PLANNING MANUAL

Planning and Development Department
Government of Sindh

Planning Manual

April, 2023

Planning and Development Department
Government of Sindh
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PFM-II
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MESSAGE

Chief Minister, Sindh

After 18th Amendment, the volume of development spending and investments in public infrastructure have increased manifold. Moreover, the planning and development regime in the province has undergone a significant transformation with new planning imperatives such as Public Private Partnership (PPP) and Result Based Monitoring (RBM) indicators and Third-Party Monitoring (TPM). In this backdrop, there was a need to develop a 'Planning Manual' which contains a unified set of customized guidelines and instructions besides containing an updated governance and implementation framework for development projects.

I appreciate the efforts of the Planning and Development Department in fulfilling its obligation to produce Sindh Planning Manual, which will definitely improve the planning procedures and public sector development spending in the province. The Manual will also facilitate the government departments in achieving their development goals while making investments in public infrastructure, harnessing employment opportunities, addressing the issues of social inequality and other initiatives for socio economic uplift of the province.

It is generally agreed that an effective planning and development regime requires a well-defined institutional and procedural framework to ensure that public investments are fiscally sustainable and are effectively managed across sectors at different levels of the Government. This manual elaborates the key processes in the programme/projects cycle such as project identification, project preparation appraisal, approval, implementation, monitoring, closure, and evaluation. I hope that this manual would serve as a guiding document and would provide a standardised framework to improve the overall planning regime, and ensure greater returns on public investment.

I would like to express my gratitude to the Chairman, Planning and Development Board, Government of Sindh Mr. Hassan Naqvi and his team who have worked tirelessly to develop this manual. The support of the technical team of EU Funded Public Financial Management Support Program for Pakistan (PFM II) at Finance Department, Government of Sindh also merits appreciation.

Syed Murad Ali Shah

PREFACE

The development and publication of the 'Planning Manual' by Planning and Development Department, Government of Sindh is an important milestone in furtherance of planning, development and public investment regime in the province. It contains useful information on major stages of development planning from identification of development project to preparation of documents, approval, execution, implementation and monitoring & evaluation. The manual also explains the important concepts, principles and processes to tackle the diverse planning, development and public investment challenges of modern times. The Sindh Planning Manual besides containing the basic principles of planning cycle given in the Manual of Development Projects by Federal Government also includes the customized key processes, instructions and policy guidelines of the Government of Sindh on project planning and implementation.

Development of the planning manual in the province meets a long-term requirement for the need of such a manual. The purpose of this manual is to set, explain and promote a unified approach, process and requirements which are applicable to the development projects across public sector institutions in Sindh. It also highlights the importance of linking strategic development and the budgeting process. Planning manual along with its annexures chronicles and compiles the relevant guidelines, orders and instructions of the Government of Pakistan and those of Sindh Government from time to time. I am sure that it would be of immense value to those involved in the development activities in the province.

The production of this manual would not have been possible without the dedication and support of Mr. Faisal Ahmed Uqaili (Secretary P&D), Mr. Asghar Memon (Chief Economist), and other Members of P&D Board, especially Engr. Abdul Fattah Tunio, Consultant (P&D) who thorough reviewed, edited and made structural improvement in the manual, and valuable input by Syed Ahmad Raza Hashmi, Chief (Coordination). The appreciation and acknowledgement also to the team of consultants of the EU funded Public Financial Management Support Programme for Pakistan (PFM II) and Economic Reform Unit, Finance Department, Government of Sindh for collection of the relevant documents and development of this manual.

Syed Hassan Naqvi
Chairman
Planning and Development Board
Government of Sindh

April, 2023

FOREWORD

Planning and Development Department, Government of Sindh has embarked upon an ambitious reform agenda in the planning and development regime including improvements in the governance and regulatory framework; automation of the planning processes; strengthening of the monitoring and review mechanisms and simplification of the processes of planning and development wherever so required. In this backdrop, formulation of the Planning Manual for the Province is also one of the key reforms which has been pursued by the P&DD Board Sindh in collaboration with the technical team of European Union funded Public Financial Management Support Programme (PFM II), Sindh component.

While doing a diagnostic analysis and pursuing a multidimensional reform agenda, it was noticed that there are number of gaps in the planning and development regime which underscore the need for developing a comprehensive document which includes the guiding principles about different dimensions of planning and development currently in practice around the world. Accordingly, a conscious efforts have been made to ensure that the Planning Manual in hand not only captures all the essential dimensions of planning and development regime but also contains the user friendly and hand on tools on all the modern concepts of planning and development catering to the needs of a wide range of stakeholders. The manual also provides the much-needed guidance to provincial departments on selecting projects for public–private partnerships (PPPs), while formulating their plans.

Planning Manual consists of two volumes. Volume I cover the various concepts and dimensions of the planning and development cycle where as Volume II consists of important appendices, procedures, instructions and the allied documents.

I would like to express my gratitude to the Mr. Hassan Naqvi, Chairman Planning & Development Board, Government of Sindh whose guidance and encouragement was quite instrumental in the formulation of the Planning Manual for the Province of Sindh. Appreciation goes to Mr. Abdul Fattah Tunio, who has aligned the structure of the manual with the project management cycle. Valuable feedback and suggestions by our development partners and stakeholders in the Provincial Government Departments are also much appreciated. The manual has been designed as a live document to meet the aspiration of public sector organizations in Sindh. Planning and Development Department, Government of Sindh would continue to strive for its update and improvement as an when so required.

Faisal Ahmed Uqaili
Secretary Planning &
Development Department,
Government of Sindh.

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List of Abbreviations

ADB	Asian Development Bank
ADP	Annual Development Programme
AG	Accountant General
BCR	Benefit–Cost Ratio
BOT	Build–Operate–Transfer
CBA	Cost–Benefit Analysis
CCC	Concept Clearance Committee
CDL	Cash Development Loan
CDWP	Central Development Working Party
CEA	Cost-Effectiveness Analysis
CM	Chief Minister
CPM	Critical Path Method
DAO	District Accounts Officer
DDB	Divisional Development Board
DDC	District Development Committee
DDO	Drawing and Disbursing Officer
DDWP	Departmental Development Working Party
DEV	Development
DLIs	Disbursement Linked Indicators
EAD	Economic Affairs Division
ECNEC	Executive Committee for National Economic Council
EIA	Environmental Impact Assessment
EPC	Engineering, Procurement and Construction
FD	Finance Department
FilMS	File Management System
FV	Future value
GDP	Gross Domestic Product
GIS	Geographic Information System
GoP	Government of Pakistan
GoS	Government of Sindh
GPS	Global Positioning System
IPDF	Infrastructure Project Development Facility
IRR	Internal Rate of Return
M&E	Monitoring and Evaluation
MEC	Monitoring and Evaluation Cell
MEO	Monitoring & Evaluation Officer

MoPDR	Ministry of Planning, Development and Reform
MTDF	Medium-Term Development Framework
NBP	National Bank of Pakistan
NEC	National Economic Council
NGO	Non-Governmental Organisation
NIT	Notice Inviting Tender
NPV	Net Present Value
O&M	Operation and Maintenance
P&D	Planning and Development
P&DD	Planning and Development Department
PD	Project Director
PDWP	Provincial Development Working Party
PERT	Program Evaluation and Review Technique
PIDE	Pakistan Institute of Development Economics
PKR	Pakistani Rupee
PMI	Project Implementation Unit
PMU	Project Management Unit
PPP	Public–Private Partnership
PRS	Poverty Reduction Strategy
PSDP	Public Sector Development Programme
PV	Present Value
RBM	Results-Based Monitoring
R&D	Research and Development
RMEO	Regional Monitoring and Evaluation Officer
SBP	State Bank of Pakistan
SDGs	Sustainable Development Goals
SMEO	Sector Monitoring & Evaluation Officer
SPPRA	Sindh Public Procurement Regulatory Authority
TC	Technical Committee
TOR	Terms of Reference
VGF	Viability Gap Fund
WHO	World Health Organization

Chapter 1 – Development Planning & Project Management

Development Planning- Concept and Practice

1.1 Planning is a web of symbolic actions which consist of a selection of a set of priorities and actions which would be sufficient to achieve a goal. In spite of endless number of definitions of planning, in simple terms it is defined as a conscious and deliberate set of economic priorities selected by the government or any public authority which have been vested with certain rights and functions. The concepts of planning and development have evolved independently in their meaning until they jointly configured in the development planning techniques. The fundamental instrument of economic planning is a plan.

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

1.3 Development planning when put into practice is based on the following:

- Identifying the collective needs of the people including men, women, girls and the most vulnerable;
- Determining the future desirable direction of the economy;
- Aiming equitable distribution of economic power;
- Reducing uncertainty to manage the major economic challenges;
- Providing a platform for managing and coordinating the efficient use of resources;
- Laying the foundation for long-term growth.

1.4 In the earlier stages of development when the priorities in the various sectors of the economy are not clearly defined, programmes and projects can even be conceived and implemented without a reference to an overall sector or national plan. However, as the development process gains traction, the choices and opportunities for investment grow bigger and the task of resource allocation gets complicated and challenging, it is inevitable to align the development priorities with long term economic and sector plans. The achievement of physical targets set for various sectors necessitate the preparation of a medium-term plan or an annual development plan which includes number of programmes and projects. The main instrument to implement the plan is the Annual Development Programme (ADP) or Public Sector Development Program (PSDP).

Planning Machinery in Pakistan- Evolution and Historical Perspective

Development Board

1.5 Despite grave economic and financial problems, which beset the Government of Pakistan soon after independence, a Development Board was established in 1948 in the Economic Affairs Division to deal with the economic development of the country. A number of projects were outlined for putting the country on the development path, and to provide necessary infrastructure. In 1950, a Six-Year Development Plan was formulated and embodied in the "Colombo Plan" for cooperative economic development in South and South East Asia. This was essentially an "outline plan" and delineated only a broad pattern of development.

Planning Board

1.6 To prepare a comprehensive national plan of development, Government of Pakistan established the Planning Board on July 18, 1953. Planning Board was assisted by the advisors and consultants. It was given the mandate to draft a plan and finalize it by the end of 1954. The Board accordingly prepared and submitted a Five-Year Plan, which was approved by the National Economic Council.

National Planning Board

1.7 In line with the objectives stated in the Article 28 and 29 of the Constitution of Pakistan (1956), a permanent Planning Board was established on April 20, 1957.

Planning Commission

1.8 The National Planning Board, was initially established in 1957. Thereafter, it was re-designated as the Planning Commission on October 23, 1958.

Provincial Planning & Development Departments or Boards

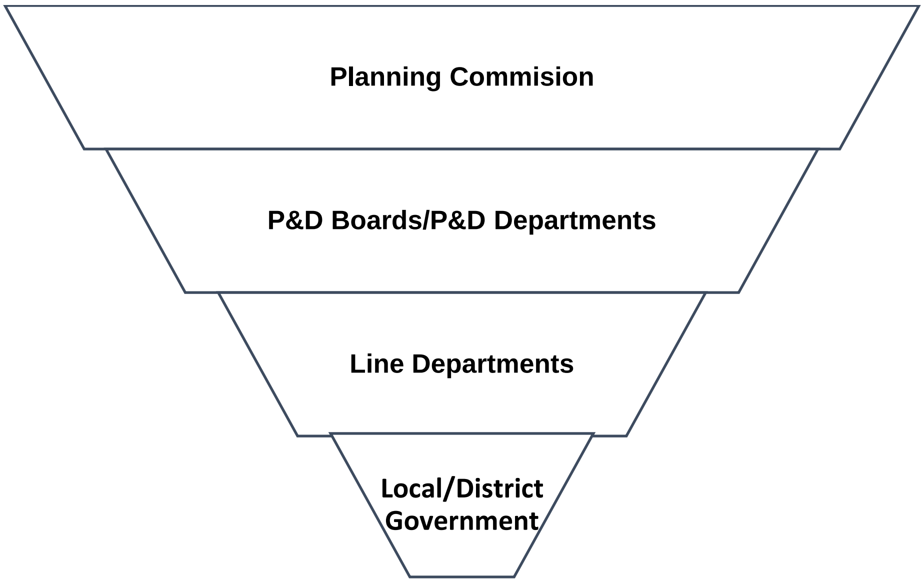
1.9 At the Provincial level, the Planning & Development (P&D) related activities of all the nation-building departments and agencies are coordinated and managed by the planning bodies either in the form of a Planning Board or a Department. In Punjab and Sindh, the planning and development activities are being undertaken by the Planning and Development Boards where as in the province of Balochistan, Khyber-Pakhtunkhwa and special areas (AJ&K and Gilgit Baltistan), these are managed by their Planning and Development Departments. P&D Departments/Board are responsible for the planning and development in their respective areas. The P&D Board in the Punjab and Sindh is headed by the Chairman and assisted by members, while the P&D Departments in Khyber Pakhtunkhwa, Baluchistan and Special Areas are headed by their respective Additional Chief Secretaries (Development).

1.10 In the province of Sindh**,** Planning & Development Department was established on July 1, 1970, to formulate the development policies, plans and projects. The P&D Department was transformed into the P&D Board on January 13, 2017 which is headed by Chairman and is assisted by the Secretary, P&D Department, Chief Economist and Members (Energy and Infrastructure Development, Social Sector, Services, and Natural Resources etc.). The technical functions of the Board are performed by different technical and economic sections, each of which is headed by a Senior Chief or a Chief.

1.11 There are various planning agencies that operate at different levels in the country. Prior to 2010, planning function was quite centralised with vesting of more authority in the Planning Commission of Pakistan. However, after the devolution of power through the 18th Constitutional Amendment, the planning agencies at the Provincial level enjoy a centralized and important role. They now play an important part in the development and progress of the province and the country.

1.12 The inverted pyramid below in figure 2 shows the different levels at which planning is carried out.

Figure 1: Pyramid of Planning in Pakistan



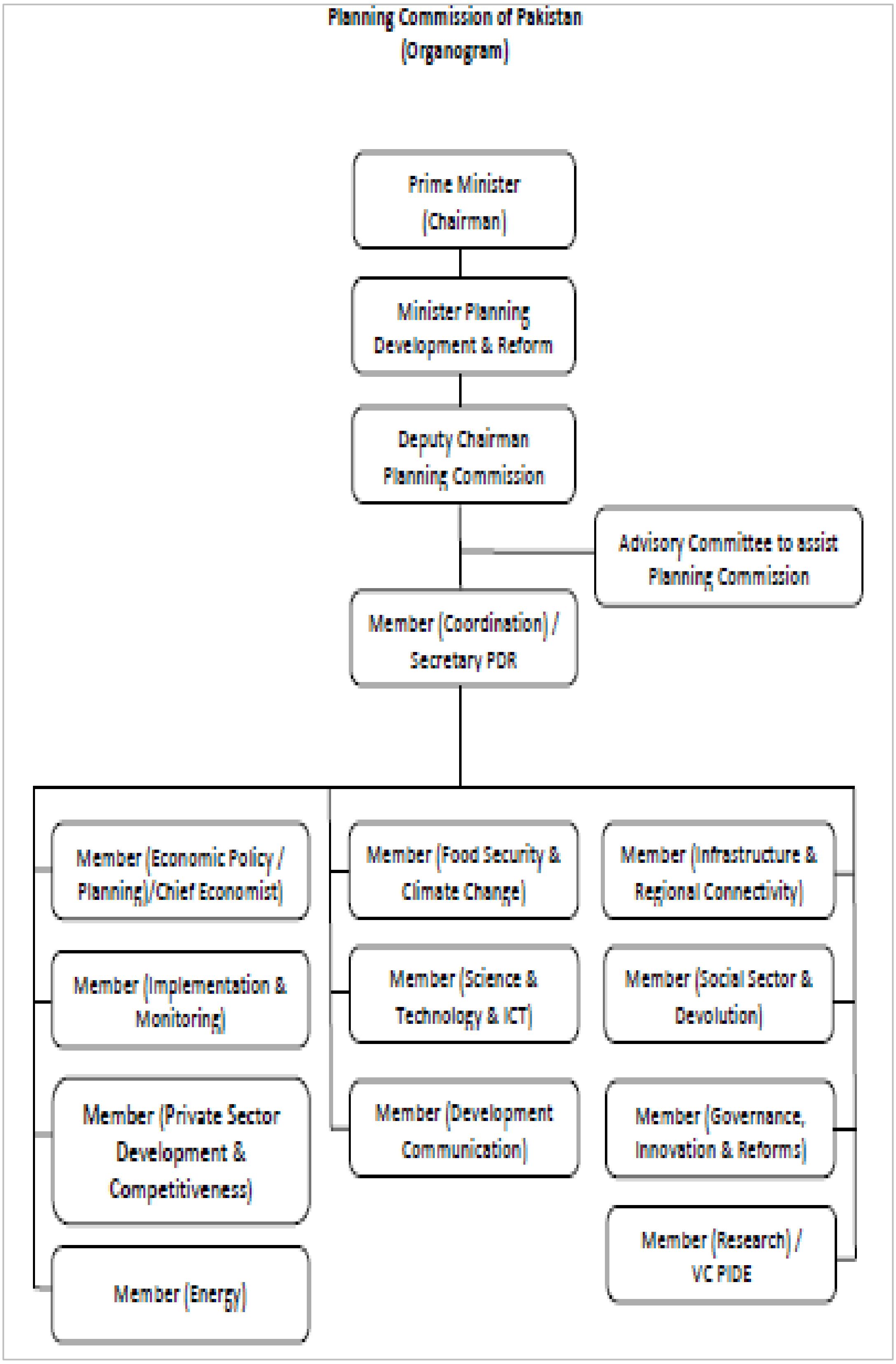
Briefly, the role of different planning agencies at the various levels in the country is explained in the succeeding section.

Planning Commission of Pakistan

1.13 Planning Commission of Pakistan came into being vide Government of Pakistan notification no. cord (I)-8/84/58-I, dated the 22nd October 1958, through which the National Planning Board was re-designated as the Planning Commission. The Planning Commission (PC) is a part of the Ministry of Planning, Development & Special Initiatives and is the top most national planning institution in the country. The Planning Commission was revamped vide resolution no.4-6/2006-Min-1, dated April 20, 2006 (**Annexure-1**) and resolution no.4-6/2006-Min-I dated October 30, 2013 **(Annexure-2).** As per the 2013 resolution, the Prime Minister of Pakistan is the Chairman of the Planning Commission and Deputy Chairman is functional head of the Planning Commission. In addition to this, there are at least 12 Members that help the Deputy Chairman in running the affairs of the Commission. An Advisory Committee comprising members from private sector, academia, civil society, public representatives, public sector and other segments of society has also been constituted to advise the Planning Commission in policy making.

1.14 The Organizational chart of the Planning Commission is given below in Figure 3:

Figure 2: The Organizational Chart of the Planning Commission of Pakistan



Federal level forums and their functions for approval of development projects

1.15 The Key Federal/National level forums for approval of development projects and programs are given as under:

Table 1: Federal level forums for approval of development projects

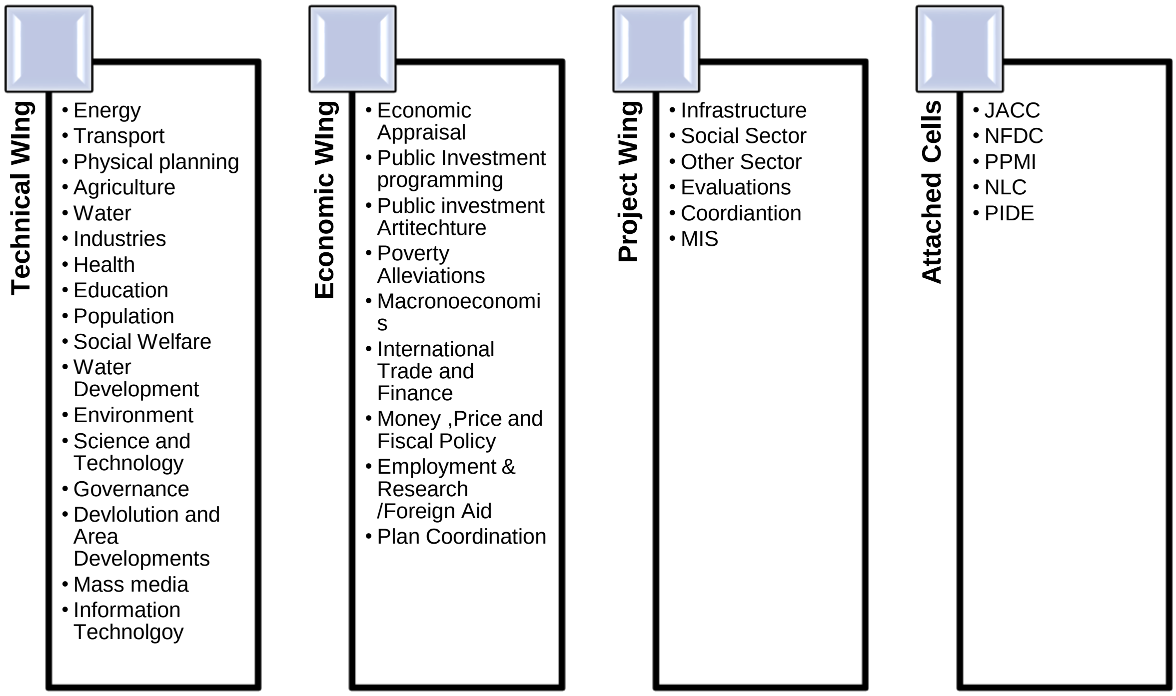
Forum/Body	Function
National Economic Council (NEC)	It is a supreme economic and policy making body as defined in the Article 156 of the Constitution. The NEC is the apex economic and development policy forum mandated by the Constitution to approve vision statements, long-term perspective plans, five-year plans, annual plans, and the Public Sector Development Programme (PSDP). The current composition of the NEC includes the Prime Minister (Chair), four Chief Ministers, four members nominated by the Prime Minister and four members nominated by the respective Chief Ministers.
Executive Committee of the National Economic Council (ECNEC)	The composition of the Executive Committee of NEC (ECNEC) changes from time to time. Currently, the ECNEC includes six federal ministers and one minister from each of the four provinces, whereas Deputy Chairman Planning Commission, Secretaries EAD, Finance Division and Planning Commission, Chairmen P&D Boards of Punjab and Sindh, Additional Chief Secretaries P&D Departments Khyber Pakhtunkhwa (KP) and Baluchistan are invited to the meetings on special invitations Moreover, other officers of the federal and provincial governments as well as governments of AJ&K and GB are invited to the ECNEC meetings on a need-basis. The functions and powers of the ECNEC are to i. Sanction development projects (both in public and private sectors) each costing more than Rs. 7.50 billion or according to the sanctioning limits approved by the NEC and notified/issued by the MoPD&SI from time to time. ii. Allow moderate changes in the Annual Plan and sectoral adjustments within the overall Plan allocation. iii. Allow changes, as deemed appropriate in plans initiated by the Planning Commission/MoPD&SI. iv. Review policy issues relating to development projects/programs/plans before submission to the NEC. v. Supervise the implementation of the economic policies laid down by the Cabinet and the National Economic Council. vi. Pronounce on cases for the grant of protection of indigenous industry. vii. Pronounce on cases involving the grant of licenses for exploration or exploitation of oil and other mineral resources or extension in the area of operation.

	viii. Issue reports asked requested by the Committee in pursuance of its earlier decisions. ix. Act on any other matter referred to the Committee by the Prime Minister, the NEC, the Council of Common Interests (CCI) and the Cabinet or raised by any member in the Committee with the permission of the Chair.
Annual Plan Coordination Committee (APCC)	The APCC is mandated to review the previous and current annual plans while recommending the next year's annual plan for submission to the NEC. In addition, it reviews the PSDP of the previous and current year and recommends the proposed PSDP of the next year for submission to the NEC. The APCC is chaired by the Minister of Planning, Development & Special Initiatives or Deputy Chairman Planning Commission. Its members include; Governor State Bank of Pakistan, Ministers for Finance Division, P&D Departments of all provinces and AJ&K, Deputy Chief Executive of Northern Areas, Chairmen P&D Boards Punjab and Sindh, Additional Chief Secretaries (Development) of Balochistan, Khyber Pakhtunkhwa, AJ&K and GB, Provincial Finance Secretaries, Secretaries of all Federal Ministries, Chief Economist Planning Commission, Chairmen FBR, NHA, WAPDA, PAEC, PNRA, HEC and CDA, Economic Adviser Finance Division, Additional Secretary (Budget) Finance Division
Central Development Working Party (CDWP)	It is responsible for the scrutiny and approval of development projects beyond the sanctioned limit of DDWP and up to 7.5 billion; provincial projects having federal financing and foreign component; and federal projects having more than 25% of foreign component. The CDWP is chaired by the Deputy Chairman Planning Commission. The schemes approved by the Central Development Working Party (CDWP) are submitted to the Executive Committee of the National Economic Council for final approval.
Departmental Development Working Party (DDWP)	It is a body for approving development projects /programs for the Federal Ministries/ Divisions/ Departments costing up to Rs. 2,000 million. It is headed by the respective Secretary /Principal Accounting Officer of an Administrative Division and includes the representation of Finance Division and concerned technical section of Planning and Development Division.
Development Working Party (DWP)	DWP is body of public sector autonomous organizations whether commercial or noncommercial (with a functional board by any name) whereby they are competent to sanction their development schemes based on 100% self-financing having no government guarantees and involving less than 25 % foreign exchange component on specific requirements.

Ministry of Planning, Development and Special Initiatives (MoPD&SI)

1.16 Ministry of Planning, Development and Special Initiatives provides the support to the Planning Commission for disposal of its assigned tasks. The functional wings of MoPD&SI are shown in Figure as under:

Figure 3: Functional wings of Ministry of Planning, Development and Special Initiatives



Planning and Development Board, Sindh

1.17 The Planning and Development Board Sindh was created on 13th January 2017 through the notification no. S0(C-IV) SGA&CD/4-14/09(P-V) (**Annexure-3**). The creation of the Board was aimed at better management of public investments; improvements in public service delivery; and building human capacities. The Board is now the main development forum of the Province with Planning & Development Department as its institutional home. On the creation of the Board, the post of the Additional Chief Secretary (Dev), Planning and Development Department was abolished and replaced with the post of Chairman, P&D Board. In addition, the posts of five members were also created by re-designating five existing posts of P&DD, Government of Sindh.

1.18 In terms of the Sindh Government Rules of Business 1986 (**Annexure-4**), Planning and Development Department is mandated to co-ordinate the activities of the various Departments in the economic field; deal with all cases relating to matters of economic policy; planning co-ordination and development. Following is the list of matters which are referred to the Planning and Development Department for processing, review and approval:

1.19 Functions of Sindh Planning and Development Board, copy of rules of business is at **(Annexure-5).** Major functions are given as under:

(i) Planning including development policies by adopting modern techniques and tool of planning to meet increasing development challenges confronted to the province amidst persistent catastrophes (floods, devastating rainfalls, drought etc.

(ii) Processing of all development schemes, programs and proposals submitted by Line Departments and making recommendations to the Government thereon.

(iii) Propagation of development activities taking place in province and educating the masses about results achieved in consultation of Information Department.

(iv) Maintaining liaison with National Planning Agencies

(v) Coordination with Economic Affairs Division on Foreign Aid/Loans, Technical Assistance from World Bank/Asian Development Bank and other International Development Partners and for the trainings of officers in foreign countries.

(vi) Implementation of Programs under national economic policy as applicable to Sindh.

(vii) Monitoring & Evaluation of development schemes and writing their critical appraisal.

(viii) Monitoring and Evaluation of development work done through system of peer review and performance audit.

(ix) Collection, compilation and dissemination of statistical data on socio-economic sectors of Sindh Province for the use of planners, policy makers and researchers.

(x) In-house research on the issues relating to federal, provincial and sub-provincial matters relating to policy and fiscal on key socio-economic issues.

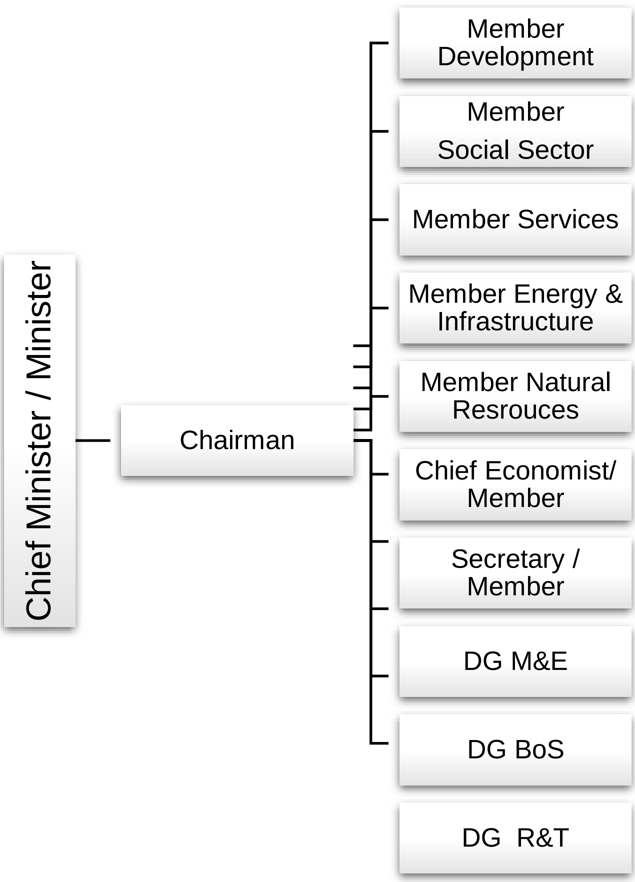
(xi) Organize trainings on planning process, monitoring & evaluation methods and public investment management including providing support to line departments and local governments to prepare costed sector plans.

(xii) Provide technical support for urban, regional planning and development within a short, medium and long terms framework by policies, strategies and plans.

(xiii) Service matters related to Planning Secretariat and its attached offices/ programs/ projects, except those entrusted to the SGA&CD.

1.20 The organizational chart of the Sindh P&D board is given below in Figure 5:

Figure 4: Organogram of P&D Board, Sindh



Planning by Line Departments

1.21 Line departments form the center of the bottom-up planning and are bound to link their plans and priorities with the national and provincial strategies and objectives. One of the most important documents that a line department requires for effective service delivery is a sector plan which has a medium-term outlook and is linked to the budget allocation to achieve effectiveness. However, it has been observed that many of the line departments do not have any such plan. Even if exists, it is only on annual basis. To make sure that the department have started planning on annual basis as well as in medium term, an act from provincial assembly has been passed making it binding for all the departments to plan in medium term. Each department is required to establish dedicated planning unit/wing to deal with the matters pertaining to development schemes/projects.

1.22 In terms of Section 7 of the Sindh Public Finance Administration Act 2020, within a period not exceeding five years from the date of this enactment, the Government shall, at the time of submission of the estimates under sub-section 1 of the section 6 of the said act, also lay before the Provincial Assembly a presentation of estimates of expenditure which shows the outputs expected to be provided from each budget Demand, and selected performance criteria to be met, for the financial year commencing on 1 July and for at least the two years following that financial year.

1.23 No later than 31st January each year, each Principal Accounting Officer shall submit to the Planning and Development Department, and the Finance Department a medium-term, rolling, costed strategic plan. Such plan shall contain;

i. a comprehensive mission statement covering the major functions, as per the rules of business, and operations of the department,
ii. Departmental goal; a description of outputs, activities and inputs – each of which are costed within available financial resources,
iii. organizational officer responsible for meeting outputs,
iv. a description of human, information technology, approved projects / schemes, and other resources to meet the departmental goal,
v. recurrent and development budgets required to meet the outputs,
vi. an identification of those key factors external to the department and beyond its control that could significantly affect the achievement of the departmental goal,
vii. indicators and targets for outcomes and outputs to become basis for performance evaluation.

1.24 In short, the line departments help the P&D Department in the finalization of ADP, as well as implementation, monitoring and evaluation of the ADP projects. This is done by:

i. Formulating development schemes after stakeholder's consultation and collaboration, ensuring that the schemes are in line with the National and Provincial plans as well as international commitments;
ii. Submitting a tentative size of the annual development budget keeping in view the sectoral priorities;
iii. Preparing PC-Is for development schemes and recommendations to the relevant forums for assessment and approval;
iv. Implementing the projects as per approved scope and cost in close collaboration with all stake holders;
v. Internal monitoring for relevant development projects;
vi. Helping in preparation of post evaluation reports to evaluate the efficiency of public spending.

Planning at the Local Government Level

1.25 After the passage of the Sindh Local Government Act in 2013, many changes in the local government systems established in the province. The bureaucratic and political local government structures are now fundamentally different. While district has been maintained collectively as an administrative unit under the bureaucratic structure, the political structure is now bifurcated on urban and rural lines and is not aggregated at the district level.

1.26 A Corporation, Municipal committee or Town committee may, and if so, required by Government shall, prepare and implement development plans for such periods and in such manner as may be specified. Government may direct any specified items of income to be earmarked and applied in the implementation of a development plan. The approval forum for the District ADP is at Annexure 22 and 23.

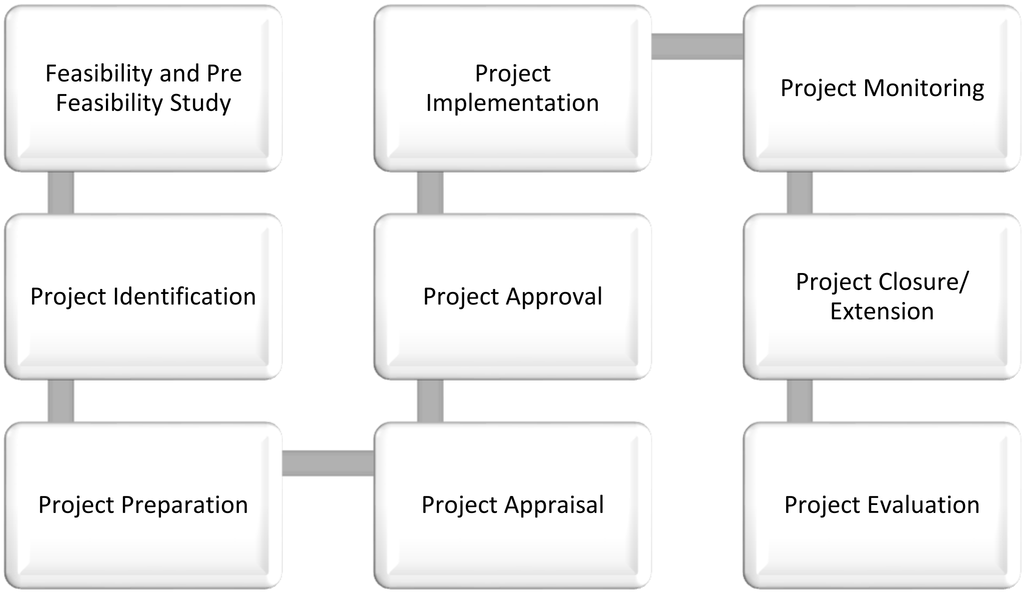
1.27 Under the Local Government structure in the 2013 Local Government Act, the districts are bifurcated into rural and urban areas. Urban areas are divided as: Metropolitan Areas (population above 3.5 million); Municipal Corporation (population above 300,000 and less than 3.5 million); Municipal Committees (population above 50,000); and Town Committees (population above 10,000). Each urban area committee is autonomous and is governed politically by its respective committee, elected through Wards. The rural areas of a district are governed through a District Council, made of several Union Councils.

Project Management

1.28 A project is an individual or collaborative enterprise which is carefully planned to achieve a particular aim. It can be defined as a proposal for investment to achieve certain objectives. By design, the projects are temporary in nature, unique in their output with defined starting and end point. The project is measurable both in its major costs and returns. In today's world, projects both in public and private sector are considered as an important instrument for realisation of the strategic objectives of an organisation or a government. From the standpoint of economics, a project is the minimum investment which is feasible both technically and economically. Effective project planning and management helps in identifying the desired goals, reducing risks, and ultimately delivering the goods and services as planned.

1.29 Project Management Institute (PMI) defines the project management as "the application of knowledge, skills, tools, and techniques of project activities to meet the project requirements". In the public sector, project management is the process of managing Government spending on economic, social and infrastructure projects. The Project management cycle includes the identification, preparation, appraisal, approval, implementation, monitoring and evaluation of public spending.

Figure 5: The Project Management Cycle in Pakistan



1.30 The term project management covers all the activities which are necessary to (i) Ensure that the projects are properly identified, prepared and appraised (ii) Implement the projects with due diligence to achieve the planned objectives within approved cost and time frame; (iii) Identify the risks promptly as they arise, help resolve them, and modify the project if necessary; (iv) Close a project if it is no longer justified, particularly if it can no longer achieve its developmental objectives and targets; (v) Draw lessons for designing future projects; and (vi) Prepare completion reports.

Why do Governments need effective Project Management?

1.31 Developing countries have some common characteristics which include poverty, high rate of population growth, low levels of literacy, unemployment, poor infrastructure, in-equality and an agriculture-based economy. All these issues are worsened further, due to inadequacy of resources. Effective project and investment budget management is therefore necessary to ensure efficient service delivery and to improve the wellbeing of the citizens. While development budget is used to increase the country's capital stock, investment budget helps in effective management of the capital stock. To achieve this end, it is important that the development projects are planned and implemented in an efficient and effective manner to optimize the returns on investments. Similarly, the public sector investments should be planned and spent to improve the existing capital stock, better service delivery and improve future growth rate.

What kind of problems can better be addressed with Project Management?

1.32 Development portfolios of the low-middle income countries often suffer from a series of problems. Better development project management can help address some, if not all, of these problems: Some of the problems are listed in Table 1 below:

Table 2: List of common problems identified during project management cycle

	Area	Issues
i	Project Identification and project selection	• Project Identification by the line ministries is not based on a sound costing, financial or economic analysis. They do not even undertake proper stakeholder consultation in the project identification regime. • Most of the line department do not have sector strategies and hence project identification is not consistent with the sector needs and priorities. • Only 20% of the identified projects are based on proper feasibility study whereas remaining 80% prepare only in-house feasibility study. • Providing no duplication certificate by EA for recurrent nature projects • The decision of the project selection is not necessarily in line with the prioritization of the Project. • The aspect of sustainability of the project is invariably ignored. • Lack of risk assessment e.g. litigation in case of land acquisition, risk probability and its impact. • Non alignment of project proposals with sector plans and priorities • Weak economic and social appraisals
ii	Project Preparation	• Due consideration is not given to the resources envelop while preparing projects. • Lack of coordination between different levels of Government. Same project could be prepared under district ADP or other source along with its inclusion in the Provincial ADP
iii	Project Allocation	• Allocations not based on annual financing required as per approved PC-1s or based on the plan period of the project • Token allocations for projects resulting in high throw-forward • Too much focus on new schemes as compared with ongoing schemes
iv	Project Appraisal and Approval	• Not enough time for comprehensive appraisal, owing to large number of projects • Weak capacity to conduct economic analysis appraisals • Ex-post adjustment of IRR and NPVs

v	Project Implementation	• Lack of implementation capacity of some departments as against the portfolio of the development projects • Project implementation personnel do not follow implementation guidelines given in the Planning Manual • Inadequate cash flow forecast/slow financial releases • Weak capacity for proper implementation • Cost-overruns • Site conditions • Non availability of land • Litigations • Procurement issues – hosting on SPPRA
vi	Project Monitoring	• Inadequate capacity for regular monitoring • Weak timelines for monitoring • Weak selection criteria for projects to be monitored • Limited follow up on the monitoring • Inadequate Results Based Monitoring (RBM) Indicators • Lack of focus on RBM.
vii	Project Evaluation	• Limited or no project evaluation after completion • Weak pre-set criteria for evaluation • No follow-up to evaluation • No third-party evaluation

Need of Manual for Development Projects

1.33 Sindh Government allocates billions of rupees for development every year. Up till now, the Planning and Development Department (P&DD) has been using the Federal Manual for Development Projects. Since the Province also has its own procedures and requirements in addition to the Federal set of instructions, there is a need for consolidated written record of those province specific processes and procedures.

1.34 It is therefore important to have a manual that not only captures the existing processes for planning and managing the development budget, but also streamlines them in order to avoid adhoc planning and project management. This manual outlines the policies, procedures, and responsibilities of various agencies for managing projects. It is particularly designed to provide guidance to Planners/Project Directors/Authorities in Sindh who are involved in development project management.

Who are the users of this Manual?

1.35 The purpose of this manual is to set, explain and promote a unified approach, process and requirements which is applicable to the development of all strategic documents across public institutions in Sindh. It also highlights the importance of linking strategic development and the budgeting process.

1.36 The manual is primarily designed for the following key stakeholders:

i. **P&DD officers** who are in charge of the appraisal of development projects. These officers review the project proposals received from line departments; forward the projects for approval to the relevant forum for inclusion in the Annual Development Plan (Budget); and monitor the implementation of the projects through Monitoring and Evaluation Cell (MEC).

ii. **Planning Sections/Cells or Wings at the Line departments** who are in charge of "Projects preparation and implementation It is important for officers of these units to be aware of the top-down processes that affect the selection of their project proposals and to know the specific requirements for developing and implementing projects.

iii. **Project Managers**, who are implementing the projects and need to understand the specified requirements of the Government for implementing and monitoring projects.

Chapter 2 - Project Identification

2.1 Project identification is the first step in the strategic planning process. Project identification and its formulation is the most important segment in a project cycle wherein all the projects forming part of ADP/MTDF should be closely aligned with the national and provincial policy framework and are synchronized with the sectoral priorities. Since such priorities in a sector have competing claims on the limited resources envelop, it is imperative that various departments prepare their sectoral plan and strategy to optimise the use of available resources. Flowing from the national planning document and priorities fixed by higher fora, such sectoral strategy must also take into account the country assistance and partnership strategies of the donors.

2.2 In Pakistan, Projects in various sectors are proposed and prepared by concerned departments. Identification is done by determining the project's relevance to the National, Provincial and Sectoral Plans. Projects are generally identified by: -

i. Government agencies preparing national, regional or sectoral development plan;
ii. Elected representatives who are the voice of their constituents;
iii. Bilateral or multilateral aid agencies conducting country's economic/sector studies or ex-post evaluation of completed projects; and
iv. Public or private-sector entities in the country or donor countries, local governments, non-governmental organizations (NGOs), academia.
v. Communities and civil society

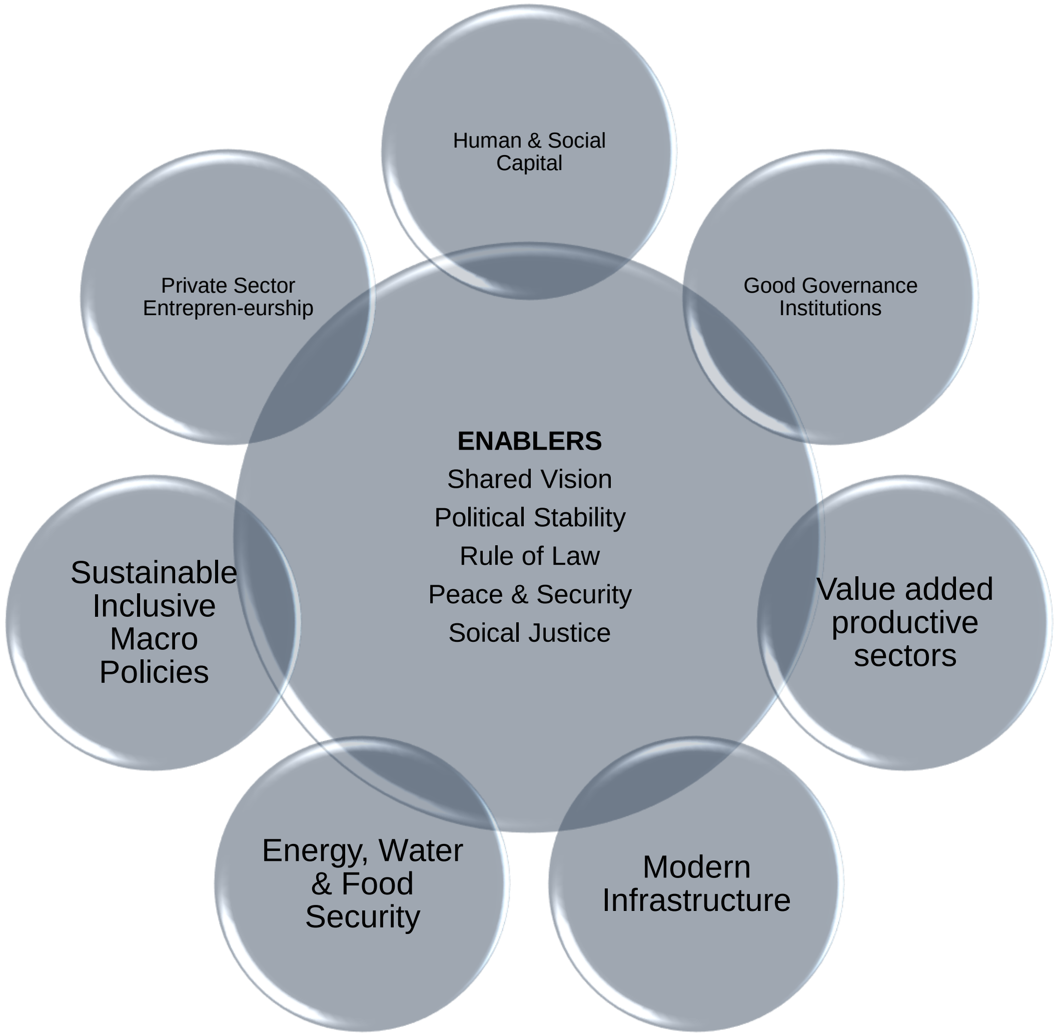
2.3 The order of priority assigned to each project depends on the viability and desirability of the project's impact on national and provincial economic growth, social development, generation of greater resources and overall Government policy. Some of the source documents for project identification and alignment are discussed below.

Pakistan's Vision 2025

2.4. The Vision 2025, a document by the Planning Commission, Government of Pakistan reflects the national aspirations for the country up to the year 2025. It sets the target for Pakistan to be amongst the top 25 economies of the world by 2025 and to be in the top 10 economies by 2045. The document urges to formulate a long-term strategy for development plans and strategies.

2.5. Vision 2025 identifies the following seven pillars and five enablers to achieve the desired goals as shown in the Figure 7 below.

Figure 6: Pakistan's Vision 2025



Five Year Plans

2.6. 'Five-year plan' is a general statement of objectives and targets relating to the national economy. In a relatively long-term horizon, the plan sets out the goals and targets with certain specific actions and measures to attain the national economic objectives. The longer time horizon provides a reasonable timeframe for the achievement of development outcomes. However, it is only a guiding document as it does not contain the authorization to incur expenditure.

2.7. Up-till now, the 11th five-year plan (2013-2018) has remained in force. The plan envisaged to increase the share of PSDP from 3.9% of GDP in 2012-2013 to 4.6% of GDP by 2017-18. The 11th five-year plan outlined the goals in each sector, aligned wherever possible with SDGs and Vision 2025, with a set of objectives and the strategy to achieve those objectives. It also prescribed the monitoring tools to seek the information on the progress against key sectoral goals both at the federal and provincial level over the five-year period relevant to the plan.

National Plans and Policies

2.8. There are various policies and plans that have been formulated at the national level which also act as a guide for the provinces. These policies besides serving as an overarching framework are also taken into consideration at the time of identifying projects at the national, provincial and lower levels.

2.9. Few examples of the National policies and plans include: -

i. National Education Policy 2017
ii. National Health Vision 2016-2025
iii. National Food Security Policy 2018
iv. National Climate Change Policy 2012
v. National Environment Policy 2005
vi. National Water Policy 2018

2.10. For a complete list of National & Provincial Policies, please see **(Annexure-6)**

International Commitments

2.11. Pakistan is a signatory to number of agreements and is under obligation to fulfil the commitments agreed in those agreements. The provinces are responsible to make the policies, plans and schemes which are aligned to the commitments in various agreements and international covenants.

2.12. Pakistan has ratified the Convention 182 of ILO on Worst Forms of Child Labour (WFCL) along with notification of the list of hazardous occupations for children under the Employment of Children Act, 1991. In this backdrop, it is important that during policy formulation, all Provinces give due consideration to the obligations under such conventions. Similarly, the National Economic Council (NEC) has approved the national framework for Sustainable Development Goals (SDGs) with national targets for priority SDG areas in Pakistan. All the planning processes and the actions stipulated in different documents are required to be aligned with SDGs to achieve the satisfactory progress.

Provincial Development Vision, Goals, Sectoral Policies/Plans and Strategies

2.13. In addition to the national policies and plans, there are various Provincial policies and strategies in place which serve as a guiding instrument for project identification. In case of Sindh, following are few examples of such policies which are taken into consideration while formulating plans.

Sindh Poverty Reduction Strategy

2.14. The strategy lays down a policy and budget framework for poverty-reduction in urban and rural Sindh, with a specific focus on a community-driven local development. The Poverty Reduction Strategy (PRS) is also considered as a medium-term framework to reduce poverty duly aligned with the targets of Sustainable Development Goals (SDGs).

Sindh Growth Strategy

2.15. This document lays down the specific priorities of the provincial government for attaining equitable development and ensuring sustainable growth. The priorities contained in the strategy complement the national strategies, focusing also on the areas specific to Sindh. This strategy identifies four reform areas to enhance the province’s growth

i. Improving investment climate for productivity growth
ii. Improving rural service delivery
iii. Improving connectivity to markets
iv. Strengthening government credibility and accountability

Sindh Drinking Water Policy

2.16 The goal of the Sindh Drinking Water Policy is to improve the quality of life of the people of Sindh by reducing morbidity and mortality caused by water-borne diseases. This will be done through provision of safely managed, affordable, and free from contamination portable drinking water to the entire population located in the vicinity or premises and in a way that it is sufficient, efficient, equitable and sustainable.

Sindh Sanitation Policy

2.17 The key targets of this policy are:

i. To eradicate open defecation from Sindh province by 2025, while 70% villages of 13 high priority districts achieve the status of open defecation free by 2020.

ii. That 100% households in Sindh have access to and use sanitary latrines by 2025, while 70% of rural households in high priority districts will achieve this by 2020

iii. To strengthen and implement liquid waste management with sewer lanes and covered/improved drains with 85% coverage of urban areas and 60% coverage in rural areas.

iv. To create and develop wastewater treatment mechanisms to cover 75% of urban areas and 40% rural areas by 2025

v. To implement integrated solid waste management with 100% coverage in urban areas and 60% in rural areas.

Sindh Agricultural Policy

2.18. Sindh Agricultural policy highlights the importance of agriculture for the province and lays downs the following objectives to be achieved: -

i. Achieve an overall growth of 4-5% in the sector
ii. Reduce rural poverty to half of the current level along with reduction in food insecurity and malnutrition
   a. Make efficient and sustainable use of natural resources
   b. Minimize negative environmental impacts
   c. Enhance resilience and climate change adaptability

2.19. The policy also lists the key actions which are required to be taken to achieve the above stated objectives. There are other Provincial policies which also require due consideration while identifying the projects. For a complete list of Sindh's policies and plans, please see annexure-6 above.

Policy Decision for prioritizing public investments; infrastructure vs social sector spending

2.20. Owing to the scarcity of resources, policy decisions are required as to how public investments are to be prioritized. Few of the questions which require an informed discussion and debate while setting the priorities of public investments are listed below: -

i. Choosing how public infrastructure investments are of fundamental importance for addressing infrastructure deficiencies and investment gains of development spending?

ii. Why in the developing economies, there are suboptimal investments on social infrastructure? and what determines the composition of public infrastructure investment?
iii. By economic infrastructure, we mean the 'capital inputs' that allow the economy to function better (such as roads, railways, ports, water, power, and telecommunications). By social infrastructure, we mean the capital that primarily delivers social services (such as schools, universities, and hospitals).
iv. Public investment in roads and economic infrastructure is considered as a key vehicle and enabler of growth in low income developing countries (LIDC). However, investing in schools could appear to be an even more pressing need in light of low stocks of human capital. Yet, there is suggestive evidence that developing economies (with lower GDP per capita) spend less on schools than on roads, both in relative and absolute terms, as a fraction of GDP
v. Why do governments in developing economies invest in roads and not enough in schools? While costs are front-loaded for both the investments in economic and social infrastructure, the dividends and the growth benefits of social sector investments are delayed. In this back drop, in a macroeconomic framework like ours, with distorted tax structure, high fiscal deficits, unsustainable accumulation of debt, this prioritization in investments is even more important.

Policy Directives

2.21. At times, the development projects and schemes are required to be formulated and implemented on the basis of special policy directives of the Government. These generally include mega projects and schemes which may or may not have high priority assigned to them at the National or Provincial level. The implementation of such directives in most of the cases is required in accordance with the guidelines prescribed under the law. Thus, policy directives form an important source of identification of projects and schemes both at the National and Provincial level.

Sectoral Plans

2.22. In project identification, it is important that due consideration is given to the interventions envisaged in the sector plans. Sector plan is the key strategic document which sets out the direction, lays down the priorities, and includes the interventions to achieve certain planned outcomes with an estimate of required resources. Certain other allied concepts include 'cross sector' and 'subsector'.

2.23. Cross-sector is defined as an area having its own distinct objective with a direct impact on the development of other sectors. Cross-sector plan is a document covering objectives, indicators and activities that have an impact on other sectors, as well as institutions. Sub-sectoral plan refers to a document relating to the development of sub-sector within a sector, e.g., Literacy and non-formal education in the education sector is a subsector.

2.24. In the context of Government's strategic planning framework, a sector is defined to include a common objective, clearly defined boundaries of institutional responsibility (e.g., a respective ministry/minister) and designated resources, usually within the budget of one ministry and its related subordinated institutions. Following are the steps which are involved in the formulation of a sector plan:

i. Problem analysis – Analysis of the current state of affairs (strength, weakness, opportunity, achievements and challenges) in a sector, preferably also based on the lessons learnt from previous reforms, its evaluation and impact assessment reports, if they exist;

ii. Objective setting – Identification and definition of key policy areas to be addressed with a focus on the selected problems identified in the previous plan if any;

iii. Definition of indicators with baselines, milestones and targets – Development of the measures for attaining the defined objectives, as well as the setting of measurable targets that express the expected level of performance;

iv. Action plan – Identification of the key activities (along with their timeline and implementation responsibilities) designed to achieve the objectives and leading to the desired change;

v. Costing of planned activities and reforms – Calculation of financial and non-monetary costs necessary to execute the planned actions, as well as identifying the sources of financing for the planned actions;

vi. Inter-ministerial and public consultations – Agreement on key problems, strategic interventions, rationale for a particular action with budget, including trade-offs made in the course of consultations, among the key governmental and non-governmental stakeholders.

2.25. A good sector plan thus bridges the gap between the top and the bottom-up planning assigning appropriate monetary weightage to the priorities required to achieve the desired goals. It also ensures that the budgetary allocations are aligned to the highlighted priorities. An ideal sector plan has the following characteristics:

i. It is guided by a vision.
ii. It identifies strategies to achieve the sectoral objectives.
iii. It is based on accurate information and evidence.
iv. It is realistic and achievable.
v. It maps the required financial and man-power requirements
vi. It takes into account the context.
vii. It is inclusive.
viii. It is owned by the head of the organization or department.

2.26. The need for sector plans is also recognised in the 'Sindh Public Finance Administration Act, 2020. (Kindly refer to Section 1.25 of this manual for the requirement of Costed Sectoral Plan).

Stakeholder's consultation- need assessment

2.27. Project stakeholders are those which have a 'stake' (investment, involvement, concern, interest) in the success of the project. Stakeholder's engagement is the process of identifying key stakeholders, analysing their influence on the project, and managing their influence and impact including winning their support where possible. For the purpose of planning engagement strategy, the stakeholders can be defined as 'key' and 'non key' stakeholders as explained in the box 1 below.

Box 1: Key and Non-Key Stakeholders

Key stakeholders are those individuals or groups whose interest in the project must be recognised for the success of the project- in particular those 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.

2.28. Sometimes the operational level officials through their interaction with the stakeholders at the grass root level identify immediate needs which are to be addressed. In this case, a scheme or project is proposed by these workers and sent for approval at the higher level. For example, an agriculture extension worker may, through interaction with farmers, gets the awareness of a new disease that needs to be addressed on a war footing.

3.29. Another way to identify the needs of the stakeholders is by carrying out a Need Assessment Survey. Through a "needs assessment" survey one can identify the issues faced by the stakeholders which require a certain action. All potentially promising projects that are identified from above sources are included in the Provincial Annual Development Program (ADP), subject to the resource availability and there is no duplication of the projects. The selected projects that find place in the ADP are picked from the list of projects pertaining to various sectors through consultative process of Inter-Departmental Priority Committee (IDPC) meetings.

