergenerational cycle of poverty
Step 1 Key Question Identification (4/4)

Hypothetical Example: Education Enrolment Project

Inputs:
- Conditional Cash Transfer (CCT)
- Provision of:
  - (1) Free food (particularly breakfast)
  - (2) Free books
- Adjustable school timings
- Performance-based small-scale scholarships for students

Outputs:
1) Increased number of children enrolled in school
2) Increased school attendance
3) Increased percentage of children (5 & above) going to school

Outcomes:
- Increased literacy rate
- Decreased drop out rate
- Increased average household income

Impacts:
- Skilled labour
- Improved economic profile of area

Step 2 M&E Approach and Methodology (1/5)

Developing the overall design of the M&E regime, such as:
- The target population
- Sampling
- Control points, etc.

Key considerations:
- Best M&E approach & the counterfactual
- Lessons learnt from previous M&E designs
- Baseline: Availability of secondary and primary data
- Sample selection
- Periodicity of data collection (qualitative & quantitative)
Step 2: M&E Approach and Methodology (2/5)

Randomized Controlled Trials
- Is a study in which the sample from a population is randomly allotted to treatment and control groups to examine the effect of intervention on particular outcomes
- People being studied are randomly allocated one of the different treatments under study
- Used by GoPb
  - Performance Incentive Scheme for Excise Officers
  - Punjab Economic Opportunities Programme implemented by the Punjab Skills Development Company

Step 2: M&E Approach and Methodology (3/5)

Punjab Economic Opportunities Programme (PEOP)
- GoPb in collaboration with the DFID, UK has launched this project (PEOP) in the FY 2009-10 for four of the poorest districts of Southern Punjab i.e. Bahawalpur, Bahawalnagar, Lodhran and Muzaffargarh
- The programme focuses on poverty alleviation through:
  - Provision of marketable skills
  - Enhancing the quality and quantity of livestock in the region
Step 2: M&E Approach and Methodology (4/5)

Property Tax RCT – Performance-Based Incentives

- Excise and Taxation Department is working with a group of researchers to run a randomized control trial on impact of incentives on revenue generation.
- Under the scheme, 152 UITP circles of Punjab (out of total of 450) have been selected for running three kinds of incentive schemes, where the researchers are assessing the impact of these schemes on revenue enhancement.

Step 2: M&E Approach and Methodology (5/5)

Exercise:

Considering the above Education Enrollment Project, please give examples of M&E methodologies that can be applied here.
Step 3: Selecting Indicators (1/3)

Translate key questions into indicators and then targets (in the results framework)

**Indicators**
- Measures of project performance
- SMART: specific, measurable, attainable, relevant & time bound
- Different level indicators (monitoring, evaluation and impact indicators)

**Key considerations**
- Core indicators used by relevant sector/department
- Right mix of indicators (quantitative, qualitative, input / activity, output, etc.)
- Disaggregation of indicators: gender, geography, etc.?

---

Step 3: Selecting Indicators (2/3)

- **Specific**: Reflect what the project intends to change and are able to assess performance
- **Measurable**: Must be precisely defined: measurement and interpretation are unambiguous
- **Attainable**: Achievable by the project and sensitive to change
- **Relevant**: Relevant to the project in question
- **Time Bound**: Describes when a certain change is expected
Step 3: Selecting Indicators (3/3)

Hypothetical Example: Education Enrolment Project

**Input Indicators:**
1. No. of CCT given
2. No. of students given:
   - (i) Free Food (Free meal or breakfast)
   - (ii) Free books
3. No. of students benefiting from adjustable school timings
4. No. of scholarships given

**Output Indicators:**
1. Number of children enrolled in school
2. Percentage of school attendance
3. Percentage of children 5 and above going to school

**Outcome Indicators:**
1. Literacy rate
2. Dropout rate
3. Percentage increase in average household income

**Impacts Indicators:**
1. Number of skilled labourers (percentage of population)
2. Change in economic profile of area

---

Step 4: Data Collection (1/5)

**Collection of information for M&E**
- Prior to project implementation
- During project implementation
- Fixed points including at & after the end of the project

**Key considerations**
- Reliability of data
- Secondary data sources
- Collection of primary data
- Frequency of data collection
- Responsibility for data entry, consolidation, cleaning and analysis
- Weaknesses and strengths of different tools/instruments

**Tools & approaches**
- Complementary or substitutes
- Broad or narrow applicability
- Range of considerations while choosing:
  - Use of M&E
  - Main stakeholders
  - Urgency in need of information
  - Cost
Step 4: Data Collection (2/5)

Data collection methods:

- **Experiment**: A scientific procedure undertaken to make a discovery, test a hypothesis, or demonstrate a known fact.
- **Natural Qausi**: A quasi-experiment is an empirical study used to estimate the causal impact of an intervention on its target population.
- **Survey**: To examine for some specific purpose; inspect or consider carefully.
- **Case study**: A process or record of research into the development of a particular person, group, or situation over a period of time.

Step 4: Data Collection (3/5)

Tools

- **Questionnaire**: A set of printed or written questions with a choice of answers, devised for the purposes of a survey or statistical study.
  - Open ended
  - Close ended
- **Focus Group Discussion (FGD)**: A focus group is a form of qualitative research in which a group of people are asked about their perceptions, opinions, beliefs, and attitudes regarding an intervention.
Step 4: Data Collection (4/5)

Tools

- Participatory Rural Appraisal
  - Information gathering approach that aims to incorporate the knowledge and opinions of rural people in the planning and management of development projects and programmes
  - Techniques
    - Group dynamics, e.g., learning contracts, role reversals, feedback sessions
    - Sampling, e.g., transect walks, wealth ranking, social mapping
    - Interviewing, e.g., focus group discussions, semi-structured interviews, triangulation
    - Visualization, e.g., venn diagrams, matrix scoring, timelines
- Observation
  - Observation is a systematic data collection approach. Researchers use all of their senses to examine people in natural settings or naturally occurring situations

Schematic for Evaluation Methodology
Adopted by Director General, M&E, Punjab
Step 5: Timeframe (1/4)

- Clear timeframes with milestones

- Key considerations:
  - Key M&E milestones & time to accomplish
  - Designing activities leading to these milestones
  - Implications of delay

Step 5: Timeframe (2/4)

**Monthly Progress Report**
- Performa in Volume 2 Section C
- Approval status, total cost, financial & physical targets, progress
- Time lag of 16 day

**Quarterly Progress Report**
- PC III- Performa
- Three parts:
  - Part A-Information regarding project
  - Part B-Progress recorded for the month
  - Part C-Consolidated pictures

**Meetings**
- P&D Board-Provincial level
- Monthly progress reports sent by administrative departments/agencies
- Mid-year ADP review meetings
- Sector-wise & scheme-wise discussions
- Inter-sectoral & intra-sectoral project re-appropriation
- Divisional level: Divisional Coordination Committees
PC-III (B) Form (i/iv)

Government of Pakistan
Planning Commission
Implementation of Development Projects
To be furnished by 5th day of each month

1. Name of project:

2. Financial Status (Million Rs.)
   - PSDP allocations for the Current year
   - Current quarter requirements as per cash plan
   - Releases during the month (Million Rs)
   - Expenditure during the month (Million Rs)

PC-III (B) Form (ii/iv)

3. Physical Status
   Physical achievements during the month under report

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Quantities</th>
</tr>
</thead>
</table>

4. Output Indicators

5. Issues/Bottlenecks in Projects Implementation
PC-III (B) Form (iii/iv)

(Revised 2005)

Government of Pakistan
Planning Commission

Instructions to fill in PC-III(B) Form

1. Name of the Project:
   Indicate name of the project.

2. Financial status:
   • Indicate PSDP allocations for the current year and quarter.
   • According to latest instructions of Ministry of Finance, AGPR has been directed to release PSDP allocations in the 1st week of each quarter. However, in practice, variations in releases are expected. The executing agency may therefore provide released amounts during the month under report.
   • Provide actual expenditure incurred on the project during the month under report.

3. Physical status:
   • Provide actual physical achievements during the month against targets for the quarter.

4. Output indicators:
   • Provide the output of the project during the month under report against the output targets.

PC-III (B) Form (iv/iv)

5. Issues/Bottlenecks:
   • Indicate the major issues responsible for delay in implementation of Project at policy and operational level.

The PC-III (B) be furnished by 5th day of each month reflecting the progress of the project during the last reporting month.
Step 5: Timeframe (3/4)

Step 4
- Most substantive analysis as it brings all the analysis together
- All findings are processed

Step 3
- Assessment of key findings illustrate the progress made in achieving project’s outcomes
- Inform the validity of the M&E plan for assessing outcomes and impact for the project

Step 2
- Tested before rolling out further
- Thorough and quick

Step 1
- Forms an integral base of how the project proceeds
- Often determines tasks that need to or should not progress

Step 5: Timeframe (4/4)

Exercise

“For the hypothetical example (Education enrolment project) given above what would be the implications for delay in achieving the M&E milestones”
Step 6: Resources

- Limited resources & fiscal allocations
- Key considerations:
  - Covering costs or providing resources for project activities
  - Provision for M&E costs in the PC-I

Hypothetical Example (Education Enrolment Project):
- Could dedicate 5-7% of project cost to M&E activities
- Detailed budgeting of M&E activities
- If no separate cost of M&E activities then cost should be borne by line department

Step 7: M&E Implementation

1. Assigning M&E tasks & responsibilities
2. Preparing ToRs for any external sources needed
3. Initiating baseline work
4. Collecting data; etc.
Use of GIS in Monitoring (1/8)

Geographical Information System (GIS):
"Computer-based system capable of assembling, storing, manipulating & displaying geographically referenced information, i.e. data identified according to their locations"

- Integrate information (otherwise difficult)
- Data in the form of a map (points, lines & polygons)
- "Designed to capture, store, manage, integrate and manipulate various layers of data, allowing the user to visualize and analyze the data in a spatial environment"
Use of GIS in Monitoring (3/8)

Map of Gastro patients reported to DHQ Hospital Sheikhupura from 16-06-2015 to 22-06-2015

Use of GIS in Monitoring (2/8)

Assess progress while considering geographic characteristics:
- Reliable baseline required for monitoring change over time
- Larger programmes: baseline studies include socioeconomic survey with their results spatially distributed

GIS in Punjab: SNG’s intervention:
- Analysis of Gastro patients’ registered in DHQ hospital Sheikhupura
- GIS map identified the settlements having massive number of Gastro patients registered in DHQ hospital
- Intermixing of potable and sewage water was the cause of this problem

Linking GIS with M&E (Example)
Use of GIS in Monitoring (4/8)

Guidelines for using GIS in M&E

GIS-based approach should be:
- Integrated in M&E of all large projects
- Integrated from the start of baseline
- Aligned with IRIS

GIS-based approach at:
- Planning stage: project needs, type of information required, etc.
- Technical side: platform used, data source identification, etc.
- Implementation front: data updating, system deployment, etc.

- M&E plan: use mobile GIS & smart monitoring (smart phones)
- Align GIS-based systems with other systems for data integration

Use of GIS in Monitoring (5/8)

Recommendations for use of Geospatial Tools

- Include geographic identifiers in programmatic data
- Adhere to data standards for both geographic identifiers and programmatic data
- Be open (but consider security issues):
  - Make data available for wider applications
  - Employ the data in other evaluations
  - Build organisational capacity to use GIS first
  - Continue to build the evidence base
- Develop a strong logical framework
  - “Logical framework is a tool for improving the planning implementation, management, monitoring and evaluation of projects”
### Use of GIS in Monitoring (6/8)

**Simple Logical Framework: Hypothetical example "Education Enrollment Project"**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Means of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td>To promote human capital development among poor families, especially children, to break inter-generational cycle of poverty.</td>
</tr>
<tr>
<td><strong>Outcome 1</strong></td>
<td></td>
</tr>
<tr>
<td>Increased literacy rate</td>
<td>Literacy Rate</td>
</tr>
<tr>
<td></td>
<td>Comparison of Literacy Rate over the years</td>
</tr>
<tr>
<td><strong>Output 1</strong></td>
<td></td>
</tr>
<tr>
<td>Increased number of children enrolled in schools</td>
<td>Number of children enrolled in school</td>
</tr>
<tr>
<td></td>
<td>Checking school registers Comparison of data in school registers</td>
</tr>
</tbody>
</table>

### Use of GIS in Monitoring (7/8)

**Simple Logical Framework: Hypothetical example "Education Enrollment Project"**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Means of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome 2</strong></td>
<td></td>
</tr>
<tr>
<td>Decreased drop-out rate</td>
<td>Drop-out rate</td>
</tr>
<tr>
<td></td>
<td>Checking school registers Comparison of data in school registers</td>
</tr>
<tr>
<td><strong>Output 2.1</strong></td>
<td></td>
</tr>
<tr>
<td>Increased school attendance</td>
<td>%age of school attendance</td>
</tr>
<tr>
<td></td>
<td>Checking class attendance registers Comparison of class attendance registers</td>
</tr>
<tr>
<td><strong>Output 2.2</strong></td>
<td></td>
</tr>
<tr>
<td>Increase %age of children (5 &amp; above) going to school</td>
<td>%age of children (5 &amp; above) going to school</td>
</tr>
<tr>
<td></td>
<td>Checking school attendance registers Comparison of data in school registers</td>
</tr>
</tbody>
</table>
Use of GIS in Monitoring (8/8)

Simple Logical Framework: Hypothetical example "Education Enrolment Project"

Exercise: Please complete this matrix

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Means of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome 3</td>
<td>?</td>
</tr>
<tr>
<td>Increased average household income</td>
<td>?</td>
</tr>
<tr>
<td>Output 3</td>
<td>?</td>
</tr>
<tr>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

- Project Planning and M&E
- Implementing the M&E Regime for a Project
- Use of GIS in Monitoring
- M&E Institutional Regime in Punjab
M&E Institutional Regime in Punjab

Monitoring Section
- P&D Board
- Departmental level
- Divisional level

Evaluation Section
- P&D Board
- Planning Cells
- Other Agencies

Monitoring & Evaluation Section
- Chief Minister’s Inspection Team
- Director General M&E
- Divisional Directorates of Development

Monitoring Section (1/3)

P&D Board

Sector-wise projects monitoring
- Financial utilization
- Physical progress

Monthly progress reports
- On prescribed format
- Considered in ADP review meeting

Quarterly progress reports
- Obtained from line department on prescribed proforma

Mid year review
- Series of meetings
- Scheme-by-scheme review in association with Finance Department & concerned administrative departments
- Schemes with slow progress identified
- Additional funds allocation to schemes with good progress
Monitoring Section (2/3)

- Regular monitoring by administrative departments
- Monitoring system
  - Supervisory tiers at different levels
- Departmental inspection teams
  - Only for important projects
  - On site progress monitoring

Monitoring Section (3/3)

Divisional Level

Divisional Coordination Committee under the chairmanship of the divisional commissioner
- Monitor development projects
- Regularly review meetings attended by all divisional heads
- Remove bottlenecks in the pace of progress
- Minutes of meetings circulated for appropriate action to concerned bodies
  - The P&D Department
  - Finance Departments

Development Director acts as Secretary of the Divisional Coordination Committee
Monitoring & Evaluation Section (2/5)

**Directorate General (DG), M&E:**

Focus on core areas:

- Policy guidelines & standards for project management
- Project management services
- Project management capacity building
- Third party inspection & performance monitoring
- Project/programme evaluation

---

Monitoring & Evaluation Section (3/5)

**Directorate General (DG), M&E Contd.:**

Post-completion evaluation of development projects

Committees & teams:
- Evaluation Committee
- Evaluation Team
Evaluation Committee Composition:

- DG M&E as chairperson
- Concerned sector chief in the P&D Department
- Representative of the Finance Department
- Chief (monitoring)
- P&D Department
- Project director/executing agency as members

Monitoring & Evaluation Section (5/5)

- Divisional Directorates of Development
- Under the administrative control of the P&D Board
- Schemes costing up to PKR 3.5 million:
  - Rural & urban water supply
  - Education
  - Health
  - Government buildings
- Monitoring function through review meetings
Monitoring & Evaluation (2/9)

Evaluation Committee Functions:

- Critical review of actual implementation of projects with reference to their costs and physical work as given in PC-I by the committee and identification any costs and time overruns
- No requirement of evaluation report for the repetitive/standardized nature of schemes, e.g. projects relating to establishment/upgrading of health and education institutions

Monitoring & Evaluation (1/9)

- The Monitoring Wing of the P&D Department in constitution with the sector chiefs prepares a list of completed projects every year in the month of July and forwards it to the Director General, M&E for post-completion evaluation
- The Director General, M&E then constitutes an Evaluation Team for evaluation and the reports prepared are considered by the evaluation committee
Evaluation Committee Functions Contd.:

- Submission of completion report on PC-IV of all completed projects by the concerned administrative department/sponsoring agency in July each year to the (Monitoring Wing) P&D and Finance Departments for record keeping and estimation of recurring/SNE liability of such schemes

- The Director General, M&E is an integral part of quarterly review meetings of the P&D Board, wherein it submits its reports and also follow-up actions for implementation of recommendations of the Evaluation Committee/reports Schedule of New Expenditure (SNE)

### PC-IV Proforma

To be furnished immediately after completion of the project regardless the project accounts have been closed or not.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Name of the Project/Program/Study Location</td>
</tr>
<tr>
<td>2.</td>
<td>Sector Sub-Sector</td>
</tr>
<tr>
<td>3.</td>
<td>Sponsoring Ministry/Agency</td>
</tr>
<tr>
<td>4.</td>
<td>Executing Agency(s)</td>
</tr>
<tr>
<td>5.</td>
<td>Agency for Operation &amp; Maintenance after Completion</td>
</tr>
<tr>
<td>6.</td>
<td>Date of Approval &amp; Approving Forum (DDWP/CDWP/EGNRC/PDWP/Others) Original Revised</td>
</tr>
<tr>
<td>7.</td>
<td>a) Implementation Period Date of Commencement Date of Completion</td>
</tr>
<tr>
<td></td>
<td>As per PC-IV Actual</td>
</tr>
<tr>
<td></td>
<td>b) Extension(s) in the Implementation Period (If any) Date Period (Months/Year)</td>
</tr>
</tbody>
</table>

---
### Monitoring & Evaluation (5/9)

<table>
<thead>
<tr>
<th>8. Capital Cost</th>
<th>PC-I Cost (approved)</th>
<th>Actual Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local</td>
<td>FE/Loan*/Grant</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Original</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Revised</td>
<td></td>
</tr>
</tbody>
</table>

* Clearly specify the source and mention exchange rate (Rs. Million)

<table>
<thead>
<tr>
<th>9. Financing of the Project</th>
<th>Local</th>
<th>FE/Loan*</th>
<th>Grant</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial Share</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donors/Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Mention the Rupee exchange rate, if applicable

### Monitoring & Evaluation (6/9)

<table>
<thead>
<tr>
<th>10. Project Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Nature of Account</td>
</tr>
<tr>
<td>Type</td>
</tr>
<tr>
<td>PLA</td>
</tr>
<tr>
<td>Current Account</td>
</tr>
<tr>
<td>Saving Account</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>b) Status of Account</td>
</tr>
<tr>
<td>If closed, mention the date</td>
</tr>
<tr>
<td>If not closed, mention reasons thereof &amp; tentative closure date</td>
</tr>
</tbody>
</table>

### Financial Phasing as per PC-I and Expenditure

<table>
<thead>
<tr>
<th>Year</th>
<th>PC-I Phasing</th>
<th>PSDF Allocation</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>FE/Loan*</td>
<td>Grant</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Clearly specify the source

### Physical Targets and Achievements

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Items (as per PC-I)</th>
<th>Unit</th>
<th>Quantity</th>
<th>Actual Achievements</th>
</tr>
</thead>
</table>

* Attach/Annex detailed information for each item separately

### Item-wise Planned & Actual Expenditure

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Items (As per PC-I)</th>
<th>PC-I Estimates</th>
<th>Actual Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Local</td>
</tr>
</tbody>
</table>

|       |                     |       |       |     |       |       |     |
14. **Recurring Cost after Completion of the Project**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Components</th>
<th>PC-I Estimates*</th>
<th>Actual Expenditure*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Local</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total:
* Mention source and agency responsible for financing the recurring cost after completion of the project.