2.30. The exercise of "proceeding and departing" the project is repeated for formulating the long-term plans which contain projects for the medium and long-term time horizon. Final identification is made for the Annual Development Plan which is the operational plan and lists only top priority projects proposed to be implemented first in a particular year. The plan consists of the on-going projects of various sectors, which are in different stages of completion, and other new priority projects. A project will thus be reckoned as successful if it is well-planned, can be conveniently implemented and it has achieved the envisaged objectives. Such projects are prepared for investment, recognition of economic effectiveness and identification in the frame work of different planning time horizons i.e., the annual medium and long-term development plans.

Identifying Financing

2.31. Once a project is identified in line with either of the strategies or plans listed above, it is important to identify how the project will be financed. Some projects (especially those which are devoted to the provision of public goods, or those in which the government is unable to attract private investment) will be funded directly from the government's development budget; however, some may be picked up by the private sector. Some of the options for financing of the project/s are listed below:

i. **Province's development budget**: This is often the most frequently used source of financing for the line departments for development projects. Development budgets are financed from Government's own resources. Government's development budget is invariably used for financing the investment projects for provision of public goods or goods with high positive externalities, in sectors where mobilising the private sector resources is difficult.

ii. **Budgetary support loan and Grants:** Some projects are recurrent in nature i.e., not focused on building social or economic infrastructure but on providing certain services. The reimbursement is often made against the achievement of a Disbursement Linked Indicator (DLI) against an already incurred Eligible Expenditure Program (EEP).

iii. **Donor financing**: For identified projects, donor financing can be sought. Donors can be approached to provide either grant or loan financing for the project. Often donors would require counterpart financing from the Government as well. Coordination with P&DD, Finance Department, and the Economic Affairs Division (EAD) at the Federal Government is required.

iv. **Federal Government's financing:** The Federally funded provincial projects are conceived in three ways:

   b. Approved by the Planning Commission directly based on some directions from the President, Prime Minister, etc;
   c. Recommended by Federal Ministry concerned as part of the Federal Plan;
   d. Recommended by the Provincial P&D Department for which primary approval is granted by the Chief Minister Sindh through summary.

Table 3: Contracts under alternative sources of financing

Modality	Ownership	Investment	O&M	Commercial Risk	Duration (years)	Typical Example
Service Contract	Public	Public	Public/ Private	Public	1-3	Meter billing or road maintenance outsourcing
Management Contracts	Public	Public	Private	Public	2-5	Public utility management
Lease Contracts	Public	Public/ Private	Private	Public/ Private	10-15	Leasing of existing tourism facilities
Concessions	Public/ Private	Private	Private	Private	25-30	Water supply concession
BOT & Other similar contracts	Public/ Private	Private	Private	Private	20-20	Independent power producer

Project Development and Implementation at local Government level

2.32. The local government setup in Sindh is complex. All schemes other than the water and sanitation are developed by the district councils keeping in view the available resources. In these cases, the sub-engineer develops the scheme and sends it to the executive engineer through the assistant engineer for approval. The Executive Engineer forwards the scheme to the Deputy Commissioner of the District (on behalf of the head of the District Council) who acts as a liaison between the Secretary local government and Chairman of District Council.

2.33. However, all water supply and sanitation schemes of districts, with the exception of Karachi and WASA, Hyderabad are developed by the Public Health Engineering Department. Whereas, Local Government Department undertakes the water & sanitation schemes for Karachi and Hyderabad through KW&SB and WASA respectively.

Source of Funding

2.34. The districts have three main sources of financing projects and schemes. The main source of financing remains the Provincial Transfers. Provincial Transfers are given to each district as per the prescribed formula of the Provincial Finance Commission. Besides, provincial budget is provided for the revenue expenditure of the local Councils.

2.35. The second source of funding is a district's own revenue. However, third source of funding for districts is discretionary grants under special initiatives of the Provincial Government or Chief Minister. The grants can be sector specific or general in nature.

Chapter 3 – Feasibility Studies

Feasibility Study- An overview

3.1. A feasibility study is undertaken to avoid the difficulties and challenges in implementation of the complex projects/schemes, especially of large projects. A feasibility study is therefore, a pre-requisite for complex and large projects before preparation of a PC-1 for development project on sound basis. According to Planning and Development divisions' letter no. 21(19) DA/PC/89 dated 16th April 1989 (**Annexure-7**) a feasibility study is defined as an "in depth three-in-one study of a project which gives the technical, financial and economic viability of the project and arrives at a definitive conclusion on all the basic issues of the project after consideration of various alternatives". In this way, feasibility study is a detailed analysis of whether a project can be successfully completed while taking into consideration the economic, financial, legal, social and other factors affecting the project.

Feasibility Study- Need Assessment

3.2. Feasibility studies can be costly and time consuming, therefore a brief need assessment (pre-feasibility study) may be conducted to determine whether or not the project justifies a full feasibility study. Departments may process approval of those projects costing even more than Rs.500 million where scope of project is repetitive and concerned executing agency has been undertaking similar work. Therefore, departments may dispense away with requirements of proper feasibility study for such projects, but not doing away with the requirement of proper need assessment through in-house feasibility study. PDWP, will ascertain the requirement for conducting detailed feasibility through PC-II for the projects costing more than Rs.500 million, while looking to the scope, design and complexity of the projects. There will be instances of technically complex projects below threshold of Rs. 500 million whereby a detailed technical, financial and economic analysis is required before consideration of such projects. In these cases, it will be imperative for the concerned department and executing agency to prepare the detailed feasibility study before submitting the PC-I for such projects.

3.3. PC-II is mandatory for infrastructure projects costing Rs.500 million & above or projects have infrastructure component greater 30% of total cost. An experienced and professional consultants should be engaged for conducting proper feasibility study. Whereas, in-house feasibility study should be conducted for all the projects costing less than Rs. 500.00 million. Depending upon the nature and complexity of the project, the exercise of preparing the feasibility of the projects may be undertaken.

How can Feasibility Studies be commissioned?

3.4. For Government projects, programs and schemes, submission and approval of PC-II form is required to acquire the financing through the development budget for feasibility studies. PC-IIs are the proformas required to provide the information about the needs for a feasibility study for a proposed project. Pre-feasibility studies are funded through the current budget (Budget head: Project Pre-Investment Analysis – Feasibility Studies (A021)) and may not require a PC-II.

When are PC-IIs needed?

3.5. PC-II is to be prepared before a PC-I on the prescribed format **Annexure-8**. However, not all projects require a PC-II. PC-IIs are to be prepared when:

i. The line department is undertaking a new initiative and would like to hire a market-based consultant to conduct a feasibility assessment of the proposed initiative.
ii. Recommendation is made by the Secretary or by the (PDWP) in P&DD in response to a PC-I submitted.
iii. The project is complex in nature or it is of strategic importance.
iv. Financing of the pre-feasibility should be allocated in the prior year from the budget of the Department under the object heading of "Project Pre-investment Analysis – Feasibility Studies (A021)" under the recurrent budget.

Preparing a Feasibility Study

3.6. The overall responsibility for preparing a PC-II/feasibility study is with the line department. For smaller projects, the line department can utilize its own technical resources to prepare a feasibility study. For larger projects, the line departments are recommended to hire market-based consultants with relevant technical expertise and experience to prepare the feasibility. Often the line departments hire consultants and specialists in a particular area to prepare the required feasibility (guidance on hiring of consultants for feasibility studies and other assignments is provided in Box X 2below).

Box 2: Hiring of consultancy services for feasibility study

For larger projects, it is recommended that consultants are hired to conduct the feasibility study. The type of consultancy and its objectives should be provided in the PC-IIs based on the requirements of the feasibility report. In terms of the regulations on the subject, it has been stated that the domestic consultants be given preference over foreign consultants.

On this issue, the following order of the Prime Minister was passed in 1993:

"The Pakistani consultants and engineers be given full opportunity and they should be the first to be hired for projects for consultancies in Pakistan before hiring any foreigners. The decision of the ECC for a minimum of 30% award of consultancy contract to local consultants may be strictly enforced."

While this requirement was first made mandatory, thereafter, it was decided that it may not be applied rigidly and it would be subject to the technical needs and availability of the local consultants. All consultants in respect of Government funded projects must be hired in line with the SPPRA rules with requisite qualifications and experience.

3.7. There are various types of feasibility studies. A feasibility study can be purely technical, economic, financial, social, or managerial in nature or it may have a mixture of information in all these areas. The type of feasibility study to be conducted depends on the nature and requirements of the project. Essentials of a feasibility study were circulated through P&D circular No. 21(19) DA/PC/89.

3.8. Generally, for a feasibility study, the following set of information is required:

i. Technical Feasibility, includes the assessment of:

a. Capacity to implement the project
b. Information about the hardware and software required,

ii. Economic Feasibility, includes the assessment of:

a. Costs and benefits of the projects

iii. Legal feasibility, includes the assessment of:

a. Legal requirements for implementation of the project (e.g., compliance with zoning laws, etc.)

b. Legal hurdles to be encountered by the project

iv. Operational feasibility, includes the assessment of how the project will be contracted and implemented.

v. Scheduling feasibility, includes assessment of whether the project is being planned and implemented at an appropriate time and will span a feasible duration given the socio-political and economic constraints.

Costing and Financing of the Feasibility Study

3.9. The cost of feasibility should not exceed **10%** of the total cost of the project (this should be highlighted in the PC-II). However, for the larger project cost may be less than 10%. Feasibility studies for which PC-IIs are submitted and approved are allocated funding from the development budget. For pre-feasibility studies, the line department should have allocated funds under the heading of "Project Pre-investment Analysis – Feasibility Studies (A021)" under the recurrent budget.

PC-II approval process

3.10. The PC-II has the same reviewing and approval bodies as of PC-I

, however competency for approval of PC-II remains with the PDWP regardless of the total cost. Once the PC-II is approved, the feasibility study has been completed and vetted by the Technical Committee of P&D board, it forms a part of the PC-I which is then submitted for approval by the relevant forum.

Timing

3.11. Since the feasibility study is required to be completed before the PC-I is prepared (for most large-scale projects), PC-II should be prepared well before the project is expected to be operationalized. For example, for a mega project to have an allocation in CFY, the feasibility study should be funded out of the last FY budget. Hence, the PC-II should have been completed, submitted and approved in FY 2017/18 to access funding for the feasibility study in the FY 2018/19 budget. At times, line departments either on their own or at the request of P&DD may wish to factor in an additional year for projects that require the acquisition of land. Acquisition of land is the most time-consuming activity for a project and often projects are delayed and financing is unspent for the first year of the project because of the delays in land acquisition.

3.12. Table 3 below captures the recommended time spacing for preparation of PC-IIs, feasibility studies and the PC-Is.

Table 4 Timeline for Preparation of PC-IIs/Feasibility Studies

FY	Pre-Feasibility Study	PC-II prepared	PC-II approved	Feasibility study conducted	Feasibility study Cleared	PC-I prepared & Approved	Land Acquisition	Project Starts
FY 1	√	√	√					

FY 2				√	√	√	√	
FY 3								√

Table 5 Checklist for PC-II

S.no	Checklist items for PC-II	Tick as appropriate		
i.	A general description of the aims, objectives and coverage of the survey/feasibility study is given.	N/A	Yes	No
ii.	Justification for undertaking the survey/feasibility study is provided	N/A	Yes	No
iii.	Details of previous studies in the field have been provided.	N/A	Yes	No
iv.	Duration of the study and proposed months of commencement and completion of the study are indicated.	N/A	Yes	No
v.	Item-wise/year-wise capital cost estimate of the study is broken down between local and foreign exchange.	N/A	Yes	No
vi.	Date on which cost estimates were prepared is indicated.	N/A	Yes	No
vii.	Basis of cost estimates are justified.	N/A	Yes	No
viii.	Sources of financing the capital cost are provided.	N/A	Yes	No
ix.	Requirements for local and foreign personnel i.e. professional, technical, administrative, clerical, skilled, unskilled, others along with their terms of reference are provided.	N/A	Yes	No
x.	Period of contract of both the local and foreign consultants along with qualifications, experience and the terms of their appointment are given.	N/A	Yes	No
xi.	Expected outcome of the survey/feasibility study is given in quantifiable terms.	N/A	Yes	No
xii.	Indicate whether any project will be prepared after the survey.	N/A	Yes	No

Chapter 4 – Project Preparation

4.1. Starting from one PC-1 in 1975, 14 different types of PC-I forms were issued till 1995. However, only three types of PC-I forms are currently in use.

i. The format of PC-I form for Infrastructure projects is given at (**Annexure-9**),
ii. The format for PC-I form for Production Sector Projects is given at (**Annexure-10**)
iii. The format of PC-I form for Social Sector Projects. (**Annexure-11**)

Preparing a PC-I

4.2. PC-Is are prepared by the executing agency and sponsoring department in close collaboration. A copy of the Planning and Development Division's letter dated 12-12-1989 is also enclosed for guidance by the Planning Commission's on latest procedure for preparation and approval of development projects **(Annexure-12).** Few of the essential steps followed in preparation are as follows:

i. The relevant functionary i.e., Line departments through their Regional Director/Director/relevant technical person prepares the initial draft PC-I,
ii. The document is sent to the central office i.e., Secretariat (main line department office) where the PC-1 is checked/vetted by the designated officer equal to the Additional Secretary and amended by the Director/Chief Engineer or relevant technical staff. (At times, the PC-I may be sent back to the DDO/Director/relevant technical person for amendment). During this process, P&D department does not have a formal documented role in preparing PC-I's.

4.3. PC-I forms aim to have a detailed information on each aspect of the project. To avoid the cost over-runs and repeated revisions of the scheme, it is extremely important that information against the various columns of the PC-I is carefully provided. If a project is prepared with due care based on surveys, investigations and feasibility studies, the time taken in its examination (and also execution) will be greatly reduced. This section for preparing PC-1 may be further elaborated while referring to the same chapter of the Federal Planning Manual at Page-30 to 39

Linking Projects to Resources

4.4. While preparing projects, the sponsoring departments must keep in view the resource availability in the plan. Sometimes, a large number of projects are prepared and approved irrespective of the provisions in the plan. As a result, the available resources are thinly spread over a larger number of projects, including low priority projects. Resultantly, the priority projects particularly the foreign aided projects are not implemented according to the prescribed time schedule. At times, because of budgetary constraints, the share of required rupee component falls short of the required amount. The P&DD conveys the tentative sectoral allocations based on resource availability to the Departments well before the preparation of ADP. However, the line departments prepare their demands in excess of the resource availability indicated to them. This results in the distortion of priorities in resource allocation.

4.5. The Departments should themselves determine their priorities, duly protecting the foreign aided projects within the resource availability indicated to them. Moreover, in case of receipt of a new priority of the Government, the Department concerned should re-order the priorities of the existing projects to accommodate the new priority within the available resources. At the time of approval of the projects, there is a need to carefully examine and review the resource availability in the ADP to accommodate the projects which are a necessity or a priority in a particular financial year. The “sponsoring agencies” should structure their priorities according to the available resources and avoid an over-ambitious programme, which would not be possible to implement.

4.6. The financial schedule must be included in the PC-I and linked with the implementation schedule (Work Plan). The sponsoring department should satisfy the approving authority as to how the proposed financial requirements of the project will be adjusted in the plan.

4.7. As per NECs decision dated 04-07-1988, the detailed design and drawings etc., of the project should not be a pre-requisite for the approval of the PC-I. The approval should be given on the basis of the rough cost estimates, which may be adjusted within the permissible limit of a 15% increase. The above-mentioned decision of NEC states that:

> *"Within six months of project approval, detailed design and costing should be finalized and submitted to the competent authority. Implementation of such project components, which require detailed designing, should be started only when these have been finalized".*

Key Components of PC-1

4.8. In order to ensure that the proposed project does not encounter implementation issues, the PC-I has to be carefully and diligently filled by the sponsoring department. Some of the key areas that need attention while preparing a PC-I are as follows:

Location of Project

4.9. Sponsoring Department should include following information in this portion:

i. Place and administrative district where the project is located;
ii. Location Map and site Plan of the project area along with GPS coordinates; and
iii. In selecting the location of the project, population to be served by the project with income and social characteristics should also be kept in view.

4.10. It should be noted that some projects will experience cost over-runs and delays in implementation due to hasty selection of site which at times results in delays in the acquisition of land. Therefore, the availability of land should be ensured. Further, the income, social and economic characteristics of the area i.e., present facilities, availability of inputs and regional development needs should also be taken into consideration.

Objectives of the Project

4.11. For the success of a project, it is important to have a clear understanding of the project objectives and targets with defined timelines and budget to achieve them. To achieve that end, it is imperative that this portion of the PC-I is filled with extreme care. While outlining the project objectives, it must be ensured that the objectives of the project are aligned with the goals and targets set out in the medium to long term national and provincial plans as well as sector strategies. In addition to the linkage, the projects relationship with other projects of the same sector/sub-sector should be clearly shown along with how the project will contribute to the sector.

Consideration of Various Approaches to Objectives

4.12. In preparing all project PC-Is, whether accompanied by a feasibility study or otherwise, various alternative approaches to achieve the project objectives are required to be carefully analysed and the best solution is proposed after due diligence and comparison of the various approaches for implementation. This ensures the spending of the allocated resources in the most effective and efficient manner, thereby optimising the chances of the success of project.

Scope of the Project

4.13. While defining the scope of the project, the sponsoring department should indicate in quantitative terms the proposed facilities which would be available after the implementation of the project. Information is required to be given in respect of the demand for desired outputs, existing position with regard to capacity and the gap that the project is going to fill between the demand & supply.

4.14. Once the project is approved, the executing agency is required to implement the project in accordance with the PC-I provisions. If the project executing agency determines that the project cannot be implemented under the approved parameters and it requires revision of scope, physical components or cost provisions, a revised PC-I must be submitted to the competent forum for approval. No expenditure may be incurred beyond the approved scope and cost of the project, and if it is done, it will be considered as an inadmissible and illegal expenditure.

4.15. All proposals for procurement of machinery and equipment by the Government departments/agencies should be accompanied by an inventory of the existing machinery of all the public-sector departments/agencies. Similarly, whenever a provision of new vehicle is made in the development project or in non-development side, the concerned Department/Agency should furnish as a supporting document, the full inventory of the existing vehicles both on development and recurrent budget side, along with their date of purchase, to justify the purchase of new vehicles.

Project Description & Justification

4.16. Project description is the synopsis of the entire project and has to be given in a manner that the appraising and sanctioning authority are able to appreciate its broad aspects without going into the minute details.

4.17. Project description should indicate the existing facilities in the sector/area and justify the initiation of the project. It should also include its justification and rationale, in addition to a brief account of the work done in the past, the feasibility study undertaken and Government instructions and policies on the subject. Project description should also outline the governance issues of the relevant sector as well as the strategy to resolve them. Moreover, it should include the information pertaining to the physical features and technical aspects of the project.

Project Cost Estimates

4.18. The cost estimates of a project are to be prepared with due care to avoid frequent changes or revisions. If care is not exercised, besides approval, allocation of resources, sanction of the competent authority to incur expenditures and the implementation will also be delayed due to number of revisions in the costs of the project. While estimating costs, a breakup of the costs chargeable both to the development and recurrent budget should precisely be mentioned.

4.19. The cost details are required to be given according to the requirements of the PC-I of each sector. Local currency of PKR equivalent of the Foreign Exchange Component (FEC) of projects should be worked out based on the 'Bank Floating Average Exchange Rate' provided by SBP. However, the following guidelines will generally apply to all projects:

i. Separate indication of local and foreign exchange costs.
ii. Reflection of the cost of imported items available in the local market in the local component instead of the foreign exchange component.
iii. Comparison of the unit cost of the project with other similar projects of the sector/area (in case of variations, detailed reasons/justification be given) using Composite Schedule of Rates (CSR), Schedule of Revised Rates (SRR).
iv. Item wise break-down of the total cost 'General Abstract' including the cost of;

a. Land and its development
b. Civil Works
c. Machinery and Equipment
d. Supplies
e. Project Staff & Consultancy, if any
f. Price and Physical Contingencies

4.20. The financial phasing of a project is to be given for each financial year. The financial phasing should be based on the scope of work and implementation experience of similar projects in the past. It should be as realistic as possible. Fund's utilization capacity of the executing agency and availability of public funds may also be kept in mind while determining the financial phasing of project.

4.21. The scheduling of activities and availability of physical facilities also have a bearing on the completion period. The availability of physical facilities e.g., (i) access road, (ii) power supply, (iii) water, gas, telephone and other utilities, (iv) education facilities, (v) housing etc., have to be ensured. The sponsoring agency should also take into account the list of facilities that would be available from the project itself and to what extent these will be made available from the existing public utilities. The scope of work to be carried out should be carefully analysed to determine the physical and financial phasing as well as supervision during the implementation period.

Cost Escalation in the Project

4.22. Every PC-I must take into account the cost escalation in the overall cost of the project as a result of increase in the prices of inputs due to market dynamics and expected inflation rate over the project life cycle. Planning and Development Divisions letter no. 20(2) DA/PC/82-Vol-IV dated 29-02-1984 explains the calculation of the price escalation (**Annexure-13**). The provision for cost escalation in % terms to be made in the PC-I is required to be indicated as per the schedule and principles given in the table 4 below:

Table 6: Provision for Project Cost Escalation

Year of Implementation	Phasing of Expenditure (Rs.)	Provision for Cost Escalation (%)	Amount in Rs.
1	10	0	
2	20	6.5%	1.3
3	30	13.0%	3.9
4	40	19.5%	7.8
Total Cost	100		13.0
Cost Escalation	13.0		
Total Cost of Project	113.0		

4.23. Cost estimates should also be based on the present market survey and/or pre-tender quotation. The schedule of rates used in estimating the project cost should be regularly updated by taking into account the market rates, or alternatively annually indexing the schedule of rates to the rate of inflation declared by the relevant authorities. The

ECNEC in its meeting held on 29th November, 1978 decided that all the authorities concerned should keep an effective check on the increase in the approved cost

Annual Recurring Cost (ARC) after completion

4.24. Annual recurring cost after completion of schemes, must be provided in the PC-I wherever applicable at the time of approval. This portion of PC-I requires the administrative department to fill in the requirements for running the project after its completion for the next 5 years and also to state the sources of financing of recurrent budget. For the sustainability of the project, it is extremely important that the estimates of annual operating costs if required are formulated and mentioned in the PC-I with utmost accuracy.

Schedule of New Expenditure (SNE) provision

4.25 The requirement of annual recurring cost after completion of schemes, will include proposal of SNE, if required, in the body of PC-1 at the time of approval for each scheme or unit in case of umbrella scheme along with details of human recourses required for functioning/operationalization.

4.26 Finance Department will consider demand of SNE on the request of AD for complete scheme or any component/unit of the schemes completed, which have been handed over to relevant department for operationalization. In both cases, P-IV will not be required at this stage. There is no need to furnish PC-IV, for consideration of SNE, procedure for processing PC-IV will be done separately by the project implementation agency to comply with the requirement for formal completion of the project.

4.27 Finance Department will also consider demand for SNE for HR against vacant positions available in the Budget of that particular department, which may later be recouped whenever required for those particular locations.

Financial Plan

4.28. This column requires the sponsoring agencies/ administrative departments to indicate the sources of financing. In case a foreign agency has committed to finance the project either partly or fully, the name of the agency with the amount of foreign exchange along with the local share should be clearly mentioned in the PC-I. Similarly, the source and amount of the rupee component, which may be as under, should be indicated.

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

    The local & foreign debt, interest rate, grace period and repayment period for each loan separately. The loan repayment schedule also needs to be annexed.
- Grants along with sources
- Weighted cost of capital

4.29. Usually, foreign aid negotiations should be undertaken after a project has been approved by the competent authority or at least cleared by the Concept Clearance Committee headed by the Deputy Chairman, Planning Commission.

Benefits of the Project

4.30. The project may have economic, financial, social or environmental benefits. The economic aspects of a proposed project /sector / program contribute significantly to the development of the economy through backward/forward linkages. The economic benefits of the projects could be: enhanced production, employment generation, and increase in the value of output due to quality improvement or otherwise. The benefits could be affected because of change in the location of project, time of sale or change in the grade. Moreover, the benefits could accrue owing to reduction in cost or gains from a mechanization of the process, reduction in the distribution cost and or by avoiding the losses.

4.31. In social sector projects, the benefits are normally intangible or the impact is observed in the long run. In certain projects like those of transport sector, benefits may be of different types such as a saving in time, operational cost, better road safety, reduction in accidents and addition of new infrastructure. Most of the projects will have some intangible benefits like better income distribution, national integration, national defence or just a better life for any segment of population like rural population.

Project Duration

4.32. For effective and efficient implementation of the projects, it is imperative that the starting and completion date of the project are clearly defined. Furthermore, item wise as well as year wise implementation schedule is provided in sufficient details with phasing and correlation of various physical activities.

4.33. The calculation of time for the completion of the project should have a realistic basis. The following factors may be taken into consideration to firm up the implementation period:

i. Total allocation made in the long/medium term plan.
ii. Expected allocations in the ADP, keeping in view the past experience.
iii. Time to be taken in preparing the detailed design(s), invitation of tenders and award of contract(s).
iv. Availability of land; anticipated required time in its acquisition.
v. Time required for land development, keeping in view its topography and construction of access road.
vi. Availability of professional and technical manpower.
vii. Availability of materials, supplies and equipment.
viii. The implementation schedule based on Bar Charts/PERT/CPM should essentially be the part of every project document.

4.34. National Economic Council took note of the Summary dated 30th June, 1988, submitted by the Planning Commission and approved the procedure for improving the efficiency of development expenditure by designing and implementing an appropriate Monitoring and Evaluation Procedure (**Annexure-14**).

4.35 The provinces are encouraged to identify projects which are of national interest and aligned with the national economic policy and vision 2025. Normally, the proposals of the provinces are considered and given due importance for selection of development projects. The implementation and future operation & maintenance (O&M) depends on the nature of the project. If the project falls under the provincial implementation framework, the funds are normally transferred to the provinces for implementation of the plan. Preparation of PC-I, ownership and future O&M for such projects in borne by provincial government. If the project is owned by National Authorities or Ministries such as Railways, National Highway etc, the PC-I preparation, monitoring and O&M are performed by the Federal Government. Federal Government can also lend funds to the province through Cash Development Loans (CDLs). While these loans have an amortization period of 25 years (and a grace period of 5 years), the rate of interest on these loans is charged almost at the prevailing market rate.

4.36 Alternative means of financing: This includes the collaboration with the private sector on cost-sharing, revenue-sharing basis to finance a project which is referred as Public Private Partnership (PPPs). Sometimes, private sector may be willing to take up the entire cost of the investment and would only need assistance on regulation and facilitation, which may be a relatively cost-effective way for the line department to finance a project. The Table 2 below in matrix form shows some of the models which can be adopted. Refer Chapter -12 for Alternate Financing of the Projects

Result Based Monitoring (RBM) indicators

4.37 With a recent focus on results-based management (RBM), a RBM indicators table has been introduced in the PC-I form. The RBM is based on the causal chain which if understood correctly helps in achieving the targeted impact of a project in a systematic and effective manner. A brief introduction to RBM and how to fill the RBM indicators is given in **(Annexure-15)**.

Management structure and manpower requirements

4.38. PC-I requires outlining not only of the administrative arrangement for the implementation of the project but all the manpower required for the execution and operation of the project. It also entails the inclusion of the job descriptions of the staff, their salaries, age, experience, qualification etc.

Provision of Consultants

4.39. In case departmental expertise is not available for the preparation of large technical projects, local and foreign experts/consultants can be employed from the market to prepare projects. In many of the large foreign aided projects, the condition for engaging the foreign consultants is a part of the aid memoire.

4.40. In order to give preference to the local consultants, Prime Minister's order dated 7th November, 1993 state that "The Pakistani consultants and engineers be given full opportunity and they should be the first to be hired for the projects for consultancies in Pakistan before hiring any foreigners. The decision of the Economic Coordination Committee of Cabinet (ECC) for a minimum of 30% award of consultancy contract to the local consultants may be strictly enforced". However, while making this requirement mandatory, thereafter, it was decided that it may not be applied rigidly and would be subject to the technical needs and availability of local consultants with requisite qualifications and experience. All consultants in respect of Government funded projects must be hired in line with the SPPRA rules.

4.41. In the TOR of consultants, whether local or foreign, when appointed for the preparation of a project, it is to be kept in mind, that in addition to the scope, technical viability of the project etc., they have to provide the implementation schedule supported by a Bar Chart, CPM, PERT, etc.

Inter-Agency Coordination / Stakeholder Consultation

4.42. To avoid the duplication of effort and to ensure the efficient implementation of the proposed project, it is highly desirable that all concerned are consulted along with the collection of the relevant data. For example, in case of a health sector scheme, information about public and private sector institutions in the area, their staff and equipment and the number of persons served by them is obtained and reflected in the project. With the same end in view, data about the population of the area and the economic characteristics of the persons who are being provided service, as well as data about morbidity and incidence of epidemics during the last five years or beyond, should also be obtained.

4.43. Inter-agency coordination is also necessary for the availability of utilities, such as water and power supply, education facilities and housing. For example, before an industrial scheme sponsored by the Production Division is conceived and developed, it is absolutely necessary that the clearance of the concerned agency is obtained for the availability of water supply and other utilities. As decided by the NEC in its meeting held on 4-7-1988, the Project document should clearly indicate that coordination with the other agencies to facilitate project implementation has been done.

Timeline for submission and approval of PC-I

4.45. PC-I is reviewed at various levels, within the line department and at P&DD. Following timelines must be followed for submission and approval of PC-Is, or PC-II to ensure that no unapproved projects are included in ADP. Table-7 below summarized for projects to be included in the budget of next financial year and timeline for those new unapproved projects included in ADP. Maximum time required for approval process in P&D must not be more than five weeks. In any case approval process of new schemes have to be concluded by December so that allocated funds can be utilized during the financial year.

Table 7: Timelines of project submission and approval

Activity	Timeline/Month
Submission of PC-1s of new schemes to be included in next year's Provincial ADP or in Federal PSDP	August to December
Decisions to be taken by respective forum for consideration of new schemes for approval and for inclusion in next year's ADP/PSDP	January to March
Submission of PC-1s of new un-approved schemes included in ADP	July to September
Convene Pre-PDWP meetings in P&DD by respective technical section within one week after receipts of PC-1	July to September
Submit working papers for PDWP online on PCFMS within one week after issuance of minutes of Pre-PDWP	October to December
In case of DDWP, technical sections have to furnish comments / observations on PC-1s submitted by the department within one week	October to December
Convene PDWP meetings by Development section once in every week in the order of priority / receipts of working papers	October to December
Issue minutes of PDWP within one week from the date of PDWP	October to December
Issue Advise for AA within one week after issuance of minutes of PDWP and receipt of the modified hard copy of PC-1 duly signed by PAO and it's uploaded on PCFMS	October to December
In case of DDWP, concerned sections will issue concurrence on the request of AD after issuance of DDWP minutes & receipt of modified hard copy of PC-1 duly signed by PAO and uploaded on PCFMS	October to December

Dos and Don’ts while preparing a PC-1

4.46. The specific actions required by the Project Directors and sponsoring Departments in the Project Planning & Management of Public Sector Development Projects are summarized below in the form of Do’s & Don’ts.

Do’s

i. The infrastructure projects costing Rs 500.00 million and above should be based on a proper feasibility study. Kindly refer to section 3.4

ii. The Mega projects of Social Sector should also be based on a proper feasibility study.

iii. The projects costing less than Rs 500.00 million should be based on an in-house feasibility study.

iv. RBM indicators i.e., input, output, outcome and impact should be clearly indicated in PC-Is.

v. Costing of the project should be on the basis of composite schedule of rates indicating quantities and unit values. For non-schedule rate items, the estimates should be based on market surveys or rate analysis.

vi. Escalation @ 6.5% p.a. of base cost may be provided from 2nd year of the project till completion. Contingencies are provided up to 2 % of the base cost.

vii. Sustainability aspect of the project be discussed in the PC-I.

viii. The objectives of the project be clearly indicated preferably in quantitative terms and linked with MTDF/FY targets of the Sector.

ix. Location analysis may be carried out scientifically.

x. Project Management Unit may be setup with well-defined roles, including TORs of appointment with salary structures.

xi. Financial Plan should be clearly indicated in the PC-I.

xii. In case of revised projects, work already done with quantities with unit costs must be given clearly. The work to be done must be mentioned with clarity indicating the giving quantities and unit costs over the extended period. Reasons for revision may also be given along with justification.

Don’ts

i. Never provide lump sum provisions in PC-I.

ii. Never indicate objectives in an ambiguous form.

Common mistakes made while preparing PC-1s

4.47. Some of the common mistakes made while preparing PC-Is and which should be avoided are listed as follows: -

i. Weak economic and social analysis

ii. Beneficiaries are not clearly mentioned

iii. A deficient description of the project

iv. Lack or inadequate justification of the project proposal

v. Misalignment of program description with financial estimates

vi. Project’s objectives are not clearly defined

vii. Lack of clarity or deficiencies in defining the sustainability mechanism/shifting from development to non-development budget

viii. Supply and demand analysis is often missing

ix. Phasing is not aligned with implementation plan

x. SDG proforma is usually missing

xi. In certain cases, one (1%) provision for 3rd party monitoring on capital investments is not mentioned

xii. Non-inclusion of the annual operating cost, its mechanism for financing and spending

xiii. Results based monitoring indicators are often incorrectly filled. Moreover, either an implementation plan is usually missing or it is not adhered to during execution

xiv. The details of the mandatory proforma for revised PC-Is are not provided.

Project Sustainability

4.48. It is imperative that at the time of preparation of projects, their sustainability is ensured. As per the project design, it has a planned end period. However, its impact is to last for a period of time beyond implementation. In this backdrop, all the stakeholders especially the Government are keen to know what would be the impact of the project and how it will continue to benefit the citizens in future. Therefore, ensuring the social, financial and economic sustainability of the completed project is extremely important.

4.49. This is presented in the Box 3 below:

Box 3: Preparation of the ADP and PC-I Illustration used as Health Department

In the Health Department, the preparation for the ADP for the next fiscal year starts in December. Directives through a letter are issued by the Health Department to Director Generals, Directors, Project Directors, Vice Chancellors of medical colleges, and other such DDOs to request for decided allocations for on-going projects; proposals for new projects; or for amendments required to existing projects.

The DDOs respond with their proposals within two months. The proposals are compiled in a computerized list. A meeting between the Additional Directors and Directors within the Department and the Secretary is held to prioritize the new project proposals. The prioritization is done based on the Finance Department policy directive (which focuses on prioritizing completion of on-going schemes). Some project proposals may be dropped, postponed for the following fiscal year or recommended for funding through the Chief Minister's block allocation.

The compiled ADP is sent to P&DD and then onwards to Finance Department. Discussions follow regarding allocations to different projects. Reallocations to priority projects is sourced from other departmental projects. For some priority and urgent need projects, multi-sectoral reallocations are possible. For this, request is sent to P&DD is the coordination mechanisms. A final ADP for the Health Department is then developed after consultation between the Department, P&DD and FD.

For new projects in the ADP, a PC-I is prepared for new project. The Health Department is divided by various thematic areas: (i) teaching hospitals; (ii) medical education; (iii) other hospitals; (iv) Primary Health Care and Training; (v) Preventive programmes; (vi) Foreign funded projects; and (vii) Nutrition. Project Directors develop the PC-I and these are sent and vetted by the Additional Directors (for their specific thematic area) at the Health Department. At times, project directors and other DDOs are unable to develop PC-Is due to capacity constraints and Additional Directors develop the PC-Is on their own by sourcing information from different vendors and contractors. Writing a PC-I often takes around 2-3 months. If the Additional Director writes the PC-I, it is sent to the DDOs for their verification, and then to the Additional Secretary and Secretary for approval, before being forwarded to either the DDWP or the P&DD for the PDWP.

Table 8 Checklist for PC-I

S.No	Checklist items for PC-I	Tick as appropriate		
i.	Confirmation regarding the preparation of the PC-Is and PC-IIs on the standard revised format for different sectors (social, infrastructure and production)	N/A	Yes	No
ii.	Confirmation and self-explanatory nomenclature	N/A	Yes	No
iii.	Geographical specific area	N/A	Yes	No
iv.	Location map of the project	N/A	Yes	No
v.	Map and design of a building (if applicable)	N/A	Yes	No
vi.	Clarification about the source of financing	N/A	Yes	No
vii.	Plan Provisions for FY in PSDP/ADP Allocation	N/A	Yes	No
viii.	Inclusion of tangible outcomes	N/A	Yes	No
ix.	Proper addition of costs including FEC/foreign funded	N/A	Yes	No
x.	Inclusion of responsible agencies for sponsoring	N/A	Yes	No
xi.	Execution	N/A	Yes	No
xii.	Operation and maintenance	N/A	Yes	No
xiii.	Routed through proper channel from the ministry/ division/province/area concerned	N/A	Yes	No
xiv.	Inclusion of effective cost estimation date (schedule of rates)	N/A	Yes	No
xv.	Inclusion of implementation schedule with the number of years of the project	N/A	Yes	No
xvi.	Comparison of financial scope (in case of a revised project)	N/A	Yes	No
xvii.	Comparison of physical scope (in case of a revised project)	N/A	Yes	No
xviii.	Inclusion of RBM indicators	N/A	Yes	No
xix.	Confirmation of signatures of the responsible officer concerned at column 15 of the PC-I (federal PAO/ provincial ACS)	N/A	Yes	No
xx.	Digitally prepared PC-I/PC-II (received)	N/A	Yes	No
xxi.	Annexure of PDWP/DDWP minutes, if applicable	N/A	Yes	No
xxii.	Annexure or directives (President/PM), if applicable	N/A	Yes	No
xxiii.	Determination of the principal technical section of the Planning Commission	N/A	Yes	No
xxiv.	Circulation of copies of the PC-Is, PC-IIs to members of the CDWP and sections' chiefs of the Planning Commission for comments/scrutiny.	N/A	Yes	No

Chapter 5 - Project Appraisal

Project appraisal objectives

5.1. The project appraisal is one of the crucial stages and phases in the project planning and management cycle. A project appraisal is intended to evaluate the economic and financial viability of the project along with the assessment of its technical soundness. The "appraisal" is aimed at helping the selection of the most suitable project proposal from among the available alternatives. The key objectives of the appraisal process of a project include:

- Scrutiny of the basic data, assumptions and methodology used in project preparation;
- In depth review of the work plan, cost estimates and means of financing;
- Assessment and validity of project's financial, economic, social, managerial, environmental and organizational viability;
- Decision to accept or reject the project on the basis of the assessment from amongst the competing alternative proposals for assessment. This decision solely depends on the independence of the appraiser as well the quality of the appraisal.

5.2. A sound appraisal is a necessary condition for the successful implementation of the project. A weak appraisal on the other hand jeopardises the chances of achieving the desired objectives of the project.

Who does the Project Appraisal?

5.3. "Project appraisal" can be carried out at various stages of the Project Cycle. Appraisal can be ex-ante, ongoing or ex-post. However, in depth assessment of all projects is done ex-ante by the technical sections of the P&D Departments.

When an Appraisal should be done?

5.4. An appraisal should be carried out well before the budget. Appraisals that are done in haste to meet the budget deadlines are weak and cannot ensure successful completion of projects. As per P&D board's guidelines and circulars, PC-Is must be submitted 2 months before the budget.

Maintaining an appraisal portfolio

5.5. The appraising agency/department must maintain a record of all the project appraisals done for future reference and use. The appraised projects in the portfolio should be ranked in the order of priority as projects of similar nature, scope and objectives are competing for the limited resources. For explanation of the appraisal portfolio database see Chapter 12.

Table 9 Checklist for Project Appraisal

S.no	Checklist	Yes/No
i.	Is the project institutionally sound and does adequate capacity exist for its successful implementation?	
ii.	Is the exercise of managerial authority balanced with accountability for results and does the organizational set-up encourage delegation of authority?	

iii.	Are the functional (and reporting) relationships between the project entity and its parent organization (ministry, division, agency) and other planning, regulatory, and oversight bodies clearly defined?	
iv.	Does the proposed project organization conform to the national laws, regulations, and operational procedures as well as the requirements of the external funding agencies?	
v.	Is the proposed project staffing commensurate with the project requirements?	
vi.	Are training arrangements in place to ensure sustainable operation and maintenance of the project after the construction phase?	

Types of Project Appraisal

5.6. There are different types of appraisals that are required for a thorough analysis of projects. These are described in detail below.

Financial Appraisal

5.7. The financial analysis of a project helps in determining the chances of the overall success of the project with a particular focus on the financial sustainability of the project. It helps the Government not only to ensure the availability of funds to finance the project but also to ascertain whether the project is financially feasible or otherwise. Financial Appraisal is conducted for the following reasons.

Availability of funds

5.8. First and foremost, purpose of the financial appraisal is to ensure the availability of funds to finance the project.

EXAMPLE: Water supply projects have significant economic benefits due to the large value attached to water, but have fewer financial receipts due to the low water tariffs. If the project is undertaken solely on the basis of the favourable economic analysis without any consideration to the financial sustainability, the project may fail due to lack of funds to maintain the system.

Determination of Net Economic Benefits

5.9. An important reason for conducting a financial appraisal of public sector projects is to understand the distributional impact of a project. For example, the difference between the financial price an individual pays for a quantity of water (extracted from the financial cash flow statement) and the gross economic benefit he derives from consuming the water (derived from the economic resource flow statement) reflects a net gain to the consumer. Similarly, the difference between the financial price inclusive of tax that a project needs and the economic cost of an input required by the project measures the tax gain to the government. Gains and losses of this nature will be more difficult to establish on the basis of economic analysis only.

Profitability

5.10. In certain instances, to determine the financial profitability of the project, the government intends to appraise a project with a lens of a private sector investor. To estimate the amount that a private investor would be willing to invest for the project, it is essential to determine the profitability of a project. If the project generates a positive net benefit and yet the project is not profitable from the point of view of an investor, the government will have to provide a subsidy or budgetary support to the investor.

Techniques for Financial Appraisal

5.11. Financial analysis techniques can be categorised in two types i.e., Discounted Techniques and Non-Discounted Techniques. The table 6 below shows the different techniques within each category.

Table 10: Techniques for Financial Appraisal

Discounting Techniques	Non-Discounting Techniques
Net Present Value (NPV)	Payback Period
Internal Rate of Return (IRR)	Breakeven analysis
Benefit Cost Ratio (BCR)	

Discounting Techniques

Net Present Value (NPV) Method

5.12. The net present value (NPV) is the sum total of the present values of expected incremental positive and negative net cash flows over a project's proposed life. Net present value is argued to be the best methodology for assessing government projects. The net present value of a project is dependent upon:

i. Timeframe of project;
ii. Discount rate; and
iii. Accuracy of the cash flow calculations.

Understanding NPV values

If NPV = 0, it means that there is no loss but also no benefit on investment

If NPV < 0, there is a loss on investment and the project is not feasible

If NPV > 0, there is a gain on investment and the project is feasible

5.13. A project should be chosen only if NPV is greater than 0. If a choice is to be made amongst the competing projects, then the project with the highest NPV should be considered.

Hypothetical examples for understanding NPV values

SCENARIO 1:

Development of Summer Resorts at Gorakh Hills

Discount rate = 12%,

Life of Project = 10 years

Capital Cost =Rs.100 billion

O&M cost = Rs. 38.50 billion

Revenue = Rs. 245 billion

Year	Capital Cost	O&M	Total Cost	Revenue	Net Benefit/Loss	PV of Net benefit/Loss
1	30.00	-	30.00	-	(30.00)	(26.79)
2	30.00	-	30.00	-	(30.00)	(23.92)
3	40.00	-	40.00	-	(40.00)	(28.47)
4		4.00	4.00	20.00	16.00	10.17
5		4.50	4.50	25.00	20.50	11.63
6		5.00	5.00	30.00	25.00	12.67
7		5.50	5.50	35.00	29.50	13.34
8		6.00	6.00	40.00	34.00	13.73
9		6.50	6.50	45.00	38.50	13.88
10		7.00	7.00	50.00	43.00	13.84
Total	**100.00**	**38.50**	**138.50**	**245.00**	**106.50**	**10.10**

In the above case, the net present value of the project at 12% discount rate is **Rs. 10.10 billion** which makes the project feasible.

SCENARIO 2:

Development of Summer Resorts at Gorakh Hills

Discount rate = increased from12% to 15%,
Life of Project = 10 years
Capital Cost =Rs.100 billion
O&M cost = Rs. 38.50 Billion
Revenue = Rs. 245 billion

If we increase the discount rate from 12% to 15%, the NPV of the project becomes negative giving a loss of **Rs. 1.15 billion**.

S.no	Year	Capital Cost	O&M	Total Cost	Revenue
1	30.00	-	30.00	-	(30.00)
2	30.00	-	30.00	-	(30.00)
3	40.00	-	40.00	-	(40.00)
4		4.00	4.00	20.00	16.00
5		4.50	4.50	25.00	20.50
6		5.00	5.00	30.00	25.00
7		5.50	5.50	35.00	29.50
8		6.00	6.00	40.00	34.00
9		6.50	6.50	45.00	38.50
10		7.00	7.00	50.00	43.00

SCENARIO 3:

Development of Summer Resorts at Gorakh Hills

Discount rate = increased from12%
Life of Project = increased from 10 years to 15 years
Capital Cost =Rs.100 billion
O&M cost = Rs. 38.50 Billion
Revenue = Rs. 245 billion

If the timeframe of the project is increased from 10 to 15 years keeping the costs and revenues the same, the **net present value of the project becomes negative (Rs.47.56)** and project is no longer feasible. This example shows that longer duration projects have a lower net present value and delays in projects can make feasible projects total failures.

Year	Capital Cost	O&M	Total Cost	Revenue	Net Benefit/Loss	PV of Net benefit/Loss
1	30.00	-	30.00	-	(30.00)	(26.79)
2	30.00	-	30.00	-	(30.00)	(23.92)
3	40.00	-	40.00	-	(40.00)	(28.47)
4		2.00	2.00	10.00	8.00	5.08
5		2.00	2.00	10.00	8.00	4.54
6		2.50	2.50	12.00	9.50	4.81
7		2.50	2.50	12.00	9.50	4.30
8		3.00	3.00	15.00	12.00	4.85
9		3.00	3.00	15.00	12.00	4.33
10		3.50	3.50	15.00	11.50	3.70
11		3.50	3.50	20.00	16.50	4.74
12		3.50	3.50	20.00	16.50	4.24
13		3.50	3.50	31.00	27.50	6.30
14		4.00	4.00	35.00	31.00	6.34
15		5.50	5.50	50.00	44.50	8.13
Total	**100.00**	**38.50**	**138.50**	**245.00**	**106.50**	**(47.56)**

5.14. Some of the key rules to follow in respect of NPV include: -

Rule 1: Do not accept any project unless it generates a positive NPV when discounted by a discount rate equal to the opportunity cost of funds;

Rule 2: To maximize net worth, choose among the various projects, or scenarios of projects, the one with the highest NPV. If investment is subject to a budget constraint, then choose the package of projects that maximizes the NPV of the fixed budget;

Rule 3: When there is no budget constraint and when a choice must be made between two or more mutually exclusive projects, *e.g.*, projects being considered for the same building site, project with the highest NPV should be chosen.

Internal Rate of Return

5.15. The second method of carrying out the financial appraisal of projects is called Internal Rate of return (IRR). By definition, IRR is the discount rate which sets the NPV of a project to zero. IRR should be compared with the opportunity cost of funds (prevailing discount rate) to find if the project is feasible or otherwise.

5.16. For example, if the discount rate is 12% and the IRR is greater than 12%, the return on the project is more than the opportunity cost of funds making the project feasible. An IRR of 12% would mean that the project is breakeven and you are no better or worse off. If the IRR is less than the discount rate than the project is not feasible. Certain examples of hypothetical scenarios are given below to clarify the concept.

SCENARIO 1

Development of Summer Resorts at Gorakh Hills

In scenario 1, the IRR is 14.65%. If this IRR is used as a discount rate to calculate the present values of net cash flows, the sum total would be equal to zero (0.00) as shown in the last column.

Year	Capital Cost	O&M	Total Cost	Revenue	Net Benefit/Loss	PV of Net benefit/Loss	PV at IRR
1	30.00	-	30.00	-	(30.00)	(26.79)	(26.17)
2	30.00	-	30.00	-	(30.00)	(23.92)	(22.82)
3	40.00	-	40.00	-	(40.00)	(28.47)	(26.54)
4		4.00	4.00	20.00	16.00	10.17	9.26
5		4.50	4.50	25.00	20.50	11.63	10.35
6		5.00	5.00	30.00	25.00	12.67	11.01
7		5.50	5.50	35.00	29.50	13.34	11.33
8		6.00	6.00	40.00	34.00	13.73	11.39
9		6.50	6.50	45.00	38.50	13.88	11.25
10		7.00	7.00	50.00	43.00	13.84	10.96
Total	100.00	38.50	138.50	245.00	106.50	10.10	0.00
						IRR	**14.6528**

In this scenario, the IRR of 14.65% is greater than the discount rate applied (which is 12 % in this case), the project is feasible.

SCENARIO 2

Development of Summer Resorts at Gorakh Hills

In case of scenario 2 while the NPV becomes negative, the IRR remains unchanged making project feasible. It is because the IRR is not affected by the changes in the discount rate.

SCENARIO 3

Development of Summer Resorts at Gorakh Hills

In the third scenario, the IRR drops to 9% which is lower than the discount rate making the project unsuccessful.

Year	Capital Cost	O&M	Total Cost	Revenue	Net Benefit/Loss	PV of Net benefit/Loss
1	30.00	-	30.00	-	(30.00)	(26.79)
2	30.00	-	30.00	-	(30.00)	(23.92)
3	40.00	-	40.00	-	(40.00)	(28.47)
4		2.00	2.00	10.00	8.00	5.08
5		2.00	2.00	10.00	8.00	4.54
6		2.50	2.50	12.00	9.50	4.81
7		2.50	2.50	12.00	9.50	4.30
8		3.00	3.00	15.00	12.00	4.85
9		3.00	3.00	15.00	12.00	4.33
10		3.50	3.50	15.00	11.50	3.70
11		3.50	3.50	20.00	16.50	4.74
12		3.50	3.50	20.00	16.50	4.24

13		3.50	3.50	31.00	27.50	6.30
14		4.00	4.00	35.00	31.00	6.34
15		5.50	5.50	50.00	44.50	8.13
Total	100.00	38.50	138.50	245.00	106.50	(47.56)
					IRR	**9%**

Benefit-cost Ratio (BCR) Criterion

5.17. The benefit cost ratio which is at times also called the profitability index, is the ratio of the NPV of the net cash inflows (or economic benefits) to the NPV of the net cash outflows (or economic costs):

NPV of net cash inflows

NPV of net cash outflows

If the ratio is less the one the project is not feasible
If the ratio is greater than one the project is feasible
If the ratio is equal to 1, the project would breakeven

5.18. If we divide the PV of cash inflows by PV of cash outflows in each scenario, we get the following results

Scenario 1 = 1.10 (Feasible)
Scenario 2 = 0.99 (Not Feasible)
Scenario 3 = 0.39 (Not Feasible)

5.19. The BCR however does not take in account the scale of the project or the magnitude of the returns and may mislead the decision maker in such cases.

Sensitivity & Scenario Analysis

5.20. The environment in which a project is implemented is ever changing making it prone to certain risks that may affect the achievements of its desired objectives within the stipulated time period or within the set cost parameters. In order to ensure that the project can withstand some of the risks, certain assumptions must be applied to check the viability of project.

5.21. Some of the assumptions that can be tested include cost over-runs, reduction in revenues and delays in the implementation of the project. In either case the NPV, IRR and BCR would change and the project may become unfeasible in certain cases.

5.22. Number of scenarios can be tested to see the sensitivity of the project to survive such risks.

Original Case – Discount Rate of 12%

Original case - Discount rate of 12%								
Year	Capital Cost	O&M	Total Cost	PV of Total cost	Revenues	PV of Total Revenues	Net Benefit/ Cost	PV of Net Benefit/ cost
1	20		20	18		-	(20)	(18)
2		4	4	3	18	14	14	11
3		6	6	4	22	16	16	11
				25		30		
							NPV	4.69
							IRR	31%
							BCR	1.19

Cost overrun case (20% increase) – Discount rate of 12%

Cost Overrun Case (20% increase) - Discount rate of 12%								
Year	Capital Cost	O&M	Total Cost	PV of Total cost	Revenues	PV of Total Revenues	Net Benefit/ Cost	PV of Net Benefit/ cost
1	24		24	21		-	(24)	(21)
2		5	5	4	18	14	13	11
3		7	7	5	22	16	8	6
				30		30		
							NPV	(4.88)
							IRR	-7%
							BCR	0.99

Revenue Decrease Case (20% decrease) – Discount rate of 12%

Revenue Decrease Case (20% decrease) - Discount rate of 12%								
Year	Capital Cost	O&M	Total Cost	PV of Total cost	Revenues	PV of Total Revenues	Net Benefit/ Cost	PV of Net Benefit/ cost
1	20		20	18		-	(20)	(18)
2		4	4	3	15	12	11	9
3		6	6	4	18	13	12	9
				25		25		
							NPV	(0.31)
							IRR	11%
							BCR	0.99

Delay in revenue by 2 years – Discount rate of 12%

Delay in revenue by 2 years - Discount rate of 12%								
Year	Capital Cost	O&M	Total Cost	PV of Total cost	Revenues	PV of Total Revenues	Net Benefit/ Cost	PV of Net Benefit/ cost
1	20		20	18		-	(20)	(18)
2		4	4	3		-	(4)	(3)
3		6	6	4		-	(6)	(4)
4			-	-	15	10	15	10
5				-	18	10	18	10
				25		20		
							NPV	(5.57)
							IRR	3%
							BCR	0.78

Discount Rate increase to 15%

Discount rate increase to 15%								
Year	**Capital Cost**	**O&M**	**Total Cost**	**PV of Total cost**	**Revenues**	**PV of Total Revenues**	**Net Benefit/ Cost**	**PV of Net Benefit/ cost**
1	20		20	17		-	(20)	(17)
2		4	4	3	18	14	14	11
3		6	6	4	22	14	16	11
				24		28		
							NPV	3.71
							IRR	31%
							BCR	1.15

5.23. Thus, the comparison of different scenarios shows that how much risk a project can absorb before becoming unfeasible. The table 7 below shows the comparison between different scenarios tested above. From the financial point of view, cost increase, revenue decrease and delay in revenue make the project either unfeasible or a failure.

Table 11: Comparison of different scenarios on economic analysis

	Original	20% Cost Increase	20% Revenue Decrease	2-year Delay in Revenue	Discount rate of 15%
NPV	4.69	(4.88)	(0.31)	(5.57)	3.71
IRR	31%	-7%	11%	3%	31%
BCR	1.19	0.99	0.99	0.78	1.15

Non-Discounting Techniques

5.24. Some of the non-discounting techniques that can be used for financial appraisal include payback period and breakeven analysis. These are briefly explained below.

a. Payback period

5.25. Under *this technique*, a project is accepted or rejected on the basis of years that a project requires to recover the invested money. It is mostly expressed in years. Unlike NPV, payback period technique does not take into account the time value of money. In terms of this method, the quicker the recovery of initial investment the more desirable is a project. The formula of the payback period is as follows: -

$$\textbf{Payback Period} = \frac{\textbf{Investment Required}}{\textbf{Net annual cash Inflow}}$$

Example

The Government of Sindh is planning to build a farm to market road. The road would cost Rs.500.00 million and would have a useful life of 10 years. The expected annual net cash inflow from the road through the toll payments is Rs. 90.00 million per year.

The payback period would be calculated as follows:

$$\textbf{Payback Period} = \frac{\textbf{Rs.500 M}}{\textbf{Rs.90 M}} = \textbf{5.5 Years}$$

Thus, the road would cover its cost in 5.5 years.

b. Breakeven Analysis

Breakeven analysis allows to determine the amount of revenue required to cover the costs associated with an investment. In effect, it enables to set the prices for products and services. The formula is given below: -

$$BEV = \frac{\text{Fixed Costs}}{\text{Revenue per unit- Variable cost per unit}} = \frac{\text{Fixed Costs}}{\text{Unit Margin}}$$

Economic Appraisal

5.26. While considering projects, the Government does not have the motivation of return on equity in mind. In fact, it wants to ascertain the effect of an investment proposal on the entire economy or a population as a whole. Economic appraisal helps to analyse the costs and benefits of a project from the point of view of the entire economy.

5.27. There are three main differences due to which economic analysis may give different results from financial analysis. These differences include: -

(a) Social benefit vs private benefit;
(b) Social cost vs private cost; and
(c) Market distortions.

5.28. Market distortions result in market prices being different from the value of a product/service unit to the economy. A private entrepreneur does not take such deviations and market distortions into account but normally the Government do consider these factors. Thus, the government has to estimate a set of prices that reflect both the opportunity costs as well as societal objectives and apply these to the projects' inputs and outputs, i.e., costs and benefits. These prices are called shadow prices or accounting prices.

5.29. In economic analysis, the techniques like NPV, IRR and BCR are used as is the case for doing financial analysis. However, in economic analysis the shadow prices are used instead of the market prices. There are two basic techniques for economic appraisal i.e., Cost Benefit Analysis (CBA) and Cost Effectiveness Analysis (CEA).

a) Cost Benefit Analysis

5.30. By the Cost-Benefit Analysis (CBA), various approaches to achieve the project's benefits are assessed and compared to determine which approach is the most beneficial. For different approaches, the stream of economic benefits is identified, quantified and monetized in the net present value terms. These are then compared with the respective stream of economic costs (that include the accounting cost and the opportunity cost) in the net present values.

5.31. The net benefit is assessed and the option with the highest net benefit is selected as the approach to the project. Different illustrations of economic costs and benefits are shown in the table 8 below.

Table 12: Illustrations of Economic costs and benefits

Examples of Monetized Economic Benefits	Examples of Economic Costs
Current and future income generated	Actual financial costs of the project
Revenue collections	Foregone financial income from child labour, *as a result of education projects*
Value of increased economic activity, *from a cash transfer program*	Foregone income of business along the existing roads, *from a new road project*
Higher life expectancy and therefore higher future incomes *from a health project*	Foregone tourism and cultural heritage, *from infrastructure projects that impact heritage and nature sights.*
Future income of students, *from a technical education program*	
Low future financial outlays on floods cleanup, *from a disaster risk management project*	

5.32. Some of the terms which are required to be understood in CBA are explained below:

i. Direct Cost and Direct Benefit

A direct cost is a price that can be totally attributed to the production of specific goods or services. Wages of construction workers of a project is a direct cost. A direct benefit is a benefit that can easily be observed and quantified. For example, increase in student enrolment after construction of village to city road under an education project that allowed villagers easier access to school which was not available before.

ii. Indirect Cost and Indirect benefit

A cost which cannot be attributed to the specific goods and services is an indirect cost. For example, insurance cost is an indirect cost. Indirect benefit is the benefit which cannot be easily observed or quantified. For example, increase in the productivity of workers due to use of new technology.

iii. Tangible Cost and tangible benefit

A cost that is quantifiable and can be attributed to an identifiable source or asset is called a tangible cost. For example, salaries of employees or cost of renting construction equipment. A benefit that is quantifiable is a tangible benefit. Example of a tangible benefit is the profit earned from toll fees in respect of a highway project.

iv. Intangible cost and intangible benefit

The costs which are harder to quantify are intangible costs. For example, cost incurred due to low morale. For example, intangible benefit is again a benefit that cannot be easily quantified. For example, benefit received due to high job satisfaction of employees.

b) Cost Effectiveness Analysis

5.33. Cost effectiveness analysis is an analysis of the operational efficiency of a project. It is to determine the least expensive approach to achieving a result, from two or more alternatives. This approach is the most commonly used when it is difficult to monetize the economic benefits from a project, e.g., number of lives saved from polio vaccinations. For such projects, different approaches are evaluated by comparing the cost-effectiveness ratio:

CE ratio: $\dfrac{\textbf{Cost of An Option}}{\textbf{Effectiveness of the Option (e.g., number of lives saved)}}$

5.34. The option with the lowest CE ratio is the preferred option.

Difference between Financial and Economic Appraisal

5.35. For a project to be economically viable, it must also be financially sustainable. In this sense, financial and economic analysis complement each other. If a project is financially un-sustainable, there will be no funds to operate, maintain and replace assets of the project. Nevertheless, at times the proponents of economic viability suggest that financial sustainability should not always be a concern for economically viable projects. In these cases, the Government can provide support through subsidies.

5.36. As opposed to a private investor where sole motivation is to determine the net financial gain (or loss) from a project, the Governments are also focussed on the economic benefits of a project. In this perspective, it is important to determine what will be the impact of a project with net positive economic return on increasing the country's net wealth. Conversely, a project which yields negative economic returns should not be undertaken as it would lower the net wealth of the society as a whole.

5.37. The three key differences between the financial and economic appraisal are explained below: -

i. Financial appraisal compares the benefits and costs to the project entity or participants of the project only while economic analysis compares the benefits and costs to the whole economy. Thus, economic analysis is concerned with the value a project carries for the society as a whole. It takes into consideration all members of society and measures the project's positive and negative impacts. In addition, economic analysis would also cover the costs and benefits of goods and services that are not sold in the market and therefore have no market price.

ii. Financial Analysis uses the market prices to check the sustainability of a project whereas economic analysis uses the economic prices which are determined from the market price by excluding tax, profit, subsidy, etc. to measure the legitimacy of using national resources to certain projects.

iii. Lastly, financial and economic analyses also differ in their treatment of external effects (benefits and costs). Economic analysis attempts to value such externalities in order to reflect the true cost and value to the society.

5.38. The main differences between the two are summarised in the Table 9 below:-

Table 13: Difference between Financial and Economic Analysis

	Financial Analysis	Economic Analysis
Purview	Entity or Participants	Society/Country
Prices	Market	Economic (shadow Prices)
Externalities	Not accounted for	Accounted for

c) Technical Appraisal

5.39. Technical appraisal helps in assessing the technical feasibility of a Project. Technical Appraisal provides a comprehensive review of all the technical aspects of the project such as rendering judgment on merits of technical proposals and operating costs.

5.40. Some of the questions which are addressed under the technical appraisal include:

i. Confirmation of the source of the project proposal, including feasibility studies undertaken before the proposal, and the nature of decisions taken by all the relevant authorities involved.

ii. Is the problem or the need to be resolved by the project has been clearly stated?

iii. Has the project been clearly spelled out with the correct technical design details (such as size, location, timing, and technology)?

iv. Is there a sound rationale for the selected technical design or approach?

v. Has the proposed technology been proven or tested or has been in practice elsewhere? Can the technology be applied in the current context and conditions?

vi. Have the required equipment/materials been correctly determined and their source identified?

vii. Does the technology/ process/ equipment technically fit with the facility's existing technology/ process/ equipment & machinery? If not, what aspects of the technology / process do not fit and what measures is the implementing agency planning to take in this regard?

viii. Is there a list of equipment and machinery to be installed with cost and specifications of the equipment?

ix. What is the equipment capacity and is it as per the requirement?

x. Is there a list of equipment suppliers?

xi. Are the costs of the project clearly established, expected product prices projected, and payment modalities and schedules agreed to?

d) Organizational/Managerial Appraisal

5.41. Managerial analysis helps to see if project is adequately staffed for the successful implementation of the projects. It is also a tool to check the resource, recruitment, and training aspects. The main questions which are addressed in managerial appraisal include:-

i. Who is implementing the project?
ii. Does the project implementation team have the adequate skills and experience for the relevant project?
iii. Is there a right mix of technical and managerial staff in the project?
iv. Is the number of staff required just right? Is the project over staffed or under-staffed?
v. Is the project being outsourced to a third party?
vi. What is the number of relevant projects completed by the third party in the last two to five years?

e) Social Appraisal

5.42. Social appraisal reviews the project design and the process for project identification, monitoring and implementation from a social perspective. Social appraisal focuses on the four areas indicated below:

i. The demographic and socio-cultural characteristics of the project beneficiaries – its size and social structure, including ethnic, tribal and class composition;
ii. How the project beneficiaries are engaged in productive activities, including the structure of households and families, availability of Labour, ownership of land, and access to and control of resources;
iii. The project's beneficiary's cultural acceptability; i.e., its capacity both for adapting to and for bringing about desirable changes in stakeholders' behaviour and in how they perceive their needs;
iv. The strategy necessary to elicit the commitment from the project beneficiaries and to ensure their participation in different phases of the project from design to successful implementation, operation and maintenance.

f) Environmental/Climate Change Appraisal

5.43. Projects, especially belonging to specific sectors such as infrastructure, energy, etc. have an adverse impact on the environment/climate. It is therefore imperative that at the time of planning of these projects, a proper environmental/climate change appraisal is carried out to determine and ensure that the environmental/climate change costs of the project the project do not outweigh the overall benefits.

5.44. The commonly used tools for environmental/climate change appraisal are Environmental Impact Assessment (EIA) or Climate Change Impact Assessment.

5.45. EIA has many definitions, the simplest of which has been given by the United Nations which defines it as "an assessment of impacts of a planned activity on the environment" (United Nations). A need to emphasize on conducting EIA was felt as in the past, number of development projects failed to take into consideration their adverse impacts on the environment.

i)- Aims of EIA

5.46. The overall goal of an EIA is to achieve better developmental interventions without adversely affecting the environment. EIA aims: -

- to provide accurate and balanced information on the environmental impacts of the project to ensure informed decisions by the decision makers;
- present unquantifiable effects that are not addressed by cost-benefit analysis or technical assessments;
- to provide information to the public;
- to present alternatives so that the least environmentally harmful choices can be chosen;
- to help develop mitigation and avoidance measures for protecting the environment

ii)- Components of EIA

5.47. EIA can be thought of as a data management process with three components:-

- Firstly, the appropriate information necessary for a particular decision which must be identified and collated;
- Secondly, changes in the environmental parameters resulting from the proposed project must be forecasted and compared with the situation without the proposal;
- Finally, the actual change must be accessed and communicated to the decision makers.

5.48. Before a PC-I is approved, it is reviewed at various levels, between the department and at P&DD.

Appraisal within Line Department

5.49. For any PC-I that is under the cost threshold of the DDWP and has to be approved within the Line Department, the entire review process (formal/informal) takes place within the line department. The various levels of review within a line department are:

i. *Additional Secretary (Technical or Development)*: The office of the Additional Secretary receives the draft PC-Is and the relevant Section Officers are in charge of conducting the first review of the PC-I;

ii. *Relevant technical staff*: Often the PC-I filed is marked to the technical staff in the Line Department who then conduct a full review of the document and suggest amendments**;**

iii. *Secretary*: Once the amended final PC-I draft is ready, it is submitted to the Secretary of the Line Department, whose office carries out the final review. The Secretary's office applies a checklist to review the PC-I,

iv. *DDWP*: Once the draft PC-1 is prepared and reviewed in the line department, it is placed before the DDWP for approval as per checklist for approval by DDWP. The line department furnishes the working paper for the members of DDWP as per standard format, copy of the standard format of Working paper for DDWP is at **(Annexure-16).**

Appraisal at Planning and Development Department

5.50. If a project is above a certain financial threshold, which is currently Rs.200 million then, it is submitted for clearance by Pre-PDWP and approval of PDWP in P&DD. Following procedure is applied to process approval of the PC-I in P&D Department:

i. *Development Section*: The development section manages the PC-Is of new schemes after uploading by the concerned sponsoring & executing agencies on PCFMS at P&D's Web Portal and line up the schedule of Pre-PDWP meetings.

ii. *Technical Section*: For more detailed scrutiny, the PC-I is reviewed by the technical section within the P&DD for technical and economic appraisals, who apply a more rigorous check to the document. The concerned technical section prepares a working paper and consider in the Pre-PDWP meetings. Copy of the standard format of Working Paper for Pre-PDWP is at **(Annexure-17)**.

iii. *Pre-PDWP*: The Pre-PDWP forum reviews the PC-I in detail and can clear, amend, or defer it in light of observations in the working paper. The Pre-PDWP forum can also ask for a PC-II to support a PC-I if it has not already been prepared.

iv. *PDWP*: PDWP is the highest provincial approving forum for development projects. It can approve the PC-Is up to the threshold of Rs. 10 billion in case of provincially funded projects. It is also a recommending body for federally or donor funded projects. The concerned technical section furnish/upload the working papers for PDWP based on the recommendations of the Pre-PDWP. The standard format of the Working Paper for PDWP is at **(Annexure-18)**. PDWP thoroughly reviews all PC-Is submitted to it (even if they are beyond their approval threshold).

5.51. The abovementioned formats of the Working Papers for DDWP, PDWP and TCM/Pre-PDWP were revised by the Planning and Development Department, Government of Sindh and were circulated among the departments and relevant agencies vide No. PO/Dev/Circular/2020, dated 7th December, 2020 with the approval of Chief Minister, Sindh in order to streamline & strengthen the planning procedure with regard to approval of the development schemes.

Stakeholder Analysis

5.52. Stakeholder analysis as well as thorough poverty mapping are two good tools for analysing the above. A robust stakeholder analysis can help in answering the above and provide detail on: -

i. What are the different stakeholders?
ii. What are their interests?
iii. How the proposed project will affect them?
iv. What are the project priorities between the different groups?
v. What is their capacity to participate in the project?

5.53 Similarly, a poverty mapping exercise can shed light on: -

i. Who the poor are (at community, household and individual level)?
ii. What are the characteristics of their poverty (in terms of access to and control of resources and benefits, vulnerability and exclusion)?
iii. How can the issues of poverty be addressed in the project?

Risk Management

5.54 This assessment is an important part of the project appraisal process as it helps to identify the strengths, weaknesses, opportunities, and threats likely to affect the project execution. The risk assessment involves understanding potential project problems and how these might impede the achievement of the project objectives. Risks can be negative and positive. The negative risks include delays in completing work as scheduled, increases in the estimated costs, supply shortages, litigation, strikes, etc. The positive risks include completing work sooner and/or cheaper than planned, collaboration to produce better products, good publicity, etc. Risk identification is the process of understanding what potential events or conditions might impede or enhance a particular project. This is an ongoing process throughout the project lifecycle as things progress and change. The unidentified risks cannot be managed; therefore, risk identification is of paramount importance.

Risk Management Planning

5.55 This planning involves the following elements:

i. Methodology: How will risk management be applied to the project? What toolsand data sources are available and applicable?
ii. Roles and responsibilities: Who are the individuals responsible for implementing specific tasks and providing deliverables related to risk management?
iii. Budget and schedule: What are the estimated costs and schedules for performing risk-related activities?
iv. Risk categories: What are the main categories of risks to be addressed by the project? Has a project risk register been prepared?
v. Risk probability and impact: How will the probabilities and impacts of risk items be assessed? What scoring and interpretation methods will be used forthe qualitative and quantitative analysis of risks?
vi. Risk documentation: Which reporting formats and processes will be used for risk management activities?

Chapter 6 - Project Approval

Project Approval

6.1 In the project cycle, approval comes after appraisal. There are various approving bodies, the details of which follow in the succeeding paragraph. At times, the approval of the project is accorded with certain conditions. It would be binding on executing agencies to fulfil those conditions especially which are to be fulfilled precedent to the execution.

Competent authorities to approve the Projects

6.2 Depending upon the value of the project, different authorities of Federal and Provincial Government have been vested with the powers to approve the projects. The sanctioning limit of PDWP was enhanced from Rs.5,000 million to Rs.10,000 million as per decision taken by NEC on May 24, 2012 and conveyed by Planning Commission on 7th June, 2012. The table 10 below summarizes the approving/clearing authorities for PC-Is:

Table 14: Approving and Clearing Authorities for PC-Is/PC-IIs

Approving / Clearing Authority	Composition/ Functions	Relevant level of projects	Value of PC-I
District Development Committee (DDC)	As per Notification at **(Annexure-19)**	Projects funded from the District ADP	Up to Rs. 40.00 million
Divisional Development Board (DDB)	As per Notification at **(Annexure-20)**	Projects funded from the District ADP	up to Rs. 60.00 million
Departmental Development Working Party (DDWP)	As per Notification at **(Annexure-21)**	Projects funded from the Provincial ADP	Up to Rs.200 million
Pre-PDWP P&DD (Scrutiny forum for PDWP)	As per Notification at **(Annexure-22)**	Projects funded from Provincial ADP	Project scrutinizing forum
Provincial Development Working Party (PDWP)	As per Notification at **(Annexure-23)**	Projects funded from the Provincial ADP, or from Foreign Project Assistance or with co-financing with federal share	Above Rs 200.00 million to Rs 10.00 billion (excluding projects with foreign funding or Financed projects by Federal Government
Central Development Working Party (CDWP)	As per Notification at **(Annexure-24)**	Projects funded from the Provincial ADP and the Federal PSDP	Above Rs 1,000 M up to 7500 Million (and all projects with foreign funding component and water related.
Executive Committee of the National Economic Council (ECNEC)	Charter of Functions and Composition of ECNEC is given in **(Annexure-25)**	Projects funded from the Provincial ADP and the Federal PSDP	Above Rs. 7,500 Million & all projects with foreign funding component.

6.3 The revised sanctioning powers of development for a at federal level (DDWP, CDWP & ECNEC are given at **(Annexure-26).**

Processing of projects for approval

6.4 For project approvals, various bodies exist from the field level to the level of the Federal Government. The composition of these bodies along with their power of approval have been shown in the above table. As regards the procedure for approval of the projects falling within the ambit of PDWP, the concerned Administrative Secretary sends the copies of PC-I form with rough cost estimates to the relevant section of P&DD along with its soft copy uploaded on PCFMS. In P&DD, the PC-Is are examined thoroughly by Pre-PDWP for which working papers are furnished by the concerned technical section. The respective Technical Section of Planning & Development Department must ensure that the PC-I has been prepared correctly and according to the prescribed procedure before its consideration by the PDWP. After issuance of the minutes of Pre-PDWP and compliance of the observations if any by the sponsoring/executing agency, the development section places it in the agenda of PDWP where the concerned technical section furnish/upload working paper for PDWP. Table-7 page 35 illustrate timeline for submission and approval of PC-1s.

6.5 Each sponsoring agency is required to submit digitally prepared PC-I or PC-II – duly signed by the PAO and uploaded on Planning Commission Forms Management System (PCFMS) for examination and review by the concerned technical section in P&D Department. As soon as the PC-I and PC-II of ADP or Non-ADP scheme is received by respective Technical Section, its examination is conducted as per guidelines of the ECNEC, with following breakup:

i. Three weeks for the preliminary appraisal,
ii. One weeks for replies to the queries to the Planning Commission by the sponsoring agency, and
iii. One week for holding a Pre-CDWP meeting to resolve outstanding issues with the sponsoring agency. Planning Commission, 'Guidelines/Procedures for Preparation and Approval of Development Projects', Notification F.No.20(1) PIA/PC/2013, Islamabad, dated 10 December 2013.

General instructions/guidelines for processing and approval of PC-I

6.6 Following are the guidelines for the submission and processing of the PC-I:

i. If any project could not be considered by PDWP / DDWP within six months, the respective technical section will ask the sponsoring and executing agencies to provide updated cost estimates and scope.
ii. If the project does not start functioning within 12 months of its approval or does not achieve financial close, then it will be reconsidered by the approving forum.
iii. To avoid frequent revisions, no proposal for revision in cost or scope will be brought within two years of approval of a project except the bids are received over & above the approved cost, strong justification would be needed.
iv. In the case of the 2nd revised PC-I, an inquiry report by the head of sponsoring agency identifying the reason and responsibility for the inability to complete the project after the 1st revision will be attached with the 2nd revised PC-I.
iv. Any changes in the scope of work and cost beyond 15 percent of the original approved PC-I/PC-II will require revise approval by the competent forum. No case of ex-post facto approval will be processed for consideration.

v. A summary of the approved cost would be part of the authorization letter or advise for AA/Concurrence for issuance of administrative approval. advice for Administrative Approval for schemes falling under the purview of PDWP will be issued by the Development Section after approval of the Chairman, P&D and issuance of concurrence letter for schemes falling under the purview of DDWP by the respective Technical Section. Copy of the approved/ signed PC-I/II, along with a copy of administrative approval, will be sent by AD to the Finance Department.

vi. After approval of the project from the DDWP, PDWP, CDWP the concerned technical section of the Planning Department will ensure that a copy of the approved PC-I (in soft form) is uploaded on PCFMS with one original signed hardcopy copy in respective Technical Section of P&DD for its record.

vii. A project, in parts or phases, will not be accepted. After completion of a project and submission of completion report on the PC-IV, a fresh PC-I for any new project would be submitted and processed based on evaluation and lessons learnt.

viii. While approving projects the respective forum should also investigate the implementation capacity of the organization and yearly financial phasing, if necessary, seek assurance by the sponsors thar project is not prepared for only operational/recurring expenses.

ix. The project will not pride procurement of cars in development projects. Only limited operational vehicles, according to the nature of the project, would be considered for approval while considering the existing resources.

x. The concerned Sponsoring and executing agencies will ensure that the scheme has been prepared on sound lines and the necessary economic, financial, and technical scrutiny has been carried out. It also must be ensured that all the information required in the proforma has been furnished, and the relevant documents, such as project reports, maps, and plans, have been made available.

xi. Previously, the appointment of an independent PD was decided by the ECNEC on the 6th of May 2011 for ECNEC approved projects only. Now all development projects may initiate the appointment of independent and full-time PD by the sponsors.

xii. The representation of respective executing agencies/line departments will be made by the Administrative Secretaries (PAOs) in PDWP meetings to ensure that the officers can represent for the schemes under consideration.

xiii. Meetings of the PDWP should ordinarily be held frequently, in accordance with the agenda, to be circulated by the Planning & Development Board in advance.

xiv. The time taken in the examination of a scheme by the technical section should not exceed two weeks. The concerned technical section of the Planning & Development Department may submit the working paper within five working days indicating the position.

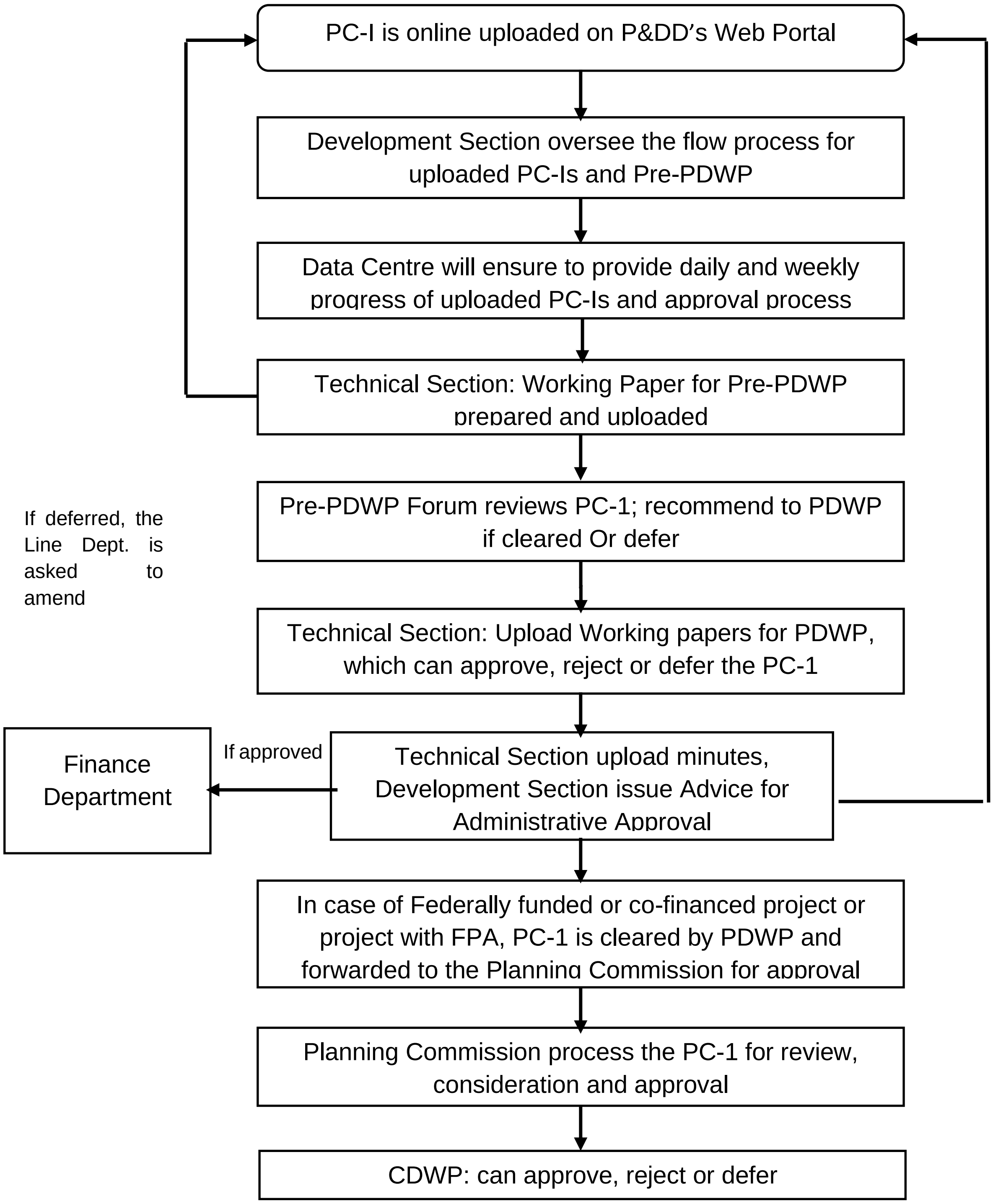
xv. It was noticed that sponsoring agencies submit the PC-I at the eleventh hour and by showing some urgency, they put pressure to include the project on the agenda of the PDWP. Resultantly, proper examination could not be done. It was, therefore, directed that no project will be included in the agenda if not received at least five days before convening the PDWP meeting.

xvi. Minutes of each meeting should be recorded by the concerned technical section of the Planning & Development Board and after approval of the Chair, circulated to all concerned quarters.

xvii. Effort should be made to clear a scheme at one meeting. Where this is not possible, the scheme should be considered at the successive meeting.

6.7 Figure 8 below shows reviewing and approving process of PC-Is at various levels.

Figure 7: Reviewing and Approving PC-Is/PC-IIs



6.8 As soon as PC-I/PC-II is received by the Planning Commission, in case of federally sponsored projects or projects with co-financing or Projects with Foreign Projects Assistance (FPA), the concerned Member of the Planning Commission undertake its examination as per guidelines of ECNEC approved in its meeting held on April 24, 2000. In terms of these guidelines, three weeks are for preliminary approvals, two weeks for response by the sponsors and one week for holding pre-CDWP meeting to sort out the issues with the sponsoring agency/s. However, in view of extreme urgency, P&D Division would consider inclusion of such project in the agenda provided the PC-1 has been received at least two weeks before the CDWP meeting.

6.9 The Planning Development and Special Initiatives Division has to ensure that the PC-I are prepared correctly and according to the prescribed procedure. In case, the PC-I is found sketchy and deficient, it is returned to the sponsors with the approval of Secretary (Planning)/Deputy Chairman (Planning Commission)/ Members of Planning Commission under intimation to all the members of the CDWP. The M/o Planning, Development and Special Initiatives should, when necessary, as it is for consolidated enquiry from the sponsors with respect to deficiencies in the proforma and can seek clarification/ additional information.

Procedure for Meetings of Various Bodies

6.10 Meetings of the ECNEC are normally chaired by the federal Finance Minister. According to the decision taken by the Cabinet in its meeting held on 1-11-1973 and 18-9-1994, the Central Development Working Party (CDWP) and ECNEC should meet regularly every month and after every six weeks, respectively. The procedure for approving the schemes should be streamlined to enable the approval within 2 months.

6.11 The meetings of the CDWP are normally held every month. The Planning Development and Special Initiatives Division is the Secretariat of CDWP. The ECNEC however, generally meets once in 6 weeks or in certain cases may meet early if so required. The agencies represented on CDWP should circulate their comments to each other well before the CDWP meeting so that the discussions are useful and schemes are cleared without any delay.

6.12 The minutes of the CDWP meeting are recorded by the Planning Development & Special Initiatives Division and circulated to all CDWP members and other agencies concerned. The agencies represented on the CDWP should, however, be expected to take action required by them without waiting for the minutes. The minutes of CDWP should be treated as confidential. The minutes/record of discussions of ECNEC should be treated as secret. However, decisions of ECNEC in respect of public sector development projects would be unclassified unless specially classified by the Cabinet Division "Procedure in regard to ECNEC"**.**

6.13 Every effort should be made to clear a scheme in one meeting, where this is not possible, the scheme should be considered at successive meetings of the CDWP until it is disposed of. To save time and avoid lengthy discussion on the detailed comments of the various agencies represented on CDWP, a Pre-CDWP meeting is held to resolve the outstanding issues in respect of federal schemes under the respective member or Sr. Chief/ Chief of the Planning Commission.

Time limit for Approval of Projects at Federal Level

6.14 In accordance with the directive given by the Cabinet in its meeting held on 1-11-1973 conveyed by the Planning Commission, a project is required to be approved within two months. However, in accordance with the comprehensive procedure approved by the National Economic Council (NEC) in July, 1959 the time for approval given is in more specific terms, viz: the formal submission of schemes and approval of the Economic Council (now ECNEC) should be completed within 3 months.

Frequently Asked Questions (FAQs) about PC-Is?

6.15 There are number of questions which are asked by the users about the PC-I forms. Some of the common questions and their answers are given in the box 4 below.

Box 4: FAQs on PC-Is

What is a PC-I?

PC-I (Planning Commission I) is standard pro-forma that is used for project preparation throughout Pakistan. It is developed by the Federal Planning Commission and is used by provincial governments for their project preparation processes as well.

1. Why is a PC-I needed?

PC-I is needed to get the formal approval for any new project. It maps all the financial and physical means i.e., funds, managerial, physical, engineering etc. to achieve a desired goal or objective of a development project. Without an approved PC-I, funds cannot be released for the implementation of a project.

2. Who prepares the PC-I?

PC-I is prepared by the Line Departments proposing a new project. Within these department, relevant DDOs/PDs would prepare the initial form which is then compiled by Regional Directors. Additional Secretary, development wing is the responsible authority at each Line Department. Where the post of AS does not exist, the primary responsibility would be of the concerned deputy secretary to whom this work has been assigned in the department.

3. What information is required to prepare the PC-I?

PC-I requires the sufficient information on the project. Following is a list of the required information:

a) Name of the project
b) Location of the project
c) Information on who is financing the project
d) Information on who is implementing the project
e) Associated Line Department
f) Linkages of the project to the national or provincial development plans/frameworks
g) Project objectives
h) Justification/rationale of the project
i) Year and component wise cost of the project
j) For revised projects, information on the already spent amount and achievements till date
k) Financing with its sources
l) Projects benefits and appraisal (financial, social and environmental) and other allied aspects
m) Start and end dates of the project
n) Results based monitoring indicators/management

4. What are the different types of PC-Is?

There are three types of PC-Is depending on the nature of the project: Infrastructure Sector; Social Sector and Production Sector. Every PC-I requires the same basic information and is slightly different based on the nature of the project.

5. Who approves the PC-I?

PC-I is approved either by the DDWP, PDWP, CDWP or ECNEC depending on the financial ceiling of the project. More information about this is provided in table 10 above.

Suggested Checklist of Evaluating PC-Is

6.16 For use by the office of the Secretary of the concerned Department and the relevant Technical Section at P&DD

i. Name of Project:
ii. Value of the Project:
iii. Location of the Project:

iv. Duration of the Project (please give dates):
v. Implementing Agency:
vi. Associated Line Department:

Table 15: Suggested Checklist of Evaluating PC-I is

Has a PC-II been prepared, submitted and approved? **Y/N**

S.no	Question	Y/N	Please provide elaboration where required
Strategic Justification for the Project			
i.	Is the project linked to the mandate of the line department? Please provide elaboration of which section of the mandate.		
ii.	Is the project linked to the sectoral plan of the line department? Please provide the relevant sectoral priority to which it is linked.		
iii.	Is there an appropriate justification of the project?		
iv.	Has this justification for the project been provided before in a prior PC-I? If yes, please provide explanation.		
v.	Does the PC-I use the latest data in its justification? Please provide year and data source information.		
Operational/technical Information/data			
vi.	Has the line department implemented a project similar to this? Please provide information.		
vii.	Is the location of the project justified? (i.e. Are there no similar public investment projects or private projects of a similar nature in the area?)		
viii.	Does the project seem appropriate in its choice of implementation methodology?		
ix.	Has the PC-I identified an appropriate contractual arrangement for the project?		
x.	Is the timeline for the implementation of the project realistic?		
Economic Appraisal			
	Does the PC-I provide robust justification for the cost?		
xii.	Is the economic appraisal robust? (Are the costs and benefits based on realistic assumptions, and are similar to other related projects)		
Environmental and Social Appraisal			

xiii.	Does the project have any significant impact on the environment? If yes, please elaborate		
xiv.	Does the project take into account social and cultural factors?		
Financing options			
xv.	Will the project generate revenue? If so, please elaborate		
xvi.	Have cost-sharing financing mechanisms been considered for this project? Please elaborate		
For P&DD ONLY			
xvii.	Does the line department seem like an appropriate executing/managing agency for this project?		
xviii.	Is there similar project PC-Is submitted by other line departments? Please elaborate		
xix.	Is there any collaboration between other line departments possible for the implementation of this project? Please elaborate		
xx.	Is the project's proposed cost justified? If not, please provide the reasons along with details and the alternative cost for the project. (*Please attach additional sheet if necessary*)		

Administrative Approval (AA)

6.17 Administrative Approval is concurrence and formal acceptance by the competent authority to incur the expenditure for the said proposal over the period of the project subject to the availability of funds. Once a PC-I is approved by the relevant competent authority, e.g., DDC, DDB, DDWP, PDWP, CDWP and ECNEC, the next steps are the issuance of administrative approval, release of funds and the implementation of the scheme.

Advice for Administrative Approval (AA)

6.18 When the minutes containing the approval of a scheme by the concerned competent forum are issued, the Administrative Department requests the P&D Department for issuance of advice for administrative approval in case of PDWP scheme and request for issuance of concurrence in case of DDWP scheme. After the approval of the request of the Administrative Department by the Chairman P&D Board, the advice of the administrative approval is conveyed by the Development Section of P&D Department to the line department, who further forward it to the Finance Department for authentication of AA. However, concurrence for DDWP schemes is processed by the technical section and convey its concurrence to the department after its approval by the Member/Supervising officer in P&DD.

What does an administrative approval contain?

6.19 The administrative approval is a document containing the details about the total cost of a scheme, its breakdown into capital and revenue expenditure. The head of account and the grant number to which the expenditure would be debited is also indicated in the administrative approval.

Who Issues Administrative Approval?

6.20 The Administrative Approval is issued by the concerned Administrative Department on behalf of the Government of Sindh.

What is the process of issuance of Administrative Approval?

6.21 Before issuance, the audit copy of the draft of the administrative approval is sent to the Finance Department for authentication/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. Add more as indicated in SOPs, moreover, refer Fig: 23 of Federal Manual.

What is the time limit of the administrative approval?

6.22 The administrative approval of a project once issued remains valid for the period of the project 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 after seeking the approval of the P&D Board and Finance Department. Similarly, revised administrative approval is also required if the design or scope of an already approved scheme is changed.

Anticipatory Approval

6.23 In view of the exigency, sometimes there is a need to start a project that has been recommended by PDWP and requires approval of ECNEC. By following the established procedures and time line, the delay would occur in the approval and initiation of the project. In such cases, the Chairman ECNEC has the authority to grant a provisional approval which is known as an 'anticipatory approval'. A request for anticipatory approval is made by the Chairman, P&D Board Sindh to the Secretary Planning Development and Special Initiatives Government of Pakistan. The Secretary submits the request to Chairman ECNEC to obtain the approval.

Validity of the anticipatory approval

6.24 The schemes for which an anticipatory approval has been obtained is required to be processed through the normal channels and submitted to the ECNEC after completing all the formalities within 6 months of the anticipatory approval with further provisions that the total period of the anticipatory approval should not exceed 12 months in any case. The anticipatory approval and sanction for expenditure shall not in any case be allowed beyond the end of each financial year i.e., 30th June.

Concept Clearance Proposal of Foreign Funded Projects

6.25 In case of foreign aided projects, the approval of the Concept Paper from the Concept Clearance Committee/CDWP is mandatory before approaching the donor and further processing (preparation of PC-I).

6.26 Concept Clearance is required to be submitted by the concerned sponsoring agency of the project on the prescribed format as per **(Annexure-27)** to ensure that the project is in line with the development priorities of the Government. As per the guidelines of the Ministry of Planning, Development and Special Initiatives, Government of Pakistan in cases where only a broad outline about the nature and scope of the foreign-funded project is known at the preliminary stage, clearance should be obtained from the division (in the Federal Government) before the preliminary discussions with the aid giving agencies.

6.27. In the Province, as per the Sindh External Debt Management Manual Guidelines, the concept paper is to be initiated by the concerned administrative department where only a broad outline about the nature, scope, and activities along with the estimated cost of the foreign funded projects shall be prepared by the concerned department. It will be presented before the PDWP for its evaluation, recommendations and clearance for onward transmission to the Planning Division for its approval and forwarding to EAD. The Administrative Departments are required to seek approval of the Chief Minister through initiating a summary before forwarding the concept clearance proposal to the Federal Government for approval and financing the project.

Competency for approval of Concept Clearance

6.28 All Foreign funded projects, irrespective of their size and value, require the approval from the Federal Government. After the approval of the Concept Paper by the concept Clearance Committee/CDWP, it is forwarded to the Planning Division, Government of Pakistan for lining up foreign assistance (loan / grant) through the Economic Affairs Division.

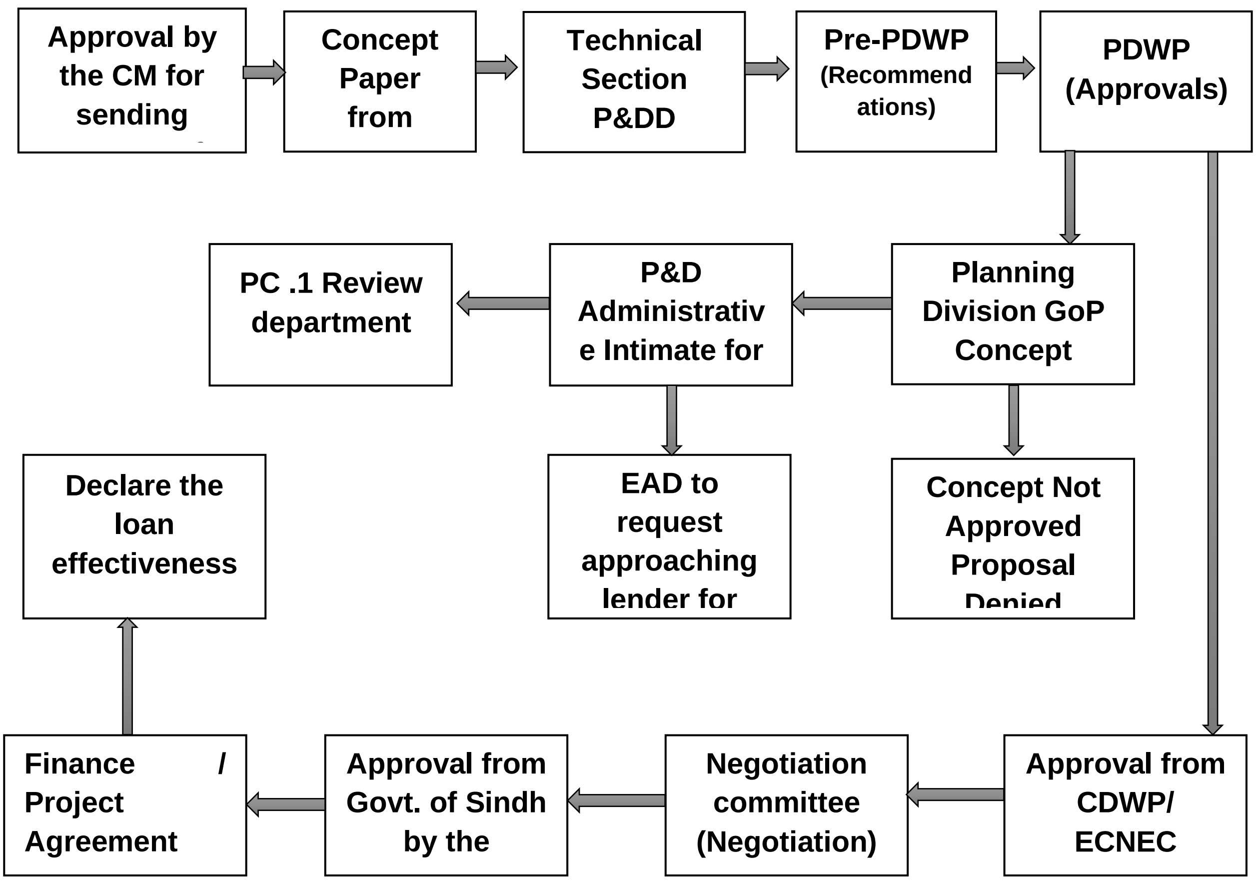
6.29 After the approval of the Concept Paper, the concerned Administrative Department is responsible for preparing PC-I and get approval from the competent forum before entering into any agreement or signing loan / grant agreement with the donor agency. Confirmation / commitment of the donor agency along with terms and conditions of loan / grant would be provided to P&D Division before consideration of project by CDWP / ECNEC. If the project is to be funded through a loan, the negotiating team would examine and analyse all the information including the terms and conditions of the financing agreement, project agreement, appraisal documents and letter of disbursement etc. Before entering the agreement, the comments of the law department on the project agreement and of Finance Department on financing agreement are mandatory.

Signing and Effectiveness of the Foreign Loan Agreements

6.30. Once the negotiation and loan signing formalities are completed, Economic Affairs Division (EAD) will share the minutes of the negotiations with all the parties concerned. These minutes are signed by the lending agency, representatives of the EAD and the Provincial P&D Department heading the negotiating team along with other members of the negotiating team from the Provincial Government. P&D Department, Government of Sindh prepares a summary for the Chief Minister along with the recommendations that Principal Accounting Officer (i.e. Secretary) may be authorized to sign the project agreement. The project agreement is signed by the Lender and the representative of the Provincial Government and loan agreement is signed between Federal Government and Lender Agency. After signing the project agreement, the legal opinion from the Law department on the signed copy of Project Agreement is solicited to share with Federal Government to enable the loan effectiveness. Keep Minister, P&D / CM on board before considering concept clearance for Foreign Project Assistance (FPA) Projects.

6.31 The flow chart for identification and negotiation of foreign funded projects is given below in Figure 9.

Figure 8: Flow chart for the identification and negotiation of foreign funded projects



Chapter 7 - Project Implementation

7.1 Once an Administrative Approval (AA) is issued, project implementation commences. Project implementation is carried out in line with the approved PC-I or in accordance with the operations manual in case of donor funded projects.

7.2 Projects/Schemes can be of four types:

i. Government Funded Projects;
ii. Donor-Government funded (cost sharing Projects);
iii. Beneficiary participated financed Projects; and
iv. PPP Projects.

Role of sponsoring and implementing agencies

7.3 The executing/implementing agency is the entity charged with the responsibility of successful implementation and completion of the project's components which include:

i. Completion of all preparatory studies.
ii. Detailed engineering.
iii. Inclusion of surveys, testing, etc.
iv. Preparation of projects/schemes, design specifications, and cost estimates.
v. Securing of all the permits and easements.
vi. The acquisitions of land and right-of-way, site preparation etc.
vii. Following resettlement & rehabilitation policy / procedures.
viii. Procurement of goods and services, construction.
ix. Project management and risk management.

General Instructions for Projects Implementation:

i. Timely preparation and approval of PC-1s & PC-IIs of new projects included in Annual Development Program. In this regard, some of the important points of the policy guideline conveyed by P&D department be strictly followed.
ii. Proper implementation of the development projects in accordance with the policy guidelines of Planning Commission and also following the specific instructions & strategies given by the Government of Sindh through Planning and Development Department from time to time. The proper procedure and process be followed for appointment of independent Project Director in development projects according to ECNEC decision dated 06.05.2011.
iii. Effective monitoring and reporting system are required to determine the progress, status and achievements of the projects. The Secretaries may therefore, ensure proper supervision, monitoring and evaluation of projects in accordance with the approved scope and timelines of the projects. In case of lack of required human resource the Planning and Monitoring Wings needs to be strengthen and or established in each department and provide required manpower.
iv. The Monitoring and Evaluation Cell of P&D Department would continue its field monitoring of the development projects included in Provincial ADP. The M&E Cell, for that purpose, will further strengthen and or establish its divisional offices at Hyderabad, Sukkur, Larkana, Shaheed Banazirabad, Mirpurkhas and Karachi so that maximum number of schemes can be monitored.
v. Ensure that the funds on the development projects are properly utilized and are audited every year. The Secretaries, being PAOs are responsible for making the

proper expenditures in accordance with the financial rules and powers delegated to them. The copies of such audit reports should be shared regularly with the quarter concerned.

vi. The Commissioners and Deputy Commissioners will also ensure proper planning, implementation and monitoring of the development schemes included in Districts ADP. For that purpose, DCs may strengthen and or establish their Planning & Monitoring Units at District level under the Administrative Control of Deputy Commissioners.

vii. The Project Employees / Contract appointment for the fixed period should be mentioned which should be strictly followed however, due to inevitable circumstances the fate of the employees be decided, either they may be regularized after following the required procedure / rules or their services be terminated after completion of the project. Political motivation / discrimination shall be avoided in this regard and merit shall be encouraged.

Setting up of Project Management or Implementation Unit

7.4 In most of the cases, the projects are implemented by the executing agencies and departments through their existing offices. However, depending upon the type of works and interventions requiring special focus, and a particular managerial and technical skill, a separate dedicated project management or implementation unit (PMU/PIU) is also required. In either case, some of the key features of the unit are as follows: -

i. The PMU/PIU is headed by a Project Director/Project Head who is notified by the Provincial Government. The Project Director can be a government servant or he/she can be hired through a competitive process from the private sector/market. The Planning Commission through its letter No. 20(3) PIA-I/PC/2012, dated 11th March, 2016, **(Annexure-28)**, issued guidelines for appointment of independent project director with revised cost limit of projects to Rs. 3.00 billion and above, where an independent project director is mandatory and provision for the post of Project Director should invariably be included in the project PC-I. If a Project Director is needed for the projects costing less than Rs. 3.00 billion, such case should be submitted to CDWP for approval with justification. As per Finance Department, Government of Sindh's, Corrigendum no. FD (SR (III) 5-85/869(part-file) dated 11th November 2013, all projects costing rupees one billion and above, a full-time project director is mandatory.

ii. The PMU/PIU, in most cases reports to a project steering committee or task force which has representation of all relevant stakeholders. It also reports to the Secretary of the concerned department.

iii. The PMU/PIU has both administrative and technical expertise to carry out the project. According to ECNEC decision, dated 24th April, 2000, the Project Director should be delegated full administrative and financial powers and be made accountable for any lapses. This measure would improve the management and help fix technical and financial responsibility.

7.5 While PMU and PIU are sometimes used interchangeably, the main distinction between them is that while the PIU is established at the executing agency/department level, PMU is setup one higher level i.e., at the coordinating department level.In 2017, the Government of Sindh has established a multisector project in the area of nutrition with a unique Institutional setup. Box 5 below gives a brief description of this project.

Box 5: Sindh Multi-Sectoral Action for Nutrition (MSAN)

The Government of Sindh, in collaboration with the World Bank, has set up a multi-sectoral project that targets malnutrition. Through this project, the Government aims to identify nutrition specific interventions, primarily through the Health Department, and nutrition sensitive interventions, which include activities by the Agriculture Department, Education Department, Population Welfare Department and other associated departments. The Task Force Secretariat has been set up at the P&DD, with a Project Manager. In addition, the Chief Minister Office has a coordinator designated to oversee the project. The project is unique in the sense that it is funded through the recurrent budget, ostensibly to avoid delays in the PC-I process as well as to ensure that activities on improving the nutrition status in the province remain in place without any interruption even after the conclusion of donor support. As the project is multi-sectoral, the funds for the project are parked under the various line departments for the activities undertaken by them. For the funds from the World Bank, a revolving fund and assignment account have been set up under the P&DD. Since the project is funded through the recurrent budget, SPPRA rules are followed rather than the World Bank procurement rules and the World Bank reimburses the Government at the achievement of set Disbursement Linked Indicators (DLIs).

The project adopts a 'Programme Budgeting' approach as the project is funded through the recurrent budget and implemented under a Project Manager. There are plans to set up a performance monitoring mechanism for this project with dedicated key performance indicators which can be monitored regularly to ensure that the project is delivering its results.

7.6 Common mistakes at implementation level are summarized below:

i. Insufficient allocation of resources in the PSDP.
ii. Inaccurate cost estimations due to a large gap between feasibility study and project
iii. implementation, leading to cost overruns.
iv. Frequent transfers of senior officials and PDs creating work disruptions which lead to delays.
v. Understaffed and additional charge-based staff result in delays in project implementation.
vi. Challenges in land acquisition such as litigation, right of way, and relocation of utilities.
vii. Frequent changes in taxation and provincial tax laws create hurdles and increase the total cost of projects.
viii. Misinterpretation of government directives in the form of the Statutory Regulatory
ix. Order (SROs) which cause time delays and confusion in policy matters.
x. Litigation issues in staffing and procurements.
xi. Projects often lack a sense of ownership which is needed from the government or project management staff.

xii. Problems identified by the Project Monitoring Team during the M&E phase ar often overlooked.

xiii. PC-IV and PC-V are submitted infrequently to the concerned authorities specifically for mega projects.

7.7 For smooth implementation of projects, the following guidelines may be adhered to:

i. While making the decisions to include projects in the PSDP, the PAOs should

ii. prioritize existing projects instead of suggesting new projects.

iii. If the cost of the project exceeds 15% of the approved budget at the time the contract is being awarded, PC-I will be revised immediately and should be submitted for approval of the competent forum.

iv. If the project cannot be completed within the approved time frame, get the desired extension from the relevant forum while following the laid down procedure already circulated by the Planning Commission, and such extension should invariably be sent to the Planning Commission, Finance Division and in case of the foreign-aided projects, to the EAD.

v. The PAO will ensure efficient allocation of funds under the project and their timely utilization to achieve the approved and desired objectives.

vi. Separate accounts of each project should be opened with separate account books for each project.

vii. If expenditure in one head is expected to exceed the allocated amount, the appropriation of funds should be approved by the PAO prior to incurring the excess expenditure.

viii. An independent PD will be appointed in all projects with the maximum authority as per prescribed procedure and guidelines issued by the Planning Commission time to time.

ix. In the case of core projects, the project authorities will appoint a PD, along with skeleton staff at the concept stage to coordinate the design and consultation with key stakeholders in the preparation of project documents and PC-I, as per requirements.

x. In the case of a foreign-aided project, a full-time PD will be appointed whose salary/remuneration will be met from the project account, and the PD will not be transferred without informing the DDWP/CDWP during the currency of project.

xi. The sponsors will ensure all appointments transparently. A representative of the Planning Commission and Finance Division will be included in the hiring committee for the selection of the Project Director.

xii. All the remaining appointments should be made by the PAO concerned, in consultation with the PD, through transparent and approved procedures.

xiii. The PD and staff will not be entitled to use project vehicles if the monetization facility has been availed by the officer/s concerned.

xiv. The PAO of the sponsoring agency will notify and assign financial and administrative powers to the PD for implementation of the project as per the approved PC-I document.

xv. The sponsoring agency will evaluate the performance of the PD on an annual basis, and in case of delay in the achievement of targets and objectives, necessary measures will be ensured under intimation to the approving forum.

xvi. Remuneration on the Standard Pay Package for project staff recruited from the open market on a contract basis for the execution of projects funded from the PSDP will be paid in accordance with the notification issued by the Finance Division from time to time.

xvii. The Planning Commission will develop a framework for hiring of consultancy services for projects.

xviii. The project staff, as per the above arrangement, will be allowed by the PAO concerned, for six months after obtaining a concept clearance from the CDWP, and confirmation of the EAD that foreign assistance has been lined up. Any further requirement will be reviewed by the PAO after the termination of the initial period.

xix. Work/cash plan will be prepared and implemented as per instructions of the Planning Commission.

xx. Monitoring of the project must be done as per the RBM indicators matrix in the approved PC-I to review on a monthly, quarterly, and annual basis.

xxi. In case of any issues or problems faced in implementation, corrective measures must be taken by informing the authorities concerned, including the Planning Commission.

xxii. The monthly expenditure needs to be reconciled with the AGPR/banks.

xxiii. Periodic checking of inventory and stocks for timely replenishment will be ensured.

xxiv. Logbooks of vehicles must be maintained.

xxv. Specific duties of the project team should be assigned unambiguously.

xxvi. Information and progress should be updated as per the PMES format of the Planning Commission.

xxvii. There are generally four types of procurements, namely procurement for goods, services, works or O&M. All the procurements under the project will be governed under the Public Procurement Rules 2004, and the relevant regulations and guidelines issued by the Public Procurement Regulatory Authority (PPRA) on a regular basis.

xxviii. The Project Purchase/Recruitment Committees will be formed, with the approval of the PAO.

xxix. In the case of the Project Steering Committee (PSC), the PD will ensure regular meetings of the PSC and the circulation of minutes to all concerned.

xxx. The PD will be responsible for coordination among different stakeholders in case of implementation of the national programs and submission of the periodic monitoring reports.

xxxi. In case of depreciation of the PKR, an increase in demand of the FEC will not require revision of the project (if properly highlighted in the approved PCI). However, in case of increase in incoming foreign currency revision of the project from the competent forum will be required.

xxxii. The PD will highlight problems and issues hindering the successful implementation of projects in the PC-III proforma.

xxxiii. Dis/misinformation will be considered a crime under the project.

xxxiv. As per the existing mandate, Pakistan Public Works Department (PWD) is responsible for the construction and maintenance of public buildings for which funds are allocated on yearly basis. However, in case any ministry/division intends to hire any private party/contractor for construction and maintenance of its physical infrastructure, as per procedure a prior No Objection Certificate (NOC) from the Ministry of Housing & Works is required. In the case of delay in NOC, the construction and maintenance process will be delayed due to constraints with the PWD. The process of such NOCs should be expedited and resolved by the competent forums.

xxxv. In the case of other physical assets like plant, machinery, vehicles, etc., each ministry/division will make its own arrangement for procurement and Operation and Maintenance (O&M) services to any third party at a competitive price for the sustainability purposes.

xxxvi. The salary and recruitment of the project staff should be in line with the government rules.

Recruitment of Project Staff

7.8 There are three ways to recruit the staff for a project: -

i. The Government can notify the staff of the project from its existing pool of government officials. In this case a mere notification of the competent authority is sufficient. The Government employees notified for the project are often given a fixed project allowance as per their grade.

ii. If the project is Government funded and the Government wishes to hire the human resource from the private sector, it has to follow a competitive process as given in SPPRA rules. In this case, the Project staff is hired on market-based salaries.

iii. In case of donor funded projects, it is agreed that the donor procurement guidelines will override the government rules and regulations.

Salary & Project Allowances of Project Staff

7.9 The Finance Department, Government of Sindh has notified salary & project allowances for project staff & government officials selected for a development project. As per the latest notification no. FD (SR-III) 5-29/2008 dated 21st September 2017, for restoration of project allowances as given in the Table 17 below are paid in addition to the salary to the Government officials working on the projects **(Annexure-29)**.

Table 16: Standard Pay Package for the Project staff

S. No.	Project Pay Scale (PPS)	Regular BPS	Minimum (Rs.)	Increment @ 5%	Maximum (Rs.)
1	PPS-1	BPS 01-04	28,000	1400	44,800
2	PPS-2	BPS 05-08	35,000	1750	57,750
3	PPS-3	BPS 09-10	43,000	2190	70,030
4	PPS-4	BPS 11-13	52,500	2625	84,000
5	PPS-5	BPS 14-15	70,000	3500	112,000
6	PPS-6	BPS-16	105,000	5250	168,000
7	PPS-7	BPS-17	157,500	7875	252,000
8	PPS-8	BPS-18	218,750	10940	350,000
9	PPS-9	BPS-19	306,250	15315	490,000
10	PPS-10	BPS-20	437,500	21875	700,000
11	PPS-11	BPS-21	612,500	30625	980,000
12	PPS-12	BPS-22	875,000	43750	1400,000

Table 17: Project allowance allowed on project costing more than Rs.1.0 billion

S. No.	Basic Pay Scale (BPS)	Project Allowance Rate (per month)
1	1 to 4	Rs. 15,000
2	5 to 10	Rs. 20,000
3	11 to 15	Rs. 30,000
4	16	Rs. 40,000
5	17	Rs. 75,000
6	18	Rs. 100,000
7	19	Rs. 175,000
8	20-22	Rs. 200,000

7.10. The project allowance is payable only to full time staff and officers working in new or ongoing ADP, Foreign funded and PPP projects.