15. **Achievement of Objectives**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>As Contained in the PC-I</th>
<th>Actual Achievement*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Attach/Annex detailed information for each objective separately. In case of not achieving the objectives fully/partially, indicate reasons thereof.

16. **Year-wise Income from Services/Revenue Generation**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>As Estimated in the PC-I</th>
<th>Actual</th>
<th>(Rs. Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

17. **RBIM Indicators as given in the PC-I**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Input</th>
<th>Output</th>
<th>Baseline Indicator</th>
<th>Targets after Completion of Project</th>
<th>Targeted Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

18. **List of Project Directors (P&Ds) till Completion**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name &amp; Designation</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

19. **Responsibility/Ownership of Assets (Procured/Acquired/Developed) after Completion of the Project**

- Indicate Agency
- List of Assets (Movable/Immovable)

20. **Impact after Completion of the Project**

- Financial
- Economic
- Technological
- Social (Education, Health, Employment, area Development, etc.)
- Environmental
- Any other

21. **Mechanism for Sustainability of Activities after Completion**

Indicate mechanism how the project activities will be continued on sustainable basis.
22. Financial/Economic Analysis

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Components</th>
<th>As Per PC-1</th>
<th>After Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>Financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net Present Value (NPV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benefit Cost Ratio (BCR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal Financial Rate of Return (IFRR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>UPR Cost Analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b)</td>
<td>Economic</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net Present Value (NPV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benefit Cost Ratio (BCR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal Economic Rate of Return (IERR)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

23. Issues Faced during Implementation
- Organizational Management
- Capacity of the department concerned
- Decision making process
- Any other

24. Lessons learned
   a) Project identification
   b) Project preparation
   c) Project approval
   d) Project financing
   e) Project implementation

25. Suggestions for Future Planning & Implementation of Similar Projects

Submitted by:
- Signature
- Name & Designation
- Telephone No.
- E-mail Address
- Date

---

ToRs for Evaluation Committee (1/2)

- Recommendations based on the evaluation report for further continuation of the project/programme
- Identify physical, financial or both deviation factors in implementation
- Recommendations based on learning from evaluation to the government for future planning
• Handle direct preparation of PC-Vs and impact assessment reports of completed projects

• Forward the final evaluation report to the concerned administrative department, chairman P&D Department and Finance Department

• Directorate General, M&E to provide secretarial/logistical support to the committee
### Handout 4A - Step 1-Relevant Questions about Results Chain and Examples

<table>
<thead>
<tr>
<th>PARAMETER</th>
<th>QUESTIONS THAT THE RELEVANT PROJECT MANAGER OR SECRETARY OF THE DEPARTMENT SHOULD ASK:</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPACT</td>
<td>What are we trying to achieve? Why are we working on this problem? What is our overall goal?</td>
</tr>
<tr>
<td>(Vision, goal, objective, longer-term outcome, long-term results)</td>
<td>Where do we want to be in three to five years? What are the most immediate things we are trying to change? What are the things that must be in place first before we can achieve our goals and have an impact?</td>
</tr>
<tr>
<td>OUTCOME</td>
<td>What are the things that need to be produced or provided through projects for us to achieve our short- to medium-term results? What are the things that different stakeholders must provide? What needs to be done to produce these outputs?</td>
</tr>
<tr>
<td>(First, positive result or immediate result, prerequisites, short- and medium-term results)</td>
<td></td>
</tr>
<tr>
<td>OUTPUT</td>
<td>How will we know if we are on track to achieve what we have planned?</td>
</tr>
<tr>
<td>(Interventions)</td>
<td>What precise information do we need to measure our performance? How will we obtain this information? How much will it cost? Can the information be monitored?</td>
</tr>
<tr>
<td>ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>(Inputs, actions)</td>
<td></td>
</tr>
<tr>
<td>INDICATORS</td>
<td></td>
</tr>
<tr>
<td>(Measurements of performance, performance standards)</td>
<td></td>
</tr>
<tr>
<td>MEANS OF VERIFICATION</td>
<td></td>
</tr>
<tr>
<td>(Data sources, evidence)</td>
<td></td>
</tr>
</tbody>
</table>
## EXAMPLES

<table>
<thead>
<tr>
<th>SOLAR POWER PROJECT</th>
<th>MOBILE HEALTHCARE UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desired impact: poverty reduction; economic growth</td>
<td>Desired impact: poverty reduction; reduction in mortality rates</td>
</tr>
<tr>
<td>Desired outcome: better access to electricity; sustainable development</td>
<td>Desired outcome: better access to healthcare</td>
</tr>
<tr>
<td>Desired output: solar power plant up and running, connected to national grid</td>
<td>Desired output: fully equipped mobile healthcare units delivering primary healthcare services</td>
</tr>
<tr>
<td>Suggested inputs: civil works; equipment (photovoltaic (PV) technology with solar panels, inverters and control systems); technical services; engineering, procurement and construction contractor; etc.</td>
<td>Suggested inputs: vehicles; doctors and paramedics; equipment; etc.</td>
</tr>
<tr>
<td>Overall project statistics would be used for subsidy for solar tariff regime, national feed-in tariff</td>
<td>M&amp;E results from pilot project will feed into full-scale project</td>
</tr>
</tbody>
</table>
**Handout 4B - Step 2 - Monitoring, Evaluation and Impact Assessment and Examples**

<table>
<thead>
<tr>
<th>Monitoring</th>
<th>Evaluation</th>
</tr>
</thead>
</table>
| Regular systematic collection and analysis of information to track the progress of project implementation against preset targets and objectives. | Clarifies project objectives  
  - Links activities and their resources to objectives  
  - Translates objectives into performance indicators and sets targets  
  - Routinely collects data on these indicators, compares actual result with targets  
  - Reports progress to decision-makers and alerts them to problems |
| Did we deliver? | Analyses why intended results were or were not achieved  
  - Examines implementation process and explores unintended results  
  - Provides lessons, highlights significant accomplishments or programme potential, and offers recommendations for improvement |

<table>
<thead>
<tr>
<th>Impact assessment</th>
<th>EXAMPLES</th>
</tr>
</thead>
</table>
| Impact assessment assesses what has happened as a result of the project and what may have happened without it—from a future point in time. | SOLAR POWER PROJECT  
  - Seeks to capture and isolate the outcomes that are attributable (or caused by) the project  
  - Will review all foregoing M&E activities, processes, reports and analysis  
  - Provides an in-depth understanding of the various causal relationships and the mechanisms through which they operate  
  - May seek to synthesise, compare or contrast a range of interventions in a region, timeframe, sector or reform area |
| Have we made a different and achieved our goal? | MOBILE HEALTHCARE UNITS  
  - Approach for M&E: smart geographic information system (GIS)-based monitoring by special M&E firm; vehicle tracking system; feedback system by calling selected treated patients  
  - What has been learned from previous M&E estimates; approved tariffs |
<table>
<thead>
<tr>
<th>What is going to be the baseline? Greenfield project</th>
<th>designs? Staff absenteeism; pilferage in medicine dispensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>How will the sample be selected? Not required</td>
<td>What is going to be the baseline? Special baseline study commissioned to assess state of access to primary healthcare services</td>
</tr>
<tr>
<td>What will be the periodicity of data collection? Monthly site visit by line department; resident consultant on site</td>
<td>How will the sample be selected? Stratified sampling</td>
</tr>
<tr>
<td>M&amp;E will cover periodic monitoring and final project evaluation</td>
<td>What will be the periodicity of data collection? Weekly visits by M&amp;E firm; occasional visits by line departments; real-time data on tracking devices</td>
</tr>
<tr>
<td></td>
<td>M&amp;E will cover baseline study, mid-term and end-term evaluations, and impact assessment, besides regular monitoring</td>
</tr>
</tbody>
</table>
## Handout 4C - Step 3 - Indicators at Various Levels of Results Chain and Examples

<table>
<thead>
<tr>
<th>LEVEL OF INDICATORS</th>
<th>GENERAL EXAMPLES</th>
<th>EXAMPLES FOR BRICK-AND-MORTAR PROJECT</th>
<th>EXAMPLES FOR SERVICES PROJECT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs/activities</td>
<td>Human resources; financial resources; material resources; training</td>
<td>Utilisation of project funds; staff time; construction material; equipment</td>
<td>Training for unskilled youth</td>
</tr>
</tbody>
</table>
| Outputs             | Buildings; roads; bridges; schools; hospitals; plans; products; studies/reports | Completed school                                            | Training sessions conducted; youth trained |%
| Outcomes            | Better access to healthcare and education facilities; less time to communicate and travel; change in knowledge and/or behaviour; improved practices; increased services | Enrolment of students from community                         | Skilled employment of youth   |
| Impact              | Reduction in mortality; improvement in life expectancy; economic growth; increased employment | Improvement in literacy rate                                | Reduction in unemployment    |

### EXAMPLES

<table>
<thead>
<tr>
<th>SOLAR POWER PROJECT</th>
<th>MOBILE HEALTHCARE UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the relevant sector/department use any core indicators? Access to electricity; average household electricity bill; number of fans/lights; energy mix (renewable versus non-renewable energy)</td>
<td>Does the relevant sector/department use any core indicators? Access to primary healthcare services; infant and adult mortality rate; life expectancy; percentage coverage of immunisation services</td>
</tr>
<tr>
<td>What should be the right mix of</td>
<td>What should be the right mix of quantitative, core and customised, activity</td>
</tr>
</tbody>
</table>
quantitative, core and customised, activity and process indicators? Design validation at design stage; percentage of completion during construction; days left in project commissioning

How can indicators be appropriately disaggregated for various dimensions, such as for gender, geography, etc.? Electricity access to rural versus urban areas

and process indicators? Impact should focus on quantitative indicators in terms of better access as well as qualitative indicators such as improvement in life expectancy indicators; process tracking should also have thresholds for acceptable level of service

How can indicators be appropriately disaggregated for various dimensions, such as for gender, geography, etc.? Electricity access to rural versus urban areas: women’s access to healthcare services; availability of female staff on board
<table>
<thead>
<tr>
<th>DATA COLLECTION TOOL</th>
<th>DESCRIPTION</th>
<th>EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring form</td>
<td>A form to record observations of an M&amp;E officer/manager against certain pre-selected parameters. Qualitative information can also be collected and converted to categorical information (scale 1 to 5). Such forms can also be sent to project staff for reporting purposes.</td>
<td>Templates developed by various government organizations and projects to record monitoring field visits’ findings.</td>
</tr>
<tr>
<td>Sample surveys</td>
<td>Collect a range of data through questionnaires with a fixed format that are delivered via the post, electronically, over the telephone and in face-to-face interviews. Can be used with a range of subjects such as households (socioeconomic survey); a sector (livestock or agriculture survey); or an activity (school beneficiaries).</td>
<td>A number of citizens are interviewed for use of a basic health unit. Quantitative data is produced on the average time taken by citizens on getting a fara (land revenue record) from a land revenue record centre. A livestock census is another example.</td>
</tr>
<tr>
<td>Group interviews/focus groups</td>
<td>Collect largely qualitative data through structured discussions among small groups of pre-selected participants. Usually these groups will comprise no more than 12 people and the sessions will last up to three hours. These discussions are managed by an appointed facilitator who is not a participant.</td>
<td>Citizens participate in a focus group discussion on a community-driven water supply and sanitation scheme. Parents participate in a focus group on school council activities.</td>
</tr>
<tr>
<td>Individual interviews</td>
<td>Collect a range of data through face-to-face discussions with individual stakeholders often called ‘informants’. These can be ‘open’ interviews or ‘structured’.</td>
<td>A resident engineer interviewed on the progress of a brick-and-mortar overhead bridge construction.</td>
</tr>
<tr>
<td>Case studies</td>
<td>Collection of data usually through face-to-face interviews with a particular individual, group, location or community on more than one occasion and over a period of time. The questioning involves open-ended and closed-type questions and involves the preparation of 'histories'.</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Participant observation</td>
<td>Data are collected through observation where the M&amp;E person takes part in an event or attends a place or situation and assesses what is happening through what they see. May involve some questioning for clarification. Observations may take place over a period of time through a number of visits.</td>
<td></td>
</tr>
<tr>
<td>Tracer studies</td>
<td>A range of data collection methods are used to collect different types of data on an individual group or community to determine the effects of an aid intervention over a longer period.</td>
<td></td>
</tr>
</tbody>
</table>

**EXAMPLES**

<table>
<thead>
<tr>
<th>SOLAR POWER PROJECT</th>
<th>MOBILE HEALTHCARE UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>In case of secondary data, are the sources reliable? Not applicable</td>
<td>In case of secondary data, are the sources reliable? Benazir Income Support Programme data partially used for baseline study</td>
</tr>
<tr>
<td>In case of primary data, who will be</td>
<td></td>
</tr>
</tbody>
</table>
collecting the data? How can data integrity be ensured? Line department staff visit; consultant reports

How often should the various data sets be collected? Monthly inspection visit; 24/7 availability of resident consultant

Who will be responsible for subsequent steps such as data entry, consolidation, cleaning and analysis? Line department’s M&E cell

In case of primary data, who will be collecting the data? How can data integrity be ensured? M&E firm validating staff-submitted data; triangulation through spot checks by department staff and feedback calls made to selected patients; real-time information coming from smart monitoring and vehicle tracking

How often should the various data sets be collected? Monthly M&E reports; real-time data plotted on web-based dashboard

Who will be responsible for subsequent steps such as data entry, consolidation, cleaning and analysis? M&E firm; vehicle tracking firm; etc.
### Handout 4E – Types of Evaluation

<table>
<thead>
<tr>
<th>Description</th>
<th>Review Evaluation</th>
<th>Impact Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focuses on outcomes in terms of effectiveness, efficiency and relevance.</td>
<td>Is typically carried out towards or at the end of projects, or after their completion.</td>
<td>Is usually carried out by those 'outside' of the project in an effort to enhance objective accountability but may also involve insiders in order to enhance lesson learning.</td>
</tr>
<tr>
<td>Examines whether the activities have delivered the planned outputs and whether these outputs have in turn led to outcomes that are contributing to the purpose of the project.</td>
<td>Impact evaluations focus on relevance, effectiveness, efficiency and sustainability in relation to project goals.</td>
<td>Impact evaluations can also be carried out to assess and synthesize the outcomes of several initiatives together on a thematic, sector or programme basis to examine their overall impact.</td>
</tr>
<tr>
<td>CRITERIA</td>
<td>Programme/project outcomes</td>
<td>Programme/project goals or impact</td>
</tr>
<tr>
<td>MEASURING</td>
<td>Whether the beneficiaries have been given due support and facilitation and whether they have been positively impacted.</td>
<td>Whether support to beneficiaries has led to increased contribution to the economy, leading to growth and poverty alleviation.</td>
</tr>
</tbody>
</table>
Handout 4F - Schematic for evaluation methodology adopted by Director General, M&E, Punjab

TEAM FORMATION

- PCW REVIEW
- PCI REVIEW
- COST
- DURATION
- COMPONENTS
- SURVEY PLAN
- QUESTIONNAIRE DESIGN
- SITE VISITS
- INTERVIEWS
- SITE SPRINTS
- MAPPING OF OBSERVATIONS
- PROJECT EVALUATION AND RATING INDEX (PERI)

PROJECT DOCUMENTS REVIEW

- SPONSORSHIP ASSESSMENT REPORT (SATUR REVIEW)
- OBJECTIVES
- PHYSICAL ACHIEVEMENTS
- FINANCIAL ACHIEVEMENTS

IDENTIFYING PROJECT KEY INDICATORS

DEVISING EVALUATION PLAN

INTERVIEWING PLAN

PHYSICAL ACTIVITIES AND DATA COLLECTION

- PERIODIC PHYSICAL PROGRESS REPORTS
- PERIODIC FINANCIAL PROGRESS REPORTS
- PROCUREMENT RECORDS
- SWOT ANALYSIS
- STATISTICAL ANALYSIS

DATA ANALYSIS AND INTERPRETATION

- OBSERVATIONS
- CONCLUSIONS

RECOMMENDATIONS

Planning and Decision Making, ADP formulation, Release of Interim Development Fund

REPORT SUBMISSION

Feedback

Feedback

Feedback
PC-III FORM

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

PRO FORMA FOR DEVELOPMENT PROJECTS
(ANNUAL TARGETS AND PROGRESS REPORTING)
Government of Pakistan
Planning Commission
Implementation of Development Projects
(Physical Targets based on PSDP allocation)
To be furnished by 1st July of each year

1. Name of the Project:

2. Approved Capital Cost: (Million Rs)

3. Expenditure up to the end of last Financial Year:
<table>
<thead>
<tr>
<th>Actual</th>
<th>Accrued</th>
<th>Total</th>
</tr>
</thead>
</table>

4. PSDP allocations for the Current year:
<table>
<thead>
<tr>
<th>Total</th>
<th>Local</th>
<th>FEC</th>
</tr>
</thead>
</table>

5. Annual Work Plan:

<table>
<thead>
<tr>
<th>As per PC-I</th>
<th>Quantities</th>
<th>Achievements up to the end of last year</th>
<th>Target for current year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Unit</td>
<td>1st Quarter</td>
<td>2nd Quarter</td>
</tr>
<tr>
<td>-------------</td>
<td>------------</td>
<td>--------------</td>
<td>-------------</td>
</tr>
</tbody>
</table>

6. Quarterly work plan based on annual work plan:

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
</table>

7. Cash Plan:

<table>
<thead>
<tr>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
</table>

(Rs Millions)

8. Output indicators:
   To be determined by project director on the basis of indicators given in the PC-I.

(Revised 2005)
1. **Name of the Project:**
   Indicate name of the project.