Setting up Project Accounts

7.11 Once a project is established, it requires funds to commence its operations. Funds can only be received if the proper accounts are setup. There are generally two types of accounts which are opened once a project is set up. These are given below:-

Assignment Account

7.12 Assignment Account is opened for expeditious flow of funds to the development project by eliminating the channel of the pre-audit system of Accountant General. However, the Assignment *Account can also be opened for Current Expenditure e.g., for Grants to attached department/autonomous bodies. Controller General of Accounts has issued guidelines and procedures for opening of Assignment Account in 2008 revised from time to time.*

7.13 A separate Assignment Account is required for each project/program. The funds in Assignment Accounts are part of the Consolidated Fund. At the close of a financial year, unspent amount against the authorized fund ceiling is intimated by the NBP to AG/DAO in respect of each assignment account**.** The yearend unspent balance in the Assignment Accounts cannot be utilized in the ensuing year without its authorisation through fresh budgetary ceiling. The account cannot be used for collection and recording of receipts.

Opening of Assignment Account

7.14 Assignment Account is opened in the National Bank of Pakistan (NBP). Finance Department, Government of Sindh authorises the opening of the assignment account with an endorsement of the said order to the Accountant General / District Accounts Officer concerned. The letter of the opening of assignment account generally specifies the following:

i. Account name
ii. The bank branch from where it will be operated
iii. Authorized cheque signatories and specimen signatures
iv. Budget head from which the allocation of funds will be made
v. Any other condition for operation of the account

7.15 After receipt of sanction from FD, the AG/District Account office issues an authorisation letter and supply of the cheque book of assignment Account to the designated account holder. A copy of this authorization is furnished to Treasury officer for information.

Recording of Expenditure

7.16 The funds authorized for utilization through Assignment Account are noted in the Appropriation Register by the AG/DAO. No expenditure is recorded at this stage. The expenditure will be recorded in the accounts on the issuance of cheques by the concerned project authorities. In order to record the expenditure upon issuance of cheque, the concerned DDO shall ensure that a copy of schedule on prescribed format is received in the concerned AG/DAO office as and when the cheques are drawn.

7.17 A copy of this schedule is also sent to the NBP by the DDO. The bank ensures that payment of a cheque is made after verification from the schedule. However, no schedule should be received by the NBP/DAO/AG after 30th June of the financial year in which a cheque is issued. NBP provides scroll with paid cheques of Assignment Accounts (local currency) to AG/DAO as and when payments are made. The debit on account of the cheques paid is sent through Treasury account.

7.18 It is the responsibility of the officers operating the Assignment Accounts to ensure that no money is drawn from these accounts unless it is required for immediate disbursement. Moneys cannot be drawn for deposit into chest or any bank account. A certificate is required to be furnished to this effect. The cheques for payments on account of purchases/supplies must be drawn in the name of contractor/supplier.

Budgeting, Reconciliation and Audit

7.19 The project / drawing authorities are responsible for the preparation and submission of detailed object-wise budget estimates. Similarly, on monthly basis, the NBP is also required to send a bank statement of the assignment account to the drawing authorities/DDO for their record and information.

7.20 The drawing authorities are responsible for accounting of expenditure on daily basis. On the basis of this record and the bank statement, the drawing authorities will render the classified account of expenditure to the AG/DAO on a monthly basis (by 5th of each month) and ensure its inclusion in the appropriation account of the Province being prepared by AG/DAO. The variations, if any, are reconciled and appropriate entries are made to bring the accounting records up-to-date. Monthly/quarterly release of fund will be subject to reconciliation with the Accountant General/ DAO concerned.

7.21 At the close of a financial year, unspent amount against the authorized fund ceiling is intimated by the NBP to AG/DAO in respect of each assignment account**.** The year-end unspent balance in the Assignment Accounts cannot be utilized in the ensuing year without its authorisation through fresh budgetary ceiling.

7.22 The drawing authorities are required to submit monthly account of expenditure with copies of paid vouchers to the concerned AG/DAO for post audit purpose by the 15th of each month.

Revolving Fund Account (RFA)

7.23 Revolving Fund Account is another mode of release of funds for development projects. Revolving Fund Account is also opened for expeditious flow of funds to the development projects by eliminating the pre-audit requirement. However, the key difference between the assignment and revolving fund account is that Revolving Fund Account is opened for projects which are funded by the foreign donors.

7.24 National Bank of Pakistan is the designated bank for handling all the transactions of Revolving Fund Account. The foreign currency amounts received under a foreign credit/loan/grant for the Account are converted into Pak Rupees equivalent at the State Bank of Pakistan's weighted average buying rate of exchange prevailing on the date of transfer of funds by the donors.

7.25 Payments out of the Revolving Fund Account are made by way of reimbursement to National Bank at the weighted average rate of exchange at which the foreign currency was purchased by the State Bank of Pakistan. Separate Revolving Fund Accounts are required to be opened for each of the loans/credit/grants and are part of the Government's main account opened in the State Bank of Pakistan (i.e., Non-Food Account No.1).

7.26 The transactions against individual accounts are recorded and reported along with other Government balances by the respective office of SBP to SBP Karachi. The reimbursement of payments made by NBP are claimed by NBP from SBP on a daily basis.

7.27 The balances in the Revolving Fund Accounts are reported in SBP Finance Department's daily report of consolidated balances of Federal/Provincial Government Account along with other Government balances to the Federal/Provincial Government (Finance Division / Finance Department/respective Accountants-General).

7.28 Balances in Revolving Fund Accounts lapse at the end of each financial year. However, the lapsed balance in one financial year is reported through the budgetary allocations in the next financial year.

7.29 If the funds from donors are received in currencies other than US Dollars, these are credited in respective Revolving Fund Account in Pak Rupees at the prevailing rate of exchange. The SBP head office reports any receipt of funds from foreign donors in Pak Rupees and equivalent foreign currency to National Bank head office with a copy to respective NBP branch, the project authorities, Planning & Development Division/Department and Provincial AG.

7.30 Accounting entry is made in the books of AG/DAO after the concerned branch of National Bank records both the Pak Rupee and foreign currency components in the respective Revolving Fund Accounts. In case of funds received on behalf of Provincial Governments, the SBP simultaneously credits the funds to the respective Provincial Government Accounts. The Finance Department will ensure that budget allocations are available in the budget books for the project.

7.31 Payments from the Revolving Fund Accounts are affected by NBP cheques/authorizations issued by at least two authorized signatories. The payments into the account in respect of donor funds are initiated through withdrawal applications signed by persons approved by the respective Administrative Department. Withdrawals are not permitted unless prior budgetary provisions exist for the project.

7.32 Project authorities prepare statements for share from Government, donor and any other entities and expenditure incurred. At the close of the project, the project authorities must reconcile their account with the SBP/NBP and determine any unspent balance. The unspent balance is required to be surrendered within two weeks of the closure of the project. The State Bank authorizes to close the Revolving Fund Account after fulfilling all formalities. All concerned Departments/offices are intimated of the closure.

Third Party Payments

7.33 Often in case of donor funded projects, the payment is made directly into the account of vendors, the withdrawal application is generated by the project director and it is his responsibility to inform the Finance Department and Accountant General Sindh for incorporating these payments into the final accounts.

Project funds Releases

7.34 Cabinet gives broader funds release strategy during Pre-Budget Cabinet meeting and thereafter, P&D Department convey advise to Finance Department for releases of funds for different categories of the ongoing and new schemes in the light of Cabinet approval. The line department or project managers request the release of funds to the

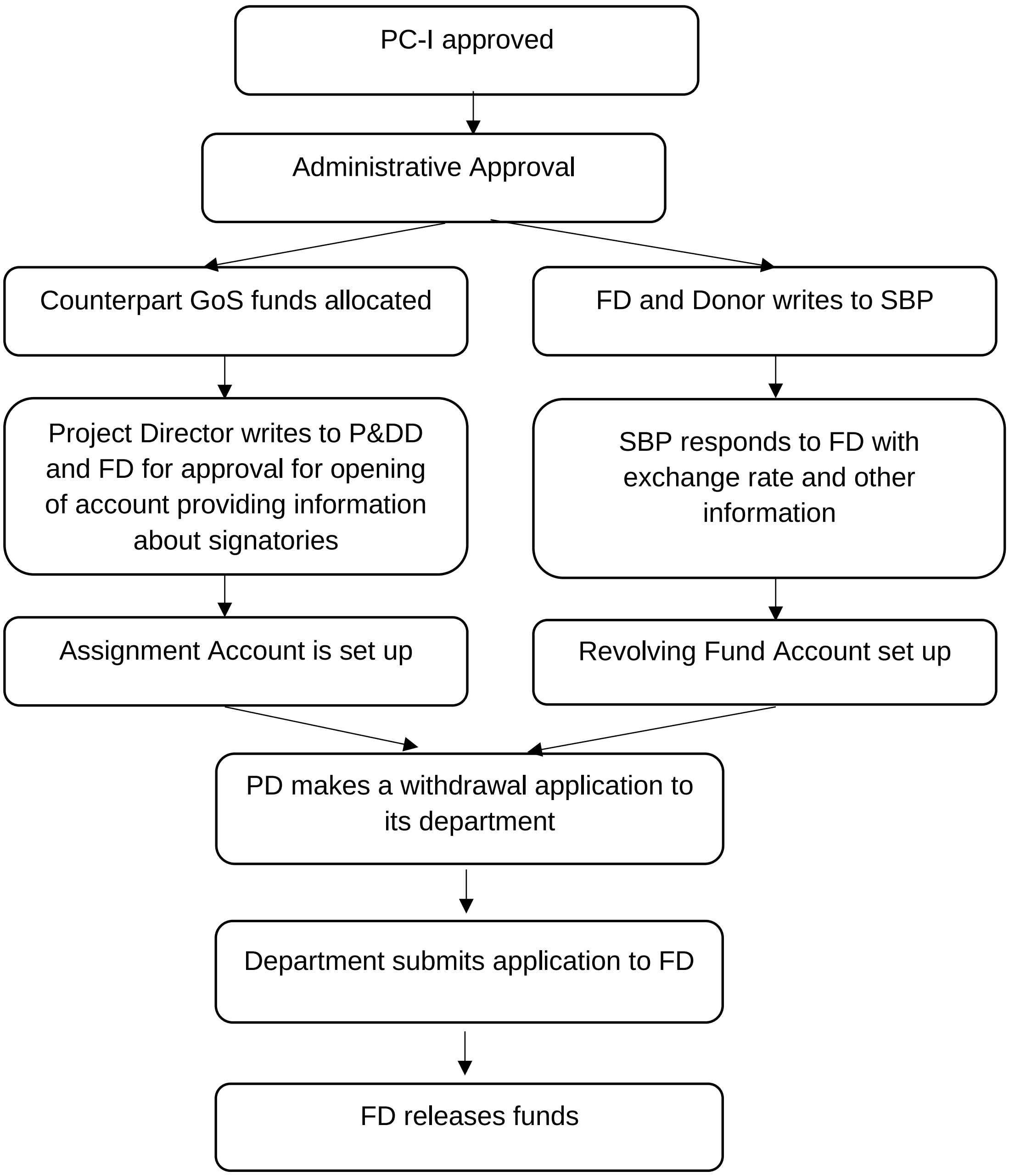
Finance Department through P&DD. Release requests are submitted to the relevant section officer in Finance Department. Finance Department scrutinizes the request on the basis of the budget provision, reflection of the scheme in the ADP as an approved project and fulfillment of other procedural formalities. In case of the ongoing projects, the details of the expenditures already incurred in the previous year are also attached. Finance Department releases the funds to the executing department normally on quarterly basis. Approvals for the released amount are communicated to the line department, Accountant General and P&DD.

7.35 Releases under the development budget are dependent upon the number of factors including cash forecasts, pattern of execution and financial utilization and the funds release policy of the Government in a particular financial year.

Financial Flow of a Project (with Donor Funding)

7.36 The financial flow of a project with donor funding is given in figure below:

Figure 9: Financial Flow of a project with donor funding



Project Planning, Scheduling and Controlling

7.37 In order to effectively manage the implementation of a project, the techniques of PERT (Program evaluation and review technique) and CPM (critical path method) should be used. As per NEC letter no. 10/3/88 dated 07-07-1988, project implementation schedule should form part of every project document and should be based on bar charts/PERT/CPM.

Land Acquisition

7.38 The land acquisition for schemes and projects in Sindh is carried out under the Land Acquisition (Sindh Amendment) Act, 2009. This act is an amendment of the Land Acquisition Act, 1894 and prescribes the procedure at length.

Financial Reconciliation

7.39 For assignment accounts, NBP sends a bank statement to the Project authorities/DDO on monthly basis. The Project authorities must ensure that daily expenditure of the project matches the transactions in the bank statement. The variations, if any, are reconciled by project authority and countersigned by Secretary of the Department being PAO and thereafter appropriate entries made to bring the accounting records up-to-date. The release of fund will be subject to reconciliation with the Accountant General.

7.40 The Project authorities are required to submit monthly account of expenditure with copies of paid vouchers to the concerned AG/DAO for post audit purpose by the 15th of each month. Furthermore, the project entities dealing with foreign funded projects are required to submit “Project Aid Disbursement Estimates”, the amount of expected foreign exchange component in loan and grant.

Project Procurement

7.41 In case of government funded projects, procurement in respect of services or civil works is carried out under SPRRA rules 2010. SPPRA rules generally cover the following aspects of procurement: -

- Forms of procurement including types of bidding as well as alternate methods.
- Method of advertisement and notification
- Contents of bidding documents and provision thereof.
- Modification and submission of bidding documents
- Cancellation of Bidding and re-tendering
- Pre-qualification and disqualification of contractors
- Opening, evaluation and rejection of bids
- Acceptance of bids and award of contracts
- Procurement of consulting services
- Procurement in respect of PPP projects
- Redressal of grievances and dispute settlement

Execution of Civil Works of the Projects

Works & Services Department

7.42 With the exception of few departments, the Works and Services Department, Government of Sindh implements all the civil works projects. Its main activities include planning, designing, construction and maintenance of Roads/Highways and Buildings of the Province. The main functions of the Works and Services department include:

i. Implementation of Annual Development Program (ADP) in terms of construction, and improvement, of new and existing facilities. It also includes all domestic and Foreign Aided Projects.
ii. Implementation of the Annual Maintenance & Repair Programme.
iii. Preparation of feasibility / viability reports of roads / projects as per demands of local people received in field offices or from public representatives.
iv. Designing of roads and buildings and preparing detailed estimates by the Office of Director General (Design) as per the requirement of various Departments.
v. Preparation of Architectural Design & drawing of Residential and Non-Residential Buildings by Consulting Architect.
vi. Quality Assurance of projects through Director (Monitoring & Evaluation).
vii. Training of officers and staff in technical / other relevant fields such as operation of instruments procured, quality checks, computers, etc.

Other departments with mandate to implement Civil Works

7.43 Some of the departments have the power to implement their own civil works and have dedicated engineering wings to carry out this task. These departments include;

i. Education,
ii. Sports & youth Affairs,
iii. Culture, Tourism & Antiquities,
iv. Irrigation,

Types of Civil Works Contracts

7.44 Some of the popular civil work's contracts in use at present are as follows: -

I. Lump sum contracts

7.45 In these types of contracts, before the commencement of a work, a lump sum price for all the works is agreed. In these contracts, there are no matching of inputs to payments which are generally made on the basis of an agreed schedule or time. Lump sum contracts are suitable where the nature of work is well defined and the chances of a high-level variation in the project prices are highly unlikely.

II. Itemized Contracts

7.46. In these types of contracts, the works are broken down into inputs and price of each input is matched with the payments. Itemized contracts are suitable where the nature of work is not standardized and there is a likelihood of changes in the contract.

III. Man- month or time-based contracts

7.47. In these types of contracts, the payments are made against a time schedule. The time-based rates usually include salaries, overheads and fees/profits of firm. These contracts are used for general planning, feasibly studies, project design, engineering and supervision of construction.

IV. Cost plus fixed fee contracts

7.48. Under these contracts, a payment is made to the contractor for a negotiated fee (profit) that is fixed at the inception of the contract. The fixed fee does not vary with the actual cost but may be adjusted as a result of changes in the work to be performed. These contracts reduce the risk to the contractors, but also provides the contractor only a minimum incentive to control costs.

V. EPC Contracts

7.49. Around the world, Engineering, Procurement and Construction (EPC) contracts are becoming increasingly popular. These types of contracts are also sometimes called lump sum turnkey contracts. Under this type of contract, the Contractor carries out all activities from design to procurement to construction. These types of contracts are common for road/motorway construction projects and other works of specialised nature.

Stages of Contract Management

7.50. As per the Federal Manual for Development Projects, there are four main stages of contract management in project as summarised in the Table 13 below:

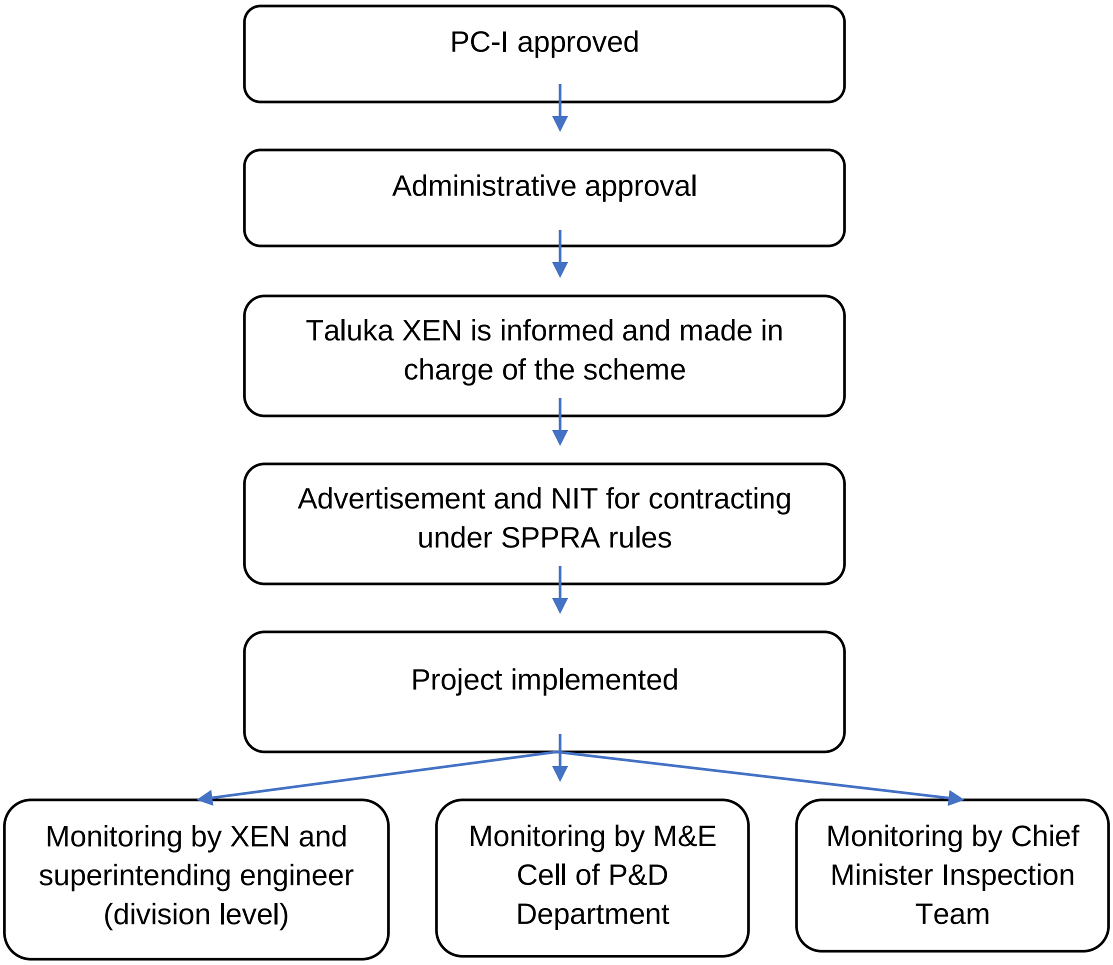
Table 18: Stages of Contract Management

Stage 1	Stage 2	Stage 3	Stage 4
Pre-requisition of invitation to tender	Formulation of tender documents	Tendering/ evaluation/ award	Contract Administration
Completion of feasibility studies ▪ **Technical feasibility** ▪ **Economic viability** ▪ **Environmental impact assessment (EIA)** **Detailed engineering design** ▪ **Design of project components** ▪ **Finalization of technical reports** ▪ **Specifications** ▪ **Computation of quantities** ▪ **Formulation of engineer's estimate** **Administrative approval** **Preparation of pc-1 proforma** ▪ **Approval by the government** **Arrangement of finances** ▪ **Local & foreign exchange components** **Land acquisition** **Prequalification of contractors**	▪ Specifications ▪ Detailed Design ▪ Tender Drawings ▪ Estimation of Quantities ▪ Decision About Specific Provisions ▪ Decision About format-ADB/IDA ▪ Conditions of Contract - Part 1 & II.	Tendering ▪ Tendering Process ▪ Packaging ▪ Local Competitive Bidding (LCB)/ International Competitive Bidding (ICB) Tendering ▪ Types of Tender ▪ Procedure for Tendering **Evaluation** ▪ Tender Opening ▪ Preliminary Evaluation ▪ Detailed Evaluation ▪ Procedure for Preference **Award** The tenderer whose tender has been accepted shall be notified of the award by the employer prior to expiration of the tender validity period in writing. This letter (hereinafter called the "Letter of Acceptance") shall state the sum that the employer shall pay the contractor in consideration of the execution, completion, and maintenance of the works by the contractor as prescribed by the contract (called the "Contract Price").	▪ Performance Bond ▪ Financial Assistance/Mobilization Advance ▪ Appointment of the Engineer and Authority ▪ Priority of Contract Documents ▪ Retention Money ▪ Insurances and risk management ▪ Liquidated Damages ▪ Bonus ▪ Variation Orders ▪ Claims ▪ Dispute Resolution ▪ Price adjustment Clause ▪ Taking over Certificate ▪ Defect Liability Certificate ▪ Contract Coordination ▪ Foreign Employee clause ▪ Project timelines

Civil works implementation flow

7.51. The Figure 12 below gives a summary of the processes of civil works implementation:

Figure 10: Flow Chart of civil works implementation



Extension in Implementation Period of Development Projects

7.52. The policy guidelines for extension in execution period of development projects were issued by the Planning Commission vide letter No.23(1-DDWP)/PIA-1/PC/2017 dated 15th March, 2019 and are given in **(Annexure-30).** Planning and Development Department, Government of Sindh conveyed the above guidelines through an Order No. PO (D)-11/30-Order/75-P&D/2019, dated 19th July, 2019 with the approval of Sindh Cabinet in its Pre-Budget meeting held on 14th June, 2019. The copy of the order issued by P&D Department is also provided with above Annexure. In the case of projects financed from the domestic sources, and where the cost of the project remains within 15% of the original cost/scope, the case for extension of the execution period beyond the period given in the approved PC-I, will not be referred to the Planning and Development Board for approval. However, the P&DD Board and Finance Departments may be informed when such extensions are involved, giving reasons for the delay in the execution of the projects.

Extension of the execution period in case of Aided and Non-Aided projects

7.53. In the case of foreign aided projects, the extension, if necessary is to be obtained from the Economic Affairs Division and the Planning, Development & Special Initiative and Finance Division, Government of Pakistan will be informed of such extension. For such extension, the Economic Affairs Division, would consult the aid-giving agency/agencies and the Planning and Development Division and Finance Division.

7.54. The P&D Board, Sindh through its order no. PO (D)-11/30-Order/75-P&D/2017 dated 5th July 2017 has also outlined the method for seeking the approval for extension of such projects/schemes. As per this order, the following procedure would be followed:

i. In case of-Foreign Aided Projects, extension if required would be obtained from Economic Affairs Division (EAD), Government of Pakistan, Islamabad through Planning & Development Department Government of Sindh;
ii. In case the scheme is already granted two times extension in the planned execution period, Administrative Department will have to bring the request to the competent authority i.e., PDWP/DDWP in which the scheme was originally approved;
iii. In case of a scheme which requires revision, the issue of extension in the planned period will simultaneously be decided by the concerned competent authority i.e., PDWP/DDWP.

15 % Cost Escalation:

7.55. The projects/schemes are approved with estimated cost in PC-1 and the executing agencies are required to adhere with the approved cost to complete the scheme. Moreover, provision of the cost escalation in PC-1 is already devised at para 4.22 above. There are incidents that additional funds over and above the approved cost in PC-1 would be required to complete the scheme without revision of PC-1. In such cases, claim of cost escalation will be sent by the concerned administrative department to P&D Department in compliance to the following conditions:

i. The Sponsoring Agency will claim cost escalation ranging from 1% to maximum 15% for scheme with proper justification for those items require additional funds over and above the approved cost and will ensure that the scheme shall be completed after provision of these funds in current financial year.
ii. Request for cost escalation up to 15% for schemes, which were approved with in last two years will be discouraged, there will be strong justification required for considering cost escalation for such schemes.
iii. Once cost escalation is claimed for any scheme, request of sponsoring agencies for revision of such schemes will not be entertained. Therefore, it must be ensured that the scheme will be completed in all respect within 15% cost escalation.
iv. The requisite funds for cost escalation shall be provided by the concerned sponsoring agency through intra-sectoral reappropriation during the year.
v. There will be no claim of cost escalation over & above the approved cost for any item or activity, which is not part of approved PC-1.

Project Revision

7.56 A project can be revised in three cases;

i. If the increase in the total cost of the project is more than 15% of its total;
ii. If there is change in the scope of the project; and
iii. If the bids received in response to a tender is higher than the approved estimates.

7.57. In all of above three cases, the project/scheme would be treated as a new scheme and sanction of the competent authority shall have to be obtained afresh. As per federal government instructions conveyed in July, 1975 followed by June 1980, If the total estimated cost, as sanctioned increases by a margin of 15 per cent or more, or if any significant variation in the nature or scope of the project has been made, irrespective of whether or not it involves an increased outlay, the approval of the ECNEC/Competent authority shall be obtained in the same manner as in the case of the original scheme without delay, **(Annexure-31).**

Knowing when to request a revision of the Project

7.58. During the implementation of the project, if the percentages of financial expenditure as per PC-III forms have exceeded the percentages of physical work by more than 15%, it is enough indication that the cost of the project would go beyond the approved cost, hence the sponsoring / executing agency of the project may start preparing a revised PC-1 of the project.

7.59. In this case the executing agency should start work on revising the scheme and submit for the approval of competent authority without stopping the actual work. In the exceptional cases where the revised PC-I cannot be prepared in time, recourse could be to obtain the anticipatory approval of the Chairman, ECNEC.

7.60. However, increase in the cost due to delinking of the Pakistani Rupee from the Dollar will not need fresh approval of the CDWP/ECNEC as per annexure-16 above. The sponsoring agency shall however intimate the revised cost due to the depreciation of Pakistani currency to the Cabinet Division, Planning, Development and Special Initiative Division and Finance Division.

Revision due to change in cost or scope

7.61. A PC-1 will be revised in case the scope of the project changes or the cost increases by more than 15% of the originally estimated cost. The executing agency will have to furnish information as annexure to the revised PC-1 in case of revised scheme indicating item wise cost estimates with unit & rate in the prescribed format **(Annexure-32)** for original sanction, revised cost showing work done and work to be done and total cost along with reasons for increase/decrease in respect of each item against the original item wise cost. Similarly increase due to revision in the scope of the project is to be given separately in accordance with the additional sheet annexed with each sectoral PC-I.

7.62. If the project has been revised for the first time either due to increase in the total cost by more than 15% or due to revision in its scope, it would be treated as a new scheme for obtaining sanction of the competent authority. Therefore, it is essential that the revised cost estimates are prepared with due care. Permission of 15 percent given by the ECNEC is in respect of the original cost and not the revised cost of the scheme.

7.63. As regards the conditions for revising the scheme, a revised scheme will be prepared and submitted for approval to the competent authority if the originally approved cost has been exceeded by more than 15%. This would be not difficult to ascertain if PC-III (Quarterly Progress Report) is regularly prepared. If the percentages of financial expenditure have exceeded the percentages of physical work by more than 15%, it is an indication that that the cost of the project would go beyond the approved cost. As soon as this data is available, the executing agency should start work on revising the scheme and submit it for the approval of competent authority without stopping the actual work. In the exceptional cases where the revised PC-I cannot be prepared in time, obtain the anticipatory approval of the Chairman, Executive Committee of the National Economic Council. However, increase in the cost due to delinking of the Pakistani Rupee from the Dollar will not need fresh approval of the CDWP/ECNEC **(Annexure-33).** The sponsoring agency shall however intimate the revised cost due to the depreciation of Pakistani currency to the Cabinet Division, Planning and Development Division and Finance Division, GoP letter for approval of the revised cost of the scheme on account of de linking of Pakistan rupee from dollar.

Revision of costs in the loan agreement of foreign aided projects

7.64. If the PC-I of the foreign aided project in its loan agreement provides for 15% or more of escalation in costs, this provision of 15% escalation over the approved cost of the project as contained in Planning & Development Division's letter dated 15-4-1989 shall not be applicable in such cases.

Revision due to receipt of higher bids

7.65. In case the revision of cost seems inevitable due to receipt of a higher bid than the estimated cost after following the due process, the revised scheme based on the accepted tender cost should be submitted to the competent authority for fresh approval.

Re-appropriations and Supplementary Grants

7.66. Sometimes projects experience delays in implementation due to various reasons. In such cases, some or all of allocated funds are not utilized. To avoid this situation, it is imperative that on the basis of the pace of work, and the capacity of the executing agency to incur the expenses, an assessment of the realistic resource requirement is done well in time in a particular financial year. Any allocation in excess of the anticipated expenditures may be surrendered in time to ensure its reallocation elsewhere where there is a genuine requirement. To the contrary, fast executing schemes experience shortage of funds and therefore requests may be initiated well in time for provision of additional funds either through the re-appropriation from within the sectoral allocation from one scheme to the other in the same Grant or provision of additional funds through supplementary grants.

7.67. The re-appropriation of funds from the schemes which cannot utilise the funds to those which are in need of more funds can be made by the Administrative Department on a prescribed format **(Annexure-34)** through P&D Department for its adoption / permission by Finance Department.

Managing the Throw forward

7.68. Throw forward is the requirement of total remaining expenditure to be incurred on a project after a given fiscal year. It is calculated as:

Throw forward for next FY = Total cost of the project (as specified in PC-1) minus total expenditure on the project up till 30th June of CFY

7.69. Assessment of the throw forward is useful in ascertaining the total outstanding financial commitment required to finish the project. It is also useful in assessing how delayed is a project from its original timelines, and in realistic terms how many years will it require to complete the project. Throw forwards are most useful in guiding next year's allocation for a particular project. If the throw forward after a particular fiscal year is larger than what was anticipated (i.e., the project has spent less than intended over the past fiscal years), then the project is expected to be delayed. The next year's allocations can be increased in a manner to ensure that the project is either completed on time or the lag in project implementation is reduced.

7.70. **Example:** A project has a cost of Rs 100.00 million and was required to spend Rs 20.00 million every year over a five-year period. If the project only managed to spend Rs 10.00 million each year for the first two years, its throw forward after the first two years is Rs 80.00 million (higher than the expected throw forward after two years of Rs 60.00 million). In order to accelerate the project and to ensure its completion within the stipulated five years' time as given in the approved PC-I, allocations for next year could be increased to Rs 30.00 million.

7.71. Increasing throw forwards are an indication of either the non-performance or slow performance of a project. It is therefore important that some criteria be developed for managing throw forwards in certain limits to allow for better performance and financial management of projects:

i. **Estimated vs Actual Throw forwards**: Estimated throw forwards should be prepared for the life of the project when the project is first approved. Actual throw forwards should be compared to these estimates. A comparison of estimated throw forward to actual throw forward should be done at the time of the preparation of the budget to understand how the project is faring.
ii. **Allocation**: Throw forwards should be considered when allocations are made. If the actual throw forwards are higher than estimated throw forwards, steps may be taken to ensure a minimum percentage of the throw forward is allocated to the project for the next fiscal year to ensure that the delay on the project is managed.
iii. **New projects**: The Government can consider setting an upper limit on the throw forward. If the portfolio is expected to breach that limit, new projects should not be entertained for that particular year, and priority should be given to on-going projects so that the throw forward can be brought under its limit. These limits could be set for each individual line department as well.
iv. **Review of the portfolio:** Annual reviews of the portfolio should be conducted as a part of the preparation of the ADP. During these reviews, throw forwards of various projects should be critically analyzed and seen if they are decreasing. If the throw forwards of the projects are not decreasing by a certain minimum percentage over the past few years (e.g., three years), the project may be scrapped from the portfolio.

7.72. Based on the throw forward, the project should review the updated timelines for the project. If it is not possible to increase the allocations in subsequent years of the project to complete the project, the necessary timelines in the PC-Is should be updated after necessary approvals. Similarly, delays in projects can also lead to possible changes in the overall cost of the project. It should be assessed whether there is a significant change to the overall cost and or scope of the project, the PC-Is is required to be revised in both cases. The project implementing / executing authorities are not authorized to incur expenditures beyond the approved scope and cost of the project. As per ECNEC decision dated 28.08.2013 reiterated by the Planning Commission vide letter dated 7th October, 2021 "In future, no proposal for ex-facto approval for the projects should be brought before ECNEC for consideration" **(Annexure-35)**.

Chapter 8 – Project Monitoring, Evaluation & Closing

Monitoring

8.1 Monitoring is the collection and analysis of information of ongoing projects. It is therefore, the tracking of the project data to understand whether the implementation of the projects is on track. Generally, the term monitoring and evaluation is used at the same time, but actually monitoring part goes during the implementation of the project, whereas evaluation comes after the closure of the project. However, evaluation during the project implementation is sued for course correction for achieving the project targets.

Evaluation

8.2 Evaluation on the other hand helps in finding out to what extent a project has either been successful or unsuccessful in meeting its desired objectives. As such, evaluation is the analysis of the results of the project by comparing the progress against the planned outcomes and impact of the project.

Importance of Monitoring and Evaluation (M&E)

8.3 Monitoring and evaluation helps in identifying the most efficient and valuable way of the use of resources. Monitoring and evaluation together provide the necessary data to guide strategic planning, design and implement programmes and projects, and re-allocate resources in a better way to achieve the intended objectives. Monitoring and evaluation are important due to the following reasons: -

i. Serves as a consolidated source of information showcasing the project progress;
ii. Allows the actors to learn from each other's experiences, building on expertise and knowledge;
iii. Generates (written) reports that contribute to transparency and accountability;
iv. Reveals mistakes and offers paths for learning and improvements;
v. Enables evidence-based allocation or re-allocation of resources

Methodologies of M&E

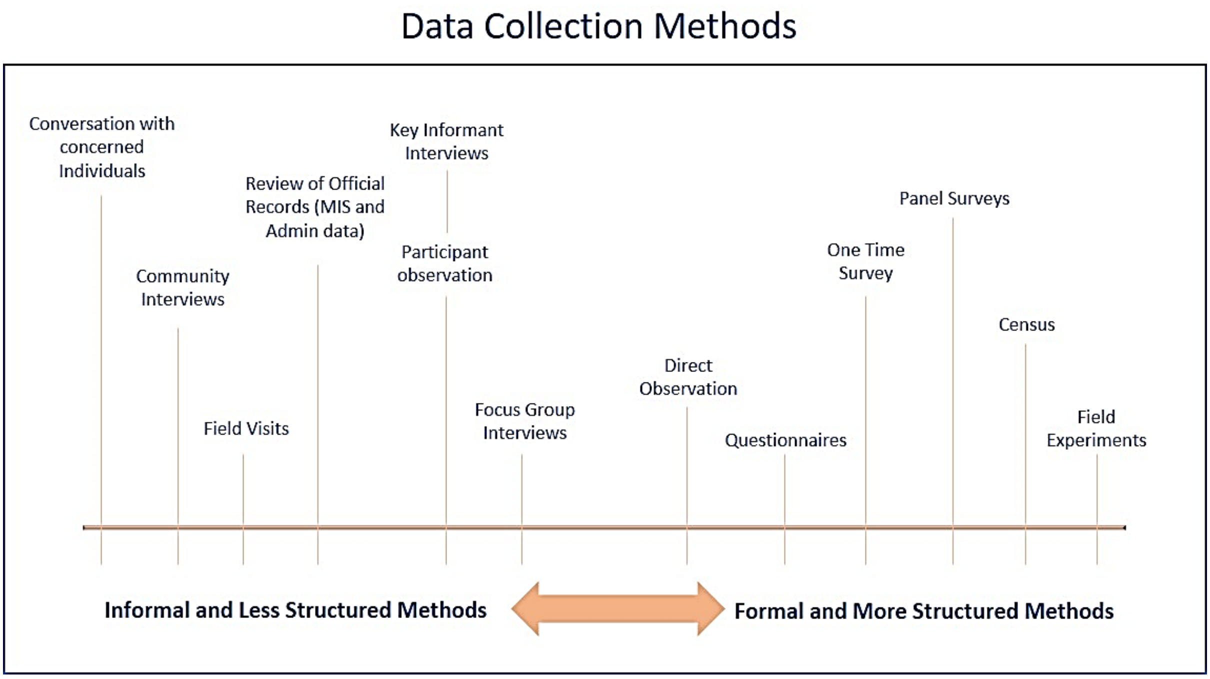
8.4 The two main methodologies used for monitoring and evaluation of projects are the 'Result Based Monitoring' (RBM) and the Logical Framework Analysis (LFA).

8.5 Both the methodologies are closely related as the focus and emphasis of both the methodologies is the results chain given in the result-based monitoring described at annexure-18 above.

Tools of M&E

8.6 Number of tools are available to gather information and monitor the progress of the Project. Same data collection methodologies can also be applied for project evaluations. These are shown in the figure below:

Figure 11: Data Collection Methods



Source: World Bank

8.7 Choosing a particular data collection method depends on:

i. A project or an organization's resources, access, needs, constraints, etc.;
ii. The type of indicator;
iii. How the collected information will be used; and
iv. Frequency of information gathering.

8.8 Data collection methods are chosen after recognizing the associated costs and limitations. Identification of data collection methods and data sources can help with the selection of realistic and affordable performance indicators (further elaboration is provided in the explanation of RBM at Annexure -18 above.

8.9 For effective M&E framework, selection of an appropriate data collection method is important. For doing so, generally the following questions are framed and answered to improve the effectiveness of M&E systems:

i. Determine which data collection methods best suit the indicator/s in question?
ii. If you are using primary data collection, keep in mind the age and gender differences and cultural context. For example, women may need to be interviewed by women; if focus groups are used, it may be necessary to have separate focus groups for women and men, or adults and children;
iii. Whether using a quantitative or a qualitative indicator? Wherever samples are used, they should be representative. If this cannot be achieved, limitation should clearly be identified to the representativeness;
iv. Use multiple sources of data. For example, for collecting data on morbidity rates in a country, both the government data sources and WHO data can be analyzed to ensure the accuracy of the collected data;
v. Weigh the pros and cons of each data collection method (accuracy, difficulty, reliability, cost, time).

Analysis of the collected data

8.10 Data analysis is carried out by comparing the planned targets vs actual performance of the projects. Some of the ways employed for this purpose include:

I. Percentages/Ratios

8.11 Calculating the percentages and ratios is a useful way of presenting performance information. Percentages/ratios help to show how close a project is in achieving what was originally planned? For example, low percentage figures highlight the areas of potential concern and demand an analysis of the reasons as well as a remedial action to correct the deficiency.

II. Trends over time and comparison between periods

8.12 An analysis of the available data over time can reveal how the project is performing. This can help in ascertaining how the project is progressing over time. Are the things getting ‘better’ or ‘worse’ (i.e., immunization coverage rates), and it also allows seasonal variability to be identified.

III. Geographic variance

8.13 Projects wherein implementation is in various locations, it is imperative to identify geographic variations and the reasons for a lag in a particular location e.g., difference in weather pattern, terrain, accessibility, availability of labour and material etc. Aggregate indicators may show good results but data may reveal that individual locations are experiencing specific problems which need a solution to keep the project on track.

IV. Group variance

8.14 Just like the differences in geographic locations there are sometimes variance in outcomes between different social groups. Thus, the data needs to be disaggregated by gender as well as specific vulnerable groups.

Data Analysis Triangulation Method

8.15 Triangulation is a powerful technique that facilitates the validation of data through cross verification from two or more sources. In particular, it refers to the application and combination of several research methods in the study of the same phenomenon.

i. It can be used in both quantitative (validation) and qualitative (inquiry) studies.
ii. It is a method and appropriate strategy of determining the credibility of qualitative analyses.
iii. It becomes an alternative to traditional criteria like reliability and validity.
iv. It is the preferred course of action in the social sciences.

8.16 By combining multiple sources, theories, methods, and empirical materials, researchers hope to overcome the weaknesses or intrinsic biases which come from a single method, single-observer and single-theory framework.

Types of Monitoring

8.17 Monitoring can be divided in two categories i.e., internal and external monitoring.

I. Internal Monitoring

8.18 Internal monitoring is required to fulfil the performance objectives of the sponsoring departments and executing agencies. Internal monitoring allows the project management to take immediate steps for rectification of any issue that may slow down the progress of a project. Monitoring of the project may be carried out on daily, monthly or quarterly basis depending upon the nature and needs of project management, the executing agency and the sponsoring agency.

II. External Monitoring

8.19 External Monitoring is carried out by agencies like the Monitoring and Evaluation Cell (MEC) of the P&D Board Sindh, Chief Ministers Inspection Team and Project Wing of the Planning and Development Division at the Federal level. The internal monitoring teams should have a close liaison with the external monitors and should support them in provision of the required information. The external monitoring teams validate the performance of the project by collection of information on the spot and through field visits.

Monitoring Indicators

8.20 Few of the monitoring indicators to assess the performance against the planned actions are mentioned in the RBM as per annexure-18 above. The Federal Governments manual for development Projects has also outlined some indicators. It identifies the main monitoring indicators as:

i) - Primary

- Completion of preliminaries like drawing, designing, tendering etc. as per schedule.
- Financial utilization viz-a-viz PSDP/ADP allocations, fund releases and item-wise cost utilization. Physical progress, as per the approved work scope and time schedule.
- Staff and equipment usage rate.
- Managerial performance (timely decisions, efficiency and controls, inventory level, progress, labour shortage, inter-agencies coordination problems etc.)

ii) - Secondary

- 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.)

Types of Evaluation

8.21. There are various types of evaluations. The matrix in table 14 below summarises the main components of these evaluations.

Table 19: Types of Evaluation Methods

Evaluation Type	Definition	Uses	Examples
Formative	• Evaluates a program during development in order to make early improvements • Helps to refine or improve program	• When starting a new program • To assist in the early phases of program development	• How well is the program being delivered? • What strategies can we use to improve this program?
Summative	• Provides information on program effectiveness • Conducted after the completion of the program design	• To help decide whether to continue or end a program • To help determine whether a program should be expanded to other locations	• Should this program continue to be funded? • Should we expand these services to all other after-school programs in the community?
Process	• Determines if specific program strategies were implemented as planned • Focuses on program implementation	• To determine why an established program has changed over time • To address inefficiencies in program delivery of services • To accurately portray to outside party's program operations (e.g., for replication elsewhere)	• Did your program meet its goals for recruitment of program participants? • Did participants receive the specified number of service hours?
Outcomes	• Focuses on the changes in comprehension, attitudes, behaviours, and practices that result from programs activities • Can include both short and long-term results	• To decide whether program/activity affect participants outcomes • To establish and measure clear benefits of the program	• Did your participants report the desired changes after completing a program cycle? • What are the short or long-term results observed among (or reported by) participants?
Impact	• Focuses on long term, sustained changes as a result of the program activities, both positive/negative and intended/unintended	• To influence policy • To see impact in longitudinal studies with comparison groups	• What changes in your program participants' behaviours are attributable to your program? • What effects would program participants miss out on without this program?

Source: https://cyfar.org/different-types-evaluation

M&E Setup in Sindh

M&E at Line Department level

8.22. Line departments carry out the monitoring of their own projects at the level of the department. For this purpose, there are various supervisory tiers of monitoring officials at different levels. In case of high priority projects and initiatives, independent M&E wings are created with specific tasks. For example, a monitoring and evaluation wing has been set up in the Education and Literacy Department. The task of this wing is to track the students' enrolment and teachers' presence.

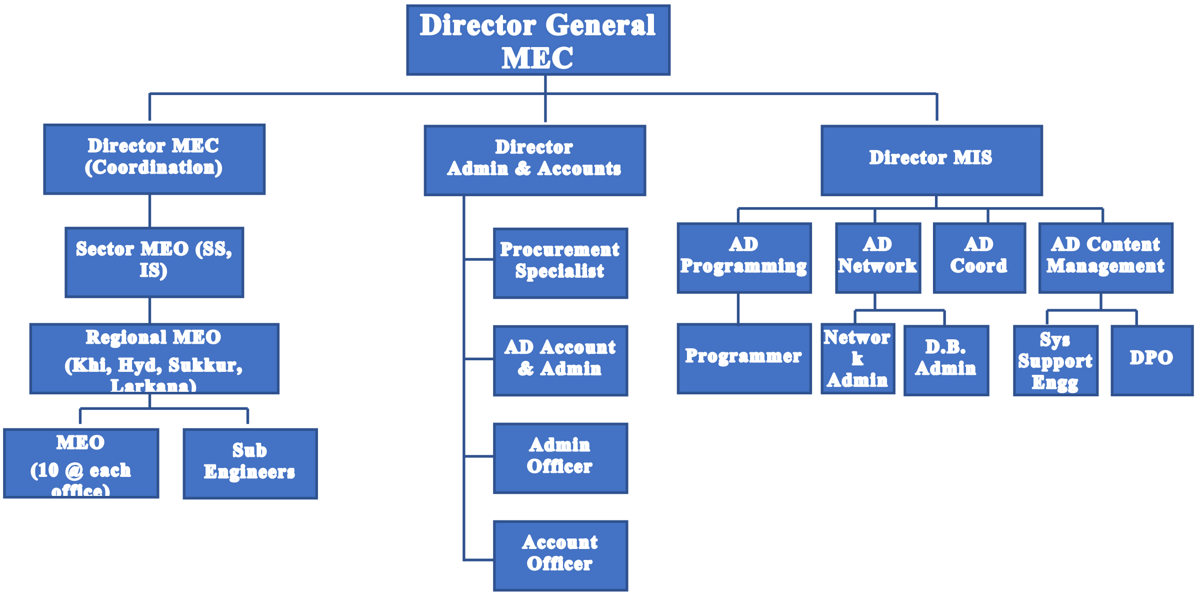
Monitoring & Evaluation Cell in P&D Department

8.23. The monitoring and evaluation cell (MEC), P&DD was established in 1985. At present, the MEC has 36 officers with a Director General as its head. The organizational structure of the MEC is given in chart below.

Organizational Structure of MEC

8.24. Organisational Structure of the Monitoring and Evaluation Cell (MEC) in the P&DD department is shown in the Figure 14 below: -

Figure 12: Organizational Setup of Monitoring and Evaluation Cell



Functions of M&E Cell P&DD

8.25. M& E in P&DD is entrusted with the following functions:

i. To carry out monitoring and evaluation of the Provincial development schemes by;

   a. Verification of physical and financial progress of development schemes through field visits.

   b. Identifying bottlenecks in the financial and physical progress of schemes included in the ADP.

ii. Preparing annual review document of ADP.

iii. Prepare working papers for Provincial cabinet on the review of ADP on monthly/quarterly basis.

iv. Scrutiny and compilation of Monthly progress reports of ADP received from administrative departments and district governments.

v. Coordination of federally funded projects.

vi. Compilation of monthly progress reports and review of federally funded projects executed by Government of Sindh.

vii. Coordination of Chief Minister, Prime Minister and Presidents directives.

viii. Review of Chief Ministers & Presidents directives pertaining to development.

8.26. The MEOs are divided on sectoral basis. For example, Roads, Education, Health, Buildings, infrastructure, irrigation and power, agriculture etc. would have a separate MEO under each RMO.

Monitoring Process of MEC, P&D Board

8.27. In doing its M&E work, the MEC normally adopts the following approach; -

Step 1

The PC -III forms (monthly performance reports) are prepared by the line department and sent to system Analyst, MIS section, MEC. A soft copy of the form is also sent to FD for information.

Step 2

The system analyst analyses the reports and presents them to DG

Step 3

The DG develops a monthly monitoring plan on the basis of expenditure and sends the plans to the RMOs

Step 4

The RMO forwards the monthly schedule with the relevant MEOs

Step 5

MEO visits the project and submits the first visit report to the RMEO. A memo is issued to PD/XEN and an SMS is sent to RMEO when the report is submitted. The MEO ranks the project choosing from within the four rankings i.e., Satisfactory, Average, Unsatisfactory and Worst.

Step 6

The RMEO validates the reports and ensure that it meets the requirements. He either rejects the report with reasons or accepts it and forwards it to SMEO. If the report is rejected, it goes back to MEO for fresh review.

Step7

The SMEO also validates the technical compliance of the report and forwards the report for approval to director MEC. An SMS alert is sent to MEO, RMEO and Director MEC at this stage.

Step 8

The Director MEC reviews the report and forwards it to DG-MEC.

Step 9

The DG MEC either approves the report or suggests corrections and resubmission. The approval as well as the corrections are sent to the Director MEC. In case of approval, an approval letter is issued to the departments for compliance.

Step 10

The Director MEC sends the approved report along with the letter to the Secretary of the department with a request for compliance within a fixed time (generally 30 days).

Chief Ministers Inspection & Evaluation Committee for Development Projects

8.28. The Chief Minister's Inspection Team is headed by the Chairman and is responsible for:

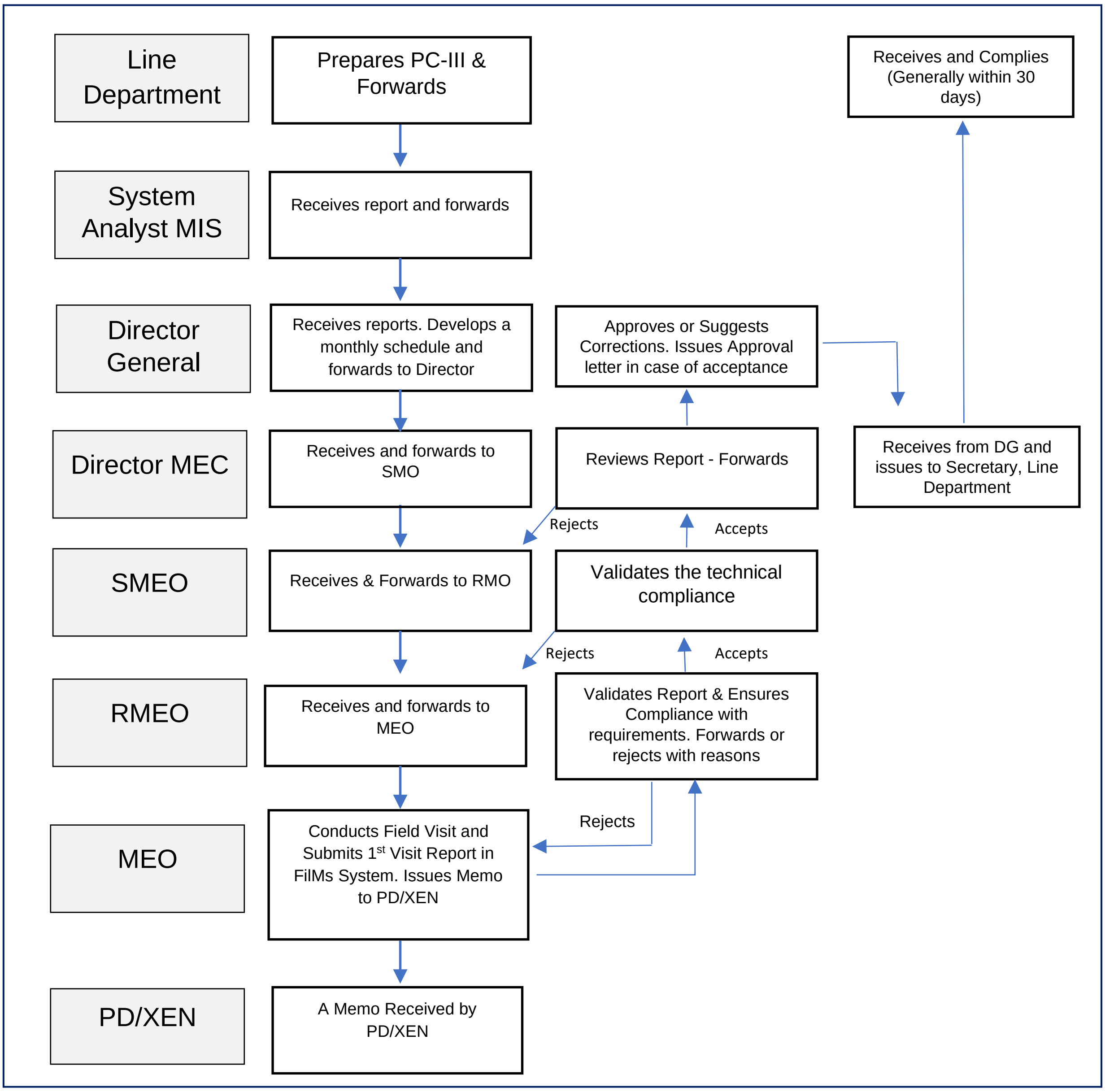
i. Inspecting and watching the status of individual development projects in case of any report of mis-use of government funds and identifying the bottlenecks through inspection for course corrections and for smooth implementation of the projects;
ii. Reporting on misuse and waste of physical and financial resources;
iii. Making concrete recommendations to overcome the bottlenecks with a view of improving the performance and effecting both efficiency and economy.

8.29. The Inspection team is authorised to visit the development projects with or without notice and submit its report to the Chief Minister's evaluation committee comprising Chairman P&D Board and Secretary Finance Department. The report is discussed with the Secretary of the relevant department and then forwarded to the Chief Minister with recommendations.

Monitoring Process Flow Chart

8.30. All the activities of the monitoring of the projects are shown in the flow chart of the monitoring process shown in the figure 15 below:

Figure 13: Flow Chart of the monitoring process below



Monitoring Systems, Reports & Proformas

File Management System (FilMS) and ADP dashboard

8.31 The MEC uses two IT systems for monitoring and reviewing the projects and schemes. The system allows the capture of timely, accurate and relevant information of the monitored schemes for effective management and future decision making. The two systems are briefly explained below.

i) - File Management System (FilMS)

8.32. FilMS (File Management System) is the web-based project monitoring & evaluation application/tool developed in-house. Some of the functions of FilMS include: -

i. Helping each region to quickly schedule their visit plans for the selected ADP (or other special assigned) schemes for monthly monitoring and taking approval online.

ii. Providing automated special designed work-flow for online file/monitoring report submission, alterations and approval.

iii. Maintaining all received compliance from Administrative Department against the issued monitoring reports.
iv. Enabling complete tracking of monitoring reports from initial level to published/issued level with all its versions of corrections.
v. Helping all the FilMS users/region to receive up to date instruction or information released from upper authorities through news ticker.
vi. Increasing coordination between the regions (MEO / RMEO / SMEO / Director) regarding the various issues e.g., preparation of monitoring reports etc., Integrated through an online chatting platform.
vii. Keeping all officials up to date through notification e.g., emails / SMS for their pendency, daily monitoring, assigning or declining of monitoring reports.
viii. Supporting real-time integration with existing MEC website as well as the new system called the ADP Dashboard.
ix. Providing exact GPS location of the ADP scheme on map with their latest available Images
x. Automating the letter issuing process with Integrated Signature-pads for issuing of Administrative Department Letters.

ii) - ADP Progress monitoring Dashboard

8.33. ADP progress monitoring Dashboard is another IT system which has been developed with the following features:

- Online accessibility and usability of field monitoring reports by all stakeholders including line departments;
- Capturing the location (GPS coordinates) of the monitored scheme;
- Tracking of monitors as evidence of their physical visits to enhance validity of monitoring reports;
- Monitoring financial and physical progress of the schemes
- Obtaining feedback from "beneficiaries" or citizens of randomly selected schemes.
- Obtaining analytical and summarised reports
- Carrying out spatial analysis and visualization
- Acting as a single platform with unified reporting by
    - Integrating FilMS
    - Auto fetching data from Finances/Financial Accounting and Budgeting System (FABS)
    - Historical tracking of projects

Performance Monitoring Reports

8.34. The performance monitoring is carried out monthly and on yearly basis on the prescribed formats of PC-III Form (a) and PC-III Form (b) **(Annexure-36)** with reference to NEC letter no. 5/CF/75 dated 16-07-1975 explains that if the PC-III. The line departments must forward performance reports on a yearly on PC-III (a) and monthly progress on PC-III (b) pro-forma is to be submitted by the 5th of each month.