2. **Approved capital cost:**
   Provide approved capital cost by the competent forum.

3. **Expenditure upto the end of last financial year:**
   Provide the actual and accrued expenditure upto end of last financial year.

4. **PSDP allocations for the current year:**
   Provide allocations for the project as shown in the PSDP/ADP.

5. **Annual Work Plan:**
   - Provide scope of work as indicated in the PC-I by major items of work.
   - Actual physical achievements upto the end of last financial year against the scope of work indicated in PC-I.
   - Physical targets for the year be determined on the basis of activity chart/work plan to be prepared each year on the basis of PSDP allocations.
     (Blank activity chart/work plan for major items of works enclosed).

6. **Quarterly Work Plan:**
   The quarterly work plan be prepared on the basis of annual work plan.

7. **Cash Plan:**
   Indicate the finances required to achieve the quarterly work plan targets as indicated at 6 above.

8. **Output Indicators:**
   A number of projects start yielding results during its implementation. In such projects the recurring cost is capitalized and the project start yielding results during its implementation. Indicate quantifiable outcome of the projects for the current year.

**The Pro forma along with activity chart/work plan has to be furnished by 1st July of each financial year.**
Implementation of Development Projects
(To be furnished by 5th day of each month)

1. Name of the Project:

2. Financial Status
   i) PSDP allocations for the current year

   ii) Current quarter requirements as per cash plan

   iii) Releases during the month

   iv) Expenditure during the month

3. Physical Status
   Physical achievements during the month under report

<table>
<thead>
<tr>
<th>S.No</th>
<th>Items</th>
<th>Unit</th>
<th>Quantities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

4. Output Indicators

5. Problem/Bottlenecks in Projects Implementation
   - Ban on Recruitment
   - Delay in Consultants Appointments
   - Lack of coordination between Fed/Prov Govts.
   - Land Acquisition
   - Turn over FD/Staff
   - Concept & Design Problems
   - Delay in Release of Fund
   - Law & Order Situation
   - Management Capacity
   - Non Existence of PMUs
   - Intra-Departmental Problems
   - Procurement problems
   - Contractor’s Problem
   - Others
Handout 4H – Multiple Stages of M&E

The M&E work needs to be carried out at multiple stages, depending upon the project requirement. These stages include the following:

**Baseline or Initial Mapping**

If a project involves undertaking a baseline or mapping exercise then the findings from this work need to be analyzed and reported quickly because they form an integral base from which the project proceeds and will often determine what tasks will be progressed and which will not.

**Pilot Phase**

A project may involve undertaking a pilot phase, where something will be tested out with a group or a particular locality before the project is ‘rolled out’ further. Again it is important that the analysis of M&E data from this pilot is undertaken thoroughly and quickly, as the findings from this are needed to inform the progression of the project.

**Mid-term or Periodic Evaluation/Review**

Key findings from periodic evaluation work, usually from the mid-term timeframe of the project onwards, need to be analyzed and reported in a timely manner as they illustrate whether the outputs of the project are being achieved or not and whether process issues are progressing. The findings from these mid-term evaluations inform the ongoing validity of the M&E plan for assessing outcomes and impact for the project. If initial findings show that the project is not achieving and/or is achieving in an unexpected way, then the M&E plan may need to be reviewed and updated for the end of project evaluation activities.

**End of Project Evaluation/Review**

This is usually the most substantive analysis as it is bringing all of the above together, as well as undertaking data collection analysis and reporting for the end of project evaluation. This is the key time of activity for M&E work if findings are to be processed and reported in a timely manner after the end of the project. Therefore resources need to be in place and tasks managed well during this period.

**Impact Assessment or Post-Project Evaluation/Review**

This comes a certain time period after the project completion to assess the impact of the project.
Handout 51 – Key Questions Examples for Step 5 | Timeframe

**EXAMPLES**

<table>
<thead>
<tr>
<th><strong>SOLAR POWER PROJECT</strong></th>
<th><strong>MOBILE HEALTHCARE UNITS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the key M&amp;E milestones and when should they be reached? Design sign-off and validation; ground breaking; civil works completion; equipment installation; grid connectivity; commissioning</td>
<td>What are the key M&amp;E milestones and when should they be reached? Procurement of vehicles and equipment; recruitment of staff; procurement of medicine; commissioning</td>
</tr>
<tr>
<td>How can the activities leading to these milestones be designed? Design sign-off and validation – technical due diligence; ground breaking – physical inspection; civil works completion – physical inspection; equipment installation – consultant sign-off; grid connectivity – consultant sign-off; commissioning – provision of power as per required technical parameters</td>
<td>How can the activities leading to these milestones be designed? M&amp;E firm inspections and spot checks; validation by line department staff</td>
</tr>
<tr>
<td>What are the implications for delay? Cost overruns; Demand–supply gaps</td>
<td>What are the implications for delay? Limited access to health services; cost overruns; delays in meeting national/provincial poverty reduction targets</td>
</tr>
</tbody>
</table>
### EXAMPLES

<table>
<thead>
<tr>
<th>SOLAR POWER PROJECT</th>
<th>MOBILE HEALTHCARE UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost provision for technical consultant</td>
<td>2.5% of project cost dedicated for M&amp;E</td>
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<tr>
<td>Partial funding for joint venture</td>
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<td>No separate provision of M&amp;E costs; to be borne by line department’s M&amp;E cell</td>
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## Handout 4K – Project Evaluation Rating Index (PERI)

### PROJECT EVALUATION RATING INDEX (PERI)

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<td>Before Project Completion</td>
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<td>1.2</td>
<td>Within One Month of Project Closure</td>
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<td>1.3</td>
<td>After Two Month of Project Closure</td>
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<td>After Four Month of Project Closure</td>
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<td>After Six Month of Project Closure</td>
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<td>After Nine Month of Project Closure</td>
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<td>Data Availability &amp; Response of Concerned Agency</td>
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<tr>
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<td>Good</td>
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<td>2.4</td>
<td>Satisfactory</td>
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<td>2.5</td>
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<tr>
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<td>Poor</td>
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<td><strong>Sub-Total-2</strong></td>
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<td>Financial Progress</td>
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<td>Very Good</td>
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<td><strong>Sub-Total-3</strong></td>
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<td>Total Physical Progress</td>
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<td>Very Good (&gt;90 %)</td>
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<td>Good (80-90 %)</td>
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<td>Average (60-70%)</td>
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<td>11</td>
<td>Schedule and Cost Analysis</td>
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<td>11.1</td>
<td>Within planned Schedule or/and Within Budget Completion</td>
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<td>11.2</td>
<td>6 Months Deviation in Planned Schedule or/and 5% cost variation</td>
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<td>11.3</td>
<td>9 Months Deviation in Planned Schedule or/and 10% cost variation</td>
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<td>11.4</td>
<td>12 Months Deviation in Planned Schedule or/and 20% cost variation</td>
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<td>18 Months and Greater Deviation in Planned Schedule or/and 30% cost variation</td>
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<td>Civil Works</td>
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<td>12.3</td>
<td>85% completed</td>
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<td>12.4</td>
<td>80% completed</td>
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<td>70-75% completed</td>
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<td>Not Applicable (sub-total 12 will be 0)</td>
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<td>Quality of Civil Works</td>
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<td>Excellent</td>
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<td>Quality of Operational Procedures</td>
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<td>Excellent</td>
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<td>Satisfactory</td>
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<td>Average</td>
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<td>Poor</td>
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<td>14.6</td>
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DGM&E's Assessment

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<tbody>
<tr>
<td>15</td>
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<tr>
<td>15.6</td>
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Sub-Total 15 5

TOTAL 100

CRITERIA (With Civil Works) Max = 100
1. Exceptionally Successful Intervention > 81
2. Successful Intervention 71 - 80
3. Partially Successful Intervention 61 - 70
4. Unsuccessful Intervention 51 - 60
5. Partially Failure Intervention 41 - 50
6. Failure Intervention < 40

CRITERIA (With No Civil Works) Max = 85
1. Exceptionally Successful Intervention > 71
2. Successful Intervention 61 - 70
3. Partially Successful Intervention 51 - 60
4. Unsuccessful Intervention 41 - 50
5. Partially Failure Intervention 31 - 40
6. Failure Intervention < 30
GENERAL QUESTIONS AND FAQs
Frequently Asked Questions (FAQs) – Chapter 4

Q. No.1. Please indicate the column/question of PC-I demanding information regarding RBM.
Ans. There is no such column/question in PC-I. RBM is part of Instructions issued for preparation of PC-I.

Q. No.2. When a project is completed, whose responsibility is to refer it to P&D Department for undertaking evaluation?
Ans. The Administrative Department is responsible for referring the completed project to the P&D Department for evaluation.

Q. No.3. Which is the major objective/purpose for conducting evaluation of a development project?
Ans. For getting the project transferred from development budget to on-development and ensuring payments of salaries to the employees, if already stood employed.

Q. No.4. Which document/documents for M&E would be required for identifying key indicators?
Ans. PC-I and PC-IV

Q. No.5. How a sample would be drawn from a population?
Ans. Using Simple Random Sampling or Cluster Sampling.

Q. No.6. Is it true that evaluation is always conducted by an external agency?
Ans. Yes.

Q. No.7. Differentiate between primary source of data and secondary source of data.
Ans. Data collected through investigation/conducting surveys is called as primary data. If this data is given any treatment or published and is used for any other enquiry, then it is known as secondary data.

Q. No.8. Why we depend/prefer to use a secondary source for data collection while carrying out an analysis?
Ans. It is easy and least costly.

Q. No.9. What is the indicator of measuring income level in a country and comparing the same with other countries?
Ans. Per capita income.
Q.No.10.  SWOT stands for?
Ans.  Strengths, Weaknesses, Opportunities and Threats.
Q.No.11.  What is meant by 24/7?
Ans.  Round the clock and throughout the week.

**********************
Chapter 5: New Planning Imperatives

A. Session Topics:
   a) Foreign funded projects
   b) Result based management (RBM)
   c) Public Private partnerships

B. Session Objectives:
   a) To get a know how about foreign funding and related concepts
   b) To understand what RBM is and why it is important
   c) To understand PPP and its life cycle

C. Duration of Session: (to be decided by the trainer)

D. Session Schedule and Facilitator’s Guide:

<table>
<thead>
<tr>
<th>Time</th>
<th>Sub Topics</th>
<th>Contents</th>
<th>Presentatio</th>
<th>Handouts</th>
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<tbody>
<tr>
<td></td>
<td>1. Foreign Funded Projects</td>
<td>1.1 Introduction</td>
<td>Slide 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.2 Types of Foreign Assistance</td>
<td>Slide 5–6</td>
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<td></td>
<td></td>
<td>1.2.1 Loans</td>
<td>Slide 7</td>
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<td>1.2.2 Credit</td>
<td>Slide 8</td>
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<td>1.2.3 Grant</td>
<td>Slide 9</td>
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<td></td>
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<td>1.2.4 Gran in Aid</td>
<td>Slide 10</td>
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<td></td>
<td></td>
<td>1.2.5 Technical Assistance</td>
<td>Slide 11–16</td>
<td>5A</td>
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<td>1.2.6 Lending and Guarantee Instruments Types</td>
<td>Slide 17</td>
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<td>1.3 Seeking Foreign Assistance</td>
<td>Slide 18</td>
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<td>1.4 Coordination with Foreign Missions</td>
<td>Slide 19–27</td>
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<td>1.4.1 Key Issues for Consideration in Loan Negotiation</td>
<td>Slide 29–32</td>
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<td>1.4.2 Key Guidelines for Managing Foreign Funded Projects</td>
<td>Slide 33–34</td>
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<td>Slide 35–38</td>
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<td>Slide 39–40</td>
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<td>Slide 41</td>
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<td>2. Result Based Management (RBM)</td>
<td>2.1 What is RBM</td>
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<td>2.2 What is Result</td>
<td>Slide 44–45</td>
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<td>2.3 RBM Framework</td>
<td>Slide 46–47</td>
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<td>2.4 Results Chain</td>
<td>Slide 48–50</td>
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<td>2.5 RBM Implementation</td>
<td>Slide 51–53</td>
<td>5G &amp; 5H</td>
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<td>2.6 Result Based Monitoring</td>
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</table>
3.3.3 Transaction Execution Phase
3.3.4 Project Construction and Operation Phase
3.4 Private Sector Support Calibration
3.4.1 Market Failures
3.4.2 Clear Objectives and Results Based Performance Indicators
3.4.3 Performance Benchmarks for Beneficiaries
3.4.4 Stakeholders Consultation and Participation
3.4.5 Whole or Partial Recovery
3.4.6 Targeting
3.4.7 Sunset Clause

E. List of Handouts:

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F. Session Details

1 Foreign-Funded Projects

1.1 Introduction
The rationale for foreign assistance is best explained by a dual gap theory i.e. foreign exchange and domestic savings scarcity paradigm, a characteristic of all the developing countries. Pakistan being no exception has to tackle this phenomenon with ingenuity. Apart from structural adjustment lending primarily secured from IMF to redress balance of payment deficit, foreign assistance is also sought in shape of soft loans, commodity aid, grants and technical assistance to supplement domestic resources for achieving accelerated growth in selected priority areas. Specific to Punjab, these areas include agriculture and related disciplines, irrigation, physical infrastructure & social sectors, such as education, health and water supply sectors.

Foreign assistance is sought for projects and programs in the shape of:
- Soft loans;
- Commodity;
- Aid;
- Grants;
- Grant in Aid;
- Technical assistance; and
- Structural adjustment facility to redress balance of payment.

The rationale for seeking foreign assistance is to achieve accelerated growth in priority areas and to supplement:
- Provincial domestic resources;
- Poverty reduction efforts; and
- Technical expertise.

Priority areas for Punjab include agriculture and livestock, irrigation and energy, physical infrastructure, urban development, governance, education, skill development, health, water and sanitation, and other areas.

1.2 Types of Foreign Assistance
Foreign assistance can be divided into the following categories.

1.2.1 Loans
Loans constitute the first category of foreign aid. These are obtained for development projects as well as programmes. Major multilateral development partners (DPs) extending loans include:
- The World Bank Group including
  - International Development Association (IDA)
  - International Bank for Reconstruction and Development
  - International Finance Corporation and
- The Asian Development Bank
Apart from these international agencies, bilateral DPs which provide grant assistance are:

- The Department for International Development (DFID)-UK
- Canadian International Development Agency (CIDA)

France, Germany, Italy and Japan provide loans as well as grants / technical assistance.

- **Terms of Loans**

Loans are normally provided on beneficial terms such as a nominal interest rate of approximately 1–2% and a repayment period averaging 25 years, including a grace period of 5–10 years.

The International Fund for Agricultural Development (IFAD) provides interest-free loans in the agriculture and livestock sector with a longer repayment period.

### 1.2.2 Credit

IDA used to provide interest-free credit to Pakistan. However, IDA is now providing credit on blended terms:

- @ 1.25%
- Service charges of 0.75%
- Commitment charges that could be up to 0.5%
- Repayment period has been reduced to 20 years
- With a five-year grace period

### 1.2.3 Grants

Grants are not to be paid back.

Major agencies that provide grants include the United Nations agencies such as:

- United Nations Children's Fund (UNICEF)
- World Food Program
- United Nations Development Program (UNDP)
- United Nations Educational, Scientific and Cultural Organization (UNESCO) and Food and Agriculture Organization (FAO)
- Along with bodies granting official development assistance in Japan, Canada, Germany, etc.

A project-specific technical grant may include **equipment/material and technical expertise / consultancies**.

### 1.2.4 Grant in Aid

i) **Grant-In-Aid**: a transfer of money from the federal government to a state government, local government or individual person for the purposes of funding a specific project or program. The federal government gets this money from income tax revenues.
ii) Grant-In-Aid: a subsidy furnished by a central government to a local one to help finance a public project, as the construction of a highway or school.

1.2.5 Technical Assistance

Under technical assistance, training facilities and advisory services are provided with a view to improve the technological base in the recipient country. Project preparatory technical assistance is also provided by donors under which services of experts are arranged on a grant basis for preparation of feasibility studies and project documents.

Foreign-assisted projects usually contain a component of technical assistance in the form of:

- Consultants;
- Training;
- Project preparation facilities;
- Feasibility studies;
- Design surveys; etc.

Technical assistance is usually provided by

- United States Agency for International Development (USAID)
- United Nations Development Programme (UNDP)
- Asian Development Bank (ADP)
- DFID-UK
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)-Germany
- Japan International Cooperation Agency (JICA)

A number of other countries also provide technical assistance under various programmes.

Technical assistance could be on a loan or grant basis.
## Lending and Guarantee Instrument Types

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>APL</td>
<td>Adaptable Program Loan</td>
</tr>
<tr>
<td>DPC</td>
<td>Development Policy Credit</td>
</tr>
<tr>
<td>DPL</td>
<td>Development Policy Loan</td>
</tr>
<tr>
<td>DRL</td>
<td>Debt Reduction Loan</td>
</tr>
<tr>
<td>EFF</td>
<td>Extended Fund Facility</td>
</tr>
<tr>
<td>ERL</td>
<td>Emergency Recovery Loan</td>
</tr>
<tr>
<td>FSL</td>
<td>Fixed-Spread Loan</td>
</tr>
<tr>
<td>FIL</td>
<td>Financial Intermediary Loan</td>
</tr>
<tr>
<td>LIL</td>
<td>Learning and Innovation Loan</td>
</tr>
<tr>
<td>OCR</td>
<td>Ordinary Capital Resources</td>
</tr>
<tr>
<td>PBG</td>
<td>Policy-based Guarantee</td>
</tr>
<tr>
<td>PSAL</td>
<td>Programmatic Structural Adjustment Loan</td>
</tr>
<tr>
<td>RIL</td>
<td>Rehabilitation Loan</td>
</tr>
<tr>
<td>SAL</td>
<td>Special Assistance Loan or Structural Adjustment Loan</td>
</tr>
<tr>
<td>SECAL</td>
<td>Sector Adjustment Loan</td>
</tr>
<tr>
<td>SIL</td>
<td>Specific Investment Loan</td>
</tr>
<tr>
<td>SIML</td>
<td>Sector Investment and Maintenance Loan</td>
</tr>
<tr>
<td>SSAL</td>
<td>Special Structural Adjustment Loan</td>
</tr>
<tr>
<td>TAL</td>
<td>Technical Assistance Loan</td>
</tr>
<tr>
<td>VSL</td>
<td>Variable-Spread Loan</td>
</tr>
</tbody>
</table>
1.3 Seeking Foreign Assistance

Foreign assistance is usually obtained for projects that involve

- Large investment outlays;
- Foreign exchange requirements; and/or
- Modern technology.

Loans must not be requested on a supply basis; rather, they should be demand driven.

A foreign agency showing interest in any project on its own must be discouraged.

To obtain foreign assistance, the administrative departments:

- The DPs prepare medium-to-long term strategic plans for specific countries in consultation with all stakeholders in the public and private sectors.
- Accordingly, the provincial government may start initial consultations with the DPs.
- The provincial government must prepare the PC-I before entering into formal negotiations. However, if sufficient data are not available, then it should get the concept paper cleared from the CDWP / Concept Clearance Committee (CCC).

No loan document can be signed without the approval of the PC-I by ECNEC.

- Furnish the copies of relevant projects on concept clearance proforma.
- P&D, Department after getting the clearance of the PDWP, submits the proposals to the Ministry of Planning, Development & Reforms, and Government of Pakistan for concept clearance by the Federal Concept Clearance Committee headed by the Deputy Chairman, Planning Commission.
- Thereafter, the project proposals are forwarded to Economic Affairs Division (EAD), Government of Pakistan to be presented to the DP.

Role of EAD

- EAD coordinates all the foreign assistance;
- EAD demands projects that are conceptually cleared by the CDWP / Concept Clearance Committee as a precondition for sending formal requests for initiating the negotiation process by the DPs;
- On receiving a formal request from EAD, the donor sends a project scoping / (pre) identification mission;
- It is followed by a (pre) appraisal mission;
- On the basis of recommendations of the appraisal mission, the PC-I is prepared.
- Approved by ECNEC;
- Subsequent to the finalization of the negotiations, the loan documents are signed.

---

1 Detailed guidance on seeking foreign assistance is available from the Government of Pakistan's Debt Management Manual, which can be accessed from:
• In the loan agreements there are sometimes conditions for effectiveness, which must be fulfilled to declare the loan effective; and
• Some of the conditions could be furnishing the legal opinion and establishing a Project Implementation Unit with the Project Director and with support / basic essential staff.

In the case of foreign-assisted projects, allocation of the counterpart funds in the ADP must be ensured.

**Commitment Charges**
It should be ensured that projects are completed on time; otherwise the commitment charges on unspent balance have to be paid by the government for an extended period.

**Selected Multilateral and Bilateral Donors**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
</tr>
<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IDB</td>
<td>Islamic Development Bank</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agriculture Development</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>IOM</td>
<td>International Organization for Migration</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
</tr>
<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
</tr>
<tr>
<td>OFID</td>
<td>OPEC Fund for International Development</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of the Petroleum Exporting Countries</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
</tr>
<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
</tr>
<tr>
<td>UNHABITAT</td>
<td>United Nations Human Settlements Programme</td>
</tr>
<tr>
<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
</tr>
<tr>
<td>UNIC</td>
<td>United Nations Information Centre</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
</tr>
<tr>
<td>UNOCHA</td>
<td>United Nations Office for the Coordination of Humanitarian Affairs</td>
</tr>
<tr>
<td>UNODC</td>
<td>United Nations Office on Drugs and Crime</td>
</tr>
<tr>
<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
</tr>
<tr>
<td>UNWOMEN</td>
<td>United Nations Entity for Gender Equality and the Empowerment of Women</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
</tbody>
</table>
1.4 Coordination with Foreign Missions

The P&D Department plays a coordinating role between the recipients and the donors via EAD by coordinating visits of various types of foreign missions. Usually at the end of the visit of a foreign mission, a wrap-up meeting is held in the P&D Department wherein the mission presents its findings and recommendation.

The future course of action is agreed upon between project authorities and the mission for smooth implementation of projects. The coordination role of the P&D Department also includes:

- Processing of all communications on federal government participation in loan negotiation;
- Signing of the project agreements; and
- M&E of the foreign-assisted projects

The P&D Department also convenes review meetings with various administrative departments / PMIUUs to ensure timely utilization of the foreign assistance.

Project Steering committees are usually housed in P&D.

The Project Director is the member / Secretary of the committee.

1.4.1 Key Issues for Consideration in Loan Negotiations

Some of the key issues in negotiating a financing agreement include:

- Credit amount
  Agreement on the overall credit amount is the first step.

- Commitment charge rate
  The commitment charge is a fee lenders charge their borrowers for unused credit or credit that has been promised at a specified future date. A lender charges a borrower a commitment fee to keep a line of credit open, or to guarantee a loan at a certain future date even through the credit is not being used at that particular time.

- Service charge rate
  The service charge is made on the withdrawn balance.

- Interest rate
  Interest rate charged on the withdrawn financing balance. The withdrawn financing balance is defined as 'the amounts of credit withdrawn from the Credit Account and outstanding from time to time'.
1.4.2 Key Guidelines for Managing Foreign-Funded Projects

Guidelines for major foreign-funded projects:

- **Country Partnership Documents**

  Provincial departments and authorities/agencies should actively participate in preparation of country strategy documents of various donors to align sector plans as well as development priorities of the province with donors' development portfolios.

- **Provincial Working Group**

  For each significantly large foreign-funded project, the concerned line department(s), with assistance from P&D, should form a Provincial Working Group to work with the project design team/mission deployed by the donor agency. Once the draft project design is ready, the same working group should be entrusted the task to review the design document. The PC-I prepared subsequently should also be reviewed by the same working group to ensure synergies.

- **Policies and Procedures of Donor Agency**

  Unless explicitly mentioned in grant/loan agreement, all the policies and procedures of donor agencies, in the case of conflict, will take precedence in managing the projects regarding issues of procurement, administration, etc.

- **Proactive Management of Reviews**

  Departments should pro-actively prepare for mid-year, mid-term or other reviews by the donor missions, through formulation of working papers/presentations, and ensure that donor agencies' concerns regarding effective program implementation are addressed.

- **Programme/project Bank Accounts**

  More complicated programmes/projects generally have two streams of funds coming in:
  
  1. ADP allocation from the government, as well as,
  2. Foreign assistance allocation coming in from the donor agency.

  In such cases two separate assignment accounts should be opened in the name of the Project Management Unit (PMU), including:
  
  1. One assignment account in foreign currency (if required) for funding provided by the donor agency; and
  2. The other Assignment account in Rupees for the contribution of the GoPb (counterpart funding).
Operation of Account

- The project director should be authorized to operate both accounts and should act as the principal signatory for both accounts.
- The Finance Department should authorize any other project staff member or any other suitable official to act as a co-signatory of such accounts.
- If the programme/project has district/operational tiers, for efficiency purposes, such offices may open assignment accounts for operational expenses and the relevant project staff along with any other official nominated by the Finance Department can be the co-signatories.
- All requests/withdrawal applications, however, for replenishing of accounts/transfer of funds should be routed through the PMU.

Figure: Assignment accounts and funds flow

- **Fund flow and Disbursement Arrangements**
  - Foreign agencies will transfer their funds through the State Bank of Pakistan (SBP) to the assignment accounts opened in the name of the respective programme/project.
  - The transfer of funds to the State Bank and subsequently from the State Bank to the programme/project accounts should be governed by the Finance Division’s OM\(^2\) no. F.2 (1)- BR-II / 2007-949 effective from 2 August 2013.

\(^2\) Office memorandum
- Disbursements are translated into Pakistani rupees by the SBP, therefore, the local currency should form the transaction basis for operation accounting and reporting.

- Reconciliation of Contributions

  Periodically, or at the end of every six months, the contributions of the GoPb and donor agencies should be reconciled. Before the end of the financial year it should be ensured that the partner that contributed less than agreed in the arrangement bridges the difference.

- Accounting and Financial Reporting

  All financial transactions should be recorded separately in the accounts in a manner that allows identification of expenditures under different components and under different heads. Accounting records of project accounts should be maintained using the government-wide integrated financial management information system being implemented under the project to:

  - Improve Financial Reporting & Auditing regime; and
  - In accordance with the country accounting procedures.

- Internal Controls and Internal Audit

  The project payments should go through an internal audit process to ensure transparency and adherence to financial rules and regulations. Management should ensure the financial propriety of expenditures and revenues.

- External audit

  The accounts of the program/project, together with the record of expenditures, should be audited annually by an auditor(s) acceptable to the donor agency in line with the grant/loan agreement. The auditor general may manage/arrange an audit through its subsidiary offices or through an auditor agreed between the donor agency and the GoPb.
ACCOUNTING PROCEDURE FOR REVOLVING FUND ACCOUNTS
(FOREIGN AID ASSIGNMENT ACCOUNT)

For a foreign donor-assisted project, a revolving fund account (RFA) in respect of donor financing under a loan/credit/grant shall be established at a branch of the National Bank of Pakistan (NBP), separately from the account to be established for the government’s share of project financing (counterpart funds), if any is required. Such accounts shall be in the nature of assignment accounts.

The NBP shall be the designated bank for handling all transactions of RFAs. The foreign currency amounts received under a foreign credit/loan/grant for RFAs shall be translated/converted into Pakistani rupees at the SBP’s weighted average buying rate of exchange prevailing on the date of transfer of funds by the donors.

The payments out of RFAs by way of reimbursement to NBP would be translated notionally at the aforesaid SBP rate of exchange at which the foreign currency was purchased by the SBP (date of receipt of funds from the donor in the SBP). The RFAs at NBP branches shall show debits, credits and the balance in Pakistani rupees as the funds available to the project management would be in Pakistani rupees.

The rate of exchange used for donor reporting purposes by the project authorities would be the rate of exchange applied by the SBP for converting foreign currency into Pakistani rupees for that tranche at the time of receipt of funds in the SBP from the donor. In the case of more than one tranche, the rate applied for each tranche will be used for donor reporting purposes; the funds received in the first tranche will be utilized first and the unutilized balance shall be attributed to the last tranche.

The ‘foreign currency’ for the purposes of this procedure would mean the United States Dollar (USD), Euro (EUR), Pound Sterling (GBP), Japanese Yen (JPY), Australian Dollar (AUD), Canadian Dollar (CAD), Swiss Franc (CHF) and any other foreign currency that may be permitted specifically or generally later on by the Finance Division (Budget Wing) in consultation with SBP (Finance Department), Karachi.

Separate RFAs shall be established by the project management by the NBP for each of the loans/credits/grants, and each RFA will be designated a special sub-fund identification number upon establishment of the account. These individual sub-accounts will together constitute a single but separate account (child account) under Central Government Account No.1 (Non-Food) held presently with the SBP.

The RFA shall be lapsable at the end of each financial year. However, the lapsed balance in one financial year will be protected through a budgetary allocation in the next financial year.

If the funds from donors are received in currencies other than US dollars, these shall be credited in respective RFAs in Pakistani rupees at the prevailing rate of exchange.

On receipt of the credit advice in respect of a disbursement of foreign currency funds to the project from donors that must be routed through the SBP Karachi, the SBP’s Finance Department will advise the chief manager (SBP-Banking Services Corporation (BSC)) Karachi, to credit the Pakistani rupee equivalent of the foreign currency to the assignment account (sub-account of Central Account-I) under the appropriate debt or grant head.
chief manager will, in turn, and at the latest by the next business day, authorize the amount in Pakistani rupee credit into the relevant RFA of the project.

The (SBP-BSC) Karachi will immediately report the receipt in Pakistani rupees and the equivalent foreign currency to NBP headquarters with a copy to respective NBP branch, the relevant Project Director, P&D Division / Department (as the case may be), EAD, Finance Division / Department and AGPR / AG. No accounting entry shall be made in the books of DAO / AG / AGPR at this stage.

2 Result Based Management (RBM)³

2.1 What is RBM?

RBM is defined as a broad management strategy aimed at achieving improved performance and demonstrable results, and has been adopted by many multilateral development organizations, bilateral development agencies and public administrations throughout the world.

RBM is the shift from focusing on the inputs and activities (resources and procedures) to focus on the outputs, outcomes, impact and the need for sustainable benefits (the results of what you do). Results are the changes occurring as an effect of a development intervention and imply that a change of behaviour by individuals, groups of people, organizations, government bodies or society has taken place.

RBM uses feedback loops to achieve strategic goals. All people and organizations, who contribute directly or indirectly to the result, map out their business processes, products and services, showing how they contribute to the outcome.

The DPs and the developing countries under the Paris Declaration are bound to work together and jointly monitor and evaluate foreign-funded development projects and programmes to make sure that funds are spent on the approved projects and programmes.

To strengthen and streamline the system, the developing countries agreed to introduce RBM systems. Other similar frameworks for results mapping include:

- Managing for Development Results (MfDR);
- Results-based M&E;
- Result management;
- Performance measurement/management; and
- Management by objective.

Traditional monitoring looks into:

- Financial progress
- Physical progress

But RBM probes into the

³This section has been largely extracted from Planning Commission’s Guide on Project Management and the United Nations Development Group’s RBM Handbook.
- Outcomes; and
- Impacts of development projects and programmes.

RBM has been promoted as an important means to improve the quality and impact of development efforts. It is essentially a special public management tool; governments can use it to measure and evaluate outcomes and then feed the information back into the ongoing processes of governance and decision-making.

### 2.2 What is a result?

A result is a describable or measurable change that is derived from a cause-and-effect relationship. There are three types of such changes – outputs, outcomes and impact - which can be set in motion by a development intervention. The changes can be intended or unintended, positive and / or negative. It is expected that careful management for development results within programs using RBM will lead to positive change. However, this is not always the case. Change can sometimes lead to unintended or negative consequences. It is therefore important to continually manage for results so that programs can truly result in positive change.\(^4\)

At its core are notions of:

- **Goal Orientation**
  Setting clear goals and results that provide targets for change and identifying opportunities to assess whether change has occurred.

- **Causality**
  Various inputs and activities leading logically to outputs, outcomes and impacts, also called the 'results chain'.

- **Continuous Improvement**
  Periodically measuring results providing the basis for adjustment (tactical and strategic shifts), to keep programmes on track and to maximize their outcomes.

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\(^4\) United Nations Development Group’s RBM Handbook
2.3 RBM Framework

The RBM framework of a project/activity consists of four phases:

i. **Input**
ii. **Output**
iii. **Outcome**
iv. **Impact**

These are explained below:

- **Impact** — The higher-order objective to which a development intervention is intended to contribute.
- **Outcome** — The likely or achieved short-term and medium-term effects of an intervention’s outputs.
- **Output** — The products, capital goods and services that result from a development intervention; this may also include results from the intervention that are relevant to the achievement of outcomes.
- **Input/activity** — Actions taken or work performed through which inputs such as funds, technical assistance and other types of resources are mobilized to produce specific outputs.

2.4 Results Chain

In RBM, a results chain is used, which shows how activities, through a number of intermediate causal links, are expected to result in the realization of the goals of those projects, programmes and policies. For example, training of farmers in improved agricultural skills could lead to an increase in agricultural output, which in turn could result in increased household income and improved nutrition.
techniques can lead to changes in agricultural practices, which can improve their yields, which in turn can enhance incomes of household livelihoods.