Annual Performance Monitoring Reports

8.35. The annual performance monitoring report/pro-forma is also called PC-III (a). This report/pro-forma is required to be submitted on 1st July of each year. Frequently asked questions on PC-III are given below.

Box 6: FAQs on PC-IIIs

BOX X: FAQs on PC-IIIs

1. **What is a PC-III?**

   PC-III (Planning Commission III) is pro-forma used for project monitoring throughout Pakistan and is used by provincial governments for their project preparation processes as well. There are two types of PC-IIIs i.e., PC-III (a) and PC III (b). While PC-III (a) is submitted once a year, PC-III (b) has to be submitted every month.

2. **Why is a PC-III needed?**

   PC-III is needed to monitor whether a project/scheme is on track on not. It is a progress report on the use of funds and achievement of project milestones

3. **Who prepares the PC-III?**

   PC-III is prepared by Line Departments that manage the project. Within a line department, relevant PDs or Project heads would prepare the form which is then forwarded through the Secretary.

4. **When is a PC-III required?**

   PC-III is required on a monthly (PC-III b) and annual basis (PC – III a) during the implementation of the project.

5. **What information is required to prepare the PC-III (a)?**

   Following is a list of information needed:

   a) Name of the project
   b) Approved Capital Cost
   c) Expenditure up to the end of last financial year
   d) PSDP allocation for the current year
   e) Annual work plan
   f) Quarterly work plan based on annual work plan
   g) Cash plan
   h) Output indicators

6. **What information is required to prepare the PC-III (b)**

   a) Name of project
   b) Financial Status
   c) Physical Status
   d) Output indicators
   e) Issues/bottlenecks in Projects implementation

7. **Who reviews the PC-III?**

   PC-III is reviewed by the Director General MEC, P&D Board Sindh and the relevant section. Field visits are conducted to verify the information submitted on PC-IIIs.

Third Party Monitoring and Evaluation

8.36. In terms of the P&DD letter dated July 18, 2008, and subsequent letters of FD dated 19 October 2009 and January 7, 2012, and dated 21st March, 2023, the requirement of deduction of 1% amount as the 'Third Party Monitoring Charges' has been discontinued as such the requisite funds will be provided from recurrent budget to Director General (MEC) P&D Department.

8.37. The MEC has the authority to use these funds internally or to hire experts from open market for monitoring and evaluation of all schemes above Rs. 1.00 billion or any scheme selected by a committee headed by DG MEC nominated for this purpose.

8.38. In addition to the techniques of M&E explained above, it is also advisable to employ and use the modern technique of M&E which are widely used in various countries which are explained below.

GIS Technology for M&E

8.39. A Geographical Information System (GIS) is a computer-based system capable of assembling, storing, manipulating and displaying the geographically referenced information, i.e., data identified according to their locations. GIS is designed to capture, store, manage, integrate and manipulate various layers of data, allowing the user to visualise and analyse the data in a spatial environment.

8.40. Linking GIS with M&E in a development project/programme can also help to assess the progress after considering different geographic characteristics. For larger projects, baseline studies encompassing 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 with great clarity.

8.41. 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.

Project Closure

When a project is considered completed/closed?

8.42. The project is considered to be completed / closed in one of the following cases

i. When all the projects' funds have been utilized and outputs have been achieved; or

ii. When project is abandoned for any reason.

Who is responsible for project closure?

8.43. The project sponsoring agency is responsible for the closure of the project. Since the liquidation of commitments is usually the most time-consuming task, the sponsoring agency must regularly prepare and update the liquidation of commitments, including final payments. The same applies to the disposal or transfer of project assets.

Basic procedures and check list for project closure

8.44. The project sponsoring agency initiates the project closure and prepare the project completion on the prescribed format of PC-IV as per **(Annexure-37)** in the following manner:

i. Consults the last approved version of the PC-1 and its amendment(s)/ revision(s) if any to determine the final closure date;
ii. Prepares the project completion report (PC-IV) well in time;
iii. Ensures that the PC-IV is drafted and technically cleared by the relevant sponsoring agency;
iv. Submits the PC-IV to the Pⅅ
v. Changes the project status in the Project Monitoring & Evaluation System (PMES) to "Activities Completed" indicating that the project is in the process of operational and financial closure;
vi. Provides recommendations for the disposal or transfer of assets purchased by the project;
vii. Coordinates the departure of the project personnel and communicates with the concerned unit six months before the project closure date, so that action to transfer or separate the personnel is taken/well in time;
viii. The project sponsor ensures that the last project inputs are provided by directing all the contractors/ subcontracts, to complete the tasks, ordering the last expendable or non-expendable equipment items;
ix. Provides the account closing instructions including imprest accounts to the concerned quarters if relevant and applicable;
x. Conducts disposal of project equipment if required either by transfer/ donation to other sections/departments, sale or write-off. Unless disposal directives are already specified in the PC-1, the main options for disposal of equipment's in projects are for equipment either to be donated/transferred to the recipient department/ government, transferred to another or follow-up project or become part of the sponsoring agency's inventory. Further options are that equipment items may be sold or, in specific circumstances, written-off with the approval of the competent authority. For all projects, vehicles shall be transferred to the government/ministry;
xi. It is the responsibility of the sponsoring agency to inform all concerned parties about operational closure. The sponsoring agency of the project is responsible for conducting post completion audit and prepare a budget revision in order to surrender the balance of the project allocation/release if any.

Project Evaluation:

8.45. The final phase of the project lifecycle is the evaluation of project performance and results after completion of the project. Project evaluation aims to determine the relevance, effectiveness, and impact of activities in the light of the objectives as systematically and objectively as possible. It allows us to ascertain the net benefits of a project or programme and draw lessons for the future. It is a critical analysis of the factual achievements and results of a project, programme or policy vis-à-vis the intended objectives, underlying assumptions, strategy, and resource commitment. The concerned Sponsoring agency of the project is required to initiate completion of PC-V on one year after completion of the project on the prescribed format **(Annexure-38)**.

8.46. PC-V proforma corresponds to project evaluation. In specific terms, project evaluation tries to objectively assess:

i. The relevance and validity of the objectives and design of the project or program in terms of broader issues of the development policy, sector or subsector priorities and strategies as well as other problems of a wider nature,
ii. The efficiency and adequacy of the pace of progress of the project or program where the focus is mainly on the managerial performance and productivity,
iii. The effectiveness of the project or program – a major part of an evaluation exercise is realizing the intended objectives from a variety of angles,
iv. The identification of reasons for the satisfactory or unsatisfactory accomplishment of the results of the project or program and to deduce critical issues and lessons, which may be of relevance to other ongoing and future projects or programs of a similar nature.

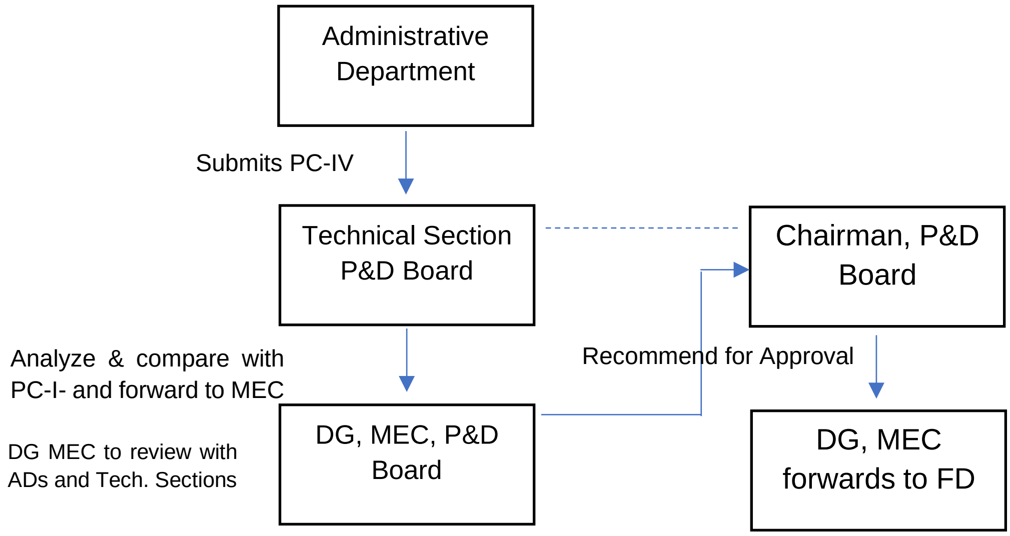
Evaluation Reports

8.47. The Government of Pakistan has prescribed two proformas for evaluation of projects. The PC-IV proforma is submitted by the Project director/ executing agency at the time of the completion of the project. PC-V proforma on the other hand is to be submitted every year after the end of the project for the next five years. Box 7 and 8 below contain a detailed description of PC-IV and PC-V.

8.48. The information submitted on the two prescribed proformas is analyzed and compared with the data collected through other sources to see whether the project has been able to achieve the intended targets.

8.49. Given below in the Figure 16 is the process flow of the PC-IV review and approval.

Figure 14: Process flow of PC-IV Review and Approval



8.50. No project shall stand closed until its PC-IV has been submitted by the Project manager or Sponsoring/Implementing Department. Furthermore, it has been directed that 25% of the projects closed in the financial year shall be picked on the basis of specific criteria as notified by board for project performance evaluation

8.51. 20% of the projects shall be earmarked for mandatory PC-V evaluation every year. The criteria selection of the project shall include Project Cost, Social and Economic cost benefit, contribution to Poverty Alleviation and Economic growth etc.

FAQs on PC-IVs

8.52. Number of executing agencies and the officials involved in the planning process are not clear about the concept and purpose of PC proformas especially PC-IV and PC-V. Some of the frequently asked questions about these proformas and their answers are shown in the two separate boxes below: -

Box 7: FAQs on PC-IVs

1. **What is a PC-IV?**
PC-IV (Planning Commission III) is pro-forma used for project monitoring and evaluation

2. **Why is a PC-IV needed?**
PC-IV is needed to monitor and evaluate the project's immediate objectives and outputs against the set targets

3. **Who prepares the PC-IV?**
PC-IV is prepared by the Executing Agency/Project Director.

4. **What information is required to prepare the PC-IV?**
Following is a list of information needed:
a) Name and location of the project
b) Sector/Subsector
c) Sponsoring Ministry/Agency
d) Executing Agency
e) Agency for operation & maintenance after completion
f) Date of approval and approving forum
g) Implementation period and extensions in implementation if any
h) Capital Cost
i) Project Accounts
j) Financial phasing as per PC-1 and Expenditure
k) Physical targets and achievements
l) Item wise planned & actual expenditure
m) Recurring cost after completion of project
n) Achievement of objectives
o) Year wise income from services/revenue generation
p) RBM indicators as given in PC-1
q) List of project directors till completion
r) Responsibility/ownership of assets after completion of project
s) Impact after completion of project
t) Mechanism for sustainability of activities after completion
u) Financial/Economic Analysis
v) Issues faced during implementation
w) Lessons learned
x) Suggestions for future planning and implementation of similar projects

5. **Who reviews the PC-IV?**
PC-IV is reviewed by the Director General MEC, P&D Board Sindh and the relevant section. Field visits are conducted to verify the information submitted on PC-IVs.

6. **When is a PC-IV required?**
PC-IV is required immediately at the end of the completion of the project whether projects accounts are closed or not. PC-IV is submitted at the time of changing the project status from implementation stage (development budget) to the operational stage (non-development/recurring budget).

Box 8: FAQs on PC-Vs

BOX X: FAQs on PC-Vs

1. **What is a PC-V?**

   PC-V (Planning Commission V) is pro-forma used for evaluating projects after their completion

2. **Why is a PC-V needed?**

   PC-V is needed to evaluate the projects medium term outcomes against the set targets

3. **Who prepares the PC-V?**

   PC-V is prepared by the Executing Agency/Project Director.

4. **What information is required to prepare the PC-V?**

   Following is a list of information needed:

   a) Name of the project
   b) Objectives and scope of the project as per approved PC-1 and extent of the objectives met
   c) Planned and actual recurring cost of the project
   d) Planned and actual manpower employed
   e) Planned and actual physical output of the project
   f) Planned and actual income of the project
   g) Planned and actual benefits to the economy
   h) Planned and actual social benefits
   i) Planned and actual cost per unit produced/sold
   j) Marketing mechanism
   k) Arrangement for maintenance of building & equipment
   l) Output targets as envisaged in the PC-I.
   m) Lessons learned during the year in:
      - Operation
      - Maintenance
      - Marketing
      - Management
   n) Any change in project management during the year
   o) Suggestions to improve projects performance

5. **Who reviews the PC-V?**

   PC-V is reviewed by the Director General MEC, P&D Board Sindh and the relevant section

6. **When is a PC-V required?**

   PC-V is required annually for five years after the completion of the project.

Chapter 9 – Portfolio Management, Transparency and Government Regime of Public Investment

Portfolio Management

9.1 Planning and Development Department (P&DD) should establish a dedicated portfolio management cell supported by Data Center. Primary functions of cell will include:

- Formulation of Annual Development Program (ADP);
- Devising and managing funds release strategy;
- Public investment, challenges and database management;
- Producing quarterly analytical reports on the portfolio of projects in the province;
- Ensuring that appropriate information about the portfolio is published for wider dissemination.

Formulation of Annual Development Program

9.2 The instructions and guidelines for the formulation and compilation of the Annual Development Program (ADP) in the province are issued to all departments in the month of November. In the said communication, besides other things, guidelines are issued to the Line departments to provide information about the development projects to be included in the budget for the next fiscal year along with the details of the ongoing projects, their physical and financial progress with resource allocation requirement for the next financial year. Prior to FY 2018-19, the circular and guidelines for ADP was issued separately. However, from FY 2018-19 onwards, the Budget Call Circular issued by the Finance Department in the month of October/November also includes the instructions of ADP along with instructions for the recurrent budget. The Calendar for Development Budget for Formulation and Implementation of Annual Development Program is at **(Annexure-39)**.

9.3 Annual Development Program (ADP) is prepared in line with prevalent economic policies, strategies of the Government and broad guidelines given by the Federal Government for preparation of PSDP and by abiding the specific guidelines issued by the Government of Sindh each year depending on the overall economic conditions and development needs for uplift of the people. However, broad guidelines for preparing ADP as per current position are given as under: -

GENERAL:

i. Administrative Departments must determine whether the approved portfolio falls within the parameters of economic agenda of the Government and ensure that the schemes are aligned with the sectoral objectives and clearly define the expected outputs & outcomes of the schemes in ADP.

ii. Administrative Departments should resolve the issues / bottle-necks being faced in implementation of the schemes such as expiration of plan period, delay in issuance of A.A, un-satisfactory report by M&EC, non-submission of DROs for revenue component and revision of PC-1 in case of any change in the cost and scope of the schemes.

iii. 1st Edition of the next year's ADP may be prepared tentatively at the same size indicated in current year's ADP, which may vary depending on the availability of funds with Finance Department. Moreover, the size of ADP of each department would be decided depending on the sectoral priority, impact on socio-economic development and implementation capacity of the department.

iv. The counter-part funds required for Foreign Projects Assistance must be ensured to be kept in each year's ADP as per commitments made with International Development Partners.
v. While forwarding the demand for next year's ADP, the department should also observe the 18th Amendment i.e., Division of subject between the provinces and the federation.
vi. Administrative Departments to consider Multidimensional Poverty Index (MPI) and inequality while preparing Annual Development Programme.
vii. Any instructions or policy guidelines to be issued from time to time will be adhered.

ONGOING SCHEMES:

i. Protect on-going schemes, which have reached at advance level for completion and ensure to provide allocations as per financial phasing given in approved PC-1s to complete more numbers of schemes. Essentially predominant focus must be given to complete and operationalize ongoing portfolio.
ii. Allocate 80% of the total size of the development budget of the department/sector for on-going schemes
iii. Schemes, which are likely to be completed by June of CFY, as per commitment of the departments must be completed as per plan period and should not be continued in next year's ADP.
iv. Schemes, which have utilized more than 70% of the total cost must be allocated remaining funds in next year's ADP to be complete in next financial year.
v. Schemes, which have remaining throw-forward up to Rs.50.0 million by June, must be fully funded in next year's ADP to be completed by next financial year.
vi. Schemes, which were approved four years before and are still appearing in ADP, Administrative Departments to either complete those schemes within allocated funds or rationalize the scope and total cost in revised PC-1s.
vii. Schemes carrying token allocation, zero utilization and or un-approved for the last two consecutive years should not be proposed in the next year's ADP.
viii. Administrative Departments will have to furnish timeline with bar chart for major projects/schemes, especially those ongoing projects which will be likely to be completed next financial year.

NEW SCHEMES:

i. The Administrative Department to develop their sectoral development strategies and annual plan and identify such new schemes in consultation with the relevant stakeholders so as to meet the expectations of people and create opportunities for socio-economic development.
ii. The Administrative Departments may consider following development strategy while identifying new schemes;
    a. Providing infrastructure to education institutions for increased enrolment and better education,
    b. Improving and providing better health care facilities and managing available health institutions, nutrition security & population welfare
    c. Increasing agricultural productivity and value chain
    d. Conserving water for agriculture, industrial and municipal consumption
    e. Providing clean drinking water and safe disposal of sewerage
    f. Improving connectivity between major cities and towns of province
    g. Developing infrastructure for Mass Transit for urban centers

h. Resilient infrastructure while looking to the impact of climate change,

i. Social protection & poverty reduction by providing community infrastructure funds, income generating grants, micro assets and low-cost housing for equitable & sustainable growth,

j. Digitalization in the government business, provision of timely and reliable data,

iii. All Administrative Departments/Executing Agencies to ensure that the ratio of allocation for on-going and new un-approved schemes be maintained at 80:20 in Provincial and Districts ADPs.

iv. Allocation of new schemes be kept in view of the completion period of maximum 3 years.

v. The new schemes should be arranged in order of priority within each sector/sub-sector so that if resources fall short of requirements, least priority schemes may be dropped.

vi. Any new scheme costing up to Rs.100.00 million should be given financing in two years to complete maximum number of schemes.

vii. The allocation for new schemes included in Provincial and Districts ADPs must not be less than 25% of the total cost. Cost and scope of new schemes included in ADP should not be changed at the time of preparation of PC-I, only variation up to 10% will be accepted. Moreover, New Schemes of Financial Year 2021-22, which have been approved and will continue in next year's ADP, shall also be allocated at least 25% of the total cost in next year's ADP.

viii. Approval process of new schemes to be included in next year's ADP is required to be initiated from **January and completed by March** so that maximum number of new approved schemes are included in next year's ADP.

ix. PC-1s of new schemes to be included in next year's ADP are required to be furnished before 31st January. As per guidelines by federal government, only approved new scheme will be included in next year's ADP. Those new schemes of current year's ADP if not approved during the year will have to be brought as a fresh new scheme for next year's ADP.

x. All Administrative Departments must identify those new projects, which could be implemented under Public Private Partnership (PPP) mode.

xi. All Administrative Departments have to ensure indicating (SDGs) goals and proposed action # as per Climate Change Policy Framework against each scheme.

xii. The amount for the projects to be financed through foreign assistance should separately be mentioned in rupees, indicating the expenditure on import of goods and services. This is necessary because under certain aid agreements, the Government of Pakistan/Sindh is required to first incur the expenditure in local currency and thereafter the amount is reimbursed by the Development Partner/Foreign Donors.

xiii. All Administrative Departments/concerned agencies will formulate their programs after full deliberations with all concerned stakeholders and executing agencies so that request for re-appropriation, immediately after the commencement of the fiscal year, can be avoided. The Planning and Development Department would not entertain request for re-appropriation during the period from July to December.

xiv. A brief project profile and core objectives of the mega projects with total cost exceeding Rs.500.00 million may be given separately.

xv. All development projects should be based on feasibility studies. In case of projects of Infrastructure & Production sectors costing Rs.500.00 million & above and all other projects where infrastructure component is equal to or more than 30% of the total project cost, the feasibility study would be mandatory. The project-oriented TORs should be prepared and experienced and professional consultants should be engaged for preparing feasibility studies. In case of projects costing less than Rs. 500.00 million, it should be based on in-house feasibility study.

xvi. No Block Allocation will be allowed in the next year's ADP, all departments will have to bring such development initiatives in scheme mode.

xvii. The nomenclature of the schemes/projects has to be correctly given along with date of approval and completion in order to avoid discrepancies.

xviii. There should be **NO** umbrella schemes or schemes falling in more than one District, there should be separate scheme for each District, where the scope of scheme is same for multiple Districts. Name of districts should be given in location column against each scheme.

xix. Realistic estimated cost be mentioned and proper allocation for Revenue and Capital components may be given for each scheme.

xx. District based small schemes shall not be included in Provincial ADP as per policy approved by the Honorable Chief Minister, Sindh in 2014-15 i.e. "Small roads up to 3 Kms, Dispensaries, BHUs, C.C. Blocks / C.C. Flooring, Paver Blocks and Drains, Street Lights & Flood Lights, Compound Wall around Graveyards, Library, Press Club, Gymkhana, Entrance Gate, Religious Buildings such as Mosque, Dargah etc., Shopping Centre, Maternity Homes, Parks, Children Zoo / Garden, Play Ground, Community Centers, Waiting Sheds/Waiting Halls, Public Toilets, Water Tanks/Hand Pumps".

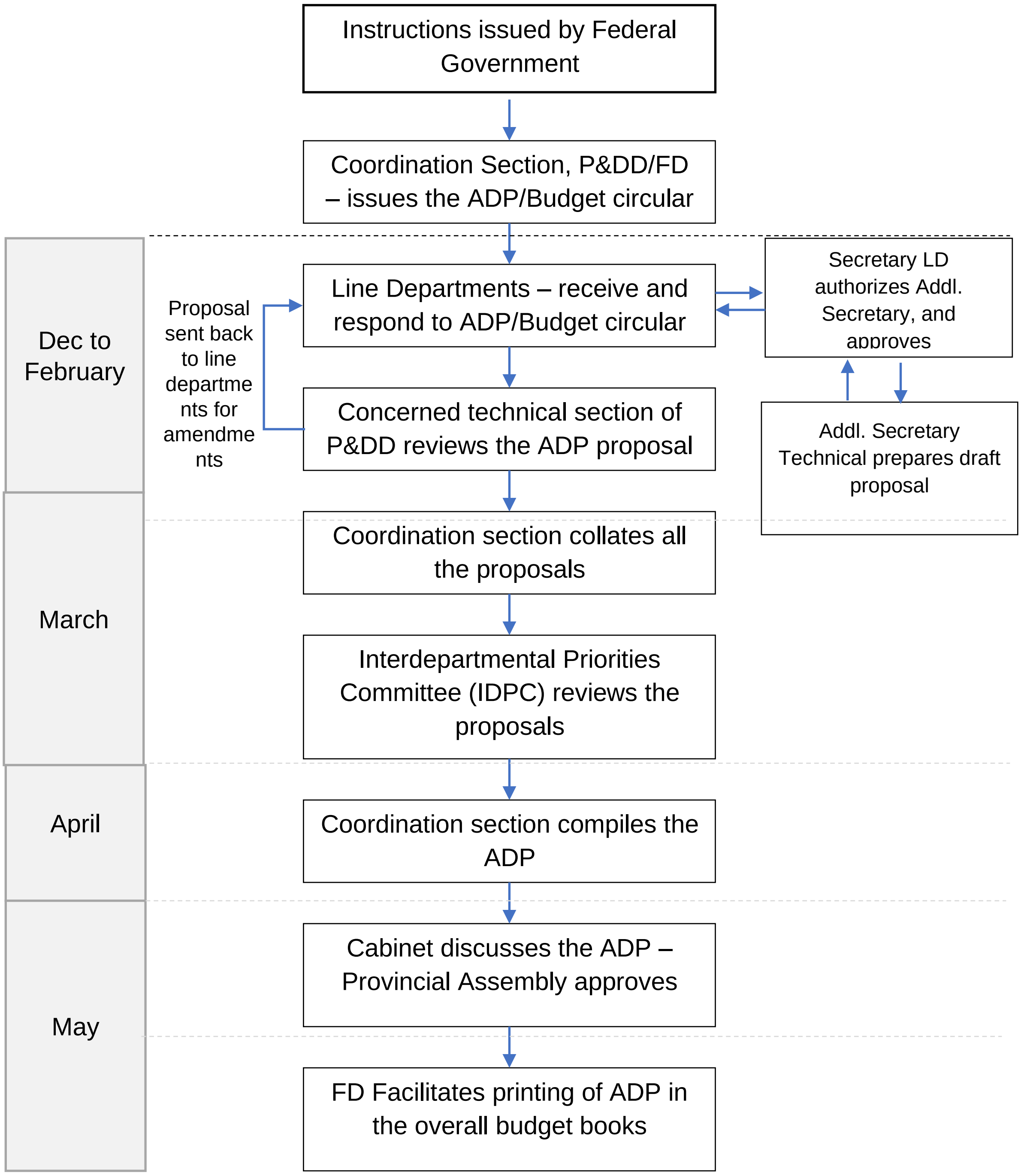
9.4 The projects conceived by the departments are submitted to P&D for scrutiny. The project proposal is scrutinized by each technical section in P&DD and is then defended by the concerned line/administrative department in the Interdepartmental Priorities Committee (IPC) meetings which are chaired by the Chairman P&D Board. Thereafter, these recommendations are sent for approval to the Chief Minister. After approval, the project is given allocation in the ADP. The new projects which are not yet approved by sanctioning/ approving body, these are marked as "unapproved" in the ADP and their releases are contingent upon their formal approval by the respective authority.

9.5 Annual Development Program (ADP) should ideally include only approved projects, both new and on-going. Approved projects are those for which the PC-I has already been approved prior to ADP formulation or after its inclusion in the ADP. Unapproved projects are those for which the PC-I has not yet been approved by the relevant authority. Once the 'unapproved' are included in the ADP, after completing the necessary scrutiny and due process, these are placed before the competent forum for approval.

Process Flow of ADP Formulation

9.6 The brief process for ADP compilation is outlined in the Figure 10 below.

Figure 15: Flow Chart for Formulation of Annual Development Program (ADP)



Taking up new project within the financial year

9.7 If any project is not part of approved ADP and the project is identified to be executed during the course of current financial year, the project must be dealt under General Financial Rule 104 which states that:

> *"Expenditure on a new service, in the technical sense, and on new items, such as, new buildings, new roads, etc., for which no provision exists in the budget, may be incurred in the middle of the year only in exceptional cases. Government is averse, as a general principle, to admitting such demands in the course of year. In case, however, the necessity to incur such expenditure is urgent, the Administrative Department should explain clearly why it was not provided for in the original Budget and it cannot be postponed for consideration in connection with the next Budget. The Ministry of Finance, if satisfied on these points, will consider whether it would not be reasonable to ask the department concerned to curtail its other expenditure so as to keep the total within the grant. Ordinarily, no new service or item will be accepted by the Ministry of Finance unless the department concerned can guarantee that the extra, expenditure will be met from normal savings or by special economies within the grant. Cases which involve a supplementary grant will normally be accepted by the Ministry of Finance only if they relate to matters of real imperative necessity, or to the earning or safe-guarding of revenue. In such case, the demand for a supplementary grant or for a token grant in respect of a new service ' if the expenditure cannot be met by re-appropriation, will be presented to the Legislature as soon as practicable after the need arises".*

9.8 In above referred case, the required supplementary demand duly justified by the administrative department should be placed before the Provincial Cabinet / Assembly for discussion and approval before the authorization of funds/ execution.

Preparation of ADP Book Volume V

9.9 The current ADP document prepared as part of the Budget Books lists out the useful financial information pertaining to all the projects in the portfolio of the Sindh Government.

9.10 The current ADP book contains the following information:

- i. Summary of ADP showing Department/Sector wise throwforward and allocations (domestic and foreign project assistance) for ongoing and new schemes,
- ii. Summary of each Sector/Department with its sub-sector with the allocations (domestic and foreign project assistance) and throwforward for the on-going and new schemes,
- iii. The format of ADP book includes following Information for each project/scheme:
    - a. Unique ID of ADP #
    - b. Name of the Project
    - c. Location of the Project
    - d. Approval Status of the Project
    - e. Target completion date
    - f. Estimated Total Cost
    - g. Actual expenditure till last financial year
    - h. Revised Allocation in last financial year
    - i. Estimated expenditure to date
    - j. Throw forward
    - k. Allocation in the current fiscal year (Capital and Revenue)

l. Allocation from Foreign Project Assistance (FPA)
m. Percentage of Financial Progress
n. Financial projections for the next two years

iv. ADP book also includes matching allocations for projects co shared from Federal PSDP and Provincial ADP funded programs/projects as well as Foreign funded programs and projects,

9.11 Areas for Improvement:

i. Unique Project Number: A project should be assigned a unique project number based on its year of approval and its location. This project number should be reflected in the ADP Volume V book to make projects easy to trace, even if their scope or financial costs change from year to year.
ii. New/Ongoing markers for each project: While a summary of new and on-going projects is provided at the end of each Line Department's section, it is important that each project is identified as new or an on-going scheme. At present, the dates of approval may provide indications of whether a project is new or on-going.
iii. Unapproved projects: Several unapproved schemes are in the ADP book with allocations for the current fiscal year. As these projects have not yet been developed and approved, they should not be included in the ADP until approved, as costs and allocations may change.
iv. Robust outer year estimates: Outer year estimates should be robust and based on estimated cash and work plans of the project, and the outer years' development ceiling provided by P&DD.

9.12 While the ADP Volume V book can provide useful financial information on the project, P&DD should maintain a repository of information for non-financial queries that may arise from the Sindh Transparency and Right to Information Act.

9.13 These can include:

i. Information about the performance of a project, in terms of delivery of non-financial milestones (which could be addressed through the development of a performance monitoring dashboard)
ii. Changes (and reasons for changes) to a project, including updating of costs, contractors, and timelines
iii. Other project related information, including contact information about the project office or project manager.

Public Investment

9.13 Public investment refers to the government spending on economic infrastructure such as airports, roads, railways, water and sewerage systems, public electric and gas utilities, telecommunications and social infrastructure such as schools, hospitals and prisons (IMF, 2015). The term 'public investment' is also sometimes used by governments in a wider sense to mean spending on human capital such as education and health spending, or financial investments by government institutions such as sovereign wealth funds. However, the public investment management literature focuses on the expenditure related to physical assets. Public investment management relates to the ways the governments use to manage the investment expenditure, i.e., how they select, construct and maintain their public assets.

What can be achieved through strengthening PIM system?

9.14 Strengthening PIM systems is expected to achieve the following three outcomes in developing countries: -

i. Contribute in achieving the long-term development vision and development plans;
ii. Ensuring consistency among the development plans;
iii. Improving the public investment performance characterised by efficiency and productivity in the overall public investment regime.

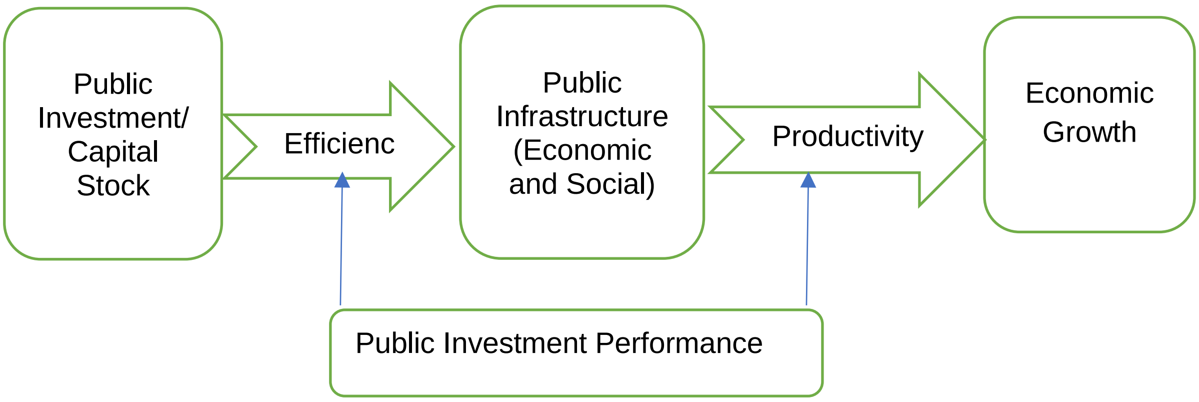
Challenges of public investment

9.15 More recently, there has been a wider recognition of the fact that the capital spending is technically 'different' from other types of government spending. A number of distinct characteristics of public investment which merit specific attention include the following: -

- Spending on public investment projects often involves significant costs and can span over several years, making accurate budgeting inherently more challenging;
- It is hard to estimate the costs accurately as the capital investment is often 'one off' and technically a complex affair. This means that projects are often subject to cost overruns that can be a major source of fiscal risk for a government;
- Spending on investment is generally 'lumpy', meaning that payments required by government are not always regular and/or predictable; there is an imbalance in the timing of costs and benefits as the projects usually require significant up-front financing, while the benefits accrue over the years and may only be fully realised decades after the asset has been built;
- Spending on investment creates lasting assets that are to be maintained. This means decisions on whether to go ahead with a project today will create future financing obligations for operation and maintenance.

9.16 As such, it is important to strengthen the public investment systems to improve performance, and strive for efficiency and productivity gains in the overall public investment framework. This pyramid is shown in the figure 1 below:

Figure 16: Public Investment, Efficiency and Performance



Source:- IMF (2015) Public Investment Managemnt Assessment Framework

Public Investment Database

9.17 A Public Investment Database is a comprehensive database for existing projects and on-going projects, planned projects (project pipeline), closed projects, completed projects and abandoned projects. A standard Public Investment database format is attached as **(Annexure-40)**.

9.18 For each project, the database would capture the following information:

i. Name of the project
ii. Project number and year
iii. Total cost
iv. Allocations till date
v. Revised Allocations
vi. Accumulated expenditure till date
vii. Expenditure to date for the year
viii. Allocation for the current fiscal year
ix. Allocations for the medium term
x. Throw forward
xi. Start and End Dates
xii. Universal ADP number
xiii. Associated Line Department
xiv. Associated Sector/Strategic Plan
xv. Implementing arrangements (contracted out, PPP, Government implementation, etc.)
xvi. Financing Arrangements (Government/Donor funding and proportions)
xvii. Project Manager
xviii. Brief update on the status of the project (GIS Coordinates, milestones met, delays, etc.)
xix. District Name

Requirement of Public Investment Database

9.19 Public Investment Database is needed for the following reasons:

i. **Assessing the stock of capital**: Public investment is needed to increase a country or region's stock of capital. A comprehensive public investment database can help determine how much every year's development portfolio is contributing to the stock of capital of the province. This can help assess the efficiency of the public investment portfolio and to understand whether efficiency increasing measures are required to be taken.

ii. **Coordination**: The database can help coordinate public investments throughout the province. The database can serve as a tool to identify the duplication of resources (possibly by different departments) to achieve same or similar results. The database can improve the capacity of the P&DD and FD to identify whether there are too many projects focused on one area and whether other areas are being neglected for investment. It can also increase the coordination between different line departments who can then focus to work together on a project rather than distributing resources across different projects.

iii. **Cost comparisons**: The database can show whether similar projects have similar costs across time and geographical areas. It can highlight the areas where cost may be increasing more rapidly or identify discrepancies in costs that can be flagged and identified for further scrutiny.

iv. **Pipeline management**: By using the database, projects can be assigned clear project numbers which can then be used in IFMIS to track budgets and expenditure. With information on on-going projects and new projects clearly reflected in the database with financial information, throw forwards can easily be monitored. Moreover, it can help in planning for budgets over the next year and also in medium term horizon. Similarly, the resource requirements for new projects which are still in the pipeline can simultaneously be ascertained along with the requirements of the exiting projects. The data can also be shared with the Donors to help the Government of Sindh's with the possibility of committing the resources to the existing needs rather than including new projects in the budget.

Preparing Public Investment Database

9.20 At present, such a comprehensive public investment database does not exist in Sindh. However, it is important to start developing this database. From the available ADP documents of last few years, a database can be compiled of the on-going projects and completed projects. Similarly, from other planning documents such as sector/strategic plans, the projects which are in the pipeline but have not yet been started can also traced, mapped and consolidated for inclusion in the data base.

9.21 The database can be started using simple tools like Microsoft Excel. Going forward, there would be a requirement to make the database more interactive and public, as well as better aligned to the financial management systems of the province. The database should eventually be graduated to Microsoft Access and eventually SAP to allow for regular (and even real time) update of financial and other non-financial information. This will also facilitate and support the easy management by P&DD, line departments and the Project Managers.

Portfolio Analysis

9.22 Project database can help P&DD produce quarterly and annual portfolio analyses. The analyses can assist the Chairman P&D and Secretary P&D to take decisions about the management of the projects. The types of analyses that can be carried out include:

i. Financial and non-financial performance of the portfolio by sector and project
ii. Forecast of throw forward
iii. Project overlaps and cost comparisons
iv. Calculation of the stock of capital
v. Efficiency of the portfolio calculations
vi. Geographical distribution of investment

9.23 All these analyses can feed into the decision making for managing the current projects and future project inclusions in the portfolio. The analyses should also be published on P&DD website to allow for further transparency regarding the public investment management. The fixed asset register should clearly prescribe a valuation methodology as well as the custodianship of these assets.

Maintaining a Complete Asset Register

9.24. As per Accounting Policies and Procedures Manual, all departments/entities will maintain a "Fixed Assets Register" (form 13A) for the categories of assets, for which they are responsible. The categories of assets shall include the "land, building, civil works, plant and machinery, vehicles, furniture & fitting, office equipment, computer equipment”. The PAO shall ensure that the Fixed Assets Register (FAR), kept in the department / attach office is properly maintained and is up-to-date. The format of Fixed Asset register is at **(Annexure-41)**.

9.25. Going forward, after the development of a database, P&DD and all line departments should maintain a comprehensive and complete fixed asset register for all the assets created during project implementation.

Transparency and Governance Regime of Public Investment

9.26. Maintaining transparency is an important aspect of Public Investment Management. Transparency is required to enhance the accountability of projects, their performance both financial and non-financial, not only for the public, but also for various stakeholders within the Government. This also helps in the identification of deficiencies, bottlenecks and issues which can impede the progress.

9.27. In 2016, the Sindh Provincial Assembly passed the Sindh Transparency and Right to Information Act which can lead to queries on public investment projects from citizens and civil society organizations.

9.28. Presently, the project information is made public through Volume V of the Budget Books – Annual Development Programme (ADP). P&DD is also developing a ‘dash board’ with information about the non-financial progress of various projects. The dashboard will initially be available for Government use only, but can be used to effectively respond to the requests under the Transparency and Right to Information Act.

9.29. It is therefore essential that the ADP Volume V book and the dashboard have the required information on financial and non-financial performance of the projects.

Public investment management assessment (PIMA)

9.30. Recognizing the importance of infrastructure governance, IMF has developed a comprehensive Public Investment Management Assessment (PIMA) framework to assess the infrastructure governance for the countries at all levels of economic development. PIMAs evaluates the procedures, tools, decision-making, and monitoring processes used by the governments to provide infrastructure assets and services to the public; help identify reform priorities; and devise practical steps for their implementation. In this context, and as part of the IMF’s Infrastructure Policy Support Initiative (IPSI), PIMAs also promotes the implementation of the 2015 Addis Ababa Action Agenda for financing sustainable development and the infrastructure-related Sustainable Development Goals (SDG).

9.31. The PIMA framework examines the institutional design and effectiveness of 15 key practices called “institutions” and three cross-cutting enabling factors supporting infrastructure governance, which shape the decision-making at the three key stages of the public investment cycle. The copy of PIMA template for Self-assessment can be seen at **(Annexure-42)**.

Chapter 10 – Alternative Sources of Financing

Public Private Partnership

10.1 Public-private partnerships (PPPs) involve the supply of goods and services by partnering with the private sector. This mode of investment and procurement is now being widely used in the world. Properly designed and transparently executed PPPs can enhance the efficiency of services that were formerly supplied solely by the public sector. Public Private Partnerships (PPPs) are vital for the improvement of infrastructure and service delivery.

10.2 While there is no single definition for PPPs, in simple terms, PPP is a contractual agreement between private and public parties for providing assets or services. World Bank defines PPPs as follows:

"*The term "PPP" refers to a number of elements including the existence of a 'partnership' style approach to the provision of infrastructure as opposed to an arm's length 'supplier' relationship … Either each party takes the responsibilities for an element of the total enterprise and they work together; or both parties take joint responsibility for each element… A PPP involves a sharing of risk, responsibility, reward, and value*."

10.3 The European Commission defines the PPPs as; - "*A partnership or an arrangement between two or more parties who have agreed to work cooperatively toward shared and/or compatible objectives and in which there is shared authority and responsibility; joint investment of resources; shared liability or risk taking and ideally mutual benefits*."

10.4 Around the world, PPPs have been completed in many sectors including power generation and distribution, water and sanitation, refuse disposal, pipelines, hospitals, school buildings and teaching facilities, stadiums, air traffic control, prisons, railways, roads, billing and other information technology systems, and housing.

10.5 To tackle the urgent need of Infrastructure and service delivery challenges, including the severe energy shortages and transportation inefficiencies, Pakistan has been using PPPs as a procurement/ partnership mode to address these issues/challenges.

Features of PPPs:

10.6 Following are the main characteristics of PPP;

i. Private sector entity deals with the operations of the project and shares the project risks with the Government;

ii. Public sector monitors the performance of private partners and imposes the contract terms.

iii. The cost of the private party may be fully recovered or in part from service charges, and may be recovered through payment from the public sector;

iv. Private party gets the payments from public sector based on performance standards set in the contract;

v. The private sector contributes a major share in the capital expenditures;

vi. The main focus of PPP is on output/results.

Key benefits of PPPs

10.7 Some of the key benefits of the PPPs are: -

- Public sector defines requirements and private sector drives the innovative / creative solutions
- Long-term contractual arrangements for 20 / 30+ years
- Value for money is gauged by combining the whole-life costs and quality
- Risk is assigned to the party better placed to manage it
- Competition drives the best value and gives public sector access to innovation and expertise
- Payment is linked to performance and service quality

Modes of PPPs

10.8 Depending upon the nature of the project, service or financial constraints, there are number of PPP modes which can be pursued by the governments. Figure 17 below shows some of these modes along with the brief extent of private sector involvement. A detailed explanation of the PPP modes and agreements can be seen in PPP Transaction Model as per **(Annexure-43)**.

Figure 17: Public Private Partnership Modes

Public Private Partnership Modes

Source: World Bank

PPPs in Pakistan

10.9 Improvement of the infrastructure as a means of economic and social development has been repeatedly emphasized in number of key policy documents including the Medium-Term Development Framework. Improved quality and service coverage in power and water supply, sewerage treatment, transport and logistics are vital for Pakistan's economy and the livelihood of its people. To develop the policy and promote its implementation in all the tiers of the Government, the Ministry of Finance established the Infrastructure Project Development Facility (IPDF) in 2006. The federal PPP Policy of 2007, revised in 2010, facilitates PPPs across all infrastructure sectors, and at both federal and provincial levels. This directly led to the setting up of PPP programs in the provinces of Sindh and Punjab. Sindh approved its PPP legislation in 2010. A central PPP Unit has been set up in the Finance Department, Government of Sindh.

Box 9: Illustration of Hyderabad Mirpur has Dual Carriageway project

> ***Hyderabad Mirpurkhas Dual Carriageway Project*** *was constructed by a Korean firm namely M/S Deokjae Construction Company which was selected as the private partner through an international competitive bidding process. The concession agreement was signed between the Government of Sindh (through Works & Services Department) and M/S Deokjae Connecting Roads (Pvt) Ltd. (Special Purpose Vehicle) on November 11, 2009 for a period of 32 years (2 years construction and 30 years Operation and Maintenance). The project road is 60 km long with 8 bridges and 62 culverts. The project road has been constructed in accordance with AASHTO standards, which are being used in highway design and construction globally. The total project cost is Rs. 6.2 billion. It was estimated that the project would lead to Rs.738 million in economic returns including the creation of 5000 direct job opportunities and 22000 indirect job opportunities. Furthermore, project is expected to generate around PKR 30 billion in various taxes and duties over the concession period*

Sindh PPP Unit

10.10 To provide an enabling legal and regulatory framework for PPP projects, Sindh has enacted a PPP Law in 2010 with promulgation of PPP Rules in 2010. A Public Private Partnership (PPP) unit in the Finance Department has been established to facilitate, oversee and encourage this mode of procurement. The unit besides assisting the Government in the overall procurements process; extending support to the consultants; also undertakes the review of the design and execution of the PPP projects. It lends technical support to the PPP Board, which is a high-powered body headed by the Chief Minister, Sindh. PPP guidelines have been developed to supplement the legal and regulatory framework for PPPs. Going forward, the PPP mode is being encouraged as an alternative mode of procurement with clearly defined responsibilities both for the public and private sector. As an example, the key features of Hyderabad-Mirpurkhas dual carriage way are shown in box 9 above. However, for the sustained development of this mode, it will have to be mainstreamed rather than being used for few special projects.

The Sindh Public-Private Partnership Act, 2010

10.11 To facilitate the participation of the private sector in the national development process, Sindh government has developed and passed “The Sindh Public-Private Partnership Act, 2010”.

Salient Features of Sindh PPP Act:

10.12 The main features of the act include: -

- Creating an enabling environment for private sector participation in infrastructure development projects in the province through the public-private partnership projects;
- Expanding the provision of infrastructure services, improving their reliability and quality for accelerating the economic growth and achieving the social objectives of the Government;
- Mobilizing private sector resources for financing, construction, maintenance and operation of infrastructure projects;

- Improving efficiency of management, operation and maintenance of infrastructure and development facilities by introduction of modern technologies and management techniques;
- Incorporating principles of fairness, competition and transparency in public-private partnership projects;
- Authorising the creation of a Public-Private Partnership Board which formulates Public-Private Partnership policy based on strategic goals and ensures its implementation in Sindh Province.
- Authorizing of the establishment of a PPP unit in Department of Finance.
- Defining the role and tasks of the PPP board and unit
- Outlining the process of preparation and bidding of PPP projects
- Authorizing the establishment of a Viability Gap Fund to support Public-Private Partnership projects and finance the gap between project revenues constrained by affordability considerations and revenues needed to generate a fair return on investment for the Public Private Partnership projects.

10.13 The present composition of the PPP board is shown in the table 15 below:

Table 20: Composition of the PPP board

Chief Minister	**Chairman**
Advisor/Minister P&D	Vice Chairman
Chief Secretary	Member
Minister of concerned department	Co-opted Member
Two (2) Members of Provincial Assembly to be nominated by the Assembly	Member
Chairman, Planning and Development Board	Member
Secretary Finance	Member/ Secretary
Secretary of the concerned Department	Co-opted Member
Director General Public-Private Partnership Unit Ex officio	Member
Three (3) members from the private sector to be nominated by the Chief Minister	Members
Sectoral Specialist to be nominated by the Chief Minister	Member

Potentials Sectors for PPPs as per Sindh PPP Act, 2010

10.14 The Sindh PPP Act lists the following sectors as potential sectors for PPP projects:

i. Canals or dams;
ii. Education facilities;
iii. Health facilities;
iv. Housing;
v. Information technology;
vi. Land reclamation;
vii. Power generation facilities; including Coal and power generation Roads (provincial highways, district roads, bridges or bypasses);
viii. Sewerage or drainage;
ix. Solid waste management;
x. Sports or recreational infrastructure,
xi. public gardens or parks;

xii. Trade fairs, or cultural centres;

xiii. Urban transport including mass transit or bus terminals;

xiv. Water supply or sanitation, treatment or distribution; and wholesale markets, warehouses,

xv. Slaughter houses or cold storages.

xvi. Tourism and resort development

Viability Gap Fund

10.15 To improve the viability and efficiency of PPP projects, Government of Sindh has established a Viability Gap Fund (VGF). By bridging the gap in the economically feasible projects, the fund will help in improving the financial viability of such proposals. The funds shall be disbursed to the private sector operator/ Project Company which are contracted to carry out the project under any of the PPP variants mentioned in the Sindh PPP Act, 2010.

10.16. A project which is procured through transparent and fair PPP competition, in accordance with procedures dully approved by the PPP Policy Board, shall be eligible for VGF funding if it satisfies the following criteria:

i. Listed and Approved Sectors: The project must provide infrastructure in one of the sectors listed in Schedule I of the Sindh Public-Private Partnerships Act, 2010 (the Act).

ii. Under the auspices of Sindh PPP Act: The Government support through VGF in a PPP Project shall be subject to Sindh Public Private Partnership Act 2010.

iii. As per the guidelines on procurement: The procurement of the project must have been in accordance with the Act, the Rules, Guidelines and any guidance relating to procurement issued by the Board, the PPP Unit or any other Government Agency.

iv. Agency Approval: The project must have been vetted and endorsed by the administrative head of the Agency and associated Ministerial Authority.

v. Means of reducing viability gap exhausted: The concerned procurement agency should certify with reasons;

- That the tariff/user charge cannot be increased to eliminate or reduce the viability gap of the PPP.
- That the Project term cannot be increased for reducing the viability gap;
- That the capital costs are reasonable and based on the standards and specifications normally applicable to such projects and that the capital cost cannot be further restricted for reducing the viability gap.

vi. Charged Tariff for Services: The project should provide a service against the payment of a pre-determined tariff or user charge.

vii. Performance based payments: Any contractual payment to the project operator/ company must be able to be reduced if the project operator/company fails to perform its obligations. Particularly, the payment must be linked to the delivery of outputs specified in the contract and an acceptable system of measuring that performance must be in place to ensure that full payment is only made if full performance is achieved.

viii. Minority capital participant: In case where the support from VGF is by way of financing the capital expenditures of the project or through equity participation in the Project Company, the VGF shall not be (i) the largest shareholder in the Project Company (ii) the largest financer of the capital expenditure in the Project.

ix. Evaluated and approved by PPP Unit and Board: examined and evaluated by the PPP Unit, and approved by the PPP Policy Board (the Board).

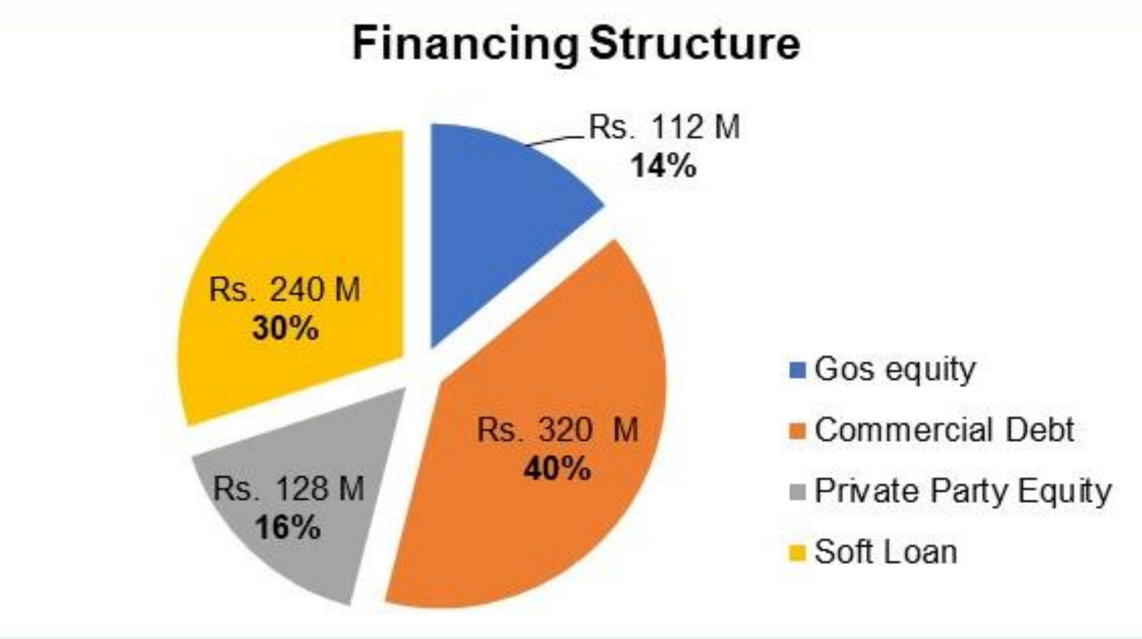
x. Relevant procedures and requirement met: The calculation of the amount required from the VGF must have been included by the Agency in the feasibility study and must have been reviewed by the PPP Unit and approved by the PPP Board. The Agency must certify in any final request for VGF that they have taken all necessary steps to reduce the need for VGF support by:

- Increasing any tariff or direct user charge;
- Increasing the project term;
- Reducing the combined initial capital and lifecycle costs to bring them into line with prevailing market conditions.

Project Cost & Finance:

10.17. Following example given in the Figure 18 illustrates the financing structure of a PPP with a total project cost of Rs. 800.00 million including the construction cost (Design + Capex) and soft cost (IA, IE, Legal Fees);

Figure 18: Financing Structure of PPP Projects



Risk distribution comparison

- All risks are priced
- Allows the opportunity to bring in efficiencies and earn higher returns
- Risk is allocated to the party which can best manage it.