2.3.1 Measuring Results
The success of an RBM system hinges upon quantifying or measuring results of a development project or a program. The power of measuring results comes from tracking the following over time:
- Expenditures
- Revenues
- Staffing levels
- Resources
- Programme and project activities
- Goods and services produced

<table>
<thead>
<tr>
<th>If you:</th>
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<tbody>
<tr>
<td>do not measure results, you cannot tell success from failure.</td>
</tr>
<tr>
<td>cannot see success, you cannot reward it.</td>
</tr>
<tr>
<td>cannot reward success, you are probably rewarding failure.</td>
</tr>
<tr>
<td>cannot see success, you cannot learn from it.</td>
</tr>
<tr>
<td>cannot recognize failure, you cannot correct it.</td>
</tr>
<tr>
<td>can demonstrate results, you can win public support.</td>
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</tbody>
</table>

Utilizing monitoring results after conducting field or desk monitoring of a development project or a program is the key step in reaping the benefits of the project. Once this step has been taken, RBM itself begins to generate results.

2.5 RBM Implementation
The following steps explain RBM implementation for a programme or a project:
- Agreeing on performance outcomes to monitor and evaluate;
- Developing key indicators to monitor results;
- Gathering baseline data on indicators;
- Planning for improvements – setting realistic targets;
- Building a monitoring system;
- Analyzing and reporting findings;
- Collecting and providing evaluative information; and
- Using the findings – getting that information to the appropriate users.

2.6 Results-Based Monitoring

- Key Indicators

Indicators are ‘yardsticks’ that can be used to demonstrate that changes have (or have not) taken place. Indicators of the achievement of objectives are required in order to establish whether a project or program is achieving the desired changes.
Another important step for an organization is to develop key indicators so that a sustainable M&E system based on RBM is established. Without indicators, it is hardly possible to monitor the targets vis-à-vis achievements of a development project or programme.

The key indicators will usually be defined during the planning process. Later, these need to be reviewed, and perhaps adjusted or supplemented. The key questions concerning indicators are:

- For whom should something change?
- To what extent should something change?
- By when should something change?

3  PPPs – Looking for Alternative Financing Options

3.1 Public Private Partnerships (PPPs)

The GoPb is committed to

- Sustainable economic growth
- Inclusive social development

Global experience has shown that there is a close relationship between these objectives and infrastructure development as well as growth in private investment. The correlation works in both ways.

**Private investments** and **Infrastructure development** are major drivers for economic growth, and economic growth requires well-functioning infrastructure facilities and services as well as financing to fuel growth.

If infrastructure investments are not kept at a sufficient level, economic growth becomes constrained by power shortages, traffic congestion, high transport costs and other infrastructure bottlenecks. Similarly, public financing is often limited and runs dry, in the absence of a healthy flow of private investments.

3.2 PPP in Punjab

The government has therefore decided to significantly increase private investments in infrastructure services and other sectors. The preferred mode is PPPs, where the private and public sectors enter into mutually beneficial contractual agreements for the provision of public infrastructure services. To provide an enabling framework for private sector participation in infrastructure development, the government has approved the Punjab Public–Private Partnership Act 2014, has issued a PPP policy and issued detailed PPP policy guidelines and PPP rules for Punjab.

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5 For detailed information on the subject, please see Punjab’s PPP Policy Guidelines, which can be accessed at [http://ppp.punjab.gov.pk/guidelines](http://ppp.punjab.gov.pk/guidelines), as well as the PPP Act and Rules at [http://ppp.punjab.gov.pk/policy_act](http://ppp.punjab.gov.pk/policy_act)
PPP Mode

The lack of sufficient viable projects to offer to private investors has been pointed out in a number of countries as one of the major constraints to promoting PPPs. Therefore, a proactive approach is needed for identifying and screening projects that are potentially suitable for implementation in the PPP mode. As the line departments and local governments in Punjab lack experience in this area, there is a need for adopting a relatively simple methodology and procedures, which they could follow.

PPP Cell

To provide the necessary support, the government has established a PPP cell in the P&D Department, which is staffed by

- Technical experts
- Financial experts
- Legal experts

All line departments and local governments that want to implement PPP projects in their sector and/or geographical area of responsibility can seek support from the PPP cell in:

- Project identification
- Screening
- Preparation
- Transaction execution

A practice-oriented methodology is described for the identification and screening of potentially suitable PPP projects in Section 2 of this manual, which can be used by line departments and local governments in-house without undertaking complex and time-consuming assessment studies requiring external support.

3.3 PPP Project Life-Cycle

The following four main phases can be distinguished in the overall life-cycle of PPP projects:

- Project inception
- Project preparation (feasibility study)
- Transaction execution (procurement of the private party)
- Construction, operation and transfer (development, delivery and exit)

The sequence of the main activities during these phases is shown in the chart below:
<table>
<thead>
<tr>
<th>Approval / Rejection of PDF Request</th>
<th>Approval / Rejection of Project Proposal</th>
<th>Approval / Rejection of Contract Award</th>
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</thead>
<tbody>
<tr>
<td>Review</td>
<td>Review</td>
<td>Review</td>
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<td>Prioritization</td>
<td>Review</td>
<td>Review</td>
</tr>
<tr>
<td>Project Identification</td>
<td>Feasibility Study</td>
<td>Pre-Qualification</td>
</tr>
<tr>
<td>PPP Steering Committee</td>
<td>Transaction Execution</td>
<td>Contract Negotiations and Signing</td>
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<td>PPP Cell</td>
<td></td>
<td>Monitoring and Supervision</td>
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<tr>
<td>Risk Management Unit</td>
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<tr>
<td>Government Agency</td>
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</tbody>
</table>
3.3.1 Inception Phase
During the inception phase, the line departments can identify and conceptualize a potential PPP project from its master plans and other planning documents. This phase should include an initial needs and options analysis to determine the best solution for developing the given infrastructure facility and/or providing the necessary infrastructure service, as well as an initial viability analysis.

To help prepare the PPP project and select the private party, the line departments need to recruit qualified consultants. Prior to doing so, they need to decide whether to cover their cost:

- From their own budget; or
- The project development facility (PDF)\(^6\).

In the latter case, the line departments should submit a request for PDF funding through the PPP cell to the PPP Steering Committee.

The project inception phase ends with the recruitment of the consultants who will provide support to the government agency during the next two phases.

3.3.2 Project Preparation Phase
In the second phase, the line departments should manage preparation of the PPP project by the consultants. The preparation consists of:

- A feasibility study
- Supplemented by an initial environmental examination
- Environmental impact assessment (if required)
- Risk analysis
- Assessment of the need for government support
- Stakeholder consultations
- Determination of the PPP modality (project structuring)\(^7\), and
- Drafting of tender documents including the PPP agreement

An important part of the feasibility study is financial modeling to determine project bankability and affordability.

3.3.3 Transaction Execution Phase
Provided the outcome of the feasibility study is:

- Positive,

\(^6\) As the costs of consultants are significant and cannot be funded frequently by the annual budgetary allocations, the government has established the PDF as a part of the overall enabling PPP framework. The PDF, which will be administered by the PPP cell, will ultimately be a revolving fund, with the project preparation and transaction execution costs reclaimed from winning bidders.

\(^7\) These activities are sometimes referred to as technical, legal, environmental and financial due diligence.
the PPP project proposal is approved by the PPP Steering Committee for implementation.

The third phase — transaction execution — starts. During this stage, the consultants should assist the line departments in undertaking market sounding aimed at packaging the project in a way that attracts the interest of private investors. The market sounding should be followed by the tendering process as prescribed in the Punjab Public–Private Partnership Act 2014.

Based on technical and financial evaluation of the bids received, the preferred bidder should be determined and invited to contract negotiations.

After the PPP agreement has been signed, the selected private party should endeavor to arrange the necessary financing and thereby achieve financial closure for the PPP project. This will mark the end of the transaction execution phase and the beginning of project construction.

3.3.4 Project Construction and Operation Phase

This last phase covers:

- Construction
- Operation and transfer (if applicable)

The line department should be responsible for monitoring and evaluating the PPP project to ensure its conformity with the:

- Plans;
- Specifications;
- Performance standards; and
- Tariffs in the PPP agreement.

The line departments should submit annual reports on the PPP project to the PPP cell. At the end of the period covered by the PPP agreement and if so provided therein, the PPP project should be transferred by the private party to the government.

The following matrix lists the main responsibilities of different partners during the PPP project life-cycle:
# MAIN STEPS DURING THE PROJECT LIFE-CYCLE

<table>
<thead>
<tr>
<th>Phase</th>
<th>Steps</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Project inception</td>
<td>- Decide to explore the PPP mode&lt;br&gt;- Identify a potential PPP project from the master plan or through preliminary needs analysis&lt;br&gt;- Screen the project using multiple criteria&lt;br&gt;- Decide whether to pursue the project any further&lt;br&gt;- Prepare a project concept paper&lt;br&gt;- Register the project with the PPP cell&lt;br&gt;- Appoint a project manager&lt;br&gt;- Draft ToRs for the feasibility study and transaction execution&lt;br&gt;- Prepare a budget estimate for the required consulting services&lt;br&gt;- Decide whether to request financing from the PDF&lt;br&gt;- Prepare and issue a request for proposals for consulting services&lt;br&gt;- Evaluate the technical and financial proposals&lt;br&gt;- Negotiate and sign a contract with the first-ranked consultants</td>
<td>L.D</td>
</tr>
<tr>
<td>2. Project preparation</td>
<td>- Carry out the feasibility study&lt;br&gt;- Review its conclusions and recommendations&lt;br&gt;- Decide on whether to proceed with the project any further&lt;br&gt;- Prepare a report on the project proposal&lt;br&gt;- Submit the project proposal through the PPP cell to the PPP Steering Committee&lt;br&gt;- Review the project proposal and prepare a briefing paper for the PPP Steering Committee&lt;br&gt;- Decide on whether to approve, reject or send back for reconsideration the project proposal</td>
<td></td>
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</table>
3. Transaction execution

- Prepare an information memorandum for project marketing
- Undertake market sounding of potential investors and lenders
- Finalise project structure and tender documents
- Establish a data room for due diligence by investors
- Issue a request for pre-qualification applications
- Evaluate pre-qualification applications
- Issue a request for technical and financial proposals to pre-qualified bidders
- Evaluate bids received
- Prepare a bid evaluation report including recommendations on the contract award
- Submit the bid evaluation report through the PPP cell to the PPP Steering Committee
- Review the bid evaluation report and prepare a briefing paper for the PPP Steering Committee
- Decide on whether to approve, reject or send back for reconsideration the contract award recommendation
- Conduct negotiations with the preferred bidder
- Sign the PPP agreement
- Fulfill conditions precedent to financial close

4. Development, delivery and exit

- Monitor project implementation to ensure conformity with plans and specifications
- Monitor and evaluate project operation to ensure conformity with performance standards and tariffs
- Prepare annual reports on project performance to the PPP cell
- Monitor and evaluate financial performance of the project
- Make arrangements for project transfer to the government at the end of the term of the PPP agreement

Table 1: PPP project life-cycle steps

CF = Consulting Firm; LD = Line Department; PDF = Project Development Facility; PPP = Public-Private Partnership;
PPPC = PPP Cell, PPPSC = PPP Steering Committee, RMU = Risk Management Unit.

* If support by the PPP cell for this activity is requested by the government agency.

** If government support is required for the project.

3.4 Private Sector Support Calibration

The GoPb has been endeavoring to support a number of industries in recent years, through various interventions. Furthermore, in the past few years, the sponsoring departments have
increasingly opted for developing independent companies to take responsibility for implementation of these interventions.

These recently established organizations usually take the form of a not-for-profit company, registered under Section 42 of the Companies Ordinance (commonly referred as Section 42 companies). Most of these Section 42 companies have been established through a direct grant or loan from the GoPb, but after the utilization of initial seed money, these companies often seek more funding through their parent department, with or without PC-I, for meeting their recurring costs as well as for new development initiatives.

It is imperative that anybody who is involved in requesting, appraising or approving such grants should apply some objective criteria to ensure that such grants are rightly targeted and effectively used. For this purpose, this section outlines an approach to assess such cases, in line with the best practices followed across the world to benchmark similar industrial support interventions.

The core principles in criteria for assessing private sector support initiatives include:

- The sunset clause
- Exit strategy
- Targeted interventions
- Clear objectives
- Performance indicators
- M&E mechanism
- Shareholder consultation and participation
- Transparency
- Whole or partial cost recovery
- Simple design to implement and manage
- Flexibility to adjust and scale up
- Market mechanism
- Targeting of productivity or innovation gains
- Ownership and accountability

### 3.4.1 Market Failures

The need for government interventions for industrial support should only be justified if they are addressing a market failure that cannot be addressed by the private sector itself\(^3\). These failures include coordination failures and information spillover.

**Coordination Failures:** Coordination failures occur when markets are incomplete so that the return to one investment depends on whether some other investment is also made: building a hotel near a beautiful beach may be profitable if someone builds an airport. The opposite may also be the case. However, there may be not be a way for the market to coordinate both investments. A typical solution is for the government to provide a guarantee to both investors. If done well, this will be costless for the government ex post as the investments would be profitable when they both take place. If the guarantee is not credible, then the government can just build the airport and the hotels would follow.

\(^3\)Hausmann and Rodrik, 2006. Doomed to Choose: Industrial Policy as Predilection
Similarly, hypothetically a number of furniture manufacturers in Chiniot may not be investing in high-quality designs or a highly skilled workforce, due to the absence of a wood seasoning facility in the area. Nobody may be willing to invest in such a seasoning facility, in the absence of high-quality manufacturers in the area. Again, the government may either provide guarantees or invest and establish such a facility to ensure availability of high-quality wood for more expensive designs.

Information spillovers mean that an entrepreneur shies away from investing in something where he/she would incur costs (personalized costs), but if he/she is successful the gains would be shared by others as well (social costs).

For instance, surgical instrument manufacturers may not invest in training their workforce, as these workers, once trained, may be hired by other players in the market. However, the government may address this failure by establishing a technical and vocational training institute in the area for the surgical manufacturing workforce.

3.4.2 Clear Objectives and Results-Based Performance Indicators
All industrial support interventions should have well-defined objectives with commitment at the outset of the intervention, so that all stakeholders know what the new industrial support initiatives are trying to achieve. A well-designed industrial support intervention must have both output- and outcome-level goals.

For instance, a technical and vocational training facility may have the outcome-level objective / goal of enhancing the skill of the workforce in particular industries; however, the output-level goals must include the number of trainees or number of courses delivered over a period of time. Moreover, the outcome-level goals should be quantifiable, which may then be verified through impact assessment exercises, carried out by P&D Department, a third party or any other institution.

3.4.3 Performance Benchmarks for Beneficiaries
All private sector support interventions should have clear performance benchmarks for beneficiaries, and if these are not met, there should be a clear process for filtering out such beneficiaries.

For example, in special industrial or export processing zones, the beneficiaries can be asked to meet certain export targets.

3.4.4 Stakeholder Consultation and Participation
It is important to lay down this procedure to demonstrate how all relevant stakeholders have been consulted. In many cases, a handful of stakeholders are consulted or sometimes an important stakeholder is missed.

3.4.5 Whole or Partial Cost Recovery
The notion of cost recovery is important not only for

- Creating ownership and responsibility

But also because
- The government’s limited resources should be channeled in the most effective manner.

The government may decide to support interventions that do not contribute anything towards cost recovery; nevertheless, the principle should be there to priorities, rank and assess any such interventions.

### 3.4.6 Targeting

The government has the mandate of directing limited resources to the initiatives that meet its strategic priorities. Some of the interventions, while having clear objectives, only aim at increasing the profitability of the private enterprises.

However, all such interventions should target either productivity or innovation as clear criteria for targeting. For instance, at the federal level, the export rebates are given to all exporters, thereby increasing their profitability. As per this principle, however, these rebates should be focused on certain types of exporters, including those exporting to new markets (where they could not previously export and now due to productivity enhancement have become more competitive) or in new product categories (which indicates innovation).

### 3.4.7 Sunset Clause

Sunset clauses define the time duration of an intervention and as such are termed as the most effective policy design feature. Governments operate at a distance from private enterprises. Most of the time, it is difficult for the government to pick winners from among the interventions, and there is no explicit timeframe for an intervention after which a third party may carry out a CBA to decide on continuing or otherwise for that particular initiative.

Therefore, all the industrial support interventions should exist for a limited period and must have sunset clauses.

For instance,

- Provision of milk cooling tanks;
- Mechanization support for farms; etc.

Under various industry support initiatives should have had a sunset clause with an inherent assumption that by the time they end, they would have achieved the desired objectives. Even the Section 42 companies, as well as public-sector training institutions, exhibition centers, etc., must also have a sunset clause, as government should not keep on supporting this essentially private sector activity for an unlimited period. If the private sector continues to see value in these initiatives, they should be taken up by the private sector itself.

For example, Section 42 companies for sector development in a particular industry can be taken up by the respective industry association after a certain time. Similarly the public sector-led training can be taken over by private sector players, if there is a sufficient element of cost recovery. These sunset clauses, however, should correspond to an appropriate exit strategy.
<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>✓/✗</th>
<th>Comments</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Does the proposed project address a market failure? Please explain:</td>
<td></td>
<td></td>
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<tr>
<td>2</td>
<td>Does the project have clear objectives and results-based performance indicators?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Are there clear selection criteria for beneficiaries?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Are there any performance benchmarks for beneficiaries?</td>
<td></td>
<td></td>
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<tr>
<td>5</td>
<td>Have relevant stakeholders been consulted?</td>
<td></td>
<td></td>
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<tr>
<td>6</td>
<td>Are beneficiaries making any cost contributions?</td>
<td></td>
<td></td>
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<tr>
<td>7</td>
<td>Does the project have a sunset clause?</td>
<td></td>
<td></td>
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<tr>
<td>8</td>
<td>Does the project have an exit strategy?</td>
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</table>
POWERPOINT SLIDES
Chapter: 5
New Planning Imperatives

- Foreign funded projects
- Result Based Management (RBM)
- Public Private Partnerships (PPPs) – looking for alternative financing options
- Private sector support calibration

TIME TO PLAN

Foreign funded projects

Result Based Management (RBM)

Public Private Partnerships (PPPs)

Private sector support calibration
Foreign-Funded Projects (1/3)

FOREIGN ASSISTANCE FOR PROJECTS AND PROGRAMMES

Categories:
- Soft loans
- Commodity aid
- Grants
- Technical assistance

To:
- Supplement provincial domestic resources
- Poverty reduction
- Technical expertise

For accelerating growth in priority areas

Priority Areas-Punjab

Specifically to Punjab, these areas include:
- Agriculture and livestock
- Irrigation and energy
- Physical infrastructure
- Urban development
- Governance
- Education
- Skill development
- Health
- Water and sanitation
- And other areas

Foreign-Funded Projects (2/3)

 Loans for development projects and programmes

 Major multilateral Development Partners (DPs) extending loans include:

- The World Bank Group (including the International Development Association (IDA))
- International Bank for Reconstruction and Development
- International Finance Corporation
- Asian Development Bank (ADB)

 Bilateral DPs (provide grant assistance):

- DFID-UK
- CIDA

 France, Germany, Italy & Japan provide loan and grants / technical assistance

Foreign-Funded Projects (3/3)

 TERMS OF LOAN

 Loans are normally provided on beneficial terms such as:

- A nominal interest rate of approximately 1–2%
- A repayment period averaging 25 years
- Including a grace period of 5–10 years

 The International Fund for Agricultural Development provides interest-free loans with a longer repayment period in:

- Agriculture
- Livestock sector
Credit

IDA providing credit on blended terms:

- @ 1.25%
- Service charges of 0.75%
- Commitment charges that could be up to 0.5%
- Repayment period is 20 years with a five-year grace period

Grants

Definition
- Grants in aid are not to be paid back

Major Agencies
- United Nations Children’s Fund (UNICEF)
- World Food Programme (WFP)
- United Nations Development Programme (UNDP)
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- Food and Agriculture Organization (FAO)

Countries
- Bodies granting official development assistance from Japan, Canada, Germany, etc.

Project Specific Technical Grant
- Project-specific technical grant (must be availed as needed) include:
  - Equipment/Material
  - Technical expertise/consultancies
Technical Assistance

Foreign-assisted projects usually contain a component of technical assistance in the form of:
- Consultants, training, project preparation facilities, feasibility studies, design surveys, etc.

Provide training facilities and advisory services to improve technological base of the recipient country

Could be a loan or a grant

Normally provided by:
- USAID, UNDP
- ADB, DFID-UK
- GIZ, JICA and other countries

Project preparatory technical assistance also provided under which:
- Services of experts on grant basis for preparation of feasibility studies and project documents

Lending and Guarantee (L&G) Instruments Types

L&G Types
- (APL) Adaptable Programme Loan
- (DPC) Development Policy Credit
- (DPL) Development Policy Loan
- (DRE) Debt Redeterm Loan
- (EFP) Extended Fund Facility
- (ERL) Emergency Recovery Loan

L&G Types
- (FSL) Fixed-Spread Loan
- (FIL) Financial Intermediary Loan
- (LII) Learning and Innovation Loan
- (OCR) Ordinary Capital Resources
- (PBE) Policy-Based Guarantee
- (PSA) Programmatic Strategic Adjustment Loan
- (REL) Rehabilitation Loan

L&G Types
- (SAL) Special Assistance Loan or Structural Adjustment Loan
- (SICA) Sector Adjustment Loan
- (SI) Specific Investment Loan
- (SIL) Sector Investment and Maintenance Loan
- (USAL) Special Structural Adjustment Loan
- (TAD) Technical Assistance Loan
- (VSL) Variable Spread Loan
Seeking Foreign Assistance (1/6)

Usually obtained for projects that involve:
- Large investment outlays or
- Foreign exchange requirements or modern technology.

Administrative departments furnish the copies of relevant projects on concept clearance proformas.

Seeking Foreign Assistance (2/6)

The P&D Department:
- After getting the clearance of the PDWP
- Submits the proposals to P&D Division, Government of Pakistan for concept clearance by the Federal Concept Clearance Committee headed by the deputy chairman, Planning Commission
- Project proposals are forwarded to EAD Government of Pakistan to be presented to the DP

Development Partners (DPs):
- Prepare medium to long-term strategic plans for specific countries in consultation with all stakeholders (public and private)
Seeking Foreign Assistance (3/6)

Provincial government:
- Initiates consultations with the DPs
- Loans have to be demand driven and not on supply basis
- Foreign agency showing interest in any project on its own must be discouraged

EAD:
- Coordinates all the foreign assistance
- Demands projects that are conceptually cleared by the CDWP/Concept Clearance Committee (CCC) as a precondition for sending formal requests for initiating the negotiation process by the DPs.

Seeking Foreign Assistance (4/6)

After formal request from EAD:
Donor sends a project scoping/(pre) identification mission, followed by a (pre) appraisal mission.
Seeking Foreign Assistance (5/6)

Based on recommendations of the appraisal mission:

**PC-I is prepared and approved by ECNEC**

- Provincial government must prepare the PC-I before entering into formal negotiations.
- If sufficient data is unavailable, then it should get the concept paper cleared from the CDWP/CCC.

**Subsequent to the finalization of the negotiations, the loan documents are signed.**

- Loan document cannot be signed without the approval of the PC-I by ECNEC.
- Loan agreements there are sometimes conditions for effectiveness, which must be fulfilled to declare the loan as effective.
- Conditions for effectiveness could be:
  - Furnishing the legal opinion and establishing a Project Implementation Unit with the project director and with support/basic essential staff.

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Seeking Foreign Assistance (6/6)

Allocation of the counterpart funds in the ADP must be ensured:

- Monitoring of the projects is done on a regular basis by the government & donors.

- Projects must be completed on time:
  - Otherwise, the commitment charges on unspent balance have to be paid by the government for an extended period.
Coordination with Foreign Missions

P&D Department

Has coordinating role
- Between the recipients and the donors via EAD
- In the processing of all communications on federal government participation in loan negotiation
- In signing of the project agreements
- In M&E of the foreign-assisted projects

Holds a wrap up meeting at the end of visit of foreign mission
- Foreign mission presents its findings & recommendations
- Future course of action is agreed for smooth implementation of projects

Convenes review meetings
- With various administrative departments/PMUs
- To ensure timely utilization of foreign assistance

Houses PSC, led by chairman P&D Board with Project Director as member/secretary of the committee

Key Issues for Consideration in Loan Negotiations

Credit amount
- Agreeing on the overall credit amount

Commitment charge rate:
- The fee that lenders charge their borrowers for unused credit or credit that has been promised at a specified future date
- To keep a line of credit open, or to guarantee a loan at a certain future date even through the credit is not being used at that particular time

Service charge rate
- Service charge on the withdrawn balance

Interest rate
- Interest rate charged on the withdrawn financing balance
- The withdrawn financing balance is defined as 'the amounts of Credit withdrawn from the Credit Account and outstanding from time to time'
Key Guidelines for Managing Foreign-Funded Projects (1/9)

Country Partnership Documents

- Provincial departments and authorities/agencies should actively participate in preparation of country strategy documents of various donors to:
  - Align sector plans and development priorities with donors' development profile

Provincial Working Group

- For each significantly large foreign-funded project, the concerned line department(s), with assistance from P&D, should form a Provincial Working Group to work with the project design team/mission deployed by the donor agency
- The working group should review:
  - The draft design document
  - The PC-I prepared subsequently

Policies and Procedures of Donor Agency

- In the case of conflict, the policies & procedures of donor agencies will take precedence in managing the projects (regarding issues of procurement, administration, etc.) unless explicitly mentioned

Key Guidelines for Managing Foreign-Funded Projects (2/9)

Proactive Management of Reviews

- Departments should pro-actively prepare for mid-year, mid-term or other reviews by the donor missions:
  - Through formulation of a working paper/presentations
  - Ensuring that donor agencies' concerns regarding effective programme implementation are addressed

Programme/Project Bank Accounts

- Complicated programmes/projects generally have two streams of funds:
  - ADP allocation from the government
  - Foreign assistance allocation from the donor agency
- Two separate assignment accounts should be opened in the name of the Project Management Unit, including:
  - Donor Agency Assignment Account: in foreign currency (if required)
  - Counterpart Funding Assignment Account: In rupees for the contribution of the GoPb
Key Guidelines for Managing Foreign-Funded Projects (3/9)

Operation of Account

Project Director should (be)
- Authorized to operate both accounts
- Act as the principal signatory for both accounts

Finance Department should
- Authorize any other project staff member or any other suitable official to act as a co-signatory of such accounts

District/operational tiers
- If present for the programme/project for efficiency purposes,
- May open assignment accounts for operational expenses
- Relevant project staff along with any other official nominated by the Finance Department can be the co-signatories

Requests/withdrawal applications, for replenishing of accounts/transfer of funds should be routed through the Project Management Unit

Key Guidelines for Managing Foreign-Funded Projects (4/9)

Assigning Accounts and Funds Flow

Credits into and payments out of 'Revolving Fund Accounts' in Dollars shall be transcribed into Rupees at the SSB weighted average buying rate of exchange prevailing on the date of transfer of funds by the Lenders or on the date of payments to the payees.

Both accounts liable. Lapsed balances in one year will be protected in the next year's allocations.

Separate Company Account (In case of Section 42 Companies)

District Account
Key Guidelines for Managing Foreign-Funded Projects (5/9)

Fund flow and Disbursement Arrangements

- Foreign agencies will transfer their funds through the State Bank of Pakistan (SBP) to the assignment accounts opened in the name of the respective programme/project.
- The transfer of funds to the State Bank and subsequently from the State Bank to the programme/project accounts should be governed by the Finance Division's OM no. F.2(1)-BR-II/2007-949 effective from 2 August 2013.
- Disbursements are translated into Pakistani rupees by the SBP; therefore:
  - the local currency should form the transaction basis for operation, accounting, and reporting.

Key Guidelines for Managing Foreign-Funded Projects (6/9)

Reconciliation of Contributions

- Periodically, or at the end of every six months, the contributions of the GoPb and donor agencies should be reconciled.
- Before the end of the financial year, it should be ensured that the partner that contributed less than agreed in the arrangement bridges the difference.

Accounting and Financial Reporting

- Financial transactions:
  - Recorded separately in the accounts in a manner that allows identification of expenditures under different components and under different heads.
- Accounting records (of project accounts):
  - Maintained using the government-wide integrated financial management information system being implemented under the Project to:
    - Improve Financial Reporting & Auditing regime, and
    - In accordance with the country accounting procedures and policies defined in the New Accounting Model.
Internal Controls and Internal Audit
- The project payments should go through an internal audit process to ensure transparency and adherence to financial rules and regulations.
- Management should ensure the financial propriety of expenditures and revenues.

External Audit
- The accounts of the programme/project, together with the record of expenditures, should be audited annually by an auditor(s) acceptable to the donor agency in line with the grant/loan agreement.
- The auditor general may manage/arrange an audit through its subsidiary offices or through an auditor agreed between the donor agency and the GoPb.

Key Guidelines for Managing Foreign-Funded Projects (8/9)

Accounting Procedure
Establish a Revolving Fund Account (RFA) in respect of donor financing at the National Bank of Pakistan (NBP).
- The RFA is separate from the account of government’s share of project financing.
- Separate RFAs shall be established for each of the loans/credits/grants,
  - Each RFA will be designated a special sub-fund identification number upon establishment of the account.
  - These individual sub-accounts will together constitute a single but separate account (child account) under Central Government Account No. 1 (Non-Food) held presently with the SBP.
- The RFA shall be lapsable at the end of each financial year.
  - Lapsed balance in one financial year will be protected through a budgetary allocation in the next financial year.
Key Guidelines for Managing Foreign-Funded Projects (9/9)

Accounting Procedure Contd.

NBP will handle all transactions of RFAs
- Foreign currency amounts shall be translated to PKR at SBP's weighted average rate of exchange prevailing on the date of transfer of funds by the donor
- Payments out of RFA would be translated notionally at the aforesaid SBP rate of exchange at which the foreign currency was purchased by the SBP
- The funds available to the project management would be in Pakistani rupees

Foreign funded projects

Result Based Management (RBM)

Public Private Partnerships (PPPs)

Private sector support calibration
Result Based Management (RBM) (1/4)

RBM is defined as
‘a broad management strategy aimed at achieving improved performance and demonstrable results, and has been adopted by many multilateral development organizations, bilateral development agencies and public administrations throughout the world’

• It uses feedback loops to achieve strategic goals
• All people and organizations who contribute directly or indirectly to the result, map out their business processes, products and services, showing how they contribute to the outcome

Result Based Management (RBM) (2/4)

The DPs and the developing countries under the Paris Declaration are bound to work together and jointly monitor and evaluate foreign-funded development projects and programmes to make sure that funds are spent on the approved projects and programmes.

To strengthen and streamline the system, the developing countries agreed to introduce RBM systems.
Other similar frameworks for results mapping include:
- Managing for Development Results (MfDR)
- Results-based M&E
- Result management
- Performance measurement/management
- Management by objective

Traditional monitoring looks into
- Financial progress
- Physical progress

RBM looks into
- Outcomes
- Impacts of development projects and programmes

RBM has been promoted as an important means to improve the quality and impact of development efforts

RBM core notions are:
- Goal orientation
- Causality
- Continuous improvement
What is Result? (1/2)

A result is:

- Describable or measurable change
- Derived from a cause-and-effect relationship
- The different changes that can be set in motion by a development intervention are:
  - Outputs
  - Outcomes
  - Impact

What is Result? (2/2)

- The changes can be
  - intended or unintended
  - positive and/or negative

It is expected that careful management for development results within programmes using RBM will lead to positive change. However, this is not always the case. Change can sometimes lead to unintended or negative consequences. It is therefore important to continually manage for results so that programmes can truly result in positive change.
RBM Framework (1/3)

The RBM framework of a project/activity consists of four phases:

Input / Activity
- Actions taken or work performed through which inputs such as funds, technical assistance and other types of resources are mobilized to produce specific outputs

Output
- The products, capital goods and services that result from a development intervention; this may also include results from the intervention that are relevant to the achievement of outcomes

Outcome
- The likely or achieved short-term and medium-term effects of an intervention’s outputs

Impact
- The higher-order objective to which a development intervention is intended to contribute

RBM Framework (2/3)

Results Chain:

Shows how activities, through a number of intermediate causal links, are expected to result in the realization of the goals of those projects, programmes and policies

Example:

Training of farmers in improved agricultural techniques

Improves the yield/output

Enhance incomes of households livelihoods
RBM Framework Measuring Results

Quantifying or measuring results is important for successful implementation of RBM

**Need to track**
1. Expenditures
2. Revenues
3. Staffing levels
4. Resources
5. Programme and project activities
6. Goods and services produced etc.

Monitoring results help improve project’s implementation
RBM Implementation (1/2)

The following steps explain RBM implementation for a programme or a project:

1. Agreeing on performance outcomes to monitor and evaluate
2. Developing key indicators to monitor results
3. Gathering baseline data on indicators
4. Planning for improvements – setting realistic targets
5. Building a monitoring system
6. Analyzing and reporting findings
7. Collecting and providing evaluative information
8. Using the findings – getting that information to the appropriate users

RBM Implementation (2/2)

Key Indicators are:
“‘Yardsticks’ that can be used to demonstrate that changes have (or have not) taken place”.
- Indicators of the achievement of objectives
  To establish whether a project or programme is achieving the desired changes
- Required to monitor the targets vis-à-vis achievements of a development project or programme.
- Usually defined during the planning process
- Needed to be reviewed, and perhaps adjusted or supplemented

The key questions concerning indicators are:
For whom should something change?
To what extent should something change?
By when should something change?
Result Based Monitoring

**EXAMPLE:** Establishment of a Primary School.

**Input/Activity:** Land, Material, Labour, Human Resource

**Output:** Construction of the school/completion of school.

**Outcome:** Service delivery/Imparting of education.

**Impact:**
- a) Enhancement in literacy rate and improvement in standard of life.
- b) Generation of various economic activities in the surroundings of school.

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**Foreign funded projects**

**Result Based Management (RBM)**

**Public Private Partnerships (PPPs)**

**Private sector support calibration**
PPPs-Looking for Alternative Financing Options

- Economic growth requires:
  - Well-functioning infrastructure facilities and services
  - Financing

As public financing is limited, private investment is required.