Comparison between the conventional and the PPP Projects

10.18. The table 16 below shows the comparison between the conventional procurement and PPPs: -

Table 21: Comparison between the conventional and the PPP Projects

Conventional Procurement	Responsibility	PPPs	Responsibility
Design & Construction	Private Sector	Design & Construction	Private Sector
Service Provision	Government	Service Provision	Private Sector
Maintenance & renewal	Government	Maintenance & renewal	Private Sector
Quality of Service	Government	Quality of Service	Private Sector
Force Majeure	Government	Force Majeure	Shared
Obsolescence	Government	Obsolescence	Shared
Residual Value	Government	Residual Value	Shared
Volume	Government	Volume	Shared
Regulation/policy	Government	Regulation/policy	Government

Simplified PPP project structure

10.19. Figure 19 is the schematic diagram of a simplified PPP project structure:

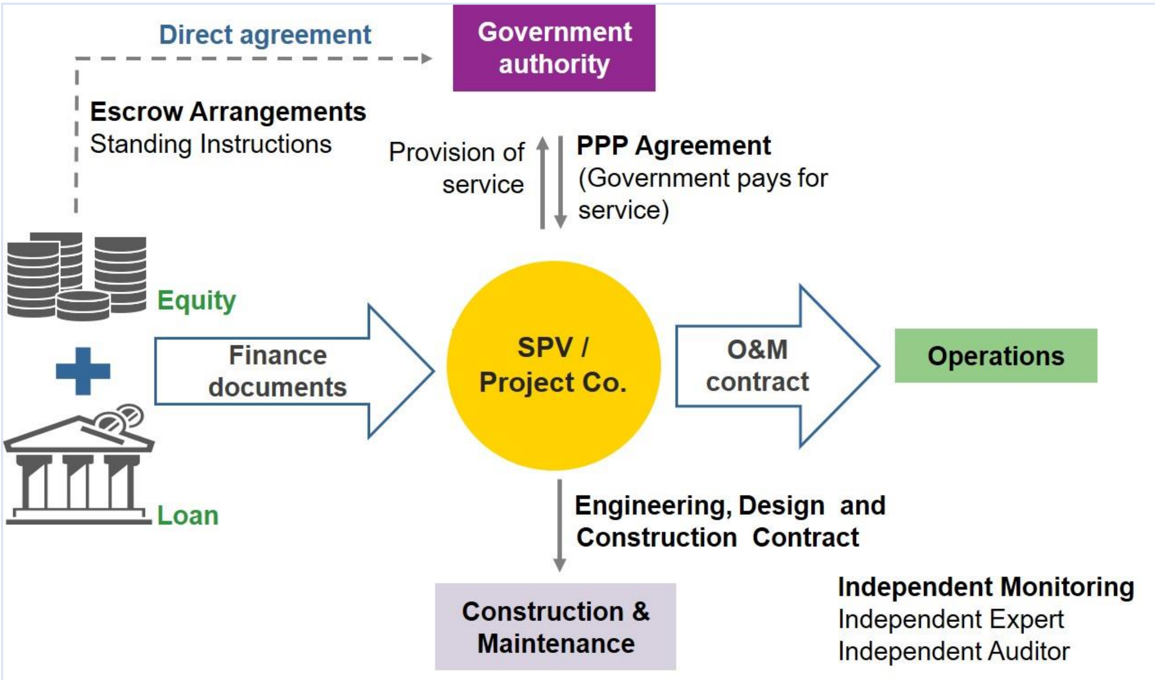
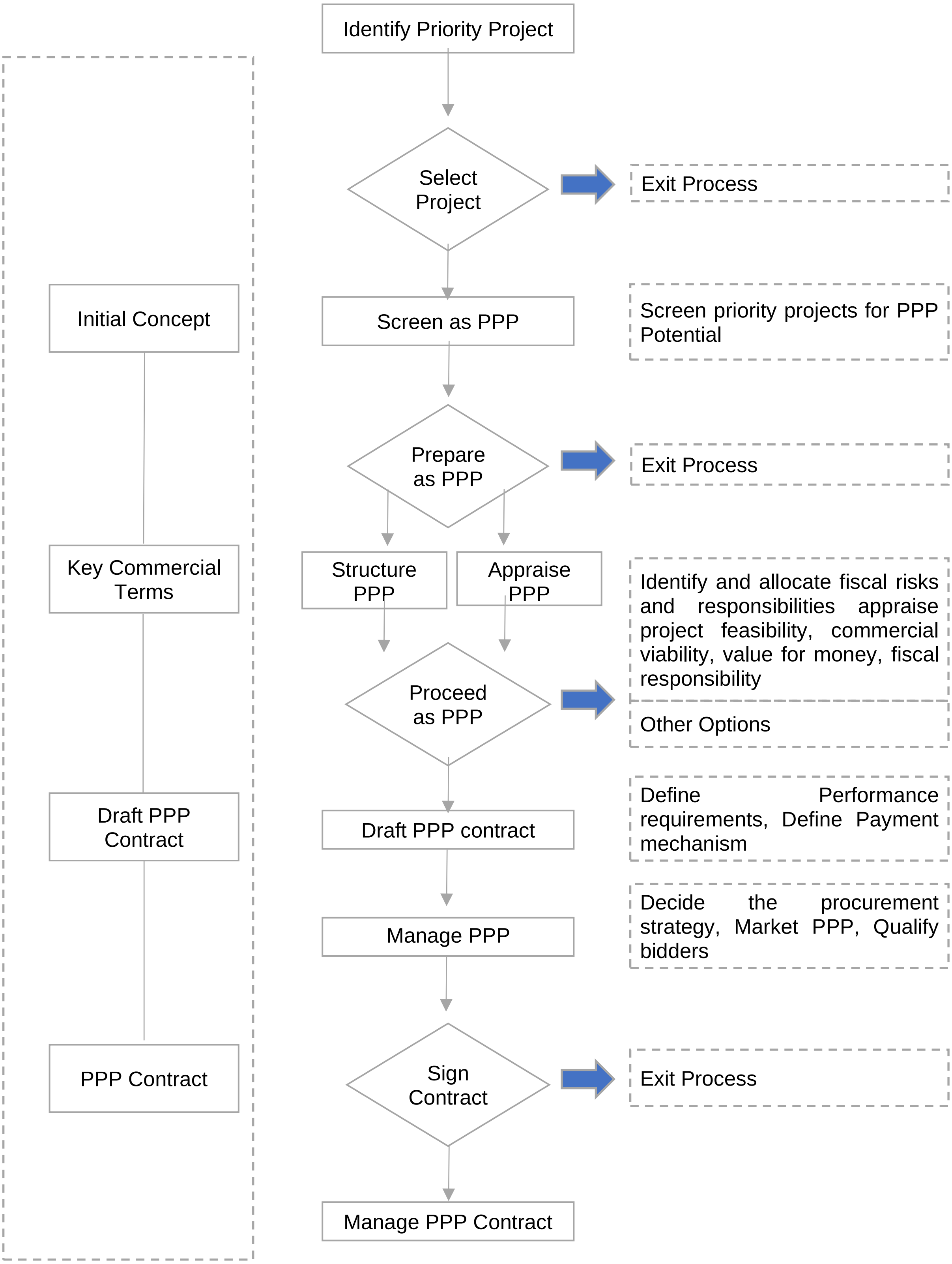


Figure 19: Simplified PPP project structure

PPP Project Life Cycle

10.20. A typical PPP project life cycle consists of the processes and steps as shown in the Figure 19 below: -

Figure 20: PPP Project Life Cycle



The PPP Process

10.21 Following are the main phases of PPP projects;

a. **Phase 1: PPP identification –** A set of potential projects are identified through a strategic planning process, which includes a needs analysis for the infrastructure services and an analysis of options for providing the services (including whether assets are required). Potential PPPs are then evaluated for their suitability for development as PPPs and a prefeasibility report is prepared. An internal clearance is required before proceeding to the next Phase.

   Following are the main instruments of due diligence and decisions which are needed while examining the PPP proposals and identifying the project:

   i. Choose the least-cost option (technical & financial)

   ii. Factors considered in the assessment:

   a) Economic costs and benefits

   b) Timing of costs and benefits

   iii. Determine economic viability, (cash flows)

   In economic analysis the emphasis is on the developmental effect on society/economy as a whole as against the financial for the interest of the specific entity.

   Viability Gap Funding (VGF) reduces the upfront capital costs of private infrastructure investments by providing grant funding at the time of financial close, which can be used during construction. The VGF is to bridge the 'gap' between the revenues needed to make a project commercially viable and the revenues likely to be generated by user fees paid mostly by poor customers.

   Following are the main points which are focussed during the identification of projects;

   i. **Internal Rate of Return:** - 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 equals zero. Internal rate of return is used to evaluate the attractiveness of an investment or a project.

   ii. **Economic Internal Rate of Return (EIRR): -** It is the interest rate at which the cost and benefit of a project discounted over its lifetime are equal. As a percentage, it compares the average annual profits discounted to the amount invested over a precise period of time.

   iii. **Return on Equity (ROE):** Return on equity is an important measure of profitability.

   iv. **Return on investment (ROI)** and return on equity (ROE) are two critical profitability ratios. These measures are applicable to individual projects, such as the purchase and subsequent sale of a condominium, a small business or a multinational conglomerate.

   v. **Value-for-money (VfM)** is the optimum combination of whole-of-life costs and quality (or fitness for purpose) of the good or service to meet the user's requirements

   vi. **Project Development Facility (PDF):** Pool of funds available for consulting services required for the preparation and transaction execution of PPP projects.

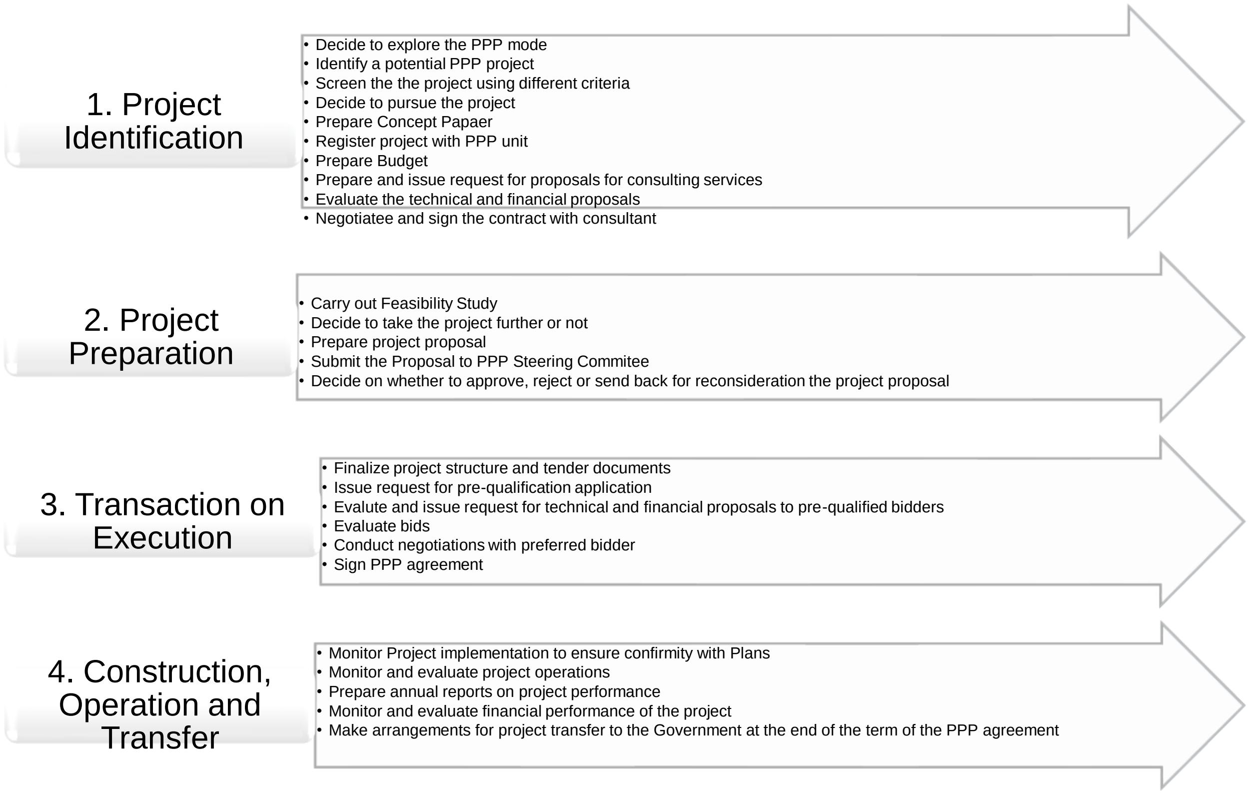
vii. **Equator Principles (EPs):** The EPs is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risks in projects. It is primarily intended to provide a minimum standard for due diligence to support the responsible risk decision-making.

1. **Phase 2: Full feasibility study, PPP preparation, and clearance** – A potential PPP that was considered suitable in the Phase 1 analysis is studied in detail and an application is made for 'in-principle' clearance to continue to the procurement phase.

2. **Phase 3: PPP procurement –** the procurement process takes place; an application is made for the final approval. The preferred bidder is selected and the project is taken to the technical close.

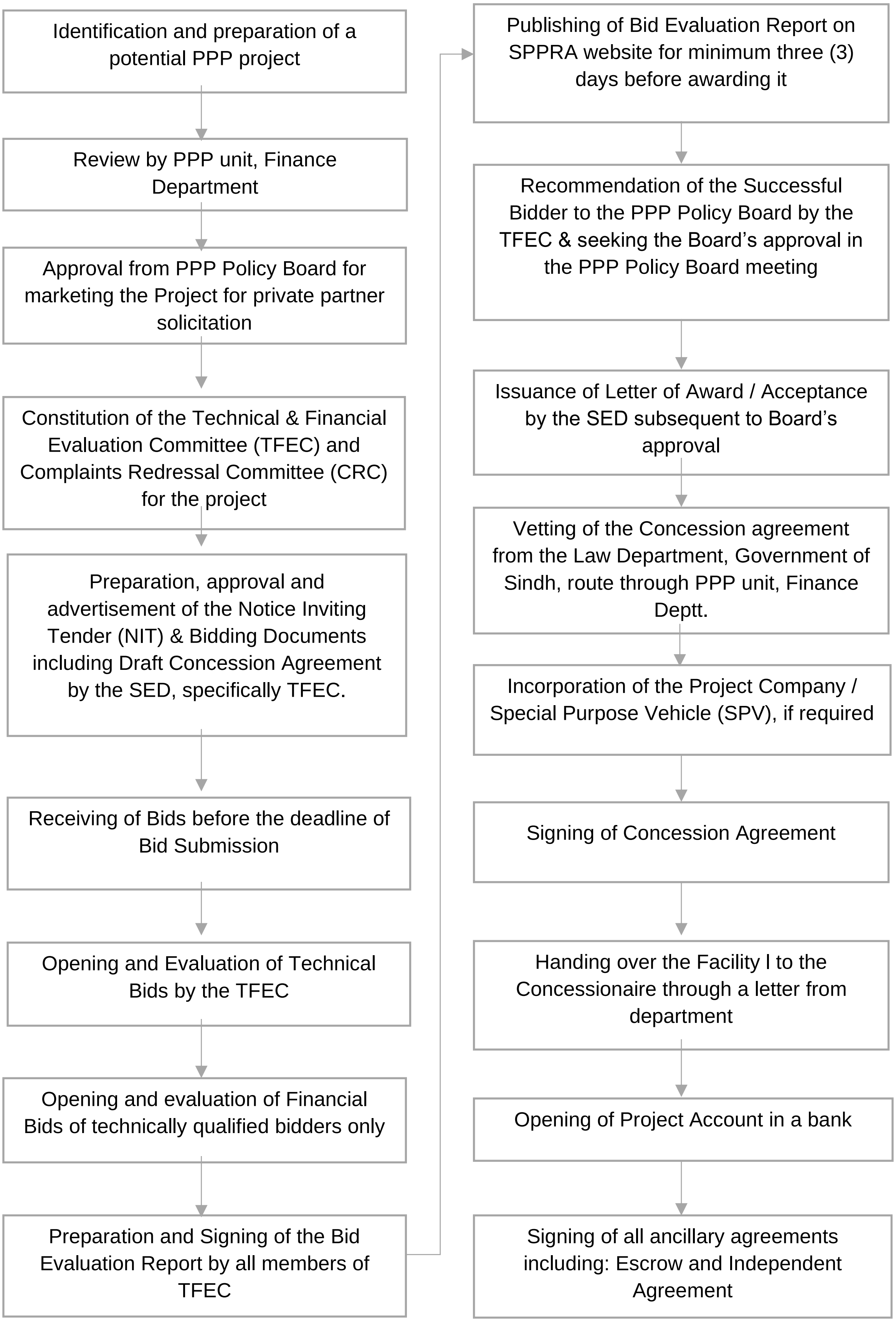
3. **Phase 4: Contract management and monitoring** – The sponsoring authority manages the PPP throughout its life, including the monitoring of the private partner's performance against the requirements of the concession agreement. Phase 4 begins at the pre-operative stage, and spans over the construction stage (where relevant), the operations stage, and contract closure and transfer of assets

Figure 21: Monitoring of the private partner's performance



10.22. The phases explained above are shown in the flow chart below: -

Figure 22: Process Flow Chart- PPP Guide & Toolkit



PPP Project Life Cycle for government originated projects:

1st step:	Project needs options analysis
2nd step:	Initial viability analysis
3rd step:	Technical, legal, environmental and financial due diligence
4th step:	Risk, affordability and value for money test
5th step:	Market sounding
6th step:	Tendering/bidding
7th step:	Approval of viability gap funding (if required)
8th step:	Signing of agreement and Financial close between the Institution, and the winning private partner, (tripartite to include the Viability Gap Fund, if VGF required)
9th step:	Project Monitoring by the institution (Construction and Operational Periods).

Financing Mechanisms of the Government for Infrastructure Projects

10.23. A number of financing mechanisms are available for infrastructure projects, and for public- private partnership (PPP) projects particularly related to the government funding.

10.24. Funded support involves the government to commit the financial support to a project in various forms. This mode of support could be in the following forms: -

- Direct support – in cash or in-kind (e.g., to defray the construction costs, to procure land, to provide assets, to compensate for bid costs or to support major maintenance);
- Waiving fees, costs and other payments which would otherwise will have to be paid by the project company to a public-sector entity (e.g., authorizing tax holidays or a waiver of tax liability);
- Providing financing for the project in the form of loans (including mezzanine debt) or equity investment (or in the form of viability gap funding); and
- Funding shadow tariffs for roads and topping up tariffs to be paid by some or all consumers (in particular, those least able to pay) say in water and electricity projects to reduce the demand risk borne by the project company

Contingent Products

10.25. The government may choose to provide contingent mechanisms, i.e., where the government is not providing funding, but is instead taking on certain contingent liabilities, for example: -

- guarantees, including guarantees of debt, exchange rates, convertibility of local currency, offtake purchaser obligations, tariff collection, the level of tariffs permitted, the level of demand for services, termination compensation, etc.;
- indemnities, e.g., against non-payment by state entities, for revenue shortfall, or cost overruns;
- insurance;
- hedging of the project risk, e.g., adverse weather, currency exchange rates, interest rates or commodity pricing; or contingent debt, such as take-out financing (where the project can only obtain short tenor debt, the government promises to make debt available at a given interest rate at a certain date in the future) or revenue support (where the government promises to lend money to the project company to make up for revenue short-falls, enough to satisfy debt-service obligations)

Public Sector Comparator (PSC) - An overview

10.26 An assessment of whether a PPP offers value of money is an essential part of a PPP procurement process. This entails comparing the proposed PPP with the cost of the public sector undertaking the project on a like-for-like basis, the public sector comparator (PSC). The purpose of Public Sector Comparator (PSC) is to assist in decision making by testing whether a private investment is more feasible and it offers a better Value for Money (VFM) in comparison with the most efficient form of public procurement and investment. In a wider context, the term VFM essentially captures the issues of project's whole life cost, benefits, risks and quality to achieve the desired results in accordance with the clients' requirements.

What is PSC?

10.27 The PSC is an estimate of the net present cost to the government if it was to deliver the project under a more traditional procurement method, for example design and construct. The PSC contains forecast lifetime cash flows for a government delivered reference project based on the infrastructure and service specifications provided to bidders, i.e. on a like-for-like basis to the PPP. The PSC incorporates allowances for project risks, for example increases in the construction price cost. Once final bids are received from the private sector, the whole of life cost of these bids can be compared to the PSC to determine whether the bids provide value for money to the taxpayer. SC framework for PPP projects embracing financial and non-financial aspects across project phases (i.e., strategy formulation; procurement; construction and operation phase).

10.28 Key attributes of a PSC include:

i. It is a forecast based on the reference project – reflecting the cost to the government of delivering the infrastructure and services of the same standards as are to be procured from the private sector under the most likely traditional procurement model if not a PPP;

ii. It is expressed in net present cost (NPC) terms;

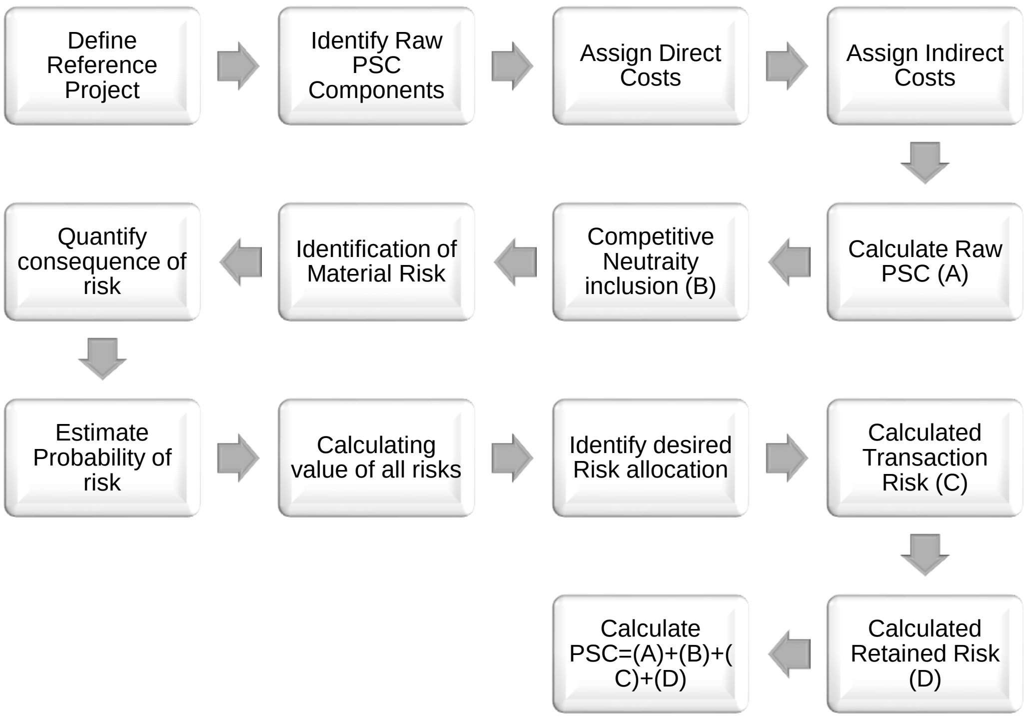
iii. It is based on life-cycle costing – i.e., the whole of life cost of providing the services and maintaining the infrastructure as per the standards prescribed for the PPP;

iv. It is risk-adjusted.

10.29 Public Sector Comparator is not:

- An estimate of the cost of private sector delivery or potential savings associated with a PPP;
- Adjusted for innovation that the private sector may achieve; or
- Based solely on the current cost delivery of similar services by government.

Figure 23: Process Flow Chart- Public Sector Comparator



Source: National Public Private Partnership Guidelines, Volume 4: Public Sector Comparator Guidance

Annexures

Annexure 1 – Revamping and Strengthening of Planning Commission, 2006

CABINET SECRETARIAT RESOLUTION

GOVERNMENT OF PAKISTAN
CABINET SECRETARIAT
(CABINET DIVISION)

***

RESOLUTION
Islamabad, the 20th April, 2006

1. No. 4-6/2006-Min.I – Government has decided to revamp and strengthen the Planning Commission with a view to ensuring that it plays an effective role as the apex planning and coordination body of the country. For this purpose, it is considered imperative to strengthen its organizational structure and analytical capacity for policy formulation and monitoring; and to introduce measures to attract and retain the best brains in the country.
2. The Planning Commission will be responsible to perform the functions as indicated in Schedule II of the Rules of Business 1973 under the heading of Planning and Development Division, which inter-alia include:
   - **a.** Preparing the National Plan and review and evaluating its implementation;
   - **b.** Formulating annual plan and ADP;
   - **c.** Monitoring and evaluating implementation of major development projects and programmes;
   - **d.** Stimulating preparation of sound projects in regions and sectors lacking adequate portfolio;
   - **e.** Continuously evaluating the economic situation and coordinate economic policies; and
   - **f.** Organizing research and analytical studies for economic decision making.
3. The Planning Commission shall also discharge the following functions:
   - **a.** Assisting in defining the national vision, and undertaking strategic planning;
   - **b.** Assessing the material, capital and human resources of the country and formulating proposals for augmenting such resources;
   - **c.** Facilitating capacity building of agencies involved in development; and
   - **d.** Any other functions assigned by the Prime Minister.
4. The Prime Minister will be the Chairman of the Planning Commission which apart from the Deputy Chairman, will comprise of at least nine Members including Secretary, Planning & Development Division/Member Coordination; Chief Economist; Director, Pakistan Institute of Development Economics; Executive Director, Implementation and Monitoring; and Members for Social Sectors; Science

and Technology; Energy; Infrastructure; and Food and Agriculture. Full time Members will be placed in Grade MP1. They will be professionals of eminent stature preferably Ph.Ds. and with at-least 25 years' experience in the relevant field.

5. The Planning Commission will also engage consultants and advisers for specified assignments in accordance with prescribed procedures.

6. The Planning Commission will work under the overall direction of a Policy Board to be chaired by the Prime Minister and including the Deputy Chairman, 10 Federal Ministers to be nominated by the Prime Minister, and Members of the Planning Commission.

7. An organogram of the restructured Planning Commission is at Annex.

8. The Secretary, Planning & Development Division/Member Coordination will be assigned the role of Principal Accounting Officer of the Planning Commission. The Planning & Development Division will act as the secretariat of the Planning Commission.

9. This supersedes all previous Resolutions issued on the subject.

Sd/- (Syed Yasin Ahmed)

Additional Secretary (Cabinet)

The Manager,

Printing Corporation of Pakistan Press
Islamabad

Copy forwarded to:

- **i.** COS to the President.
- **ii.** Principal Secretary to the Prime Minister.
- **iii.** Deputy Chairman, Planning Commission.
- **iv.** Secretary, Planning & Development Division.
- **v.** All Secretaries/Additional Secretaries Incharge of Ministries/Divisions.
- **vi.** Chief Secretaries of all the Provincial Governments.

Sd/-

(Syed Yasin Ahmed)

Additional Secretary (Cabinet)

Annexure 2 – Revamping and Strengthening of Planning Commission, 2013

TO BE PUBLISHED IN THE GAZETTTE OF PAKISTAN, EXTRAORDINARY
GOVERNMENT OF PAKISTAN
CABINET SECRETARIAT
(CABINET DIVISION)
****

RESOLUTION

Islamabad, the 30th October, 2013.

No. 4-6/2006-Min-I - Government has decided to revamp and restructure the Planning Commission to enable it to effectively plan for the economic and social development of the country and to act as the apex Think Tank for the Government in the context of adjusting to the new realities and challenges including the recognition that without reforms high and sustainable growth is not achievable, the increased role of private sector, civil society, media, information technology, impact of globalization, devolution and NFC award on economic policy, design and formulation. Planning Commission will move to a new paradigm of "Participatory and Collaborative Planning" involving Parliament, Ministries / Divisions, Provinces, Special Areas, Private Sector, Academia, Civil Society and Diaspora, to play the role of facilitator and stewardship as well as an integrator in the areas of economic policy and reforms in post devolution scenario.

2. The Planning Commission will be responsible to perform the functions as indicated in Schedule II of the Rules of Business 1973 under the heading of Planning, Development and Reform Division, which inter-alia include: -

(i) Preparing the National Plan and review and evaluating its implementation
(ii) Formulating annual plan and ADP;
(iii) Monitoring and evaluating implementation of major development projects and programmes;
(iv) Stimulating preparation of sound projects in regions and sectors lacking adequate portfolio;
(v) Continuously evaluating the economic situation and coordinate economic policies; and
(vi) Organizing research and analytical studies for economic decision making.

3. The Planning Commission shall also discharge the following functions:-

i) Assisting in defining the national vision, and undertaking strategic planning;
ii) Assessing the material, capital and human resources of the country and formulating proposals for augmenting such resources;
iii) Assisting the Government in providing a conducive macroeconomic and regulatory framework, improved resource mobilization, an institutional framework and efficient public investment;
iv) Promoting and developing role of the private sector as engine of growth by co-opting it as a partner in development process through institutionalized effective consultative process;

v) Promoting and coordinating reform and innovation in government in partnership with relevant Ministries/Divisions and Organizations;

vi) Promoting and developing social capital for development with stakeholders (MDGs, poverty alleviation, social harmony);

vii) Promoting and coordinating economic and infrastructure initiatives towards developing regional economic integration;

viii) Monitoring Pakistan's economic competitiveness and developing strategies for its enhancement with relevant Ministries/ Divisions and Organizations;

ix) Promoting development discourse in the country towards participatory and collaborative planning and development

x) Study trends and evaluate impact of globalization and develop appropriate national responses in coordination with relevant Ministries/Divisions and Organizations:

xi) Study and evaluate impact of new technologies on development and it develop appropriate riei6onal responses in coordination with relevant Ministries/Divisions and Organizations;

xii) Facilitating capacity building of agencies involved in development and;

xiii) Any other function assigned by the Prime Minister.

4. The Prime Minister will be the Chairman of the Planning Commission which apart from the Deputy Chairman will comprise the following twelve members:

- Secretary. Planning, Development and Reform Division / Member (Coordination).
- Chief Economist Member (Economic Policy /Planning)
- Member (Energy)
- Member (implementation & Monitoring
- Member (Private Sector Development & Competitiveness)
- Member (Development Communication)
- Member (Food Security & Climate Change)
- Member (Science & Technology and ICT)
- Member (infrastructure & Regional Connectivity)
- Member (Social Sector & Devolution)
- Member (Governance, Innovation & Reforms)
- Vice Chancellor Pakistan, Institute of Development Economic (PIOE) / Member (Research)

5. Members will be appointed through the following modes in accordance with the prescribed procedure:

i) Open competition on merit from the market (national and international) MP-1 scale.

ii) Deputation with relevant required qualification and professional experience.

iii) Hiring of temporary services of a qualified person (against position of member vacant for 3 months).

6. Qualification of Members:

i) Minimum Master’s Degree preferably PhD in the relevant field from internationally reputed/HEC recognized university;

ii) Preferably internationally recognized publications/policy papers in the relevant field;

iii) Minimum 15 years distinguished professional career at national/International level including 5 to 10 years of managerial experience at policy making level with focus in the relevant field and having the expertise to lead/advise the planning process.

7. An Advisory Committee under Deputy Chairman Planning Commission and comprising Federal Secretaries of Finance, Economic Affairs, Statistics, Water and Power, Petroleum and Natural Resources, Communications, Commerce, Railways, Ports and Shipping, information Technology, National Health Services, Regulation and Coordination, Education, Trainings and Standards in Higher Education, Board of Investment and Executive Director Infrastructure Project Development Facility (IPDF) and heads of provincial P&D bodies, experts, academicians and private sector representatives as its members will assist the Planning Commission in plan and policy formulation. The Advisory committee will hold quarterly meetings. Planning, Development and Reform Division will be the secretariat of the Committee.

8. An organogram of the restructured Planning Commission is annexed.

9. The Planning Commission may also hire/engage for specific assignments/advice, services of professional advisors / consultants on short term/part time, long term basis including honorary assignments from public and private sector with over 25 years' experience in the relevant field. These appointments/hiring will be made in accordance with the prescribed procedure.

10. Meeting of the Planning Commission will be held under the Chairmanship of the Prime Minister on bi-annual basis to monitor the progress of economic policies and for future guidance.

11. The Secretary Planning, Development and Reform Division / Member Coordination will be assigned the role of Principal Accounting Officer of the Planning Commission. The Planning, Development and Reform Division will act as the secretariat of the Planning Commission.

12. This supersedes Cabinet Division's Resolution No, 4-6120 -Min I dated 20th April, 2006.

(Syed Arshad Ali)
Additional Secretary (Cabinet)

The Manager,
Printing Corporation of Pakistan Press,
Islamabad

Copy Forwarded to:-

1. Secretary to President Presidents Secretariat, Islamabad
2. Secretary to the Prime Minister, Prime Minister's office Islamabad
3. Minister for Planning, Development and Reform/ Deputy Chairman, Planning Commission
4. Secretary, Planning, Development and Reform Division.
5. All Secretaries / Additional Secretaries In-charge of Ministries/Divisions
6. Chief Secretaries of all the Provincial Governments.

7. Chief Secretaries Govt. of Azad Jammu & Kashmir and Gilgit-Baltistan.

8. ACS (Development) FATA, FATA Secretariat, Peshawar.

(Syed Arshad Ali)
Additional Secretary (Cabinet)

Annexure 3 – Formation of P&D Board Sindh

GOVERNMENT OF SINDH
SERVICES, GENERAL ADMINISTRATION
AND COORDINATION DEPARTMENT
(Implementation & Coordination Wing)

NOTIFICATION

No.SO(C-IV)SGA&CD/4-14/09(P-V) : The Government of Sindh is pleased to sanction creation of the Planning & Development Board, Sindh with Chairman, Secretary (Planning), Chief Economist and five members viz. i) Member (Development), ii) Member (Energy & Infrastructure), iii) Member (Natural Resources) iv) Member (Services) and v) Member (Social Sector). The Secretary (Planning) will act as Secretary of the Board. The Government of Sindh is further pleased to create the post of Chairman (BS-21/22), Planning & Development Board, Sindh in lieu of the post of Additional Chief Secretary (Dev), Planning & Development Department which shall stand abolished as soon as Chairman, P&D Board is appointed.

2. On creation of Planning & Development Board, Sindh, following existing posts of Planning & Development Department, Government of Sindh are re-designated as follows:

(i)	Secretary (Development) BS-20	Member (Development)
(ii)	Secretary (Technical) BS-20	Member (Energy & Infrastructure)
(iii)	Senior Chief (BS-20), Science & Technology Cell, P&D	Member (Natural Resources)
(iv)	Senior Chief (BS-20), Physical Planning & Housing Section	Member (Services)
(v)	Senior Chief (BS-20), Health Section	Member (Social Sector)

3. The Chairman, Planning & Development Board, Sindh will be Secretary to Government of Sindh in the Planning & Development Department.

RIZWAN MEMON
CHIEF SECRETARY SINDH

No.SO(C-IV) SGA&CD/4-14/09(P-V) Karachi, 13th January 2017

A copy is forwarded to:

1. The Additional Chief Secretaries (all), Government of Sindh, Karachi.
2. The Principal Secretary to Governor, Sindh, Karachi.
3. The Principal Secretary to Chief Minister, Sindh, Karachi.
4. The Senior Member, Board of Revenue, Sindh, Karachi.
5. The Chairman, Enquiries & Anti-Corruption, Establishment Sindh, Karachi.
6. The Chairman, Chief Minister's Inspection, Enquiries & Implementation Team
7. The Secretary, Provincial Ombudsman Secretariat, Karachi.

8. The Administrative Secretaries (all), Government of Sindh.
9. The Accountant General, Karachi.
10. The Commissioners (all) in Sindh.
11. The Collectors/Deputy Commissioners (all) in Sindh.
12. The Deputy Secretary (Staff) to Chief Secretary Sindh, Karachi.
13. The Director (Public Relations) to Chief Secretary, Sindh.
14. The Publisher, Sindh Government Printing Press, Karachi.
15. The Private Secretary to Chief Secretary, Sindh, Karachi.
16. The Private Secretary to Minister concerned.
17. The Officer concerned.
18. Office Order File

(WAZIR HAMED BROHI)
SECTION OFFICER(C-IV)

Annexure 4 – Sindh Government Rules of Business 1986

EXTRACT FROM SINDH GOVERNMENT RULES OF BUSINESS 1986

30. The Planning and Development Board, Sindh, Planning and Development Department shall co-ordinate the activities of the various Departments in the economic field, and all cases relating to matters of economic policy, planning co-ordination and development in particular, the following cases shall be referred to and processed by the Planning and Development Board, Sindh, Planning and Development Department –(inserted vide Notification dated 08.11.2017)

i. matters affecting or involving economic policy or any change or modification therein;
ii. development schemes and major capital outlays;
iii. all schemes and projects included in the five-year Plans;
iv. any matter affecting more than one sector of economy of the province; and
v. all new expenditure of development nature.

31. (i) A case requiring the approval of Government shall be referred in complete form as far as possible to the Department concerned by the Head of Attached Department or Regional Office.

The case referred under sub rule (i) may be settled in personal discussion between the Head of the Attached Department or the Regional Office and the Secretariat Officer dealing with the case.

i. There shall be constituted a Secretaries' Committee, with the Chief Secretary as its Chairman, to facilitate co-ordination amongst the Departments, provide a venue for the consideration of matters of common interest and tender advice on any case that may be referred to it by the Chief Minister or the Cabinet.
ii. The Secretary who wishes a particular matter to be discussed in the meeting of the Secretaries' Committee, shall intimate the Services & General Administration Department about his intention of doing so and forward thirty-five copies of a brief note on the subject which would form the basis of discussion.
iii. The Services and General Administration Department shall issue notice of a meeting of the Secretaries' Committee, together with the agenda, well in advance of the meeting, except that urgent items may be considered in the meeting at short notice.
iv. Meetings of Secretaries' Committee shall be attended by Secretaries and Additional Secretaries only.
v. Minutes of the meeting shall, except where keeping of record may not be considered necessary, be recorded by an Officer of the Services & General Administration Department who shall attend the meeting for this purpose and the minutes recorded by him shall be circulated after approval of the Chief Secretary.
vi. Conclusions reached at the meeting of the Secretaries' Committee shall not be treated as decision of Government and further action in respect thereof may be taken by the Department concerned.

Annexure 5 – Schedule II of Sindh Government Rules of Business 1986

SINDH GOVERNMENT RULES OF BUSINESS 1986, SCHEDULE II

27 – PLANNING AND DEVELOPMENT BOARD SINDH, PLANNING AND DEVELOPMENT DEPARTMENT

Substituted vide Notification No. SORI(S&GAD) 2-4/2017$^{(P\&D/B)}$ dated 08.11.2017

1. Coordination of technical assistance from abroad.
2. Coordination of statistics in general, and all matters relating to Bureau of Statistics.
3. Coordination and training of officers in foreign countries.
4. Economic research and matters relating to Board of Economic Inquiry.
5. Evaluation of the progress of development schemes and writing their critical appraisal
6. Foreign aid and Technical Assistance.
7. Initiation of measures for giving suitable publicity to the development Plan and educating the public on the results achieved from time to time.
8. Maintaining Liasson with the National Planning Agencies.
9. Planning inducing Policy and development.
10. Processing of all development schemes, programs and proposals submitted by other Department and making recommendations to Government thereon.
11. Bureau of Statistics (Substituted vide Notification dated 08.11.2017).
12. Research and Training Wing.
13. Assessment Planning, coordination, promotion and development of science and technology with the following Methodology: -
    a. Formulation requirement of science and technology studies, terms of reference for selection of consulting firms and arranging technology studies on contract.
    b. Dissemination of technology information to public and private sector
    c. Implementation of approved science and technology programs based on such studies in consultation with the relevant agency, i.e., Department of Education, Universities, Boards etc.
14. Contractual research (funding, contracting and monitoring) in the public and private sectors in all fields of science and technology to meet the assessed needs of industry and agriculture.
15. Setting up of institutions, laboratories or organization for research and development.
16. Promotion of applied research and utilization of research results in the scientific and technologies fields carried out at home or aboard.
17. Guidance to the research institutions in the Field of scientific and technological research.
18. Development of human resources and its optimal utilization in science and technology.

19. Monitoring and evaluation work done by the Provincial research and development (R&D) Institutes through system of peer review and performance audit.
20. Recognition of research achievement through prizes and award based on system of peer review in the following areas
21. Establishment of scientific and industrial research Advisory council at Provincial level.
22. Liaison and interaction with the Ministry of Science and technology and Research and Development.
23. Implementation of programs under national technology policy as applicable to Sindh."
24. Sindh Land Bank.
25. Adopt modem techniques and tools of planning and development to meet increasing development challenges confronted to the province amidst persistent catastrophes (floods, devastating rainfall, drought etc.) and bring the Province of Sindh to the trajectory of sustain economic growth and prosperity (substituted vide Notification dated 08.11.2017)
26. Serve as an engine of growth for robust economic development in different sectors of the economy. (Substitutes vale Notification dated 08.11.2017)
27. Serve matters, except those entrusted to the Services, General Administration and Coordination Department. (Substitutes vide Notification dated 08.11.2017).
28. To provide technical support with regard to province vide urban, regional planning and development within a short, medium and long terms framework by means of preparation of policies, parts and studies. (added vide Notification dated 29.06.2021).
29. Conceptualization, Implementation and evaluation of programs/projects related to poverty reduction/alleviation (added vide Notification dated 30.11.2021)

Annexure 6 – List of National & Provincial Policies and Strategies

List of National Policies

Climate change

- National Climate Change Policy 2016
- National Environmental Policy
- National Sanitation Policy
- National Resettlement Policy
- National Rangeland Policy
- Drinking Water Policy

Disaster Management

- National Disaster Management Plan (NDMP) http://www.ndma.gov.pk/dynamic/?page_id=3636
- Disaster Risk Reduction (DRR)

Commerce & Textiles

- Strategic Trade Policy Framework 2015-18
- Textile Policy 2014-2019

Power

- National Power Policy (2015)
- National Policy for Power Co-Generation by Sugar Industry (PPIB)
- Guidelines for Setting up of Power Projects under Short Term Capacity Addition Initiative.
- Mechanism for Determination of Tariff for Hydro Power Projects. (NEPRA)
- Renewable Policy for Development of Power Generation 2006. (AEDB)

Petroleum

- Shale Gas Policy 2015
- National Mineral Policy 2013
- Liquefied Petroleum Gas (Production & Distribution) Policy Guidelines, 2013
- Pakistan Petroleum Exploration and Production Policy 2012
- Low BTU Gas Pricing Policy 2011
- Tight Gas Policy 2011
- Liquefied Natural Gas Policy 2011

Education

- National Education Policy. (http://www.moent.gov.pk/policiesDetails.aspx)

- National Plan of Action. (http://www.moent.gov.pk/policiesDetails.aspx)
- Minimum Standard for quality education in Pakistan (http://www.moent.gov.pk/policiesDetails.aspx)

Higher Education

- Pakistan Vision 2025
- HEC Vision 2025

Economic Affairs

- Relending Policy 2016 of Foreign Loans/Credits to Autonomous Bodies (http://www.ead.gov.pk/policiesDetails.aspx) Relending Policy 2009 (http://www.ead.gov.pk/policiesDetails.aspx) New INGO Policy Ocotber-2015 (http://www.ead.gov.pk/policiesDetails.aspx) Policy For Local NGOs Receiving Foreign Contributions, Checklist, APA and Template MOU (http://www.ead.gov.pk/policiesDetails.aspx) Manual on foreign debt management (http://www.ead.gov.pk/policiesDetails.aspx)

Housing

- National Housing Policy
- Allotment Policy

Human Rights

- Action Plan to Improve Human Rights Situation in Pakistan.
- National Commission on the Status of Women Act 2012 & National Commission on Human Rights Act 2012.
- UNHRC, UNO Charter, 07 Core Conventions on Human Rights

Information Technology

- Telecommunication Policy
- IT Policy (Re Formulation is in process)
- Cyber Crime Bill (In process)

Interior

- Visa Policy General
- Visa Policy for Indian
- National Arm Control Policy

Law and justice

- Assurance of effective promulgation and understanding of Law
- Availability of Alternate dispute resolution system in tax management
- Safeguard the public and national interest in the legal matters
- Promulgation and maintenance of effective judicial system

Narcotics

- National Narcotics Control Policy 2010
- Drug Control Plan 2010-14

Food

- Agriculture and Food Security Policy

Health

- National Health Policy 2010

Science and Technology

- National Science & Technology and Innovation Policy, 2012

Industries

- SME Policy, 2007 (http://www.smeda.org/index.php?option=com_content&view=article&id=58:sme-policy-development&catid=2)
- National Trucking Policy http://www.engineeringpakistan.com/EngPak1/trucking/EXECUTIVE%20SUMMARY.pdf)
- Fertilizer Policy, 2001(http://www.moip.gov.pk/policiesDetails.aspx)
- Auto Development Programme (AIDP) (http://www.moip.gov.pk/policiesDetails.aspx)
- Auto Development Policy (2016-21) (http://www.moip.gov.pk/policiesDetails.aspx)

Water

- National Water Policy (Draft)

List of Sind Provincial/Sector Policies:

- Sind Economic Growth Strategy
- Sindh Poverty Reduction Strategy
- Sindh Agriculture Policy
- Sindh Youth Policy 2018
- Sindh Labour Policy 2018
- Sindh Non-Formal Education Policy 2017
- Sindh Transport Policy 2016

Education:

- Sindh Early Childhood Care and Education (ECCE Policy) 2015
- Education Management Organization (EMO) Policy Reforms
- Reading Improvement Strategy
- Reading Performance Standards for Sindhi and Urdu Languages
- Continuous Professional Development (CPD) Model for Elementary School Teachers.
- Sindh CPD Strategic Plan
- Sindh Curriculum Implementation Framework 2014
- The Sindh Education Student Learning Outcome Assessment Framework (SESLOAF)
- The Sindh Continuous Professional Development Model
- Early Childhood Care & Education Policy
- Textbooks and Learning Material Development Policy
- Non-Formal Education Policy

Financial Management:

- Capacity Development Strategy
- Sindh Tax Revenue Mobilization Plan (STRMP)

Health:

- Sindh Population Policy
- Peoples Public Health Initiative (PPHI)
- Essential Services Delivery Package
- Minimum Services Delivery Standards for primary

Water and Sanitation:

- WASH Behaviour Change and Communication Strategy, 2016
- Sindh Drinking Water Policy 2017
- Sindh Sanitation Policy 2017
- Sindh Strategic Sector Plan 2016 – 2026
- Inter-sectoral nutrition strategy for Sindh

Annexure 7 – Preparation of Feasibility Study

GOVERNMENT OF PAKISTAN
PLANNING AND DEVELOPMENT DIVISION

No.21 (19) DA/PC/89 Islamabad, the 16th April, 1989

1. The Chairman, P&D Board, Government of the Punjab,
   Lahore
2. The Additional Chief Secretary (Dev.) Planning & Development Department,
   Government of Sindh, Karach
3. The Additional Chief Secretary (Dev.) Planning & Development Department, Government of NWFP, Peshawar
4. The Additional Chief Secretary (Dev.) Planning & Development Department, Government of Baluchistan, Quetta

SUBJECT: **IMPROVING THE EFFICIENCY OF DEVELOPMENT EXPENDITURE THROUGH INSTITUTION OF APPROPRIATE MONITORING AND EVALUATION PROCEDURE (PREPARATION OF FEASIBILITY STUDIES)**

Sir,

In continuation of this Division's above subject letter of even number dated 4th September, 1988 (copy enclosed for ready reference), I am directed to state that feasibility study is basically an in depth three-in-one study of a project which gives its technical, financial and economic viability and arrives at definitive conclusion on all the basic issues of the project after consideration of various alternatives. The nature of feasibility, however, differs from sector to sector and project to project. A tentative list of the items considered essential for a feasibility study is appended.

2. It is requested that in case of the projects costing Rs 50 million or more, the Provincial Governments/Federal Ministries/ Divisions may kindly prepare PC-I after conducting proper feasibility studies and send 5 copies thereof with the PC-1, or certify that PC-I has been prepared after undertaking a proper feasibility study.

3. In case of non-compliance with the condition mentioned at para_2 above, the planning & Development Division would be constrained to return the project/PC-I without further processing.

Yours Obediently,
SD/-
(FAZALULLAH QURESHI)
Chief (DA)

All Federal Ministries/Divisions
Ali Technical Sections, P&D Division

CC:

PSs. to Dy. Chairman/Secretary/Chief Economist/Member-I/ Member-II/Member-III/ Additional Secretary (Projects).

Annexure 8 – PC II Performa for Feasibility Study

Revised 2005

PC-II FORM

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

PROFORMA FOR DEVELOPMENT PROJECTS (SURVEY AND FEASIBILITY STUDIES)

Revised 2005

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
PC-II FORM
PROFORMA FOR DEVELOPMENT PROJECTS
(SURVEY AND FEASIBILITY STUDIES)

1) Name by which survey/ feasibility will be identified

2) Administrative authorities responsible for

   i) Sponsoring

   ii) Execution

3) Details of survey/feasibility study

   i. General description and justification
   ii. Implementation period
   iii. Year wise estimated cost
   iv. Manpower requirements
   v. Financial plan

4) Expected outcome of the survey feasibility study and details of projects likely to be submitted after the survey.

Prepared by ________________________
Name, Designation & Phone #

Checked by ________________________

Name, Designation & Phone #

Approved by ________________________

Name, Designation & Phone #

Revised 2005

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

Instructions to fill in PC-II Proforma

1. <u>Name of the Project</u>

Please indicate the name by which survey/feasibility study will be undertaken.

2. <u>Administrative authority</u>

Indicate name of the agency responsible for sponsoring and execution of the project.

3. <u>Details of survey/feasibility study</u>

- 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. <u>Expected outcome</u>

- 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.

Annexure 9 – PC-1 Proforma for Infrastructure Sector

Revised 2005

PC-1 FORM
GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

PROFORMA FOR DEVELOPMENT PROJECTS

(INFRASTRUCTURE SECTORS)

- Transport & Communication
- Telecommunication
- Information Technology
- Energy (Fuel & Power)
- Housing, Government Buildings & Town Planning
- Irrigation, Drainage & Flood Control

Revised 2005

GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

PC-1 FORM

(INFRASTRUCTURE SECTORS)

1. Name of the project

2. Location

3. Authorities responsible for:

   i. Sponsoring
   ii. Execution
   iii. Operation and maintenance
   iv. Concerned federal ministry

4. Plan provision

5. Project objectives and its relationship with sector objectives

6. Description, justification, technical parameters and technology transfer aspects (enclose feasibility study for projects costing Rs. 300 million and above)

7. Capital cost estimates

8. Annual operating and maintenance cost after completion of the Project

9. Demand and supply analysis

10. Financial plan and mode of financing

11. Project benefits and analysis

i) Financial

ii) Economic

iii) Social benefits with indicators

iv) Employment generation (direct and indirect)

v) a) Environmental impact Assessment

b) Clean Development Mechanism (CDM) Assessment

vi) Impact of delays on project cost and viability

12. **a) Implementation schedule**

b) Result Based Monitoring (RBM) Indicators

13. **Management structure and manpower requirements including specialized skills during construction and operational phases**

14. **Additional projects/decisions required to maximize socio-economic benefits from the proposed project**

15. **Certified that the project proposal has been prepared on the basis of instructions provided by the Planning Commission for the preparation of PC-I for Infrastructure sector projects.**

Prepared by ________________________

Name, Designation & Phone #

Checked by ________________________

Name, Designation & Phone #

Approved by ________________________

Name, Designation & Phone #

Revised 2005

GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

Instructions to Fill-in PC-I Proforma

(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:

Total block provision	Amount already committed	Amount proposed for this project	Balance available

   (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 verses 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 alongwith 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 be 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 extention 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 alongwith 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:

Year-wise/component-wise physical activities

Items	Unit	Year-I	Year-II	Year-III
A.				
B.				
C.				

- 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

(Million Rs)

	Item	Year-I			Year-II			Year-III			Total		
		Total	Local	FEC	Total	Local	FEC	Total	Local	FEC	Total	Local	FEC
A.													
B.													
C.													
	Total												

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.
- 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 be worked out for 5 years and sources of its financing.

9. <u>Demand and supply analysis</u>

- 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

<u>Sources of financing</u>

(a) <u>Equity:</u>

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) <u>Debt</u>

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 alongwith assumptions
- Social: Benefits with indicators
- Environmental: Environmental impact assessment negative/positive

Financial/Economic Analysis (with assumptions)

- **<u>Financial analysis</u>**
  - 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
  - Breakeven Point (BEP)
  - Payback period
  - Return on equity (ROE)

- **<u>Economic analysis</u>**
  - 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)

- **<u>Employment analysis</u>**
  - Employment generation (direct and indirect)

- **<u>Sensitivity analysis</u>**
  - Impact of delays on project cost and viability

12. a) <u>Implementation Schedule</u>

- 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) <u>Result Based Monitoring (RBM) Indicators</u>

- 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

S.No	Input	Output	Outcome		Targeted Impact
			Baseline Indicator	Targets after Completion of Project	
1					
2					
3					
4					
5					
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.					
.					
.					

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 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.

Annexure 10 – PC-1 Proforma for Production Sector

Revised 2005

GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

PC-1 FORM

(PRODUCTION SECTORS)

1. Name of the project
2. Location
3. Authorities responsible for:
   i. Sponsoring
   ii. Execution
   iii. Operation and maintenance
   iv. Concerned federal ministry
4. Plan provision
5. Project objectives and its relationship with sector objectives
6. Description, justification, technical parameters and technology transfer aspects (enclose feasibility study for projects costing Rs 500 million and above)
7. Capital cost estimates
8. Annual operating and maintenance cost after completion of the

   Project
9. Demand and supply analysis
10. Financial plan and mode of financing
11. Project benefits and analysis
    i) Financial
    ii) Economic
    iii) Social benefits with indicators
    iv) Employment generation (direct and indirect)
    v) Environmental impact
    vi) Impact of delays on project cost and viability

12. a) Implementation schedule

b) Result Based Monitoring (RBM) Indicators.

13. Management structure and manpower requirements including specialized skills during construction and operational phases

14. Additional projects/decisions required to maximize socio-economic benefits from the proposed project

15. Certified that the project proposal has been prepared on the basis of Instructions provided by the Planning Commission for the preparation of PC-I for production sector projects

Prepared by ________________________

Name, Designation & Phone #

Checked by _________________________

Name, Designation & Phone #

Approved by _________________________

Name, Designation & Phone #

Revised 2005

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

Instructions to Fill-in PC-I Proforma (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:

Total block provision	Amount already committed	Amount proposed for this project	Balance available

(c) **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. **<u>Description and Justification of Project</u>**

- 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 <u>forestry projects</u>: 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 <u>livestock projects</u>: 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 <u>agriculture production projects</u>: 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:

Year wise/component wise physical activities

Quantities

Items	Unit	Year I	Year II	Year III
A				
B				
C				

- 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

(Million Rs)

Items	Year-I			Year-II			Year-III			Total		
	Total	Local	FEC	Total	Local	FEC	Total	Local	FEC	Total	Local	FEC
A												
B												
C												
Total												

- **In case of revised projects, provide**
  - Project approved history alongwith 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 alongwith unit price for the last five years
- Imports/Exports for the last five years alongwith 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
- 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 alongwith source

d) Weighted cost of capital

11. **Benefits of the project and analysis**

- Financial: Income to the project alongwith assumptions
- Economic: Benefit to the economy alongwith 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
- Breakeven 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.

S.No	Input	Output	Outcome		Targeted Impact
			Baseline Indicator	Targets after Completion of Project	
1					
2					

3					
4					
5					
.					
.					
.					
.					
.					

13. <u>Management structure and manpower requirements</u>

- 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. <u>Additional projects/decisions required</u>

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

15. <u>Certificate</u>

- 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.

Annexure 11 – PC-1 Proforma for Social Sector

Revised 2005

PC-1 FORM

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
PROFORMA FOR DEVELOPMENT PROJECTS

(SOCIAL SECTORS)

- **Education, Training and Manpower**
- **Health, Nutrition, Family Planning & Social Welfare**
- **Science & Technology**
- **Water Supply & Sewerage**
- **Culture, Sports, Tourism & Youth**
- **Mass Media**
- **Governance**
- **Research**

Revised 2005

GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

PC-1 FORM

(SOCIAL SECTORS)

1. **Name of the Project**
2. **Location**
3. **Authority responsible for:**
   i. Sponsoring
   ii. Execution
   iii. Operation and maintenance
   iv. Concerned federal ministry
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**
9. **Demand and supply analysis**
10. **Financial Plan and mode of financing**
11. **Project benefits and analysis**
    i. Financial
    ii. Social benefits with indicators
    iii. Employment generation (direct and indirect)
    iv. Environmental impact
    v. Impact of delays on project cost and viability
12. **a) Implementation schedule**

    b) Result Based Monitoring (RBM) Indicators.
13. **Management structure and manpower requirements including specialized skills during execution and operational phases**

14. Additional projects/decisions required to maximize socio-economic benefits from the proposed project

15. Certified that the project proposal has been prepared on the basis of instructions provided by the Planning Commission for the preparation of PC-I for Social Sector projects.

Prepared by ___________________________

Name, Designation & Phone#

Checked by ___________________________

Name, Designation & Phone#

Approved by ___________________________

Name, Designation & Phone#

Revised 2005

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

Instructions to Fill-in PC-I Proforma

(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. (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:

Total block provision	Amount already committed	Amount proposed for this project	Balance available

(d) **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. **<u>Description and justification of project</u>**

- 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 alongwith 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) <u>Health projects</u>

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

b) <u>Nutrition</u>

- 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) <u>Family planning</u>

- 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. <u>Capital cost estimates</u>

- 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:

Component-wise, year-wise physical activities

Items	**Unit**	**Year-I**	**Year-II**	**Year-III**
A.				
B.				
C.				

- Phasing of Capital cost be worked out on the basis of each item of work as stated above and provide information as per following.

Year-wise/component-wise financial phasing

(Million Rs)

	Item	Year-I			Year-II			Year-III			Total		
		Total	Local	FEC	Total	Local	FEC	Total	Local	FEC	Total	Local	FEC
A.													
B.													
C.													
	Total												

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 alongwith 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		Targeted Impact
			Baseline Indicator	Targets after Completion of Project	
1					
2					
3					
4					
5					
.					

.					
.					
.					
.					

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 alongwith certificate must be signed by the Principal Accounting Officer to ensure its ownership.

Annexure 12 - Procedures for Preparation and Approval of Projects

Government of Pakistan
Planning Commission
Planning and Development Division
****

SUMMARY OF KEY GUIDELINES

Subject: PROCEDURES FOR PREPARATION AND APPROVAL OF PROJECTS

Public funds are utilized on programmes and projects of expansion and modernization of socio-economic infrastructure, besides schemes designed to enhance production, employment and improve quality of life of the people. These must be completed and put to optimum use by following a sound professional and efficient approach right from the stage of project preparation, appraisal, approval to implementation. An ever-vigilant planning and project staff can contribute towards an effective use of the country's resources.

Detailed guidelines on the subject are given in the Manual for Development Projects and Guidelines for Project Management which are available on the website of P&D Division (http://www.pc.gov.pk). However, in order to facilitate, key guidelines/procedures (in brief) are as follows:

1. The project should be drawn up on the prescribed PC-I format. Likewise, the proposals for conducting surveys and feasibility studies of the projects should be drawn up on the prescribed PC-II. format. The specimen of PC-I and PC-II formats along with the detailed instructions for filling these forms are available on the website of Planning and Development Division.
2. For federal projects to be funded from federal PSDP, the PC-I/PC-II should be signed by the Secretary / Principal Accounting Officer of the federal ministry/division concerned. Forty-five copies of PC-I / PC-II requiring consideration of CDWP / ECNEC may be sent to the Planning and Development Division (Chief, Public Investment Authorization Section) for further necessary action / processing through CDWP/ECNEC. Incomplete PC-Is / PC-IIs or not signed by the Secretary / PAO would be returned to the concerned ministry/division without taking any action.
3. Provincial projects to be funded from federal PSDP (in full or part) would be submitted to Planning and Development Division through concerned federal ministry / division duly signed by Federal Secretary/PAO in accordance with instructions contained in para 2 above
4. Provincial projects to be funded by the provincial governments from their own ADP, requiring consideration of the CDWP / ECNEC may be submitted to the P&D Division (45 copies of PC-I and PC-II duly signed by the Chairman MD Board / ACS Development along with minutes of PDWP meeting) the further processing.
5. It is mandatory that for projects of Infrastructure Sector and Production Sector costing Rs.500.00 million and above, proper feasibility studies should be undertaken and submitted to P&D Division along with PC-I.
6. In accordance with decision of ECNEC dated 24-04-2000, the time limit for scrutiny of projects in the P & D Division and its submission to CDWP would be six weeks (three weeks preliminary appraisal, two weeks response to queries to Planning & Development

Division by the sponsoring agency and one week for holding Pre-CDWP meeting for sorting out issues / points with the sponsoring agency). However, in view of extreme urgency in case of any project, P&D Division would consider inclusion of such project in the agenda provided the PC-1 has been received at least two weeks before the CDWP meeting. But this would be in rare cases.