- There is a close relationship between
  - Private investments and
  - Infrastructure development

- GoPb decided to:
  - Significantly increase private investments
  - Preferred mode is PPPs

PPP in Punjab (1/2)

The Government has:
- Approved Punjab Public–Private Partnership Act 2014,
- Issued a PPP policy
- Issued detailed PPP policy guidelines and PPP rules for Punjab

Proactive approach is required:
- Identifying and screening projects suitable for implementation in the PPP mode
- Need for adopting relatively simple methodology and procedures, for line departments and local government to follow
PPP in Punjab (2/2)

PPP Cell:

- Established in the P&D Department
- Staffed by:
  - Technical
  - Financial
  - Legal experts

To support all line departments and local governments willing to implement PPP projects in:
- Project identification
- Screening
- Preparation
- Transaction execution

PPP Project Life-Cycle (1/2)

The following four main phases can be distinguished in the overall life-cycle of PPP projects

1. Project inception
2. Project preparation (feasibility study)
3. Transaction execution (procurement of the private party)
4. Construction, operation and transfer (development, delivery and exit)
PPP Project Life-Cycle (2/2)

- **Project Inception and Preparation**
  - Approval / Rejection of PPP Request
  - PPt Steering Committee Review
  - PPt Call
  - Risk Management Unit
  - Government Agency
    - Project Identification
    - Feasibility Study

- **Transaction Execution**
  - Approval / Rejection of Project Proposal
  - Review
  - PPP Call
  - Prioritization
  - Review
  - Risk Management Unit
    - PPP Funding Received
    - No PPP Funding Required
  - Government Agency
    - Project Identification
    - Feasibility Study

- **Construction and Operation**
  - Approval / Rejection of Contract Award
  - Review
  - Transaction Execution
    - Market Soundings
    - Pre-Qualification
    - Bidding and Bid Evaluation
  - Project Preparation
    - Contract Negotiations and Signing
    - Monitoring and Supervision
Project Inception Phase

Identifying potential PPP

- Line departments identify and conceptualize a potential PPP project from its master plans and other planning documents

Includes

- Initial needs and options analysis: to determine the best solution
- Initial viability analysis

Line departments need to

- Decide about covering cost from
  - Own budget or the project development facility (PDF),
  - If PDF then submit a request for PDF funding through the PPP cell to the PPP Steering Committee
- Recruit qualified consultants to help prepare the PPP project and select the private party

Ends with the recruitment of the consultants who will provide support to the government agency during the next two phases

---

Project Inception

<table>
<thead>
<tr>
<th>Phase</th>
<th>Steps</th>
<th>LD</th>
<th>PPC</th>
<th>RMU</th>
<th>CF</th>
<th>PPPSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Project inception</td>
<td>Decide to explore the PPP model</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify a potential PPP project from the master plan or through preliminary needs analysis</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Screen the project using multiple criteria</td>
<td>✓</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Decide whether to pursue the project any further</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prepare a project concept paper</td>
<td>✓</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Register the project with the PPP cell</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Appoint a project manager</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Draft ToRs for the feasibility study and transaction execution</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prepare a budget estimate for the required consulting services</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decide whether to request financing from the PDF</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prepare and issue a request for proposals for consulting services</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Evaluate the technical and financial proposals</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Negotiate and sign a contract with the first-ranked consultants</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CF = Consulting Firm; LD = Line Department; PDF = Project Development Facility; PPP = Public-Private Partnership; PPC = PPP Cell; PPPSC = PPP Steering Committee; RMU = Risk Management Unit
a) If support by the PPP cell for this activity is requested by the government agency
b) If government support is required for the project
Project Preparation Phase

Line departments manage preparation of the PPP project by the consultants

Project preparation consists of

- A feasibility study
- Initial environmental examination
- Environmental impact assessment (if required)
- Risk analysis
- Assessment of the need for government support
- Stakeholder consultations
- Determination of the PPP modality (project structuring)
- Drafting of tender documents including the PPP agreement
- Includes financial modelling to determine project bankability and affordability
**Project Preparation**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Steps</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Project preparation</td>
<td>Carry out the feasibility study</td>
<td>LD PPPC RMU</td>
</tr>
<tr>
<td></td>
<td>Review its conclusions and recommendations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decide on whether to proceed with the project any further</td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>Prepare a report on the project proposal</td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>Submit the project proposal through the PPP cell to the PPP Steering Committee</td>
<td>✔️</td>
</tr>
<tr>
<td>2. Project preparation</td>
<td>Review the project proposal and prepare a briefing paper for the PPP Steering Committee</td>
<td>✔️ ✔️</td>
</tr>
<tr>
<td></td>
<td>Decide on whether to approve, reject or send back for reconsideration the project proposal</td>
<td>✔️</td>
</tr>
</tbody>
</table>

**Main Steps During Project Life Cycle**

- Project Inception
- Construction and Operation
- Transaction Execution
- Project Preparation
Transaction Execution Phase

Provided the outcome of the feasibility study is:

- Positive
- The PPP project proposal is approved by the PPP Steering Committee for implementation

Consultants should assist the line departments in:

- Undertaking ‘market sounding’ aimed at packaging the project in a way that attracts the interest of private investors

Tendering process follows the market sounding:

- As prescribed in the Punjab Public–Private Partnership Act 2014
- Based on technical and financial evaluation of the bids received, the preferred bidder should be determined and invited to contract negotiations

After the PPP agreement has been signed:

- The selected private party should endeavor to arrange the necessary financing and thereby achieve financial closure for the PPP project

Transaction Execution

<table>
<thead>
<tr>
<th>Phase</th>
<th>Steps</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Transaction execution</td>
<td>Prepare an information memorandum for project marketing</td>
<td>LD</td>
</tr>
<tr>
<td></td>
<td>Undertake market sounding of potential investors and lenders</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Finalise project structure and tender documents</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Issue a request for pre-qualification applications</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Evaluate pre-qualification applications</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Issue a request for technical and financial proposals to pre-qualified bidders</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Evaluate bids received</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Prepare a bid evaluation report including recommendations on the contract award</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Submit the bid evaluation report through the PPP cell to the PPP Steering Committee</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Review the bid evaluation report and prepare a briefing paper for the PPP Steering Committee</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Decide on whether to approve, reject or send back for reconsideration the contract award recommendation</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Conduct negotiations with the preferred bidder</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Sign the PPP agreement</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Fulfil conditions precedent to financial close</td>
<td>✓</td>
</tr>
</tbody>
</table>
Project Construction and Operation Phase

Last phase of PPP project includes:
- Construction
- Operation
- Transfer (if applicable)

Line department should:
- Be responsible for monitoring and evaluating the PPP project to ensure its conformity with the:
  - Plans
  - Specifications
  - Performance standards and
  - Tariffs in the PPP agreement
- Submit annual reports on the PPP project to the PPP cell

End of the period as per PPP agreement
- The PPP project should be transferred by the private party to the government if required
## Construction and Operation

<table>
<thead>
<tr>
<th>Phase</th>
<th>Steps</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monitor project implementation to ensure conformity with plans and</td>
<td>LD</td>
</tr>
<tr>
<td></td>
<td>specifications</td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>Monitor and evaluate project operation to ensure conformity with</td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>performance standards and tariffs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prepare annual reports on project performance to the PPP cell</td>
<td>✔️</td>
</tr>
<tr>
<td>4. Development, delivery and exit</td>
<td>Monitor and evaluate financial performance of the project</td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>Make arrangements for project transfer to the government at the end of</td>
<td>✔️</td>
</tr>
<tr>
<td></td>
<td>the term of the PPP agreement</td>
<td></td>
</tr>
</tbody>
</table>

### Foreign funded projects

- Result Based Management (RBM)
- Public Private Partnerships (PPPs)

### Private sector support calibration
Private Sector Support Calibration (1/3)

GoPb support to industries/industrial sector:

- Sponsoring departments have increasingly opted for developing independent companies to take responsibility for implementation of these interventions.
- These recently established organisations usually take the form of a not-for-profit company, registered under Section 42 of the Companies Ordinance:
  - Mostly established through a direct grant or loan from the GoPb.
  - After utilisation of initial seed money, these companies often seek more funding through their parent department, with or without PC-I, for meeting their recurring costs as well as for new development initiatives.

Private Sector Support Calibration (2/3)

Imperative that anybody who is involved in requesting, appraising or approving such grants should apply some objective criteria to ensure that such grants are rightly targeted and effectively used.

Core principles in criteria for assessing private sector support initiatives:

- The sunset clause
- Exit strategy
- Targeted interventions
- Clear objectives
- Performance indicators
- M&E mechanism
- Shareholder consultation and participation
- Transparency
- Whole or partial cost recovery
- Simple design to implement and manage
- Flexibility to adjust and scale up
- Market mechanism
- Targeting of productivity or innovation gains
- Ownership and accountability
Private Sector Support Calibration (3/3)

Justification of Private Sector Support
If government interventions address a market failure (include coordination failures and information spillover).

Coordination Failures
Coordination failures occur when markets are incomplete so that the return to one investment depends on whether some other investment is also made: building a hotel near a beautiful beach may be profitable if someone builds an airport.

Information spillovers
It means that an entrepreneur shies away from investing in something where he/she would incur costs (personalised costs), but if he/she is successful the gains would be shared by others as well (social costs).

Private Sector Support Interventions Characteristics (1/5)

The interventions should be well designed and all stakeholders should know about their purpose.

Key characteristics of intervention:

- Clear objectives and results-based performance indicators
  - Precise objectives with commitment at the outset of the intervention
  - Output and outcome-level goals
- Clear performance benchmarks for beneficiaries
  - If these are not met, there should be a clear process for filtering out such beneficiaries
  - Example: in special industrial or export processing zones, the beneficiaries can be asked to meet certain export targets
- Stakeholder consultation and participation
  - Important that stakeholders are not missed
Private Sector Support Interventions
Characteristics (2/5)

Key characteristics of intervention (Contd.):

- Whole or partial cost recovery
  - Is important for creating ownership, responsibility and effective utilization of resources
  - System should be present that can be used to prioritise, rank and assess interventions
- Targeting
  - Government has the mandate of directing limited resources to the initiatives that meet its strategic priorities
  - Some interventions, despite clear objectives, only aim at increasing the profitability of the private enterprises

Private Sector Support Interventions
Characteristics (3/5)

Key characteristics of intervention (Contd.):

- Targeting Contd.
  - It is important that all interventions should target productivity or innovation
  - Example: At the federal level, the export rebates are given to all exporters, thereby increasing their profitability. As per this principle, however, these rebates should be focused on certain types of exporters, including those exporting to new markets (where they could not previously export and now due to productivity enhancement have become more competitive) or in new product categories (which indicates innovation)
Private Sector Support Interventions
Characteristics (4/5)

Key characteristics of intervention (Contd.):

- **Sunset Clause**
  - Define the time duration of an intervention and as such are termed as the most effective policy design feature
  - All the industrial support interventions should exist for a limited period and must have sunset clauses as:
    - Mostly, it is difficult for the government to pick winners from among the interventions,
    - There is no explicit timeframe for an intervention, after which a third party may carry out a CBA to decide on continuing or otherwise for that particular initiative

Private Sector Support Interventions
Characteristics (5/5)

Key characteristics of intervention (Contd.):

- **Sunset Clause Contd.**
  - The sunset clause should have an inherent assumption that by the time they end, they would have achieved the desired objectives
  - The sunset clause should also be for:
    - Section 42 companies, public-sector training institutions, exhibition centres, etc. as government should not keep on supporting this essentially private sector activity for an unlimited period
    - If the private sector continues to see value in these initiatives, they should be taken up by the private sector itself
## Private Sector Support Calibration Template

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Does the proposed project address a market failure? Please explain:</td>
<td>☐</td>
</tr>
<tr>
<td>2</td>
<td>Does the project have clear objectives and results-based performance indicators?</td>
<td>☐</td>
</tr>
<tr>
<td>3</td>
<td>Are there clear selection criteria for beneficiaries?</td>
<td>☐</td>
</tr>
<tr>
<td>4</td>
<td>Are there any performance benchmarks for beneficiaries?</td>
<td>☐</td>
</tr>
<tr>
<td>5</td>
<td>Have relevant stakeholders been consulted?</td>
<td>☐</td>
</tr>
<tr>
<td>6</td>
<td>Are beneficiaries making any cost contributions?</td>
<td>☐</td>
</tr>
<tr>
<td>7</td>
<td>Does the project have a sunset clause?</td>
<td>☐</td>
</tr>
<tr>
<td>8</td>
<td>Does the project have an exit strategy?</td>
<td>☐</td>
</tr>
</tbody>
</table>
FOREIGN FUNDED PROJECTS

WHY?
- Access additional Resources
- Focus on priority areas, sectors
- Address/ reduce poverty
- Achieve better economic growth
- Learn from International Best Practices
FOREIGN ASSISTANCE: TYPES

- Loans; soft loans/ credits
- Project loans/ credit
- Grant-in-aid; Technical grant
- Project- specific Technical grant
- Technical Assistance-Project/Program Preparatory.

DEVELOPMENT PARTNERS/ DONORS

TYPES:

- Multilateral Financial Institutions-(IMF, World Bank, ADB, IDB, AIIB)
- Subsidiary-IBRD, IDA (W.Banks) ADF, (ADB)
- UN Agencies-UNICEF, WHO, UNESCO, UNDP,IFAD,UNFPA, ILO, WFP, FAO.
- Bilaterals-UK(DFID), Japan, Germany (G1Z,Kfw), EU, France, China, USAID
GRANTS / SOURCES

- UN Agencies, Bilaterals,
- Mostly tied to Specific projects
- Do not generally involve cash transfer
- Mostly for expertise, consultancies, equipment, material.

TECHNICAL ASSISTANCE

- Generally for feasibilities, Project Preparation; Training, design surveys etc.
- Could be loan or grant.
SEEKING FOREIGN ASSISTANCE

- Development Partners Agencies prepare Strategic Country Plans
- Medium Term Plans of 3-5 Years
- Plans based on prior consultation with Federal and Provincial Govt.
- Provincial Govt. to ensure that these plans are “Demand driven”, and contain Priority plans/ projects of the Province.

INCEPTION STAGE
CONCEPT CLEARANCE+ PROJECT APPRAISAL

- To be taken at an early stage from CDWP/ CCC of the Planning Commission.
- Move formal request for assistance through EAD/ Fed. Govt.
- Receive / assist Pre and Appraisal Missions.
- Importance of setting up a Provincial Project Planning & Implementation Unit at an early stage.
PROJECT-APPROVAL & IMPLEMENTATION

- PC-I to be fleshed out and refined/ finalized on the basis of Appraisal Report.
- Approval of PC-I from CDWP/ ECNEC
- Loan negotiations-effectiveness through the EAD.
- Prior conditions to be met for loan effectiveness.

ROLE OF P&D AND COUNTERPART DEPARTMENTS

- Ensure removal of obstacles and difficulties.
- Concept of steering committee with P & D in chair and Finance and any other related depts./ agencies as members.
- Implementing dept to act as Secretary of such steering committee
- Meet regularly to ensure timely implementation.
TIMELY COMPLETION OF F. AIDED PROJECTS

- Commitment charges on un-disbursed amount.
- P & D's Coordination – steering between implementing departments and foreign missions.
- WRAP-UP meetings - vital forum.

KEY ISSUES IN LOAN NEGOTIATIONS

- Credit amount
- Commitment charge rate
- Service charge rate
- Interest rate
KEY GUIDELINES FOR MANAGING F. FUNDED PROJECTS

- Alignment of Departmental/ sector strategy with country strategy Documents of Aid giving agencies.
- Provincial working Group at preparation/ design stage to ensure synergies.
- Policies & Procedures to be explicitly mentioned- procurement, audit etc.
- Proactive monitoring and preparation for periodic donor mission reviews.

FINANCE AND AUDIT

- Program / Project bank accounts.
- Fund flow and disbursement arrangements.
- Reconciliation- periodic/ six monthly,
- Accounting & Financial Reporting
- Internal controls & Audit
- External audit.
PARIS DECLARATION + RBM (RESULTS BASED MANAGEMENT)

- Why RBM?
- Traditional monitoring Vs RBM
  - Core of RBM/Goal Orientation
  - Causality
  - Continuous improvement

RBM FRAMEWORK

- Impact, Outcome, Output, Input/ Activity.
- Results chain (fig 9. Page 104)
- Measuring Results- Tracking over time- baseline.
RBM IMPLEMENTATION

Steps Necessary:
1. Agree on outcomes
2. Developing key indicators
3. Gathering baseline data
4. Setting realistic targets
5. Building a monitoring system
6. Analyzing & Reporting findings.
7. Collecting and Providing evaluative info.
8. Using the findings-getting that info to appropriate users.

KEY INDICATORS

- Basis for M & E system based on RBM
- “Yardsticks” to demonstrate that changes have (or not) taken place.
- Objectives/Output indicators required to establish success or failure.
- Should be defined during Planning Process.
- Can be reviewed/adjusted or supplemented.

Key Qs:
1. For whom something change
2. To what extent should something change.
HANDOUTS
Handout 5A - Lending and Guarantee Instrument Types

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>APL</td>
<td>Adaptable Programme Loan</td>
</tr>
<tr>
<td>DPC</td>
<td>Development Policy Credit</td>
</tr>
<tr>
<td>DPL</td>
<td>Development Policy Loan</td>
</tr>
<tr>
<td>DRL</td>
<td>Debt Reduction Loan</td>
</tr>
<tr>
<td>EFF</td>
<td>Extended Fund Facility</td>
</tr>
<tr>
<td>ERL</td>
<td>Emergency Recovery Loan</td>
</tr>
<tr>
<td>FSL</td>
<td>Fixed-Spread Loan</td>
</tr>
<tr>
<td>FIIL</td>
<td>Financial Intermediary Loan</td>
</tr>
<tr>
<td>LIL</td>
<td>Learning and Innovation Loan</td>
</tr>
<tr>
<td>OCR</td>
<td>Ordinary Capital Resources</td>
</tr>
<tr>
<td>PBG</td>
<td>Policy-based Guarantee</td>
</tr>
<tr>
<td>PSAL</td>
<td>Programmatic Structural Adjustment Loan</td>
</tr>
<tr>
<td>RIL</td>
<td>Rehabilitation Loan</td>
</tr>
<tr>
<td>SAL</td>
<td>Special Assistance Loan or Structural Adjustment Loan</td>
</tr>
<tr>
<td>STCAL</td>
<td>Sector Adjustment Loan</td>
</tr>
<tr>
<td>SIL</td>
<td>Specific Investment Loan</td>
</tr>
<tr>
<td>SIML</td>
<td>Sector Investment and Maintenance Loan</td>
</tr>
<tr>
<td>SSI</td>
<td>Special Structural Adjustment Loan</td>
</tr>
<tr>
<td>TAL</td>
<td>Technical Assistance Loan</td>
</tr>
<tr>
<td>VSL</td>
<td>Variable-Spread Loan</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
</tr>
<tr>
<td>---------</td>
<td>-----------</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
</tr>
<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IDB</td>
<td>Islamic Development Bank</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agriculture Development</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
</tr>
<tr>
<td>IOM</td>
<td>International Organization for Migration</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
</tr>
<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<tr>
<td>OIFD</td>
<td>OPEC Fund for International Development</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of the Petroleum Exporting Countries</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
</tr>
<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
</tr>
<tr>
<td>UNHabitat</td>
<td>United Nations Human Settlements Programme</td>
</tr>
<tr>
<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
</tr>
<tr>
<td>UNIC</td>
<td>United Nations Information Centre</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children's Fund</td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
</tr>
<tr>
<td>UNOCHA</td>
<td>United Nations Office for the Coordination of Humanitarian Affairs</td>
</tr>
<tr>
<td>UNODC</td>
<td>United Nations Office on Drugs and Crime</td>
</tr>
<tr>
<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
</tr>
<tr>
<td>UN Women</td>
<td>United Nations Entity for Gender Equality and the Empowerment of Women</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>WBG</td>
<td>World Bank Group</td>
</tr>
<tr>
<td>WFP</td>
<td>United Nations World Food Programme</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
</tbody>
</table>
Handout 5C - Key Issues for Consideration in Loan Negotiations

Some of the key issues in negotiating a financing agreement include:

- **Credit amount**
  Agreeing on the overall credit amount.