7. Concept clearance of unapproved projects may be obtained from CCC /CDWP for lining up foreign assistance (loan / grant) through Economic Affairs Division. However, it is necessary that the sponsoring agency should prepare PC-I and get approval from the competent forum before entering into any agreement or signing loan / grant agreement with the donor agency. Confirmation / commitment or the donor agency along with terms and conditions of loan / grant would be provided to P&D Division before consideration of project by CDWP / ECNEC.

8. In cases where CDWP impose certain conditionalities to be met by the sponsoring agency before submission of project to ECNEC, it is necessary that sponsors should furnish the required information within two / three weeks of the issuance of minutes of the CDWP, failing which the project will be returned to the Sponsors and approval of CDWP will automatically lapse and fresh approval of the CDWP will have to be obtained for submission of project to ECNEC.

9. Regular progress reports of projects (PC-III) may be submitted to P&D Division (projects Wing) likewise completion report of the project on PC-IV and post completion review of project on PC V may also be submitted to P&D Division, (Projects Wing) . Details are available in the Manual of Development Projects.

10. As per procedure circulated by Cabinet Division, all requests for anticipate, approval should invariably be submitted to the Cabinet Division in the form of a summary for Chairman, ECNEC which must accompany the information on the proforma. Request which do not comply with this procedure would be returned to the sponsors and the onus of any delay in obtaining approval would rest with them.

11. In accordance with the Cabinet Division's 0.M No. 171/CF/84 dated 27-06-1984, it will not be necessary to obtain fresh approval for ongoing schemes if the cost goes up only because of the movement of exchange rate. In such cases, the sponsoring authority shall intimate the revised cost due to delinking, to the Cabinet Division, Planning Division and Finance Division. While indicating the revised cost, the original rate at which the cost had been worked out and prevailing rate would be specifically indicated.

12. If the total estimated cost as sanctioned increases by a margin of 15% or more, or if any significant variation in the nature or scope of the project has been made irrespective of whether or not it involves an increased outlay, the approval of competent forum shall be obtained in the same manner as in the case of original scheme without delay. It may be noted that 15% increase in cost is allowed only in case of original scheme and no increase over the sanctioned cost is allowed in case of revised schemes.

13. According to instructions of Cabinet Division dated 01-12-2003 and further clarified on 20-02-2004 and 04-12-2007 regarding purchase of vehicles for development projects, the executing agency may purchase locally assembled / manufactured vehicles for the projects after they are approved by the competent forum. However, if foreign assembled / imported vehicles are considered to be unavoidable in foreign aided projects from project implementation Point of view, this will be determined by the Screening Committee located in Planning and Development Division comprising Secretary Planning and the Secretary of concerned ministry.

Annexure 13 – Provision for Cost Escalation

IMMEDIATE

GOVERNMENT OF PAKISTAN
PLANNING AND DEVELOPMENT DIVISION

No. 20(2)DA/PC/82-Vol.IV   Islamabad, the February 29, 1984

The Acting Chairman,
Planning and Development Board, Govt. of the Punjab,
Lahore (Mr. Khalid Jawed)

The Additional Chief Secretary (Dev.)
Planning and Development Department, Govt. of Sind,
Karachi (Mr. S. G. Murtaza Shah)

The Additional Chief Secretary (Dev.)
Planning and Development Department, Govt. of NWFP,
Peshawar (Mr. Imtiaz A. Sahibzada)

The Additional Chief Secretary (Dev.)
Planning and Development Department, Government of Baluchistan,
Quetta (Mr. S.R. Poonegar)

SUBJECT: **PROVISION FOR COST ESCALATION IN DEVELOPMENT SCHEMES.**

Sir,

I am directed to say that a question has been raised to what extent necessary provision for future price escalation should be made in the development schemes.

2. The matter has been considered in the Planning and Development Division and It has been observed that the Sixth Plan specifically recognizes price element in long-gestation of projects. The estimation would be contingency as an of implementation. This is explained by an example shown based on the phasing in Annexure.

3. You are requested to kindly advise all the agencies under your administrative control to follow the guideline for preparing the cost estimates of developing schemes as the given in the Annexure.

Sd/-
(S. A. Ghafoor)
OSD/Chief

Copy forwarded for similar action to

i) All the Federal Ministries/Divisions
ii) All the Technical Sections and Project Appraisal Section of the Planning and Development Division.

CC: Member I, II, Member(P), Addl. Secy (Dr. M.S.Jillani), Addl. Secy. (Ch. Shaukat Ali), Senior Chief (Health), Senior Chief (infrastructure), Chief Economist, JCE

Annexure

If the cost of a scheme, for example is Rs, 100 and phased to be implemented in four years. Provision for price contingency may be made as indicated below:

	Phasing of Expenditure (Rs.)	Price Contingency (%)	Amount (Rs.)
First year of implementation	10	Nil	-
Second Year	20	6.5%	1.3
Third Year	30	13%	3.9
Fourth Year	40	20%	8.9
	------		------
Total	**100**		**13.2**
Cost	100		
Price Contingency	13.2		
Total Cost	**113.2**		

Annexure 14 – Improving Efficiency of Development Expenditure

Case No. NEC-10/3/8 Date: 4-7-1988	Improving the Efficiency of Development Expenditure Through Institution of appropriate Monitoring and Evaluation Procedure.

DECISION

The National Economic Council took note of the Summary dated 30th June, 1988, submitted by the Planning Commission and approved the following proposals:

i) All development projects should be based on feasibility studies. In case of projects costing Rs 50.00 million and above, the feasibility study should be mandatory. A project-oriented TOR should be prepared and professional consultants should be engaged for feasibility studies.

ii) PC-I should be supported by a detailed Project Document

iii) Within six months of project approval, detailed design and costing should be finalized and submitted to the components authority. Implementation of such project components, which require detailed designing, should be started only when these have been finalized.

iv) The financial phasing should be linked with the implementation schedule and a realistic assessment made of the resource availability for the project. The project should not be initiated unless adequate funding Is assured.

v) The project document should clearly indicate that coordination with other agencies who are to facilitate project Implementation has been effected.

vi) In approving the standardized building designs variation in climate, topography and availability of local material should be taken into consideration for economic and efficient use of resources.

vii) The implementation schedule should be based on Bar Charts/PERT/CPM and should essentially form part of every project document. The schedule of rates used in estimating project cost should be regularly updated by taking into account the market rates, instead of allowing across the board premium on schedule of rates.

viii) A suitability qualified Project Director should be appointed in case of each project who should not be transferred normally during currency of the project. The Project Director should be delegated full administrative and financial powers. The measures would improve management and help fix technical and financial responsibility.

ix) Training in project preparation, project appraisal, project management, monitoring and evaluation should be instituted at all levels.

x) Project monitoring and evaluation Cells (PME Cells) should be strengthened/created and computerised Management information system installed.

xi) Selected Federal/Provincial projects costing Rs 50 million and above should be monitored by the Projects Wing. With the existing facilities, the Projects Wing has been monitoring about 50 projects and can produce evaluation reports of 10 compl6ted projects annually. A much larger coverage of at least 300 projects for monitoring is desirable along with evaluation of 50 completed projects every year for which additional resources should be provided.

xii) Projects Wing should regularly send monitoring reports to the sponsoring/executing agencies for taking remedial measures. A quarterly report should be submitted to the ECNEC on the monitoring/evaluation of projects.

xiii) In order to relate release of funds to actual utilization, a mid-year review during November-December should be held. At this review, to be jointly conducted by the Planning and the Finance Divisions, the funds utilization capability of the executing agency as well as progress on projects should be appraised and release of funds adjusted accordingly.

xiv) The monitoring cells should. undertake Itemized cost monitoring in relation to the market price independently of the costs given in the PC-1 or tenders. Monitoring of costs for procurement of machinery/equipment, building Construction and other miscellaneous items should be carried out through well reputed consultants.

xv) The contract/tender agreements with itemized cost should be made public.

xvi) Schedule of rates should be periodically revised for changes in prices and technology.

xvii) The Project Director should be held responsible for ensuring that tender prices and cost compare favourably with the market rates. In the evaluation of bids, the lowest tender should be compared with market rates.

xviii) Projects division and an Institute of Project Preparation and Management should be set up at Federal level. Provinces should establish Project Cells and make full use of the proposed Institute.

xix) Auditor General of Pakistan should audit the implementation and performance of the projects.

xx) A National Committee on Foreign Tenders be set up to determine format and evaluation of international tenders involving large amounts.

xxi) A high-level Federal Projects Review Board should be set up under the President/Prime Minister which should meet about twice a year to review major projects on which serious implementation problems have arisen.

xxii) Computerisation should be used for monitoring and evaluation of projects.

xxiii) Domestic consultancy should be encouraged. Policy on consultancy be formulated by the planning Commission and circulated to the Provinces before finalization.

xxiv) All future construction of federal highways should be undertaken in association with the Provinces. For some highways, be made for supervision by the Provincial arrangements may Governments. Federal Government should meet the cost of construction.

Annexure 15 – Results Based Monitoring (RBM)

RBM has become increasingly important as a tool for effective and efficient monitoring. In fact, every PC1 form must include a mandatory portion on RBM indicators. However, experience shows that RBM framework has not been given the due consideration it deserves.

It is therefore imperative to understand what RBM is and how it can be used to plan, monitor and evaluate all projects effectively and efficiently.

4.1 What is RBM

RBM is life-cycle approach to management that integrates strategy, people, resources, processes, and measurements to improve decision-making, transparency, and accountability. The approach focuses on achieving outcomes, implementing performance measurement, learning, and adapting, as well as reporting performance.

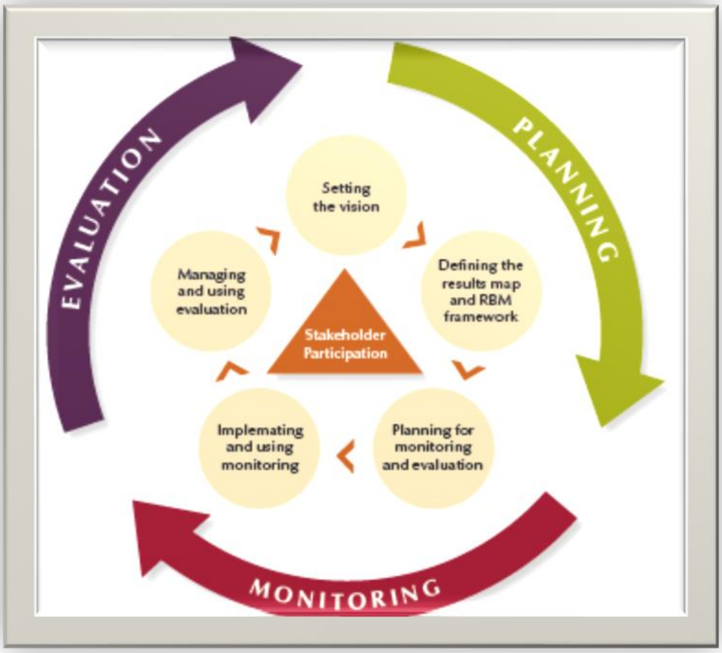
RBM means:

- defining realistic expected results based on appropriate analyses;
- clearly identifying program beneficiaries and designing programs to meet their needs;
- monitoring progress towards results and resources [utilized] with the use of appropriate indicators;
- identifying and managing risks while bearing in mind the expected results and the necessary resources;
- increasing knowledge by learning lessons and integrating them into decisions; and
- reporting on the results achieved and resources involved.

4.2 Why RBM is important

The focus on activities at the expense of results is what management scholar Peter Drucker, in 1954, referred to as the “activity trap.” Instead, Results-Based Monitoring (RBM) indicators requires that you look beyond the activities and outputs to focus on actual results (outcomes): the changes to which your programming contributed. By establishing clearly defined expected results, assessing risk, collecting information to assess the progress on them on a regular basis during implementation, and making timely adjustments, practitioners can manage their projects and programs better in order to maximize the achievement of results.

This focus on measuring at the outcome level during implementation was one of the fundamental changes introduced by Results-Based Monitoring. While traditional approaches to monitoring may have identified objectives or outcomes during planning, once implementation began, monitoring focused on inputs, activities and outputs. With the advent of Results-Based monitoring, the focus remains on outcomes, not only during planning, but also during implementation.



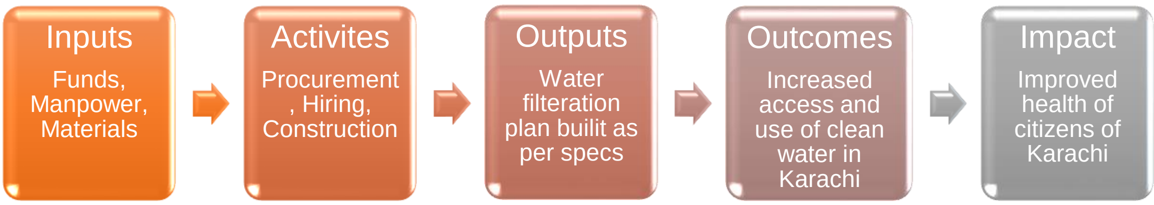
RBM Life Cycle Approach

Source: UNDP

4.3 Understanding RBM

At the heart of RBM is the ***results chain.*** The results chain provides the conceptual framework for mapping the logical sequence from inputs to outcomes in a project. It is a depiction of the logical relationships between inputs, activities, outputs, outcomes and impact of a project. It therefore provides a structure to the project design, identifying the building blocks that should be identified. Given below is the example of a results chain

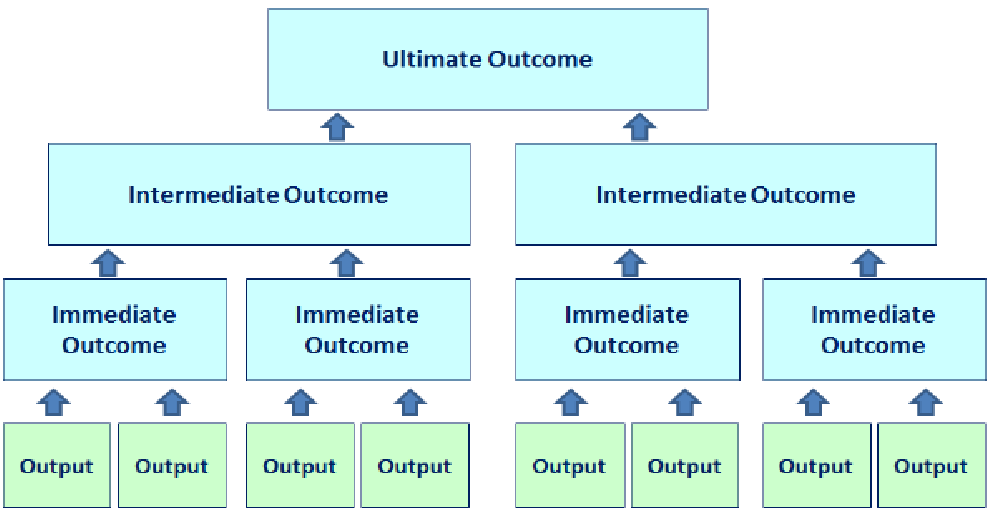
EXAMPLE 1: SETTING UP OF A WATER FILTRATION PLANT IN KARACHI



The components of the results chain are defined below along with some examples for better understanding.

Results Chain	Definition	Examples
Inputs	The financial, human, material and information resources required for a project or intervention	
Activities	Actions taken or work performed through which inputs are used to produce the required outputs.	• Construction of Roads • Construction of schools • Development of training material • Trainings Conducted
Outputs	Availability of new products and services that result from the completion of activities. They are achieved with the resources provided and within the time period specified.	• 100 Km of farm to market road built • Double storey girls secondary school building built in rural area • 300 health workers trained on polio immunization
Outcome	A change that is expected to occur once one or more outputs have been delivered	• Increased access to and use of roads by farmers of the specified area • Increased access and use of school by girls of the specified area • Increased ability of health workers to address the polio problem in the specified area
Impact	This is ultimate objective that a project seeks to achieve. It implies changes in people's lives for better which may include changes in knowledge, skill, behaviour, health or living conditions for children, adults, families, communities and overall economy	• Polio free area • Improved equitable learning outcomes of all girls and boys in rural area • Increased economic prosperity of a rural areas due to use of Farm to market roads

Figure 3 - Illustration of the Pyramid Structure of the Logic Model



4.4 How to develop a Results framework

A results matrix should be developed from top down – beginning with national development priorities, Provincial Priorities and goals and then moving to the outcomes and outputs. The results matrix is used throughout the life cycle of the project – from planning and implementation to monitoring, evaluation and reporting.

At the planning stage, the results matrix allows stakeholders to articulate what their goals and results will be in line with national priorities or goals. The same matrix allows effective monitoring throughout the project and evaluation at the end to see if the desired outputs, outcomes and impact has been achieved or not.

The basic results matrix format is given below.

	Indicators, Baseline, Target	Means of Verification	Assumptions
Outcome 1			
Output 1.1			
Output 1.2			
Outcome 2			
Output 2.1			

4.4.1 Step by Step approach to Developing a Results Matrix

Step 1: Identify the Impact to which the project contributes

The Impact is the overall goal that that is sought to be achieved through the project. Since impact is overarching often multiple projects or schemes contribute to the same impact.

For example, "Poverty reduction in rural Sindh" can be an overall goal which can achieved through various projects in areas of education, health, infrastructure, vocational training, agriculture etc. The impact can be identified from the national and provincial strategies and plans.

Step 2: Define the outcome to be achieved by the project

Outcome is the medium-term result expected to be achieved by the project when the outputs are delivered. Outcome often describes changes in the behaviour of the project beneficiaries and their use of project outputs. That is why outcome is not in control of the project team.

Example of an outcome is use of farm to market road by farmers of area x, in rural Sindh. The farm to market road is the output whereas its use by the farmers to sell their products in the market is the outcome that the project desired.

Step 3: Define the outputs for achieving the outcome

Outputs are products and services that the project seeks to achieve. It is for these products or services that the project team is directly accountable. The construction of a farm to market road is for example an output. Outputs can be multiple with lower level outputs feeding into one higher output as shown in the basic results framework.

Examples of lower level outputs in a Farm to Market road project could be a) Metalled Road, b) Road Safety Signs & Milestones, c) weighbridges for heavy traffic, d) fencing for livestock in specific areas. All these lower level outputs would feed into one higher output which is completed farm to market road for rural farmers of area X.

Step 4: Identify activities for achieving outputs

Activities show how the project will be carried out therefore outlining them is very important. Activities can be supported by a work breakdown analysis or a Bar Chart, or Gantt Chart for effective monitoring. Each of the lower level outputs would have a set of specific activities assigned to it.

Step 5: Identify the inputs required to carry out the activities

Each of the activity would require various types of inputs. Identification of the inputs at the planning stage increases the chances of the success of the project and allows the project team to avoid any deficiency during the execution.

Step 6: Verify the results chain logic

The results chain as the mentioned before is a depiction of the logical relationships between inputs, activities, outputs, outcomes and impact of a project. In order to ensure that a project is successful, this relationship has to be verified as it strengthens the project design.

Step 6: Outline the assumptions at each level of the results chain

While there may be a clear logic in the results chain, unforeseeable factors that may affect this chain should always be taken into consideration. Sound assumptions are therefore required to be formulated to develop an effective results matrix. We can determine the assumptions by questioning, "What conditions must exist in order for the logic of results chain to remain intact?

The unforeseeable factors can be broken down into various categories and assumptions made for each of these. Some examples include:-

a) Environmental: There will be no floods affecting the project area.
b) Human: There will be no labour strike during implementation of the project
c) Financial: There will be no delay in release of budget due to financial constraints
d) Behavioural: Beneficiaries will be willing to try the new product or service offered to them
e) Economic: The crop prices will remain stable for the farmers.

While the assumptions are outside the control of the Project managers, it is imperative that they monitor and track them as the project’s success is dependent upon them.

Step 7: Define indicators at all levels of the results chain

Indictors are measures of performance. They help measure outcomes and outputs, adding greater precision and ensuring that the informed decision-making is taken through the relevant data.

Defining indicators is a vital exercise at the time of planning. The PC-1 form also has a section on Results Based Monitoring Indicators which needs to be filled.

RBM in PC-1 Form

12 (b) Results Based Monitoring Indicators

S.No.	Input	Output	Outcome		Target Impact
			Baseline Indicator	Targets After Completion of Project	
1					
2					
3					
4					
5					
6					

Types of Indicators

Indicators are generally stated in terms of Quantity, Quality, Time. *Quantitative indicators* are represented by a number, percentage or ratio. In contrast, *qualitative indicators* measure quality and often are based on perception, opinion or levels of satisfaction. Time indicators are stated in terms of time. Examples of these types of indicators are given below:

Quantitative Indicators	Qualitative Indicators	Time Indicators
• 500 women in decision-making positions • employment levels increased by 5 % • wage rates increased by Rs.2000 • literacy rates taken up to 90% • Wheat yields increased by X Maunds	• women's perception of empowerment • satisfaction with employment or school • quality of life • degree of confidence in basic literacy	• Wage rates increased by 10% by December 2018 • Literacy rates taken up to 90% within 3 years i.e. by December 2020 • Wheat yield increased by X Maunds by the end of 2018 Harvest

Baseline and Target Indicators

For a results matrix to be comprehensive and effective the planners have to ensure that both baseline and target indicators are identified.

Baseline is the status of the indicator at the beginning of a programme or project that acts as a reference point against which progress or achievements can be assessed. A typical baseline indicator in a primary education programme might be the enrolment rate at the beginning of the project, such as 90 percent of school-aged children enrolled in school.

The **target** is what one hopes to achieve. The target in the case of a primary education project might be reaching 100 percent enrolment for school-aged children.

Selection of indicators

Selection of an indicator is one of the most important exercises at the planning stage as that will help in effective and efficient monitoring and evaluation of the project throughout its life cycle. As such, the indicators are only required to have a right mix of quantitative and qualitative aspects but also should appropriately represent the various geographic, ethnic, gender and social dimensions of the society.

Indicators selection should be based on the SMART principle.

Indicators for M&E should be SMART

- 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 8: Define the means of verification

In order to establish what has been accomplished in the project, there is a need to verify the achievements. The verification is done through various sources of information and is extremely important as the success and failure of the objectives of the project depend on them.

For example, if the objective of the project is "Farmer income raised by X% in 20...." how can this be verified after the project has delivered on all of its outputs. One way could be to carry out a survey. If that is decided that there would be a need to add some action steps to the Activities List as well as the budget, it must be added to the budget. An indicator can only be used if the data required to verify the indicator can be collected at reasonable cost and effort. If the verification is impossible or too costly, the indicator has to be replaced by the one which is easier and/or cheaper to verify.

A brief checklist for validating the robustness of the indicators is given below.

CHECKLIST FOR VALIDATING INDICATORS	YES	NO
The definition of indicators has involved those who performance will be measured		
Those whose performance will be judged by the indicators will have confidence in them		
The indicator describes how the achievement of the result will be measured		
Each and every variable included in the indicator statement is measurable with reasonable cost and effort		
The indicator can be disaggregated by sex, ethnicity or social condition.		
A baseline current value can be provided for each and every variable in the indicator statement		
There is a target during a specified timeframe for each and every variable in the indicator		
The indicator is not repeated in any of the results below or above the results framework		

RBM Handbook, UNDG

Step 9: Identify the indicative resources

Indicative resources mean estimate of the resources required for the project. It is vital that budgeting and allocation of resources is done on the basis of requirements for achieving the desired results.

Step 10: Develop a detailed budget linking it with the activities and outputs

In order to ensure that the listed activities and outputs can be achieved there is a need to develop a detailed budget disaggregated and allocated at all levels of the results matrix. Thus, each output would be assigned a budget which would be bifurcated for each activity under that output.

Annexure 16 – Format of Working Paper for DDWP

SECTOR:
SUB SECTOR:

1.	**Project Title:**						
	ADP # / UID #						
2.	**Location:**						
3.	**Authorities Responsible;**						
(i)	**Sponsoring Agency**						
(ii)	**Executing Agency**						
(iii)	**Operation & Maintenance**						
4.	**Date of Receipt in P&D:**						
5.	**Cost of Project:** (Rs in Million) **Exchange Rate** 1US$ = Rs---- (as per PC-1) 1US$ = Rs---- (current rate)	**Source**	**Local**		**FPA**	**Total**	**FEC**
			GoP	**GoS**			
		Original					
		Revised					
		2nd Revised					
6	**Expenditure Incurred** (if any)						
7.	**Period of Implementation**						
8.	**Plan Framework:**						
(i)	**ADP Allocation** *(CFY):*						
(ii)	**Sector Strategy:**						
(iii)	**Sector issues with relationship of the project:**						
9.	**Project's Objectives and Brief Description:**						
10	**Result Based Monitoring (RBM) Indicators**						

	Input/ Activity	Output	Outcome		Targeted Impact
			Baseline Indicator	Target after completion	
(i)					
(ii)					
(iii)					

11	**Major Financial / Economical / Environmental Indicators:**			
	BCR	FIRR	EIRR	EIA

12	**Capital Cost** (Summary of the Project Cost):		**(Rs. In Million)**
	A.	**Capital Cost component**	
	i		
	ii		
		Sub-Total Capital	
	B.	**Revenue Component**	
	i		
	ii		
		Sub-Total Revenue	
		Total (Capital + Revenue)	

13	**In case of Revised Project;**
(i)	**Comparison of cost estimates of the last sanctioned and revised project** (This information may be attached on prescribed format as Annexure-I)

Item #	**Last Sanction Project**			**Revised Proposal**		**Total**		
	Unit	**Rate**	**Total**	**Work Done**	**To be Done**	**Unit**	**Rate**	**Total**

(ii)	**Comments of Technical Section on reasons for revision**

14	**Status of Pre-PDWP:** a. Date of Pre-PDWP b. Date of Receipt of Modified PC-I (if required): c. Status of compliance against observations of Pre-PDWP/TCM		
	Sr #	**Observation of Pre-PDWP:**	**Compliance Status:**
	Comments of Technical Section on status of compliance		

15. Additional Comments of Technical Section (if any):

i. xxx

ii. yyy

16. Conclusion / Recommendations:

Annexure 17 – Format of Working Paper for Pre-PDWP

GOVERNMENT OF SINDH
PLANNING AND DEVELOPMENT DEPARTMENT

WORKING PAPER FOR PRE-PDWP

SECTOR:
SUB SECTOR:

PART-A
(Project Profile)

1.	**Project Title:**						
	ADP # / UID #						
2.	**Location:**						
3.	**Authorities Responsible for;**						
	(i) Sponsoring Agency						
	(ii) Executing Agency						
	(iii) Operation & Maintenance						
4.	**Date of Receipt of PC-1 in P&D:**						
5.	**Cost of Project:** (Rs in Million)		**Local**		**FPA**	**Total**	**FEC**
		Source →	**GoP**	**GoS**			
	Exchange Rate 1US$ = Rs---- (as per PC-1) 1US$ = Rs---- (current rate)	**Original**					
		Revised					
		2nd Revised					
7.	**Expenditure Incurred (if any)**						
8.	**Period of Implementation**:						
9.	**Plan Framework:** a) **ADP Allocation** *(CFY):*						
	b) **Sector Strategy:**						
	c) **Sector issues with relationship of the project:**						

<table>
<tr><td>10.</td><td colspan="9">Project’s Objectives and Brief Description:</td></tr>
<tr><td>11.</td><td colspan="9">Implementation Arrangement:</td></tr>
<tr><td>12.</td><td colspan="9">Result Based Monitoring (RBM) Indicators</td></tr>
<tr><td></td><td>Input/Activity</td><td>Output</td><td colspan="2">Outcome</td><td>Targeted Impact</td></tr>
<tr><td></td><td></td><td></td><td>Baseline Indicator</td><td>Target after completion</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>13.</td><td colspan="9">Outcome of Stakeholders Consultation:</td></tr>
<tr><td>14.</td><td colspan="2">Breakdown of the Project Cost</td><td>(Rs. In Million)</td></tr>
<tr><td></td><td>A.</td><td>Capital Cost component</td><td></td></tr>
<tr><td></td><td>i</td><td></td><td></td></tr>
<tr><td></td><td>ii</td><td></td><td></td></tr>
<tr><td></td><td></td><td>Sub-Total Capital</td><td></td></tr>
<tr><td></td><td>B.</td><td>Revenue Component</td><td></td></tr>
<tr><td></td><td>i.</td><td></td><td></td></tr>
<tr><td></td><td>ii</td><td></td><td></td></tr>
<tr><td></td><td></td><td>Sub-Total Revenue</td><td></td></tr>
<tr><td></td><td></td><td>Total (Capital + Revenue)</td><td></td></tr>
<tr><td>15.</td><td colspan="9">Physical and Financial Scheduling:
A. Physical Scheduling:</td></tr>
<tr><td></td><td>S #</td><td>Physical Activities</td><td>Unit</td><td>Year-1</td><td>Year-2</td><td>Year-3</td><td>Year-4</td><td>Total</td></tr>
<tr><td></td><td>A</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>i</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>ii</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Iii</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td colspan="9">B. Financial Scheduling: Rs. In Million</td></tr>
<tr><td></td><td>S #</td><td>Financial Phasing (Cost Items)</td><td>Year-1</td><td>Year -2</td><td>Year-3</td><td>Year-4</td><td>Total</td></tr>
<tr><td></td><td>i</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Ii</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>Total</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

16.	Status of Feasibility Study/PC-II	Conducted In-House	Conducted Through Consultants
	Give recommendations / findings of the feasibility		
17.	**In Case of Revised Project;** (please annex this information and hyperlink)		
	(i) Comparison of cost estimates of the last sanctioned and revised project		

Item	Last Sanction			Revised Proposal		Total		
	Unit	Rate	Total	Work Done	To be Done	Unit	Rate	Total
(a)								
(b)								

(ii) Reasons for Revision for each Activity;

a.

b.

(iii) Total expenditure incurred for each item;

a.

b.

(iv) Physical Progress Achieved;

As per last sanction	Actual achievement	Reasons for delay

(v) Comments of Technical Section on reasons for revision

18. Overall Unit Cost with Basis of Cost Estimates:

19. Sustainability of the Project:

a. Annual recurring expenditure after completion (source of financing)
b. Income Generation (if any):

20. Requirement of Vehicles:

Sr. No	Make and Model of vehicles	Existing owned by the Executing Agency	Requirement under the project	Justifications for additional requirement

21. Existing Facilities:

Sr. No	Facilities/ Inputs/ Services	Existing with Executing Agency	Requirement under the project	Justifications for additional requirement

22. Ownership of project assets after completion:

Sr. No	Assets Description	Ownership to be transferred to	Justification

23. Map & elevation of buildings (for civil works only):

24. Other relevant on-going and potential projects in the Sector:

PART-B
(Technical Appraisal)

25. Appraisal by the Technical Section

Sr. #	Observation of Technical Section	Response of Sponsor	Follow-up Comments
	Comments of Other Section (if any)		

PART – C
(Project Cost & Benefit Analysis)

26. Comments offered on Technical / Financial / Economic / Social / Environmental aspects are as under:

i. **Technical:**

ii. **Financial:**

iii. **Economic**

iv. **Social:**

v. **Environmental:**

vi. **Results of Analysis:**

27. Other issues (if any):

Risks and mitigation measures:

28. Conclusion / Recommendations:

Annexure 18 – Format of the Working Paper for PDWP

GOVERNMENT OF SINDH

PLANNING AND DEVELOPMENT DEPARTMENT

WORKING PAPER FOR PDWP

SECTOR:
SUB SECTOR:

<table>
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ADP # / UID #</td><td colspan="5"></td></tr>
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<tr><td>3.</td><td colspan="2">Authorities Responsible for;</td><td colspan="5"></td></tr>
<tr><td>(i)</td><td colspan="2">Sponsoring Agency</td><td colspan="5"></td></tr>
<tr><td>(ii)</td><td colspan="2">Executing Agency</td><td colspan="5"></td></tr>
<tr><td>(iii)</td><td colspan="2">Operation & Maintenance</td><td colspan="5"></td></tr>
<tr><td>4.</td><td colspan="2">Date of Receipt in P&D:</td><td colspan="5"></td></tr>
<tr><td rowspan="5">5.</td><td rowspan="5">Cost of Project: (Rs in Million)
Exchange Rate
1US$ = Rs---- (as per PC-1)
1US$ = Rs---- (current rate)</td><td rowspan="2">Source</td><td colspan="2">Local</td><td rowspan="2">FPA</td><td rowspan="2">Total</td><td rowspan="2">FEC</td></tr>
<tr><td>GoP</td><td>GoS</td></tr>
<tr><td>Original</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Revised</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>2nd Revised</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>7.</td><td colspan="2">Expenditure Incurred (if any)</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>14.</td><td colspan="2">Period of Implementation</td><td colspan="5"></td></tr>
<tr><td>15.</td><td colspan="2">Plan Framework:</td><td colspan="5"></td></tr>
<tr><td>(i)</td><td colspan="2">ADP Allocation (CFY):</td><td colspan="5"></td></tr>
<tr><td>(ii)</td><td colspan="2">Sector Strategy:</td><td colspan="5"></td></tr>
<tr><td>(iii)</td><td colspan="2">Sector issues with relationship of the project:</td><td colspan="5"></td></tr>
<tr><td>16.</td><td colspan="7">Project's Objectives and Brief Description:</td></tr>
<tr><td>17.</td><td colspan="7">Result Based Monitoring (RBM) Indicators</td></tr>
</table>

<table>
<tr><td rowspan="2"></td><td rowspan="2">Input/Activity</td><td rowspan="2">Output</td><td colspan="2">Outcome</td><td rowspan="2">Targeted Impact</td></tr>
<tr><td>Baseline Indicator</td><td>Target after completion</td></tr>
<tr><td>(i)</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>(ii)</td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

18.	**Major Financial / Economical / Environmental Indicators:**			
	BCR	FIRR	EIRR	EIA

19.	**Capital Cost** (Summary of the Project Cost):		**(Rs. In Million)**
	A.	**Capital Cost component**	
	i		
	ii		
		Sub-Total Capital	
	B.	**Revenue Component**	
	i		
	ii		
		Sub-Total Revenue	
		Total (Capital + Revenue)	

20.	**In case of Revised Project;**
(i)	**Comparison of cost estimates of the last sanctioned and revised project** (This information may be attached on prescribed format as Annexure-I)

Item #	Last Sanction Project			Revised Proposal		Total		
	Unit	**Rate**	**Total**	**Work Done**	**To be Done**	**Unit**	**Rate**	**Total**

(ii)	**Comments of Technical Section on reasons for revision**
15.	**Status of Pre-PDWP / TCM:** **a. Date of Pre-PDWP/TCM** **b. Date of Receipt of Modified PC-I (if required):** **c. Status of compliance against observations of Pre-PDWP/TCM**

	Sr #	**Observation of Pre-PDWP/TCM:**	**Compliance Status:**
	Comments of Technical Section on status of compliance		

17. Additional Comments of Technical Section (if any):

i. xxx
ii. yyy
iii. abc

18. Conclusion / Recommendations

Annexure 19 – District Development Committee Sindh

GOVERNMENT OF SINDH
SERVICES, GENERAL ADMINISTRATION
AND CO-ORDINATION DEPARTMENT
Karachi, dated the 29th January, 2020

NOTIFICATION

NO:SO (C-IV) SGA&CD/4-54 (B)/11: In supersession of this department's Notification of even number dated 29-11-2011, and With the approval of the Competent Authority i-e, Chief Minister Sindh, a District Development Committee (DDC) is hereby re-constituted for implementation of District Development Scheme, with the following composition and TORS:-

1.	Deputy Commissioner	Chairman
2.	District Accounts Officer	Member
3.	Executive Engineer concerned	Member
4.	Assistant Director Local Government	Member
5.	Concerned District Officer	Member
6.	Public Representative to be nominated by the Chief Minister	Member

Terms of Reference:

a) The District Development Scheme (DDC) shall have the power to approve the development schemes of the district up to Rs. 40 million

b) Deputy Commissioner shall be the Project Director of the Development Schemes of the concerned District.

2. The mechanism for implementation of District Development Portfolio for Karachi Division shall be notified separately.

MUMTAZ ALI SHAH
CHIEF SECRETARY SINDH

NO:SO(C.-IV)SGA&CD/4-54(B)/11: **Karachi, dated the 29th Janurary,2020.**

Copy is forwarded for information & necessary action to:-

- The Chairman, P&D Board, Govt. of Sindh, Karachi.
- The Principal Secretary to Governor Sindh, Karachi.
- The Principal Secretary to Chief Minister Sindh. Karachi.
- The Administrative Secretaries to Government of Sindh (all).
- The Chairman / Members (all) of the District Development Committee.
- The Deputy Secretary (Staff) to Chief Secretary, Sindh, Karachi
- P.S. to Chief Secretary Sindh, Karachi.
- P.S. to Secretary (I&C), SGA &CD. Government of Sindh, Karachi.
- Master file.

(ABDUL WAJID KHAN)
SECTION OFFICER (C-IV)

Annexure 20 – Divisional Development Board, Sindh

GOVERNMENT OF SINDH
SERVICES, GENERAL ADMINISTRATION
AND CO-ORDINATION DEPARTMENT
Karachi, dated the 29th January, 2020

NOTIFICATION

NO:SO (C-IV) SGA&CD/4-54 (A)/11: In supersession of this department's Notification of even number dated 29-11-2011, and With the approval of the Competent Authority i-e, Chief Minister Sindh, a District Development Board (DDB) is hereby re-constituted for implementation of District Development Scheme, with the following composition and ToRs:-

1.	Divisional Commissioner	Chairman
2.	Deputy Commissioner of the Division	Member
3.	District Accounts Officer of the respective District	Member
4.	Superintending Engineer concerned	Member
5.	Concerned Regional / Divisional Officer	Member
6.	Director Local Government	Member
7.	Public Representative to be nominated by the Chief Minister	Member

Terms of Reference:

i) The District Development Board (DDB) shall have the power to approve the development schemes of the Division up to Rs. 60 million

ii) The DDB shall be responsible for overall supervision and monitoring of the Development Schemes of Division.

2. The mechanism for implementation of District Development Portfolio for Karachi Division shall be notified separately.

MUMTAZ ALI SHAH
CHIEF SECRETARY SINDH

NO:SO(C.-IV)SGA&CD/4-54(A)/11: **Karachi, dated the 29th Janurary,2020.**

Copy is forwarded for information & necessary action to:-

- The Chairman, P&D Board, Govt. of Sindh, Karachi.
- The Principal Secretary to Governor Sindh, Karachi.
- The Principal Secretary to Chief Minister Sindh. Karachi.
- The Administrative Secretaries to Government of Sindh (all).
- The Chairman / Members (all) of the District Development Board.
- The Deputy Secretary (Staff) to Chief Secretary, Sindh, Karachi
- P.S. to Chief Secretary Sindh, Karachi.
- P.S. to Secretary (I&C), SGA &CD. Government of Sindh, Karachi.
- Master file.

SECTION OFFICER (C-IV)

Annexure 21 – Departmental Development Working Party (DDWP)

GOVERNMENT OF SINDH
PLANNING & DEVELOPMENT DEPARTMENT
No. PO/P&D/(DEV.)/ADP 2022-23
Karachi dated the June 29, 2022

NOTIFICATION

In supersession to all previous notifications issued from time to time for approval of the development schemes included in Annual Development Program (ADP), and in pursuance of the decision taken during pre-Budget Cabinet meeting held on June 14, 2022, Government of Sindh is pleased to enhance the sanctioning powers of Departmental Development Working Party (DDWP) from Rs.100.0 million to Rs.200.0 million (non-recurring) with immediate effect till further orders subject to provision in ADP as per terms and conditions contained in this notification.

The composition and functions of the DDWP as per provision of Planning Manual is reproduced as under: -

(i)	Secretary / Principal Accounting Officer (PAO)	Chairman
(ii)	Chief of the section concerned of the Planning & Development Department	Member
(iii)	Representative from the Finance Department (not below the rank of Deputy Secretary)	Member
(iv)	Representative from Engineering Department not below the rank of BS-19	Member
(v)	Officer concerned dealing with Development matter in concerned Line Department not below rank of BS-18/19	Member/Secretary
(vi)	Any Co-opted member	Member

Functions:-

i. To scrutinize and approve the locally funded development schemes included in ADP,
ii. Sponsor Department to furnish soft copies of PC-I on-line,
iii. Sponsor Department to share working papers at least 3 working days in advance to all members,
iv. Sponsor Department to restrict to keep maximum 15 schemes in agenda of single DDWP meeting.
v. Sponsor Department to ensure that schemes have been prepared on sound lines and that necessary economic, financial, and technical scrutiny has been carried out,
vi. In case of serious reservation, the department fails to comply with the guidelines of P&DD, the schemes considered shall not be approved and brought before PDWP forum,
vii. It shall be mandatory for respective Chief of P&D Department and representative of Finance Department to attend DDWP meeting, no meeting will be held without their participation,
viii. Minutes of each meeting should be recorded and circulated within 3 working days to all members including those who attended meeting,
ix. Hard copy PC-I of scheme finally approved by DDWP will promptly be furnished to P&DD and Finance,

x. Any other guidelines given by Planning Manual should be complied.

(SYED HASSAN NAQVI)
CHAIRMAN (P&D BOARD)

No. PO/P&D/(DEV.)/ADP 2022-23 Karachi dated the June 29, 2022

A copy is forwarded for information, to:

- The Secretary, PD&SI, Pak Secretariat, Block "P" Government of Pakistan, Islamabad.
- The Principal Secretary to Chief Minister, Sindh, CM's Secretariat, Karachi
- The Administrative Secretaries to Govt. of Sindh (All) ________________________
- The Members (All), Planning & Development Board, GoS, Karachi.
- The Sr. Chief / Chief / Section Incharge, P&D Department GoS, (All) _________.
- The Commissioners / Deputy Commissioners of Sindh (All) _____________________________
- The Deputy Secretary (Staff) to Chief Secretary Sindh, Karachi

C.C. to :-

- ✓ The P.S. to Secretary (Planning), P&DD
- ✓ The P.S. to Chief Economist, P&DD
- ✓ The PSO to Chairman, P&D Board, Sindh

(IMRAN SIBTAIN)
SECTION OFFICER(ADMN.I)

Annexure 22 – Pre-Provincial Development Working Party (Pre-PDWP)

GOVERNMENT OF SINDH
PLANNING & DEVELOPMENT DEPARTMENT
No. PO/P&D/(DEV.)/ADP 2022-23
Karachi dated the June 23, 2022

NOTIFICATION

No. SO(ADMN-I)(P&D)12(149)/2016: In supersession of this department's Notification of even number dated October 18^{th} 2021, the formation of Technical Committee of Provincial Development Working Party (PDWP) is hereby reconstituted as Pre-PDWP.

2/- The Member / Supervising Officer, P&D Board of the Technical Section of Planning & Development Department shall head the Pre-PDDWP are given as under:-

1	Member / Supervising Officer, P&D Board (Concerned)	Chairman
2	Representatives of concerned line Department/Executing Agency, GoS (Not below the rank of BS-19 / Additional Secretary)	Member
3	Representative from other Technical Section of P&DD or from other department relating to the subject matter (on need basis)	Member
4	Senior Chief/ Chief of concerned Section, P&D Department	Secretary

TERMS OF REFERENCE (TORs):-

i. To scrutinize/ technical and economic appraisal of the development schemes
ii. To obtain missing data / information (if any) from concerned line department and executing agency as per requirement of per PC-I format.
iii. To recommend the development scheme along with technical inputs/ suggestions to PDWP for consideration.
iv. Pre-PDWP forum can co-opt any officer for assistance.

(SYED HASSAN NAQVI)
CHAIRMAN, P&D BOARD SINDH

No. SO(ADMN-I)(P&D)12(149)/2016 **Karachi , 28^{TH} June 21, 2022**

A copy is forwarded for information and necessary action to:

1. The Principle Secretary to Chief Minister, Sindh, C.M. Secretariat, Karachi.
2. The Administrative Secretaries to Govt. of Sindh (All) ______________________

3. The Members (All), P&D Department, GoS, Karachi.
4. The Sr. Chiefs/ Chiefs (All), P&D Department, GoS, Karachi.

C.C.

- ✓ The PS to Chairman, P&D Department, GoS, Karachi.
- ✓ The PS to Secretary (Planning), P&D Department, GoS, Karachi.
- ✓ The PS to Chief Economist, P&D Department, GoS, Karachi.
- ✓ The Deputy Secretary (Staff) to Chief Secretary Sindh, Karachi
- ✓ Master/ Notification File

(IMRAN SIBTAIN)
SECTION OFFICER (ADMIN-I)

Annexure 23 – Provincial Development Working Party (PDWP)

GOVERNMENT OF SINDH
PLANNING & DEVELOPMENT DEPARTMENT

NOTIFICATION

No.SO(Admn-I)/P&D/12(149)/ 2016: Consequent upon creation of Planning & Development Board, Sindh vide Services, General Administration & Coordination Department's Notification No.SO(C-IV)SGA&CD/4-14/09(P-V), dated 13.01.2017 and in supersession of all Notifications/Orders issued by any department in this behalf, from time to time, the Government of Sindh are pleased to re-constitute the Provincial Development Working Party (PDWP) as under :-

1.	Chairman, P&D Board, Sindh	Chairman
2.	Secretary, Finance Department	Member
3.	Secretary (Planning), P&D	Member
4.	Administrative Secretary (concerned)	Member
5.	Member Energy & Infrastructure , P&D	Member
6.	Member (Services), P&D	Member
7.	Chief Economist, P&D	Member
8.	Sr. Chief/Chief of Section (concerned) P&D	Member/Secretary

2. Mandate of the PDWP shall remain the same i.e. approval of all development schemes costing up to R.10, 000.00 Million for the schemes exclusively funded from provincial resources. PDWP will consider schemes included in provincial ADP above the sanctioning limit of DDWP and all non-ADP schemes irrespective of their cost. PDWP will also consider and clear the schemes which include foreign project assistance and federally funded schemes for further consideration and approval of CDWP/ECNEC.

CHAIRMAN
PLANNING & DEVELOPMENT BOARD

No. SO(Admn-I)/P&D/12(149)/2016 Karachi dated 14th July, 2017

A copy is forwarded to:

1. The Additional Chief Secretaries (all), Govt. of Sindh, Karachi.
2. The Principal Secretary to Governor, Sindh, Karachi.
3. The Principal Secretary to Chief Minister, Sindh, Karachi.
4. The Senior Member, Board of Revenue, Sindh, Karachi.
5. The Chairman, Enquiries & Anti-Corruption, Establishment Sindh, Karachi.
6. The Chairman, Chief Minister's Inspection, Enquiries & Implementation Team.
7. The Secretary, Provincial Ombudsman Secretariat, Karachi.
8. The Administrative Secretaries (all), Govt. of Sindh
9. The Members, P&D Board, Sindh (all)
10. The Accountant General, Karachi.

11. The Commissioners (all) in Sindh.
12. Head of the Attached Departments/Office of P&D
13. The Chief Economist, P&D, Govt. of Sindh.
14. The Senior Chief/Chief of Section, P&D(all)
15. The Collectors/Deputy Commissioners (all) in Sindh.
16. All Project/Program Director/Coordinators under P&D.
17. The Deputy Secretary (Staff) to Chief Secretary Sindh, Karachi.
18. The Director (Public Relations) to Chief Secretary Sindh, Karachi.
19. The Publisher, Sindh Govt. Printing Press, Karachi.
20. The Private Secretary to Minister P&D, Sindh. 2
21. The Private Secretary to Chief Secretary Sindh Karachi.
22. The Private Secretary to Chairman, P&D Board.
23. Office Order File.

(IMRAN SIBTAIN)
Section Officer (Admin-1)

Annexure 24 – Central Development Working Party (CDWP)

GOVERNMENT OF PAKISTAN
MINISTRY OF PLANNING, DEVELOPMENT & REFORM
(Public Investment Authorization Section)
*****

No. 20(I) PIA-1/PC/2021

Islamabad the 15th December, 2021

1 Chairman, Planning & Development Board, Government of the Punjab, Lahore

2 Chairman Planning and Development Board, Government of Sindh, Karachi

3 Additional Chief Secretary (Dev) Planning & Development Department Government of Khyber Pakhtunkhwa, Peshawar

4 Additional Chief Secretary (Dev) Planning & Development Department Government of Balochistan, Quetta

5 Additional Chief Secretary (Dev) Planning & Development Department Govt. of AJ&K, Muzaffarabad

6 Additional Chief Secretary (FATA) Civil Secretariat. (FATA) P&D Department. Peshawar

7 Secretary, Planning & Development Department, Gilgit — Baltistan, Gilgjt

Subject: **<u>COMPOSITION OF CENTRAL DEVELOPMEN WORKING PARTY (CDWP)</u>**

I am directed to refer to this Ministry's letter of even number dated 23rd January, 2015 and to say that the Deputy Chairman, Planning Commission has been pleased to approve the revised composition of CDWP as per following:

S.no	**Designation**	**Status**
1	Deputy Chairman, Planning Commission	Chairman
2	Chairman, Planning & Development Board, Government of the Punjab, Lahore	Member
3	Chairman, Planning & Development Board, Government of the Sindh, Karachi	Member
4	Additional Chief Secretary (Dev) Planning & Development Department Government of Khyber Pakhtunkhwa, Peshawar	Member
5	Additional Chief Secretary (Dev) Planning & Development Department Government of Balochistan, Quetta	Member
6	Additional Chief Secretary (Dev) Planning & Development Department Govt. of AJ&K, Muzaffarabad	Member
7	Additional Chief Secretary (Development), Gilgit — Baltistan, Gilgjt	Member
8	Representative of Finance Division, Government of Pakistan, Islamabad (not below AS/Sr.JS)	Member
9	Representative of Economics Affairs Division, Government of Pakistan, Islamabad (not below AS/Sr JS)	Member

10	Representative of Climate Change Division, Government of Pakistan, Islamabad (not below AS/Sr JS)	Member
11	Representative of Ministry of Housing& Works, Government of Pakistan, Islamabad (not below AS/Sr JS)	Member
12	Chairman, Pakistan Council of Science & Technology, Islamabad	Member
13	Chief Statistician, Pakistan Bureau of Statistics	Member
14	Relevant Federal Ministry (Secretary/In charge)	Member
Planning Commission/Ministry of Planning, Development & Specail Initiatives		
1	Secretary	
2	Additional Secretary (Dev &SI)	
3	Chief Economist	
4	All Member, Planning Commission	
5	Vice Chancellor,PIDE	
6	Joint Chief Economist (Economic Policy)	
7	Joint Chief Economist (Operations)	
8	Sr. Chief (Tech)/Chief (PP&H)	
9	Chief, Public Investment Programming (PIP)	
10	Chief, Public Investment Authorization (PIA)	
11	Chief, Economic Appraisal / Chief, Employment & Research Section	
12	Chief, Foreign Assistance Section	
13	Chief, Governance Section	
14	Chief, SDGs Section	
15	Director General , PPMI	
16	Director General , (Evaluation) Projects Wing	
17	Director General , (Monitoring) Projects Wing	
18	Chief of concerned Technical Section of MPD&SI	
By Special Invitation		
1	Representative of Pakistan Engineering Council (PEC)	
2	Director General, Board of Investment	
3	Chief Executive Officer, PPPA	
4	Director General , Environment Protection Agency	
5	Advisor, (Climate Change), MPD&SI	
6	Advisor, (Water), MPD&SI	

2. It may be noted that Ministries/Divisions /Executing Agencies should be represented at least by Additional Secretary (BS-21) or equivalent.

3. The earlier composition conveyed vide letter of even number dated 23rd January, 2015 may be treated as suspended

`

(Hafiz Shahid Abbas)
Chief
Tel:9205755

Distribution;

I. All Federal Secretaries/Additional Secretaries (in charge) Ministries/Divisions
II. All Members of the CDWP
III. Sr. Chief /Chiefs/Head of Technical Sections, MPD&SI, Islamabad

Copy for information to:

I. Director to the Minister , PD&SI, Islamabad
II. SO to Deputy Chairman, Planning Commission
III. SPS to Secretary, MPD&SI, Islamabad
IV. APS to JCE (Ops), MPD&SI, Islamabad
V. All officers of PIA Section, MPD&SI, Islamabad

Annexure 25 – Charter of Functions & Composition of ECNEC

**EXECUTIVE COMMITTEE OF THE
NATIONAL ECONOMIC COUNCIL (ECNEC)**

CHARTER OF FUNCTIONS

i) To sanction development schemes (in the Public Sector) pending their submission to the National Economic Council.

ii) To allow moderate changes in the plan and sectoral re-adjustments within the over-all plan allocation.

iii) To supervise the implementation of the economic policies laid down by the Cabinet and the National Economic Council.

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 National Economic Council, the CCI or the Cabinet or raised by a member in the committee with the permission of the Chairman

TO BE PUBLISHED IN THE GAZETTE OF PAKISTAN EXTRAORDINARY

GOVERNMENT OF PAKISTAN
CABINET SECRETARIAT
(CABINET DIVISION)

Islamabad, the 30th September, 2022

NOTIFICATION

No.F.5/2/2022-Com.- In supersession of Cabinet Division's earlier Notification of even number dated 20th June, 2022, and in terms of rule 22(5) of the Rules of Business, 1973, the Prime Minister has been pleased to re-constitute the Executive Committee of the National Economic Council (ECNEC). The **Composition of the ECNEC** shall be as under

(i) Senator Muhammad lshaq Dar, Minister for Finance & Revenue (Chairman)

(ii) Mr. Ahsan lqbal, Minister for Planning, Development & Special lnitiatives (Member)

(iii) Syed Naveed Qamar, Minister for Commerce (Member)

(iv) Mr. Asad Mehmood, Minister for Communications (Member)

(v) Mr. Muhammad Mohsin Leghari, Finance Minister, punjab Senator Nisar Ahmed Khuhro, Sindh (Member)

(vi) Mr. Taimur Saleem Khan Jhagra, Minister for Finance, Khyber Pakhtunkhwa (Member)

(vii) Mr. Noor Mohammed Dummar, Senior Minister planning and Development Department, Balochistan (Member)

Bv Special lnvitation

(viii) Deputy Chairman, Planning Commission (when appointed)

(ix) Secretary, Economic Affairs Division

(x) Secretary, Finance Division.

(xi) Secretary, Ministry of Planning, Development & Special lnitiatives

(xii) Chairman, Planning & Development Board, punjab

(xiii) Chairman, Planning & Development Board, Sindh

(xiv) ACS, Planning & Development Department, Khyber Pakhtunkhwa

(xv) ACS, Pla2nning & Development Department, Balochistan

2. other officers of the Federal and Provincial Governments as well as of the Government of AJ&K, Gilgit-Baltistan shall be invited to the meetings of ECNEC on need basis.

3. The Terms of Reference (ToRs) of the ECNEC will remain the same as notified vide Cabinet Division's Notification No.F.5/2/2018-Com dated 22-09-202L (copy enclosed).

syed ayaz anwar)
Deputy Secretary, (Cabinet Committee)

The Manager,
Printing Corporation of pakistan press, lslamabad
Copy forwarded for information to:

All Members and Special lnvitees of Executive Committee of the Nationat Economic Council Secretary to the president Secretary to the Prime Minister

All secretaries/Additional secretaries-in-charge of Ministries/Divisions chief secretaries of the provinces, AJ&K and Gilgit-Baltistan Principal information officer

Annexure 26 – Revision of Sanctioning Powers of ECNEC, CDWP & DDWP

Government of Pakistan

Planning Commission

Ministry of Planning, Development and Special Initiatives

(Public Investment Authorization Section)

****

1. Chairman,
   Planning & Development Board
   Government of the Punjab **Lahore**
2. Chairman,
   Planning & Development Board
   Government of Sindh, **Karachi**
3. Additional Chief Secretary, (Dev)
   Planning & Development Department
   Government of Khyber Pakhtunkhwa
   Peshawar
4. Additional Chief Secretary, (Dev)
   Planning & Development Department
   Government of Baluchistan,
   Quetta
5. Additional Chief Secretary (Dev)
   Planning & Development Department
   Government of AJK, **Muzaffarabad**
6. Secretary,
   Planning & Development Department
   Government of Gilgit-Baltistan,
   Gilgit

Subject: REVISION OF SANCTIONING POWERS OF VARIOUS DEVELOPMENT FORA AT FEDERAL LEVEL (ECNEC, CDWP & DDWP)

The National Economic Council (NEC) in its meeting held on 8th June, 2022 considered the summary submitted by the Ministry of Planning, Development and Special Initiatives and took the following decision:

"The National Economic Council considered the summary dated 08th June, 2022 submitted by the Ministry of Planning, Development and Special Initiatives titled, "Revision of Sanctioning Powers of Various Development Fora at Federal Level (ECNEC, CDWP & DDWP)" and approved the proposal contained in the summary regarding revised/proposed sanctioning powers of development fora at Federal level."

2. Accordingly, the revised sanctioning powers of various development fora at Federal Level as approved by the NEC stands revised as per following:

Forum	Sanctioning Powers (Rs. In million)
Executive Committee of the National Economic Council (ECNEC)	Above Rs. 7,500
Central Development Working Party (CDWP)	Above Rs.1,000 Up to Rs. 7,500
Departmental Development Working Party (DDWP)	Up to Rs. 1,000

3. The composition and functions of Federal Level DDWP circulated vide this Ministry's letter No. 20(1)/PIA-I/PC/2019 dated 23.09.2019 would remain the same.

(Hafiz Shahid Abbas)
Chief (PIA)

Copy forwarded to:

1. All Federal Secretaries/ In charge of Ministries/Divisions.
2. Sr. Joint Secretary (Cabinet Committees), Cabinet Division, Islamabad

CC:

i. All Members, Planning Commission, Islamabad JCE (Ops), JCE (E.P), MPD&SI, Islamabad
ii. All Sr. Chief/Chiefs/Deputy chiefs (In charge), of Technical /Economic Sections. MPD&SI, Islamabad.
iii. Chief Plan Coordination Section, MPD&SI, Islamabad
iv. Director to Minister for PD&SI/Deputy Chairman, Planning Commission, Islamabad
v. SPS to Secretary, MPD&SI, Islamabad
vi. PS to Additional Secretary (D&SI), MPD&SI, Islamabad.

Annexure 27 – Proposal for Project Concept Clearance

GOVERNMENT OF PAKISTAN PLANNING COMMISSION		
1.	**Name of the Project:**	
2.	Sponsoring Agency:	
3.	Executing Agency:	
4.	Location:	
5.	Brief Description and Scope:	
6.	Period of Implementation:	
	Planned Commencement Date:	
	Expected Completion Date:	
7.	Cost (In Million Rupees) (i) Local (ii) Foreign Total	
8.	Financial Plan	
	(i) Government Contribution	
	(a) Through Budgetary Resources: (i) Federal PSDP (ii) Provincial PSDP (iii) SDP	
	(b) Through Non-budgetary Resources (i.e. Self Funding, Bank Borrowing, equity etc.)	
	(ii) Foreign Contribution: (a) Amount of Technical Assistance,	

	(b) Amount of Capital Assistance, (Specify whether grant or loan)	
	Total (a + b) % age of Total Cost	
	(c) Name of Possible Donor agency / country. (Indicate whether any contact already established)	
9.	Requirement	
	(i) Equipment (Indicate major items and estimated value) (ii) Material (special items) (iii) Training (Indicate; (a) Field, (b) Duration, (c) Local/Foreign, (iv) Foreign/Local experts (in man-months) (v) Books & Journals.	
10.	Whether included in the Ninth Plan and allocation is made:	
11.	Whether Feasibility Study carried out / proposed to be carried out:	
12.	Status of PC-I / PC-II	

Annexure 28 – Guidelines for Appointment for Independent Project Director

<u>Most Immediate</u>

Government of Pakistan
Planning Commission
Ministry of Planning, Development and Reform
(Public Investment Authorization Section)

No. 20(3)PIA-I/PC/2012 Islamabad, the 11th March, 2016

1 Chairman, Planning & Development Board, Government of the Punjab, Lahore

2 Additional Chief Secretary (Dev) Planning & Development Department Government of Sindh, Karachi

3 Additional Chief Secretary (Dev) Planning & Development Department Government of Khyber Pakhtunkhwa, Peshawar

4 Additional Chief Secretary (Dev) Planning & Development Department Government of Balochistan, Quetta

5 Additional Chief Secretary (Dev) Planning & Development Department Govt. of AJ&K, Muzaffarabad

6 Additional Chief Secretary (FATA) Civil Secretariat. (FATA) P&D Department. Peshawar

7 Secretary, Planning & Development Department, Gilgit — Baltistan, Gilgjt

Subject: **<u>GUIDELINES FOR APPOINTMENT OF INDEPENDENT PROJECT DIRECTOR IN DEVELOPMENT PROJECTS</u>**

Reference to this Ministry's letter No 20(3) PIA/PC/2012 date April 5, 2012.

2. ECNEC in its meeting held on 06-05-2011, inter alia decided, "Independent Project Director should be appointed only for projects which are approved by ECNEC. For projects below this limit, if an independent Project Director is required to be appointed by the sponsors, approval of CDWP would need to be taken by providing proper justification".

3. Detailed guidelines and procedure for appointment of independent project director for development projects have been reviewed in light of the enhanced approving limit of CDWP from Rs 1000 million to Rs 3000 million, hence Para "b" of the 'guidelines' attached with the above referred letter may be read as:

"b) Procedure and process of Appointment of Project Director

i. Appointment of an independent project director is mandatory for projects costing Rs 3000 million and above. As such provision for the post of Project Director should invariably be included in the project PC-I costing Rs 3000 million and above

ii. If an independent project director is required to be appointed for projects costing below Rs 3000 million, such case (Separately) should be submitted for approval of CDWP by providing proper justification.

iii. Expense of Project Director would be met from the project account.

iv. Project Director should not be transferred during currency of the project.

v. The sponsoring/ executing agency will try, as far as possible, to appoint an independent Project Director for the project. In case it is not possible, PD may be appointed from the available in-house officers and in that case, reasons for transferring the services of such officer internally to the project may be spelled out and detail justification may be given."

4. In view of the above all sponsoring/executing Ministries/ Divisions. are requested to comply with the above amended/ improved Para "b" of the guidelines. accordingly. This may also brought into notice of all departments organizations under your administrative control for compliance

Mushtaq Ahmad Raja
Chief

Copy for Information to:

i. All Secretaries / Additional Secretaries (Incharge) of Ministries / Divisions

ii. Chief Economist Planning Commission

iii. All Members of Planning Commission

iv. All Chiefs /head of technical sections, M/o Planning Development and Reform

Copy also to:

i. Director to Minister For PD&R

ii. SPS to secretary PD&R

iii. SPS to JCE (Opr.)

GOVERNMENT OF PAKISTAN
PLANNING & DEVELOPMENT DIVISION
(PIA Section)
****

Subject: **GUIDELINES FOR APPOINTMENT OF INDEPENDENT PROJECT DIRECTOR IN DEVELOPMENT PROJECT**

Project Director is a focal person in project implementation; responsible for project execution in accordance with its objectives, work scope, cost and implementation schedule. In view of the pivotal role of Project Director, the rules, procedure and process of appointment of an independent Project Director in Public Sector Development Projects has been consolidated in the light of current ECNEC decision and other relevant instructions on the subject:

a) ECNEC Decision on Appointment of Independent Project Director

ECNEC in its meeting held on 6-05-2011, inter alia decided, "Independent project Director should be appointed only for projects which are approved by ECNEC. For projects below this limit, if an independent Project Director is required to be appointed by the sponsors, approval of CDWP would need to be taken by providing proper justification".

b) Procedure and Process of Appointment of Project Director

- i) Appointment of an Independent Project Director is mandatory for projects costing Rs. 1000.00 million and above. As such provision for the post of Project Director should invariably be included in the Project PC-I costing Rs. 1000.00 million or above.
- ii) If an independent Project Director is required to be appointed for projects costing below Rs. 1000.00 million, such cases should be submitted for approval of CDWP by providing proper justification.
- iii) Expenses on PD would be met from the project account.
- iv) Project Director should not be transferred during currency of the project.
- v) As a first step, the client organization is required too ascertain as to whether or not the appointment of an independent project director from open market is required for the project. In case the expertise for appointment of project director is available in-house, reasons for not transferring the services of such kind of officer internally to the project may be spelled out and detailed justification, including, the following, may be given for hiring the project director.

c) Mode of Appointment

- i) Project Director shall be appointed on contract basis initially for a period of two years; extendable on yearly basis subject to satisfactory performance.
- ii) Appointment will be made in a transparent manner through open merit by advertisement.
- iii) Engagement of retired officers as Project Director shall require prior permission of the government, invariably, i.e. Establishment Division in case of retired civilian officers; Defence Division in case retired Defence officers: and Law. Justice and Human Rights Division/Supreme Court/-High Courts in case of retired judiciary officers.
- iv) While making an offer of appointment, the following will be provided in the contract/agreement:
    - Statement of objectives of the assignment

- Responsibilities of the Project Director stating particulars of the outputs required of him.
- Responsibilities of the client indicating types of inputs to be provided to the Project Director.
- Duration of the contract indicating completion dates/termination of contract.
- Financial provisions reflecting manner of payment of remunerations etc.
- General provisions regarding matters like earlier termination of contract by either party.
- Mode of periodic performance appraisal of the Project Director.

d) Qualification/Experience Requirement

i) The educational qualification of the Project Director will be broad based i.e B.Sc. Engineering or MBAJMPA, MBBS/MPH. Master or BS (4 years degree in Economics or other relevant field from HEC recognizes institutions. depending upon the nature of the project. Minimum Five years' experience in project management / implementation. Have the basic knowledge of project management fundamentals, particularly the Government of Pakistan project planning and management processes and procedures.

ii) Maximum age of sixty-three (63) years on the date of appointment.

e) Terms of Reference/Specific tasks to be accomplished by the Project Director

i) Details of the outputs required from the project director should be clearly spelled out which inter alia may include the following:

- In order to exercise strong check on time and cost over runs, he/she would care out monitoring of the inputs, process and outputs of the Project.
- Ensure that proper per procedure for reviewing and responding to progress reports are established and followed. Plan from the outset how, what and when to monitor and evaluate.
- Responsible to submit periodic review/progress and other reports in the manner and for that as prescribed. In reports, suggest actions for decision making.
- Work more closely with external partners/stakeholders as well as with project staff.
- Develop and use indicators implementation to focus on results as well as implementation.
- Custodian of all project documents. Responsible to prepare and submit project Completion Report (PC-IV).
- The Project Director would be made accountable for any lapses under the jurisdiction of his administrative, functional and financial powers.
- As a team leader, he/she is under obligation to account for all actions, steps and decisions taken during project execution.
- Responsible to supervise project activities and try his/her best to resolve day-to-day problems faced in implementation independently within the administrative and financial powers delegated to him. If necessary, he/she may seek help from

concerned Federal Ministry/Division or Provincial Government for resolving the issue/problem.

- It is advisable to setup headquarter of the Project Director as close to the site of work as possible, preferably at site, to ensure his availability for spot decision on unforeseen issues and other ancillary matters.

f) Selection/Appointment Committee

ii) A Committee headed by the Secretary of the Project Sponsoring Ministry / Division concerned and including representative of Planning & Development (Chief/Head of concerned Section), Finance (Development Wing) and Establishment Divisions.

iii) In case of project financed by Federal and Provincial Government on 50:50 cost sharing basis, the Chairmen P&D Board/ACS Development of the respective province/M&K/GB would Chair the Committee with representatives of Planning, Finance and Establishment Divisions.

iv) In case of disagreement between members of the Committee, matter will be referred to Deputy Chairman, Planning Commission for final decision.

v) Secretary of the Ministry/Division concerned may approve the appointment of Director whose salary package is equivalent or up to maximum of MP-111. The cases of appointment of independent Project Director carrying emolument beyond MP-III shall be submitted for approval of the Prime Minister of Pakistan.

2. All previous orders/procedures/guidelines on the subject shall stand superseded.

3. Ministries/Divisions are requested to comply with the above guidelines accordingly an also bring into the notice of all departments/organizations under their administrative control for compliance.

Annexure 29 – Revision of Project Allowance

NO.FD (SR-III)5-29/2008(B)
GOVERNMENT OF SINDH
FINANCE DEPARTMENT
Karachi, dated the 21st September, 2017

OFFICE MEMORANDUM

SUBJECT: **REVISION OF PROJECT ALLOWANCE**

In continuation of this department's Office Memorandum of No.FD(SR-III)5-85/2012, dated 18th July, 2013 and with the approval of Competent Authority i.e. Chief Minister Sindh, the Project Allowance has been revised with immediate effect as under:-

S.No.	Basic Pay Scale	Existing Project Allowance Rate	Revised Project Allowance Rate
1.	BPS-1 to BS-4	Rs.5 000/- per month	Rs.15000/- per month
2.	BPS-5 to BS-10	Rs.8000/- per month	Rs.20,000/- per month
3.	BPS-11 to BS-15	Rs.15000/- per month	Rs.30,000/- per month
4.	BPS-16	Rs.25000/- per month	Rs.40,000/- per month
5.	BPS-17	Rs.50000/- per month	Rs.75,000/- per month
6.	BPS-18	Rs.50000/- per month	Rs.100,000/- per month
7.	BPS-19	Rs.60000/- per month	Rs.175,000/- per month
8.	BPS-20 to 22	Rs.80000/- per month	Rs.200,000/- per month

2. The other terms and conditions will remain the same as contained in Addendum No.FD (SR-III)5 85/86(part-file), dated 5th November, 2013 and Corrigendum No.FD(SR-III)5-85/86(part-file), dated 11th November, 2013.

SYED HASAN NAQVI
SECRETARY TO GOVERNMENT OF SINDH

NO.FD(SR-III)5-29/2008 Karachi, dated the 21" September, 2017

A copy is forwarded for information & necessary action to:
1. The Additional Chief Secretary to Government of Sindh (All).
2. The Senior Member, Board of Revenue, Sindh
3. The Administrative Secretary to Government of Sindh (All).
4. The Principal Secretary, to Chief Minister Sindh, Karachi.
5. The Principal Secretary, to Governor, Sindh.
6. The Chairman, CMI&ET, Government of Sindh.
7. The Accountant General Sindh, Karachi.
8. The Deputy Secretary (Staff) to Chief Secretary, Sindh, Karachi
9. The District Accounts Officer / Treasury Officer in Sindh.
10. The Officers in Finance Department, Government of Sindh (All)
11. The Programmer (Website), Finance Department, Govt. of Sindh, Karachi

HABIB-UL-ISLAM
SECTION OFFICER (SR-III)
for Secretary to Govt. of Sindh

No. FD(SR-III)5-85/86(part file)
GOVERNMENT OF SINDH
FINANCE DEPARTMENT
Karachi Dated the 5th November, 2013

ADDENDUM

SUBJECT: **RESTORATION OF PROJECT ALLOWANCE WITH ENHANCED RATES ON RECOMMENDATION BY THE COMMITTEE CONSTITUTED TO EXAMINE STOPPAGE OF PROJECT ALLOWANCE**

In continuation of this Department's Office Memorandum No. FD(SR-III)5-85/2012, dated 18th July, 2013, following clarification is added in addition to Sub-para 9 (a) to (c) for admissibility/entitlement of project allowance:

(i) For Projects costing above Rs. 500.00 million (both new and on-going) appointment of Project Director on full time basis is mandatory.

(ii) The project Director and all their staff working on full time basis would be entitled to above allowances.

(iii) Project allowance @20% of the running Basic Pay would be admissible to all projects/programs costing below Rs. 500.00 million (i.e. both locally funded and foreign funded).

(iv) The Officers posted on deputation, would be entitled to deputation allowance @ 20% subject to maximum of Rs. 6000 per month or revised from time to time.

(v) Additional charges allowance at the rate of 20% of the basic pay scale subject to a maximum of Rs.6000/- per month or as revised from time to time will be allowed to the government servants who are assigned additional charge of posts of the Project costing up to Rs. 500.000 million. They will, however not be entitled to the Project Allowance.

(vi) The aforesaid project allowance for the project staff in the new as well as for the on-going development Projects/priority Programs will be admissible with effect from 18th July 2013.

MUHAMMAD SOHAIL RAJPUT
SECRETARY TO THE GOVERNMENT
OF SINDH

No. FD(SR-III)5-85/86(part file)

GOVERNMENT OF SINDH
FINANCE DEPARTMENT
Karachi Dated the 11th November, 2013

CORRIGENDUM

SUBJECT: RESTORATION OF PROJECT ALLOWANCE WITH ENHANCED RATES ON RECOMMENDATION BY THE COMMITTEE CONSTITUTED TO EXAMINE STOPPAGE OF PROJECT ALLOWANCE

In continuation of this Department's Office Memorandum No. FD(SR-III)5-85/2012, dated 18th July, 2013, and subsequent addendum dated 5th November, 2013, the following amendment in sub-para may be read as under:

(i) For Projects costing above Rs. 1.000 billion (both new and on-going) appointment of Project Director on full time basis is mandatory.

(ii) Project allowance @20% of the running Basic Pay would be admissible to all projects/programs costing below Rs. 1.000 billion (i.e. both locally funded and foreign funded).

(iii) The Project Director and all their staff posted in the Project on additional charge basis are not entitled to grant of Project Allowance.

(iv) Project Director and all their staff working on Public Private Partnership Projects are entitled to Project Allowance.

viii.

MUHAMMAD SOHAIL RAJPUT
SECRETARY TO THE GOVERNMENT
OF SINDH

Annexure 30 – Extension in implementation period of development projects

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
Ministry of Planning, Development and Reforms

No. Z3(l-DDWP)/PIA-I/PC/2017 Islamabad the 15th March, 2019

1	Chairman, Planning & Development Board, Government of the Punjab, Lahore	2	Chairman, Planning & Development Board, Government of Sindh, Karachi.
3	Additional Chief Secretary (Dev) Planning & Development Department, Government of Khyber Pakhtunkhwa, Peshawer	4	Additional Chief Secretary (Dev) Planning & Development Department, Government of Balochistan, Quetta
5	Additional Chief Secretary (Dev) Planning & Development Department Govt. of AJ&K, Muzaffarabad	6	Secretary, Planning & Development Department, Gilgit — Baltistan, Gilgjt

SUBJECT: <u>EXTENSION IN THE PERIOD OF EXECUTION OF THE PROJECTS</u>

I am directed to refer to this Ministry's letter No. 24(4)P1A-VP02016 dated 29th November,2017 dated 21st September, 2016, 28th June, 2016 and 20(I-29)DA/PC/86 dated 15 April ,1989 on the above subject and to say that the policy guidelines were circulated for extension m execution in development projects. However, requests for review and clarification have been sought regarding the forums. In partial modification in the existing procedure, it is clarified that

a) The Principal Accounting Officer of the sponsoring/ executing agency may grant time extension in execution period of the project till closing of the financial year, two times in a project life, irrespective of approving fora.

b) In case of further extension, the Provincial and Special Areas' Development Working Party will be empowered to grant time extension on the basis of reasons of delay in execution, irrespective of approving fora.

c) In case of federally administered development projects, further extension will be granted by the Departmental Development Working Party of the respective Ministry/ Division on the basis of reasons of delay in execution, irrespective of approving fora.

d) In case where there is no DDWP the cases for further time extension would be presented to the concerned Division/ Chairman office and a committee headed by the Federal Secretary/ Chairman comprising representative from Planning Commission and Finance will review and grant time extension on the basis of reasons of delay in execution, irrespective of approving forum, if required.

2. All the above extensions will be subject to **<u>‘no change in scope and cost of the projects</u>**. In case of foreign aided projects consent of the donor/ sponsor will be compulsory in coordination with EAD before processing of time extension case.

3- All the concerned are requested to take note of the above instructions issued with the approval of the Minister MPDR/ DCPC for compliance.

(Mushtaq Ahmed Raja)
Chief (P1A)

Copy to;

i. All Members of Planning Commission,
ii. All Chiefs/ In-charge of Technical Sections, Planning Commission,
iii. Director to the Minister PDR/ Deputy Chairman. Planning Commission

GOVERNMENT OF SINDH
Planning & Development Department
(Development Section)

ORDER

No. PO(D)-11/30-Order/75-P&D/2019: In pursuance with the guidelines of Ministry of Planning, Development and Reforms, Government of Pakistan circulated vide letter No. No. Z3(I-DDWP)/PIA-I/PC/2017, dated 15th March, 2019 and with the approval of Sindh Cabinet in its Pre-Budget meeting held on 14th June, 2019, following policy guidelines are hereby conveyed by Planning and Development Department, Government of Sindh in continuation to its earlier Order No. PO(D)-11/30-Order/75-P&D/2017, dated 05.07.2017 for approval for extension in plan period of development schemes and projects reflected in Provincial ADP whose plan period had expired on or before the closure of last financial year in following manner: -

i. The Principal Accounting Officer (PAO) of the Sponsoring and Executing Agency of the scheme or project may grant extension in the plan period two times in the life of scheme or project.
ii. In case of further extension, the sponsoring and executing agency will submit request to the concerned comitative forum i.e. PDWP or DDWP, where the scheme was originally approved whichever the case may be for approval.
iii. In case of Foreign Aided Projects, extension if required would be obtained after seeking consensus of the concerned Donor and submitting to Economic Affairs Division (EAD), Government of Pakistan, Islamabad through Planning & Development Department, Government of Sindh for approval.
iv. In case the scheme, which requires revision, the issue of extension in the plan period will simultaneously be decided by the concerned competent authority i.e. PDWP/DDWP.

All of the above extensions will be subject to **"No Change in the Scope and Cost of the Scheme or Project"**.

(Naheed S. Durrani)
Chairperson, P&D Board, Sindh

No. PO(D)-11/30-Order/75-P&D)2019 Karachi, dated the 19th July, 2019

1. The Principal Secretary to Chief Minister, C.M's s Secretariat Sindh, Karachi.
2. The Senior Member Board of Revenue, Sindh, Camp Office @Karachi.
3. The Administrative Secretaries (All), Government of Sindh, Karachi.
4. The Chairman (Sindh Revenue Board) / (Sindh Board of Investment), Karachi
5. The Director General (M&EC); P&D Department, GoS, Karachi.
6. The Member (Dev/E&I/Services/NR/SS), P&D. Board, GoS,
7. The Senior Chiefs/ Chief (All), P&D Department, GoS, Karachi.
8. The Managing Director (STEVTA), NIPA Chowrangi, Karachi.
9. The Project/Programme Directors/Coordinators (All), P&D Department GoS, Karachi
10. The Deputy Secretary (Staff) to Chief Secretary, Sindh, Karachi.

CHIEF (DEVELOPMENT)

Annexure 31 – Revision of scheme when cost exceeded 15%

NATIONAL ECONOMIC COUNCIL SECRETARIAT
CABINET DIVISION

Iqbal Mueen,
Secretary, ECNEC

No. 5/CF/75 Rawalpindi, the 16th July, 1975

My Dear Secretary,

Executive Committee of the National Economic Council had repeatedly been pressing the observance of financial discipline in the matter execution of schemes. In a recent case it was again noticed by ECNEC that expenditure continued to be incurred on a scheme even when its cost had exceeded the approved cost. Instructions have separately been issued under Cabinet Division circular d.o. letter No. 5/CF/75 dated 7th May, 1975 requiring the executing agencies to start preparing the revised scheme immediately when It was known that the cost of the scheme is going to rise beyond the permissible limit of 15%.

2. It is considered that no difficulty should be experienced in this regard, as PC-III forms (Quarterly progress report) are prepared in respect of all such schemes and columns 6 and 7 of the said form which Indicate the percentages of physical completion and financial expenditure are relevant. The two percentages have close relationship. If the percentages of financial expenditure exceeds percentage of physical work by more than 15% It Is enough indication to show that the cost of the project would go beyond the approved cost. As soon as this indication is visible the executing agency should immediately start work on revising the scheme without stopping the actual work. In exceptional cases where the revised scheme cannot be prepared in time recourse could be taken to obtaining anticipatory approval of the Chairman, Executive Committee of the National Economic Council following the procedure outlined in the Cabinet Division circular letter referred to in Para I above.

3. A preliminary stage when the possibility of revision of cost becomes clear is when the project is to be implemented through a few major contracts and the bids received in response to tenders make it obvious that the sanctioned cost will be exceeded.

4. I would request that these instructions should be brought to the notice of all concerned with development projects including autonomous and semi-autonomous bodies under your administrative control.

Yours sincerely,

Sd/-
(Iqbal Mueen)

GOVERNMENT OF PAKISTAN
PLANNING AND DEVELOPMENT DIVISION

No, 20(1)DA/PC/79-Voi.XIV Islamabad, the 23 June, 1980

To

The Chairman,
Planning and Development Board,
Government of the Punjab, Lahore
(Mr. Saeed A. Qureshi)

The Additional Chief Secretary (Dev.)
Planning and Development Department,
Government of Sindh,
Karachi (Mr. R.A. Akhund)

The Additional Chief Secretary (Dev.)
Planning and Development Department,
Government of NWFP,
Peshawar (Mr. Imtiaz A. Sahibzada)

The Additional chief Secretary (Dev.)
Planning and Development Department,
Government of Baluchistan,
Quetta (Mr. Omar Khan Afridi)

SUBJECT: **QUESTION WHETHER THE LIMIT OF 15% FOR INCURRING EXPENDITURE IN EXCESS OF THE ORIGINALLY APPROVED COST WITHOUT RESUBMITTING THE SCHEME TO THE APPROVING AUTHORITY SHOULD BE APPLICABLE TO THE SUCCESSIVE REVISIONS**

Sir,

I am directed to say that the ECNEC at its meeting held on 29-12-1974 approved the following procedure for obtaining fresh approval of a development scheme, in case its cost increased by more than 15% of the originally approved cost:-

> "If the total estimated cost, as sanctioned increases by a margin of 15 per cent or more, or if any significant variation in the nature or scope of the project has been made, irrespective of whether or not it involves an increased outlay, the approval of the ECNEC/Competent authority shall be obtained in the same manner as in the case of the original scheme without delay".

2. A question has been raised whether or not a development scheme whose expenditure exceeded 15% of the original cost, and therefore got duly approved by the ECNEC /Competent authority in accordance with the above decision of the ECNEC, is required to be submitted again for fresh approval, in case its cost increased further but the increase remained less than 15% of the revised approved cost.

3. I am directed to clarify that the permission of 15% given by the ECNEC vide decision quoted in Para-1 above is in respect of the original cost and not the revised cost of the scheme.

4. It is requested that the above clarification may be brought to the notice of all the Departments/Agencies under your control and no expenditure be allowed to be incurred over the revised approved cost unless further approved by the ECNEC/ Competent authority.

Your obedient servant,

Sd/-
(S. A. Ghafoor)
Chief (D.A.)

Copy forwarded for similar action to all the Federal Ministries/Divisions.

Sd/-
(S.A. Ghafoor)
Chief (D.A.)

Copy to:

PLANNING DIVISION

Additional Secretary
Additional Secretary (P) J.C.E.-I, II, II & IV
All Heads of Sections
P.S. to Secretary

GOVERNMENT OF SINDH
PLANNING & DEVELOPMENT DEPARTMENT
(COORDINATION SECTION)

MOST IMPORTANT
ADP 2022-23 WORK

SUBJECT: **ALLOCATION ON ACCOUNT OF 15% COST ESCALATION FOR SCHEMES WITH NEGATIVE THROW-FORWARD**

I am directed to refer subject noted above and to inform that worthy Chairman P&D Board has been pleased to direct as under: -

- Allocations over and above the approved cost of schemes i.e. beyond throw-forward in ADP 2022-23 is not permissible. Any scheme with claim of cost escalation beyond approved cost & within 15% limit need to be claimed by respective Administrative Departments with valid justification during the course of next financial year and the requisite funds will be provided by respective Department through intra-sectoral adjustment.
- Inclusions of such schemes having negative throw-forward may strictly be discouraged in ADP 2022-23 and beyond.

2/ It is, therefore, requested that immediate necessary steps may please be taken for strict compliance of the instructions narrated above.

3/- This may please be assigned **TOP PRIORITY**.

(MUZAMIL HUSSAIN)
PLANNING OFFICER (COORD.)

To,

The Members (All),
Planning & Development Department,
Government of Sindh, Karachi

The Sr. Chiefs / Chiefs (All),
Planning & Development Department,
Government of Sindh, Karachi.

No.ADP(2022-23)/P&D/2022 **Dated May 20, 2022**

C.C. to: -

- The PS to Chairman, P&D Board
- The PS to Secretary (Planning), P&D Department.
- The PS to Chief Economist, P&D Board

PLANNING OFFICER (COORD.)

Annexure 32 – Annexure to PC-1 for Revision of Scheme

Annexure to PC-I

(This part should be filled up only for revised schemes)

1. Comparative cost estimate of the last sanctioned and revised scheme:

Items	Last Sanction Project			Revised Project						Total		
				Work done			Work to be done					
	Qty	Rate	Total	Qty	Rate	Total	Qty	Rate	Total	Qty	Rate	Total
a)												
b)												
c)												
d)												
e)												
f)												
g)												
h)												
i)												

Give reasons for the revision in cost estimate:

	Items	Reasons for the revision
a)		
b)		
c)		
d)		
e)		
f)		
g)		
h)		
i)		

2. Total expenditure incurred so far:

(Rs. In million

Items		**Expenditure**								
		Local			**Foreign**			**Total**		
a)										
b)										
c)										
d)										
e)										
f)										
g)										
h)										
i)										

3. Progress of work:

(a) As per schedule last sanctioned	**(b) Actual achievement**	**(c) Reasons for delay**

(Rs. In million)

4. Project History Date	**Cost**			**Plan Period of completion in months**	**Reasons for Revision**
	Local	**FEC**	**Total**		

Original sanction

1st Revision

2nd Revision

3rd Revision

Annexure 33 – De-linking of PKR from Doller

NATIONAL ECONOMIC COUNCIL SECRETARIAT
CABINET DIVISION

No. 171/CF/84 Rawalpindi, the 27th June, 1984

OFFICE MEMORANDUM

SUBJECT: **APPROVAL OF THE SCHEMES REVISED ON ACCOUNT OF DE LINKING OF PAKISTAN RUPEE FROM DOLLAR.**

The undersigned is directed to state that the Pak rupee now has no fixed parity to dollar or other currencies. A question has arisen whether any increase in the cost strictly on account of delinking of Pakistan rupee will require fresh approval of the projects by the ECNEC. The matter has been examined in consultation with the Planning and Development Division and the Ministry of Finance and it has been decided that it will not be necessary to obtain fresh approval for ongoing schemes if the cost goes up only because of the movement of the exchange rate. In such case the sponsoring authority shall intimate the revised cost due to de-linking, to the Cabinet Division, the Planning Division and the Finance Division. While indicating the revised cost the original rate at which the cost had been worked out and the prevailing rate at which the orders had been placed or were being placed would be specifically indicated.

2. It is requested that these Instructions may kindly be brought to the notice of all concerned for guidance and compliance.

Sd/-

(K. M. Farooq)
Secretary
Executive Committee of the National Economic Council

All Secretaries/Additional Secretaries Incharge of Divisions.

Annexure 34– Proforma for Submission of Re-Appropriation Proposal

Name of Department

Rs. In Million

Sr. No.	ADP No.	Name of Scheme	Existing Allocation			Addition Proposed			Deduction Proposed		
			Capital	Revenue	Total	Capital	Revenue	Total	Capital	Revenue	Total
1	2	3	4	5	6	7	8	9	10	11	12
1											
2											
		Total									

Sr. No.	ADP No.	Name of Scheme	Revised Allocation after Re-appropriation			Remarks/ Justification
			Capital	Revenue	Total	
1	2	3	13	14	15	16
1						
2						
		Total				

Annexure 35 – Prohibition for Ex-Post Facto approval of projects

No.PO(DEV)8/9-P&D/2021

Through Special Messenger

GOVERNMENT OF SINDH
PLANNING & DEVELOPMENT DEPARTMENT
(DEVELOPMENT SECTION)
Karachi, dated October 13, 2021

To

The Senior Member,
Board of Revenue, Sindh,
Hyderabad (Camp Office, Karachi).

The Secretary to Government of Sindh (All)
Karachi.

The Managing Director (STEVTA)
Near NIPA Chowrangi, Karachi.

Subject: **PROHIBITATION TO PROPOSE EX-POST FACTO APPRVAL OF PROJECTS**

I am directed to enclose herewith a copy of letter No.2(1)PIA-I/PC/2021 dated October 7, 2021 received from Chief (PIA), M/o Planning, Development and Special Initiatives, Government of Pakistan, Islamabad on the captioned subject thereby informing that in some cases sponsors of project do not adhere the directions of the ECNEC and submit cases for consideration of the forum on ex-post facto basis, which is in contradiction of ECNEC direction

2/- It may be mentioned that ECNEC taken during its meeting held on August 28, 2013 has decided that ***"In future, no proposal for ex-post facto approval for projects should be brought before ECNEC consideration"***. Moreover, **Supreme Court of Pakistan has also directed / discouraged unauthorized spending by Government Departments and has declared it as contrary to law.**

3/- It is, therefore, requested that necessary action in the light of contents of para-2 may please be taken for strict compliance.

Encl: As above

(JAVED AHMED NAREJO)
PLANNING OFFICER (DEV.)

PH: 021-99211417

A copy is forwarded for information and strict compliance, to:-

- The Secretary to Government of Sindh, Finance Department, Karachi
- The Member (All), P&D Board, Sindh.
- The Senior Chiefs / Chiefs / Inchrage of Section (All), P&D Deptt, GOS, Karachi.
- The Chief (PIA), M/o Planning, Development & Special Initiatives, Govt. of Pakistan, Islamabad, “P” Block, Pak Secretariat with reference to his letter quoted above.

C.C.to:-

- The Principal Secretary to Chief Minister, Sindh, Chief Minister’s Secretariat, Karachi
- The Deputy Secretary (Staff) to the Chief Secretary, Sindh, Karachi
- The PSO to Chairman, P&D Board, Sindh.
- The PS to Consultant (Special), P&D Department, GOS, Karachi.

Annexure 36 – PC-III Proforma (Form-A) and (Form-B)

(Revised – 2005)

Government of Pakistan

Planning Commission

Implementation of Development Projects
(Physical Targets based on PSDP allocation)

(Form-A)

To be furnished by 1st July of each year

1. **Name of the Project:**

(Million Rs)

2. **Approved Capital Cost:**

(Million Rs)

3. **Expenditure up to the end of last Financial Year:**

Actual	Accrued	Total

(Million Rs)

4. **PSDP allocations for the Current year:**

Total	Local	FEC

5. **Annual Work Plan:**

As per PC-I			Achievements up to the end of last year	Target for current year
Item	Unit	Quantities		

6. **Quarterly work plan based on annual work plan:**

Item	Unit	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter

7. **Cash Plan:**

(Rs Millions)

1st Quarter	2nd Quarter	3rd Quarter	4th Quarter

8. **Output indicators:**

To be determined by project director on the basis of indicators given in the PC-I.

(Revised 2005)

Government of Pakistan

Planning Commission

Instructions to fill-in PC-III (a) Proforma

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 up to 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 Proforma along with activity chart/work plan has to be furnished by 1st July of each financial year.

(Form-B)

PC-III (B) Form
(Revised - 2005)

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

S.No	Items	Unit	Quantities

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
- ☐ Other

Annexure 37 – PC-IV Proforma

PCR – 01

(Revised-2010)

GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

******

PROJECT COMPLETION REPORT (PC–IV PROFORMA)

To be furnished immediately after completion of the project regardless the project accounts have been closed or not.

1.	**Name of the Project/Program/Study**		
	Location		
2.	**Sector**		
	Sub-Sector		
3.	**Sponsoring Ministry/Agency**		
4.	**Executing Agency (s)**		
5.	**Agency for Operation & Maintenance after Completion**		
6.	**Date of Approval & Approving Forum (DDWP/CDWP/ECNEC/PDWP/Other)**		
	• Original		
	• Revised		
7.	**a) Implementation Period**	**Date of Commencement**	**Date of Completion**
	• As per PC-I		
	• Actual		
	b) Extension(s) in the Implementation Period (if any)	**Date**	**Period** (Months/Days)
		•	•
		•	•
		•	•

							(Rs. Million)
8.	**Capital Cost**	**PC-I Cost (approved)**			**Actual Expenditure**		
		Local	FE/Loan/ * Grant	Total	Local	FE/Loan/ * Grant	Total
	• Original						
	• Revised						

* Clearly specify the source and mention exchange rate

(Rs. Million)

9.	**Financing of the Project**	Local	FE/Loan/* Grant	Total
	• Federal Share			
	• Provincial Share			
	• Donors/Others			
	Total:			

***** Mention the Rupee exchange rate, if applicable

10. <u>Project Accounts</u>

a) Nature of Account	**Type**	**Date of Opening**	**Lapsable/ Non-lapsable**
	PLA		
	Assignment Account		
	Current Account		
	Saving Account		
	Other		
b) Status of Account	• If closed, mention the date		
	• If not closed, mention reasons thereof & tentative closure date		

11. Financial Phasing as per PC-I and Expenditure

(Rs. Million)

Year	**PC-I Phasing**		**PSDP Allocation**		**Releases**		**Expenditure**	
	Total	FE/Loan/* Grant	**Total**	FE/Loan/* Grant	**Total**	FE/Loan/* Grant	**Total**	FE/Loan/* Grant
1	2	3	4	5	6	7	8	9
Total								

***** Clearly specify the source

12. Physical Targets and Achievements

S.No.	**Items (as per PC-I)**	**Unit**	**Quantity**	**Actual * Achievements**

***** Attach/Annex detailed information for each item separately

13. Item-wise Planned & Actual Expenditure

(Rs. Million)

S.No.	**Items (As per PC-I)**	**PC-I Estimates**			**Actual Expenditure**		
		Total	**Local**	**FEC**	**Total**	**Local**	**FEC**
	Total:						

14. <u>Recurring Cost after Completion of the Project</u>

(Rs. Million)

S.No.	Components	PC-I Estimates*			Actual Expenditure*		
		Total	Local	FEC	Total	Local	FEC
	Total:						

* Mention source and agency responsible for financing the recurring cost after completion of the project

15. <u>Achievement of Objectives</u>

S. No.	As Contained in the PC-I	Actual Achievement*

* Attach/Annex detailed information for each objective separately. In case of not achieving the objectives fully/partially, indicate reasons thereof

16. <u>Year-wise Income from Services/Revenue Generation</u>

(Rs. Million)

S. No.	As Estimated in the PC-I	Actual

17. **RBM Indicators as given in the PC-I**

S.No.	Input	Output	Outcome		Targeted Impact
			Baseline Indicator	Targets after Completion of Project	

18. **List of Project Directors (PDs) till Completion**

S.No.	Name & Designation	From	To

19. **Responsibility/Ownership of Assets (Procured/Acquired/ Developed) after Completion of the Project**

- Indicate Agency
- List of Assets (Moveable/Immoveable)

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

a) Financial
b) Economic
c) Technological
d) Social (Education, Health, Employment, area Development, etc.)
e) Environmental
f) 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

S.No.	Components	As Per PC-I	After Completion
a)	**Financial**		
	Net Present Value (NPV)		
	Benefit Cost Ratio (BCR)		
	Internal Financial Rate of Return (IFRR)		
	Unit Cost Analysis		
b)	**Economic**		
	Net Present Value (NPV)		
	Benefit Cost Ratio (BCR)		
	Internal Economic Rate of Return (IERR**)**		

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 ______________________

PCR – 01

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GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

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Instructions to fill in the PC-IV Proforma

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.

Annexure 38 – PC-V Proforma

Revised 2005

Government of Pakistan
Planning Commission

(ANNUAL PERFORMANCE REPORT AFTER COMPLETION OF PROJECT)

To be furnished by 31st July of each years for 5 years after completion of Project indicating Projects operational results during the last financial year.

1. **Name of the Project:**

2. **Objectives & scope of project as per approved PC-I and state as to what extent the objectives have been met:**

3. **Planned and actual recurring cost of the project, with**

   details:

4. **Planned & actual manpower employed:**

5. **Planned and actual physical output of the project:**

6. **Planned and actual income of the project:**

7. **Planned and actual benefits to the economy:**

8. **Planned and actual social benefits:**

9. **Planned and actual cost per unit produced/sold:**

10. **Marketing mechanism:**

11. **Arrangement for maintenance of building & equipment.**

12. **Whether output targets as envisaged in the PC-I have been achieved. If not, provide reasons:**

13. **Lessons learned during the year in:**
    - Operation
    - Maintenance
    - Marketing
    - Management

14. **Any change in project management during the year:**

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

(Revised 2005)

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

Instructions to fill in PC-V Proforma

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 upto 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.

Annexure 39 – Development Budget Calendar

Formulation and Implementation of Annual Development Program

S #	Deadline	A C T I O N	Responsibility
1.	1st week of July	P&D Department to convey the decision of Cabinet on Release Strategy for development funds kept in ADP	P&DD / FD / All ADs
2.	1st week of July	P&D Department to covey the decision of Cabinet to Finance Department on extension in the plan period of schemes in the light of general guidelines	P&DD / FD / All ADs
3.	1st week of July	M&E Cell, P&D Department to share schemes having negative monitoring reports with the concerned Administrative Departments	M&E Cell, P&D / All ADs
4.	7th July	Administrative Departments to send confirmation to P&D Department for schemes carrying full remaining allocation and are likely to be completed during current financial year	All ADs
5.	15th July	P&D to issue final order for recording actual expenditure made till June 30 of previous FY.	P&DD / All ADs
6.	30th July	Administrative Departments to furnish schemes under revision before the competent fora for consideration for approval	All ADs
7.	31st August	Administrative Departments to furnish PC-1s of new schemes (hard & soft copies) for approval by the concerned approving fora	All ADs
8.	30th September	Administrative Departments to furnish PC-IVs of completed schemes to P&D Department	All ADs / P&DD
9	15th October	Review process of PC-IVs of schemes completed during last FY by P&D and recommendations on recurrent expenditure required in SNE, to FD.	P&DD/FD
10	31st October	Administrative Departments to conduct quarterly review of ADP and furnish report to P&DD	All ADs / P&DD
11	1st week of November	Circulation of Guidelines for preparation of Annual Development Programme to the Administrative Departments	P&DD
12	30th November	ADs to initiate stakeholder discussions on the projects which require foreign funding and or co-financing by federal Government in next FY and furnish PC-1s to TCM/PDWP for consideration and forwarding for approval by CDWP/ECNEC	All ADs / P&DD
13	15th December	Administrative Departments to furnish material for Budget Strategy (financial and descriptive parts)	All ADs / P&DD

14	December	ADs to initiate conceptualization and stakeholder discussion on proposed new schemes duly supported by survey/feasibility for inclusion in next year's ADP	All ADs
15	January to 15th February	Consultation by ADs on next year's ADP with the concerned Member / technical section of P&DD	All ADs / P&DD
16	15th Jan. to 10th February	Mid-Year Review (MYR) of ADP (Meeting & Report)	M&EC, P&DD / FD / All ADs
17	15th February	Finalization of draft BSP (Development Budget)	P&DD / FD/ All ADs /
18	February - May	Submission of Re-Appropriation proposal if any for development schemes as per standard format	All ADs / P&DD / FD
19	15th February	Submission of the proposed draft ADP of next FY **soft and hard copy** by the Administrative Departments to Planning & Development	All ADs
20	1st March	Technical Sections to submit first edition of ADP along with soft copy to Coordination Section	P&DD
21	During March	Inter-Departmental Priority Committee (IDPC) meetings for discussion on next year's proposed ADP	All ADs / P&DD / FD
22	31st March	Submission of final list of Excess & Surrender	All ADs / P&DD
23	01st April	Communication of ADP by P&D Department to the Finance Department for printing 2nd Edition	FD / P&DD
24	15th April	Tentative Development Programme (Second Edition) to be prepared by the P&D Department	FD / P&DD
25	20th April	Last date for incorporation of any modification in the Provincial ADP for the Annual Plan Coordination Committee	All ADs / FD / P&DD
26	20th April	Assigning UID/QR code for new ADP schemes	M&EC, P&DD
27	4th week of April	Annual Plan Coordination Committee (APCC) meeting (Tentative)	
28	30th April	Administrative Departments to furnish material for Budget Speech on development budget of next FY	All ADs / P&DD / FD
29	2nd week of May	National Economic Council (NEC) meeting (Tentative)	SS(D), P&D MoPD&SI
30	3rd week of May	Forwarding Final draft of ADP by P&D Department to Finance Department for printing	All ADs / P&DD/FD
31	4th Week of May or 1st week of June	Submission of proposed ADP before the Provincial Cabinet and thereafter placement of ADP along-with overall Budget before the Provincial Assembly of Sindh for approval	P&DD/FD
32	10th of every month	ADs to furnish regular monthly progress reports on the standard format of Planning Commission	All ADs / P&DD

Annexure 40 – Public Investment Database Format

Project Number *(to be assigned by P&DD)*	Project Name	Associated Line Department	Associated Sector/Strategic Plan (with clause/section)	Implementation			Project manager and contact information	Start Date		End Date		
				Arrangements	Contract awarded to	Date awarded		Start Date (Approval of PC-I)	Operational Start Date	End Date as in PC-I	Revised End Date	Date revised

Project Number *(to be assigned by P&DD)*	Costs			Expenditure to date	Throw forward	Medium Term Budget			Financing			
	Total cost (as per PC-I)	Revised cost	Date of last revision			FY 2017/18	FY 2018/19	FY 2019/20	Government of Sindh Funding	Donor Funding	Donor Name	Donor contact person details

Project Number *(to be assigned by P&DD)*	Amendments		
	Details for amendments (not more than 500 characters)	Date amended	Update on the project / progress on key milestones (not more than 500 characters)

Project Aid Disbursement Estimates During 2019-20(Revised Estimates) & 2020-21 (Budget Estimates)

Name of Reporting Agency												**(Fig: in Million)**
1	2	3	4	5	6	7=(5-6)	8	9	10	11=(9+10)	12=(7-11)	13
Donor Country/ Agency	Particular	Economic Sector	Currency of Commitment	Total commitment for the project	Total Progressive disbursement upto 30-6-2021	Aid Availability	2019-20				2020-21	
	i) Name of Project		Equivalent Rs.				Budget Estimates	Revised Estimates			Aid Availability	Budget Estimates
	ii) Project No:							Actual During Jul-Nov 2019	Estimated during Dec-June 2019-20	Total		
	iii) Signing Date (if signed)											
	iv) Under Negotiation (if not yet signed											
	v) Loan or Grant											

Annexure 41 – Template for Fixed Asset Register

Addition												Capital Improvement				Change in Location			Disposal			
Number Serial	Order Purchase	Completed Date Asset Acquired/	Identification Number	Particulars/Description	Value of Cost / Asset	Account Code	Location	Manufacturer reference /Model	Warranty Period	Maintenance Details	Entered by	Date	Description	Cost Rs	Entered by	Location New	Date of Last Verification Physical	Entered by	Disposal Date of	Proceeds Disposal	Disposal Details	Entered by

Annexure 42 - PIMA Template for self-assessment

A	**Planning Sustainable Levels of Public Investment**	
1.	**Fiscal targets and rules: Does the government have fiscal institutions to support fiscal sustainability and to facilitate medium-term planning for public investment?**	
1.a.	Is there a target or limit for government to ensure debt sustainability?	
1.b.	Is fiscal policy guided by one or more permanent fiscal rules?	
1.c.	Is there a medium-term fiscal framework (MTFF) to align budget preparation with fiscal policy?	
2.	**National and Sectoral Planning: Are investment allocation decisions based on sectoral and inter-sectoral strategies?**	
2.a.	Does the government prepare national and sectoral strategies for public investment?	
2.b.	Are the government's national and sectoral strategies or plans for public investment costed?	
2.c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	
3.	**Coordination between Entities: Is there effective coordination of the investment plans of central and other government entities?**	
3.a.	Is capital spending by SNGs, coordinated with the central government?	
3.b.	Does the central government have a transparent, rule-based system for making capital transfers to SNGs, and for providing timely information on such transfers?	
3.c	Are contingent liabilities arising from capital projects of SNGs, PCs, and PPPs reported to the central government?	
4.	**Project Appraisal: Are project proposals subject to systematic project appraisal?**	
4.a.	Are major capital projects subject to rigorous technical, economic, and financial analysis?	
4.b.	Is there a standard methodology and central support for the appraisal of projects?	
4.c.	Are risks taken into account in conducting project appraisals?	

5.	**Alternative Infrastructure Financing: Is there a favorable climate for the private sector, PPPs, and PCs to finance in infrastructure?**	
5.a.	Does the regulatory framework support competition in contestable markets for economic infrastructure (e.g., power, water, telecoms, and transport)?	
5.b.	Has the government published a strategy/policy for PPPs, and a legal/regulatory framework which guides the preparation, selection, and management of PPP projects?	
5.c.	Does the government oversee the investment plans of public corporations (PCs) and monitor their financial performance?	
B	Ensuring Public Investment is Allocated to the Right Sectors and Projects	
6.	**Multi-Year Budgeting: Does the government prepare medium-term projections of capital spending on a full cost basis?**	
6.a.	Is capital spending by ministry or sector forecasted over a multiyear horizon?	
6.b.	Are there multiyear ceilings on capital expenditure by ministry, sector, or program?	
6.c.	Are projections of the total construction cost of major capital projects published?	
7.	**Budget Comprehensiveness and Unity: To what extent is capital spending, and related recurrent spending, undertaken through the budget process?**	
7.a.	Is capital spending mostly undertaken through the budget?	
7.b.	Are all capital projects, regardless of financing source, shown in the budget documentation?	
7.c.	Are capital and recurrent budgets prepared and presented together in the budget?	
8.	**Budgeting for Investment: Are investment projects protected during budget implementation?**	
8.a.	Are total project outlays appropriated by the legislature at the time of a project's commencement?	
8.b.	Are in-year transfers of appropriations (virement) from capital to current spending prevented?	
8.c.	Is the completion of ongoing projects given priority over starting new projects?	

9.	**Maintenance Funding: Are routine maintenance and major improvements receiving adequate funding?**	
9.a.	Is there a standard methodology for estimating routine maintenance needs and budget funding?	
9.b.	Is there a standard methodology for determining major improvements (e.g. renovations, reconstructions, enlargements) to existing assets, and are they included in national and sectoral investment plans?	
9.c.	Can expenditures relating to routine maintenance and major improvements be identified in the budget?	
10.	**Project Selection: Are there institutions and procedures in place to guide project selection?**	
10.a.	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	
10.b.	Does the government publish and adhere to standard criteria, and stipulate a required process for project selection?	
10.c.	Does the government maintain a pipeline of appraised investment projects for inclusion in the annual budget?	
C	Delivering Productive and Durable Public Assets	
11.	**Procurement**	
11.a.	Is the procurement process for major capital projects open and transparent?	
11.b.	Is there a system in place to ensure that procurement is monitored adequately?	
11.c.	Are procurement complaints review process conducted in a fair and timely manner?	
12.	**Availability of Funding: Is financing for capital spending made available in a timely manner?**	
12.a.	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?	
12.b.	Is cash for project outlays released in a timely manner?	
12.c.	Is external (donor) funding of capital projects fully integrated into the main government bank account structure?	

13.	**Portfolio Management and Oversight: Is adequate oversight exercised over implementation of the entire public investment portfolio**	
13.a.	Are major capital projects subject to monitoring during project implementation?	
13.b.	Can funds be re-allocated between investment projects during implementation?	
13.c.	Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?	
14.	**Management of Project Implementation: Are capital projects well managed and controlled during the execution stage?**	
14.a.	Do ministries/agencies have effective project management arrangements in place?	
14.b.	Has the government issued rules, procedures and guidelines for project adjustments that are applied systematically across all major projects?	
14.c.	Are ex post audits of capital projects routinely undertaken?	
15.	**Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements?**	
15.a.	Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?	
15.b.	Are nonfinancial asset values recorded in the government financial accounts?	
15.c.	Is the depreciation of fixed assets captured in the government's operating statements?	

Annexure 43 – PPP Transaction Models

Following are the main transaction models for infrastructure projects:

1. **Build-and-Transfer (BT):** A contractual arrangement in which the Private Party undertakes the financing and construction of an infrastructure project and after its completion hands it over to the Government Agency. The Government Agency will reimburse the total project investment, on the basis of an agreed schedule. This arrangement may be employed in the construction of any infrastructure project, including critical facilities, which for security or strategic reasons must be operated directly by the Government Agency.
2. **Build-Lease-and-Transfer (BLT):** A contractual arrangement in which the Private Party undertakes the financing and construction of an infrastructure project and upon its completion hands it over to the Government Agency on a lease arrangement for a fixed period, after the expiry of which ownership of the project is automatically transferred to the Government Agency.
3. **Build-Operate-and-Transfer (BOT):** A contractual arrangement in which the Private Party undertakes the financing and construction of an infrastructure project, and the operation and maintenance thereof. The Private Party operates the facility over a fixed term during which it is allowed to collect from project users appropriate tariffs, tolls, fees, rentals, or charges not exceeding those proposed in the bid or negotiated and incorporated in the PPP agreement, to enable the Private Party to recover its investment and operating and maintenance expenses for the project. The Private Party transfers the facility to the Government Agency at the end of the fixed term that shall be specified in the PPP agreement. This shall include a supply-and-operate situation, which is a contractual arrangement whereby the supplier of equipment and machinery for an infrastructure project operates it, providing in the process technology transfer and training of the nominated individuals of the Government Agency.
4. **Build-Own-and-Operate (BOO):** A contractual arrangement whereby the Private Party is authorized to finance, construct, own, operate and maintain an infrastructure project, from which the Private Party is allowed to recover its investment and operating and maintenance expenses by collecting user levies from project users. The Private Party owns the project and may choose to assign its operation and maintenance to a project operator. The transfer of the project to the Government Agency is not envisaged in this arrangement. However, the Government Agency may terminate its obligations after the specified time period.
5. **Build-Own-Operate-Transfer (BOOT):** A contractual arrangement similar to the BOT agreement, except that the Private Party owns the infrastructure project during the fixed term before its transfer to the Government Agency.
6. **Build-Transfer-and-Operate (BTO):** A contractual arrangement whereby the Government Agency contracts out an infrastructure project to the Private Party to construct it on a turn-key basis, assuming cost overruns, delays and specified performance risks. Once the project is commissioned, the Private Party is given the

right to operate the facility and collect user levies under the PPP agreement. The title of the project always vests in the Government Agency in this arrangement.

7. **Contract-Add-and-Operate (CAO):** A contractual arrangement whereby the Private Party expands an existing infrastructure facility, which it leases from the Government Agency. The Private Party operates the expanded project and collects user levies, to recover the investment over an agreed period. There may or may not be a transfer arrangement with regard to the added facility provided by the Private Party.

8. **Develop-Operate-and-Transfer (DOT):** A contractual arrangement whereby favourable conditions external to an infrastructure project, which is to be built by the Private Party, are integrated into the PPP agreement by giving it the right to develop adjoining property and thus enjoy some of the benefits the investment creates such as higher property or rent values.

9. **Rehabilitate-Operate-and-Transfer (ROT):** A contractual arrangement whereby an existing infrastructure facility is handed over to the Private Party to refurbish, operate and maintain it for a specified period, during which the Private Party collects user levies to recover its investment and operation and maintenance expenses. At the expiry of this period, the facility is returned to the Government Agency. The term is also used to describe the purchase of an existing facility from abroad, importing, refurbishing, erecting and operating it.

10. **Rehabilitate-Own-and-Operate (ROO):** A contractual arrangement whereby an existing infrastructure facility is handed over to the Private Party to refurbish, operate and maintain with no time limitation imposed on ownership. The Private Party is allowed to collect user levies to recover its investment and operation and maintenance expenses in perpetuity.

11. **Concession Agreement:** A contractual arrangement whereby the Government Agency entrusts the operation and management of an infrastructure project to the Private Party for an agreed period on payment of specified consideration. The Government Agency may charge the user levies and collect the same either itself or entrust the collection for consideration to any person who shall pay the same to the Government Agency.

12. **Management Contract (MC):** A contractual arrangement whereby the Government Agency entrusts the operation and management of an infrastructure project to the Private Party for an agreed period on payment of specified consideration. The Government Agency may charge the user levies and collect the same either itself or entrust the collection for consideration to any person who shall pay the same to the Government Agency.

13. **Service Contract (SC):** A contractual arrangement whereby the Private Party undertakes to provide services to the Government Agency for a specified period with respect to an infrastructure facility. The Government Agency will pay the Private Party an amount according to the agreed schedule.