- **Commitment charge rate**
  The commitment charge is a fee lenders charge their borrowers for unused credit or credit that has been promised at a specified future date. A lender charges a borrower a commitment fee to keep a line of credit open, or to guarantee a loan at a certain future date even though the credit is not being used at that particular time.

- **Service charge rate**
  Service charge on the withdrawn balance.

- **Interest rate**
  Interest rate charged on the withdrawn financing balance. The withdrawn financing balance is defined as 'the amounts of Credit withdrawn from the Credit Account and outstanding from time to time'.
Handout 5D - Key Guidelines for Managing Foreign-Funded Projects

Major foreign-funded projects may follow the following guidelines:

- **Country Partnership Documents**
  Provincial departments and authorities/agencies should actively participate in preparation of country strategy documents of various donors to align sector plans as well as development priorities of the province with donors’ development portfolios.

- **Provincial Working Group**
  For each significantly large foreign-funded project, the concerned line department(s), with assistance from P&D, should form a Provincial Working Group to work with the project design team/mission deployed by the donor agency. Once the draft project design is ready, the same working group should be entrusted the task to review the design document. The PC-I prepared subsequently should also be reviewed by the same working group to ensure synergies.

- **Policies and Procedures of Donor Agency**
  Unless explicitly mentioned in grant/loan agreement, all the policies and procedures of donor agencies, in the case of conflict, will take precedence in managing the projects regarding issues of procurement, administration, etc.

- **Proactive Management of Reviews**
  Departments should pro-actively prepare for mid-year, mid-term or other reviews by the donor missions, through formulation of a working paper/presentations, and ensure that donor agencies’ concerns regarding effective programme implementation are addressed.

- **Programme/project Bank Accounts**
  More complicated programmes/projects generally have two streams of funds coming in,

  - Including ADP allocation from the government as well as
  - A foreign assistance allocation coming in from the donor agency.

  In such cases two separate assignment accounts should be opened in the name of the Project Management Unit, including:

  - One assignment account in foreign currency (if required) for funding provided by the donor agency and
  - The other assignment account in rupees for the contribution of the GoPb (counterpart funding).
Operation of Account

- The project director should be authorized to operate both accounts and should act as the principal signatory for both accounts.
- The Finance Department should authorize any other project staff member or any other suitable official to act as a co-signatory of such accounts.
- If the programme/project has district/operational tiers, for efficiency purposes, such offices may open assignment accounts for operational expenses and the relevant project staff along with any other official nominated by the Finance Department can be the co-signatories.
- All requests/withdrawal applications, however, for replenishing of accounts/transfer of funds should be routed through the Project Management Unit.

Figure: Assignment accounts and funds flow

- **Fund flow and Disbursement Arrangements**
  - Foreign agencies will transfer their funds through the State Bank of Pakistan (SBP) to the assignment accounts opened in the name of the respective programme/project.
The transfer of funds to the State Bank and subsequently from the State Bank to the programme/project accounts should be governed by the Finance Division's OM\(^1\) no. F.2(1)- BR-II/2007-949 effective from 2 August 2013.

Disbursements are translated into Pakistani rupees by the SBP and therefore the local currency should form the transaction basis for operation accounting and reporting.

- **Reconciliation of Contributions**
  Periodically, or at the end of every six months, the contributions of the GoPb and donor agencies should be reconciled. Before the end of the financial year it should be ensured that the partner that contributed less than agreed in the arrangement bridges the difference.

- **Accounting and Financial Reporting**
  All financial transactions should be recorded separately in the accounts in a manner that allows identification of expenditures under different components and under different heads. Accounting records of project accounts should be maintained using the government-wide integrated financial management information system being implemented under the Project to;
  - Improve Financial Reporting & Auditing regime, and
  - In accordance with the country accounting procedures and policies defined in the New Accounting Model.

- **Internal Controls and Internal Audit**
  The project payments should go through an internal audit process to ensure transparency and adherence to financial rules and regulations. Management should ensure the financial propriety of expenditures and revenues.

- **External audit**
  The accounts of the programme/project, together with the record of expenditures, should be audited annually by an auditor(s) acceptable to the donor agency in line with the grant/loan agreement. The auditor general may manage/arrange an audit through its subsidiary offices or through an auditor agreed between the donor agency and the GoPb.

\(^1\) Office memorandum
Handout 5E - Accounting Procedure for Revolving Fund Accounts
(Foreign Aid Assignment Account)

For a foreign donor-assisted project, a revolving fund account (RFA) in respect of donor financing under a loan/credit/grant shall be established at a branch of the National Bank of Pakistan (NBP), separately from the account to be established for the government's share of project financing (counterpart funds), if any is required. Such accounts shall be in the nature of assignment accounts.

The NBP shall be the designated bank for handling all transactions of RFAs. The foreign currency amounts received under a foreign credit/loan/grant for RFAs shall be translated/converted into Pakistani rupees at the SBP's weighted average buying rate of exchange prevailing on the date of transfer of funds by the donors.

The payments out of RFAs by way of reimbursement to NBP would be translated notionally at the aforesaid SBP rate of exchange at which the foreign currency was purchased by the SBP (date of receipt of funds from the donor in the SBP). The RFAs at NBP branches shall show debits, credits and the balance in Pakistani rupees as the funds available to the project management would be in Pakistani rupees.

The rate of exchange used for donor reporting purposes by the project authorities would be the rate of exchange applied by the SBP for converting foreign currency into Pakistani rupees for that tranche at the time of receipt of funds in the SBP from the donor. In the case of more than one tranche, the rate applied for each tranche will be used for donor reporting purposes; the funds received in the first tranche will be utilised first and the unutilised balance shall be attributed to the last tranche.

The 'foreign currency' for the purposes of this procedure would mean the United States Dollar (USD), Euro (EUR), Pound Sterling (GBP), Japanese Yen (JPY), Australian Dollar (AUD), Canadian Dollar (CAD), Swiss Franc (CHF) and any other foreign currency that may be permitted specifically or generally later on by the Finance Division (Budget Wing) in consultation with SBP (Finance Department), Karachi.

Separate RFAs shall be established by the project management by the NBP for each of the loans/credits/grants, and each RFA will be designated a special sub-fund identification number upon establishment of the account. These individual sub-accounts will together constitute a single but separate account (child account) under Central Government Account No.1 (Non-Food) held presently with the SBP.

The RFA shall be lapsable at the end of each financial year. However, the lapsed balance in one financial year will be protected through a budgetary allocation in the next financial year.
If the funds from donors are received in currencies other than US dollars, these shall be credited in respective RFAs in Pakistani rupees at the prevailing rate of exchange.

On receipt of the credit advice in respect of a disbursement of foreign currency funds to the project from donors that must be routed through the SBP Karachi, the SBP's Finance Department will advise the chief manager (SBP-Banking Services Corporation (BSC)) Karachi, to credit the Pakistani rupee equivalent of the foreign currency to the assignment account (sub-account of Central Account-I) under the appropriate debt or grant head. The chief manager will, in turn, and at the latest by the next business day, authorise the amount in Pakistani rupee credit into the relevant RFA of the project.

The (SBP-BSC) Karachi will immediately report the receipt in Pakistani rupees and the equivalent foreign currency to NBP headquarters with a copy to respective NBP branch, the relevant project director, P&D Division/Department (as the case may be), EAD, Finance Division/Department and AGPR/AG. No accounting entry shall be made in the books of DAO/AG/AGPR at this stage.
Handout 5F - Results Chain

RESULTSCHAIN

IMPLEMENTATION

**INPUTS**
- Actions taken
- Work performed
- Work performed through
- Work performed through which
- Inputs, such as:
- Funds, technical assistance
- Other types of resources
- Mobilized to produce specific outputs

**ACTIVITIES**
- Actions taken
- Work performed
- Work performed through
- Work performed through which
- Inputs, such as:
- Funds, technical assistance
- Other types of resources
- Mobilized to produce specific outputs

OUTCOMES

**OUTPUTS**
- The changes in skills, capabilities, or the availability of new products and services that result from the completion of activities within targeted development intervention

**OUTCOME**
- The institutional and behavioral changes and development conditions that occur between the completion of outputs and the achievement of goals
- They are the intended or unintended effects of the intervention's outputs

**IMPACT**
- Positive and negative long-term effects
- Identifiable population groups produced by the development intervention
- Intended, directly or indirectly
- Intended or unintended

EXAMPLES

**INPUTS**
- Project budget
- Availability of doctors and other staff
- Civil Works for Basic Health Unit

**ACTIVITIES**
- Project budget
- Availability of doctors and other staff
- Civil Works for Basic Health Unit

**OUTPUTS**
- Provision of primary healthcare services to the community
- Improved access to basic healthcare services
- Improved vaccination coverage

**OUTCOME**
- Improved life expectancy
# Handout 5G - PPP Project Life Cycle

<table>
<thead>
<tr>
<th>PPP Steering Committee</th>
<th>Project Inception and Preparation</th>
<th>Transaction Execution</th>
<th>Construction and Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review</td>
<td>Approval / Rejection of PDF Request</td>
<td>Approval / Rejection of Project Proposal</td>
<td>Approval / Rejection of Contract Award</td>
</tr>
<tr>
<td>PPP Cell</td>
<td>Review</td>
<td>Review</td>
<td>Review</td>
</tr>
<tr>
<td>Risk Management Unit</td>
<td>Prioritization</td>
<td>Review</td>
<td></td>
</tr>
<tr>
<td>Government Agency</td>
<td>Project Identification</td>
<td>Feasibility Study</td>
<td>Market Sounding</td>
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<td></td>
<td>Pre-Qualification</td>
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<td>Bidding and Bid Evaluation</td>
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<tr>
<td></td>
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<td></td>
<td>Contract Negotiations and Signing</td>
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<tr>
<td></td>
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<td></td>
<td>Monitoring and Supervision</td>
</tr>
</tbody>
</table>
### Handout 5H - Main Steps during the Project Life Cycle

<table>
<thead>
<tr>
<th>Phase</th>
<th>Steps</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Project inception</strong></td>
<td>- Decide to explore the PPP model</td>
<td>LD</td>
</tr>
<tr>
<td></td>
<td>- Identify a potential PPP project from the master plan or through</td>
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<tr>
<td></td>
<td>preliminary needs analysis</td>
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<td></td>
<td>- Screen the project using multiple criteria</td>
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<tr>
<td></td>
<td>- Decide whether to pursue the project any further</td>
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<tr>
<td></td>
<td>- Prepare a project concept paper</td>
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<td></td>
<td>- Register the project with the PPP cell</td>
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<tr>
<td></td>
<td>- Appoint a project manager</td>
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<tr>
<td></td>
<td>- Draft ToR for the feasibility study and transaction execution</td>
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<tr>
<td></td>
<td>- Prepare a budget estimate for the required consulting services</td>
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<tr>
<td></td>
<td>- Decide whether to request financing from the PDF</td>
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<td></td>
<td>- Prepare and issue a request for proposals for consulting services</td>
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<tr>
<td></td>
<td>- Evaluate the technical and financial proposals</td>
<td></td>
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<tr>
<td></td>
<td>- Negotiate and sign a contract with the first-ranked consultants</td>
<td></td>
</tr>
<tr>
<td><strong>2. Project preparation</strong></td>
<td>- Carry out the feasibility study</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Review its conclusions and recommendations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Decide on whether to proceed with the project any further</td>
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</tr>
<tr>
<td></td>
<td>- Prepare a report on the project proposal</td>
<td></td>
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<tr>
<td></td>
<td>- Submit the project proposal through the PPP cell to the PPP Steering Committee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Review the project proposal and prepare a briefing paper for the PPP Steering Committee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Decide on whether to approve, reject or send back for reconsideration the project proposal</td>
<td></td>
</tr>
<tr>
<td>Transaction Execution</td>
<td></td>
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<tr>
<td>-----------------------</td>
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</tr>
<tr>
<td>Prepare an information memorandum for project marketing</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Undertake market sounding of potential investors and lenders</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Finalise project structure and tender documents</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Establish a data room for due diligence by investors</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Issue a request for pre-qualification applications</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Evaluate pre-qualification applications</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Issue a request for technical and financial proposals to pre-qualified bidders</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Evaluate bids received</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Prepare a bid evaluation report including recommendations on the contract award</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Submit the bid evaluation report through the PPP cell to the PPP Steering Committee</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Review the bid evaluation report and prepare a briefing paper for the PPP Steering Committee</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Decide on whether to approve, reject or send back for reconsideration the contract award recommendation</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Conduct negotiations with the preferred bidder</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Sign the PPP agreement</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Fulfill conditions precedent to financial close</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Development, delivery and exit</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor project implementation to ensure conformity with plans and specifications</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Monitor and evaluate project operation to ensure conformity with performance standards and tariffs</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Prepare annual reports on project performance to the PPP cell</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Monitor and evaluate financial performance of the project</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Make arrangements for project transfer to the government at the end of the term of the PPP agreement</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Handout 51 - Private Sector Support Calibration Template

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Yes</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Does the proposed project address a market failure? Please explain:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Does the project have clear objectives and results-based performance indicators?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Are there clear selection criteria for beneficiaries?</td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>Are there any performance benchmarks for beneficiaries?</td>
<td></td>
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</tr>
<tr>
<td>5</td>
<td>Have relevant stakeholders been consulted?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Are beneficiaries making any cost contributions?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Does the project have a sunset clause?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Does the project have an exit strategy?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
GENERAL QUESTIONS AND FAQs
Foreign Funded Projects

Frequently Asked Questions (FAQs) – Chapter 5

Qs 1: Are such projects “forced” on the recipient country/ province/ department?

Ans: No. Projects are identified on the basis of the aid giving agency’s country strategy which is finalized in consultation with the recipient country.

Qs 2: Why some projects seem to be “dictated” from above (S1)?

Ans: Major aid giving institutions like The World Bank, ADB, DFID (UK), confine their assistance to certain areas/ sectors which as per international experience, address poverty and improve quality of life of the poor by increasing their incomes, and making free/affordable basic health, education, water & sanitation, family planning services available to them. Recipient governments sometimes fail to understand this and seek funds for the sector/ projects which are not focused on poverty reduction. When it is refused, they think they are being dictated.

Qs 3: Why are PMUs created with attractive salaries, for implementing foreign aided projects?

Ans: Such projects require timely implementation otherwise attract “commitment charges”. Moreover, the implementation arrangements are usually complex and require hard work and application. To attract and retain good project staff over the whole project period is therefore, essential and important.

Qs 4: Why do we accept systems and regulations of our development partners in executing foreign aided projects?

Ans: That is not wholly correct. Wherever our partners are satisfied with the transparency and strength of our system, they accept it, such as Auditor General’s external audit and PPRA regulation for procurement.

Qs 5: Is it necessary to seek foreign aided projects? Why cannot we depend on our own projects/resources?

Ans: Mostly we depend on ourselves. The percentage share of such projects is small. But they provide added benefits like learning from international experience and some addition to our foreign exchange.
Pre and Post Induction Questionnaire – Chapter-5

1. Foreign exchange and domestic savings scarcity paradigm is a characteristic of all the developing countries.
   True  False

2. Specifically with respect to Punjab, assistance required to supplement domestic resources for achieving accelerated growth in selected priority areas include agriculture and its related disciplines, irrigation, physical infrastructure and social sectors such as education, health and water supply sectors.
   True  False

3. DP stands for
   Development Partner  Development Programme

4. Grants provided by the donors are returnable at a nominal rate of interest.
   True  False

5. In foreign-assisted projects, technical assistance is provided in the form of the following components:
   - Consultants;
   - Training;
   - Project preparation facilities;
   - Feasibility studies;
   - Design surveys; etc.
   True  False

6. Any foreign agency showing interest in any project on its own must be discouraged.
   Correct  Incorrect

7. Is IFAD the abbreviation of “International Fund for Agriculture Development”?
   Yes  No

8. IBRD stands for “International……………..for Reconstruction and Development.
   Agency  Bank

9. One of the roles of EAD (Economic Affairs Division) is “to coordinate all sorts of foreign assistance”.
   Yes  No

10. The commitment charge is a fee which lenders charge from their borrowers for unused credit or credit that has been promised at a specified future date.
    Correct  Incorrect

11. RBM is defined as “a broad management strategy aimed at achieving improved performance and demonstrable results”.
    True  False