



# Design and Monitoring Framework

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Project Number: 37202  
November 2005

PAK: Punjab Resource Management Program—  
Subprogram 2

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Improved financial governance for effective service delivery, economic growth, and poverty reduction</p>	<p>Reduction in poverty in Punjab from 34% in 2003 to 28% in 2008</p> <p>Greater fiscal space through a reduction in debt service payment by PRs 1.4 billion per annum and capitalization of the pension and General Provident Fund</p> <p>Improved public policy formulation</p>	<p>Economic and social sector statistics</p> <p>Provincial budget documents and annual development programs</p> <p>Review and evaluation reports by the Asian Development Bank (ADB)</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Political and macroeconomic stability</li> <li>• Sustained strong commitment of the federal and provincial governments to governance reforms</li> <li>• Effective participatory and feedback mechanisms</li> <li>• A proactive, effective, and efficient change management unit (CMU) to facilitate governance reforms</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Inadequate civil service reform</li> </ul>
<p><b>Outcome</b></p> <p>1. Enhanced provincial finances through fiscal restructuring and financial management</p> <p>2. Enhanced processes and adequate institutions for public service delivery</p> <p>3. Enhanced enabling environment for private sector development</p>	<p>Increase in revenues as outlined in the medium-term fiscal framework (MTFF)</p> <p>Rationalization of expenditures as outlined in the MTFF</p> <p>Transparent financial management and reporting through timely and publicly available information on revenue and expenditures</p> <p>Pro-poor service delivery as outlined in poverty-focused investment strategy</p> <p>Strengthened capacity of key planning and resource management agencies</p> <p>Improved regulations and institutional support for private sector development and private-public partnership</p> <p>Reduced direct public sector involvement in economic activities of a commercial nature through privatization</p>	<p>Economic and social sector statistics</p> <p>Provincial MTFF, annual budget documents, and development plans</p> <p>Annual development performance reports by the Planning and Development Department (P&amp;DD)</p> <p>Review and evaluation reports by ADB</p> <p>Periodic program progress reports</p> <p>ADB review missions and feedback from stakeholders</p> <p>Amended or improved statutes</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Continued ownership of governance reforms and leadership to support their implementation</li> <li>• A program management unit which is proactive and facilitates reform implementation</li> <li>• Government able to recruit and retain competent staff</li> <li>• Provision of competitive incentives to civil servants</li> <li>• Timely provision of resources for capacity building and institutional development</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Unwillingness of departments to simultaneously implement reforms</li> </ul>

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<p><b>Outputs</b></p> <p>1. Strengthened provincial revenues</p> <p>2. Rationalized provincial expenditures</p> <p>3. Improved effectiveness, predictability, and accountability in financial management</p> <p>4. Improved strategic programming of investments for poverty reduction</p> <p>5. Restructured and strengthened government, administration and human resource development</p> <p>6. Regulatory and administrative reforms for private sector development</p>	<p>Increase in provincial tax revenues by at least 14% in fiscal year (FY) 2006 and 16% in FY2007</p> <p>Increase in operation and maintenance expenditures to at least 8% of current expenditures in FY2006 and 10% of current expenditure budgeted for FY2007</p> <p>Increase in non-salary allocations to at least 12% of current expenditures in FY2006 and 15% of current expenditure budgeted for FY2007</p> <p>Debt servicing (interest only) as percentage of total expenditure reduced from 6.4% in FY2005 to 5.0% in FY2006</p> <p>Transparent and efficient public procurement procedures</p> <p>District budgets and accounts prepared under new accounting model</p> <p>Medium-term budget framework (MTBF) in line with poverty-focused investment strategy</p> <p>CMU operational</p> <p>Human resource policy to support merit-based recruitment and promotions approved</p> <p>Urban development policy to improve zoning and building regulations approved</p> <p>Assessment completed to identify rules and</p>	<p>Annual budget statement</p> <p>Annual budget statement</p> <p>Annual budget statement</p> <p>Annual budget statement, Accountant General office record</p> <p>Revised purchase manual, Official Government of the Punjab (GOP) website on procurement</p> <p>Provincial accounts District budget documents</p> <p>MTBF, annual budget statement, and annual development program</p> <p>Notification of the CMU, and change management bulletins</p> <p>Provincial policy notification, amended public service commission ordinance, and Punjab civil servant's rules</p> <p>Chief minister approved urban development policy</p> <p>Study report by P&amp;DD. Major recommendations presented</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Adequate and timely provision of skilled staff</li> <li>• Continued political willingness to implement reforms</li> <li>• Continued acceptance and support within all departments</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Strategic planning risks</li> <li>• Delay in release of funds for projects</li> <li>• Administrative deceleration</li> </ul>

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7. Reduced direct public sector involvement in economic and/or commercial operations	<p>regulations that hinder private sector development</p> <p>Transfer of identified small industrial estates to the private sector</p> <p>Selected well equipped vocational training institutions privatized</p>	<p>on Punjab Resource Management Program website</p> <p>Data from Punjab Small Industries Corporation</p> <p>Contract awards</p>	
<p><b>Activities with Milestones (Tranche 1)</b></p> <p><b>1. Strengthen provincial finances through fiscal restructuring and financial management</b></p> <p>1.1 Appoint member to the Board of Revenue for Agriculture Income Tax (AIT)</p> <p>1.2 Notify urban immovable property tax (UIPT) assessment cycle, beginning 1 January 2006, rationalizing the differential between rented and owner-occupied commercial properties to 1:3 and residential properties to 1:6</p> <p><b>2. Rationalize provincial expenditures</b></p> <p>2.1 Finalize legal framework, rules, and regulations for pension fund and partially capitalize it</p> <p><b>3. Improve effectiveness, predictability and accountability in financial management</b></p> <p>3.1. Conduct seminars to share draft Provincial Finance Commission Award model with stakeholders for feedback</p> <p>3.2 Develop a Services and General Administration Department (S&amp;GAD) procurement website, and post annual procurement plans, tenders, and purchase orders for S&amp;GAD and health departments</p> <p><b>4. Improve strategic programming of investments for poverty reduction</b></p> <p>4.1 Finalize a new planning manual for local governments</p> <p><b>5. Restructure and strengthen the Government, administration and human resource development</b></p> <p>5.1 Delineate all employee positions as contractual or regular and provide criteria for doing so, for the Health Department and Irrigation and Power Department</p> <p>5.2 Reorganize the Finance Department along functional lines; and award a contract for civil service census</p> <p>5.3 Make all appointments and promotions to grade -17 and above through Punjab Public Service Commission (PPSC); and involve PPSC through representation in recruitment to all position above grade-11, whether regular or contractual</p> <p>5.4 Establish a CMU in S&amp;GAD</p> <p><b>6. Regulatory and administrative reforms for private sector development and public private partnership</b></p> <p>6.1 Approve urban development policy and institutional framework for Lahore and one other city, rationalizing commercialization and water and sanitation augmentation charges, and height and safety controls</p> <p>6.2 Outsource agriculture market fee collection and solid waste management in identified cities</p>			<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• \$200 million ordinary capital resources loan from ADB</li> <li>• \$4 million Technical Assistance (TA) Loan from ADB (Loan 2031-PAK) and \$1,550,000 counterpart funding by GOP</li> <li>• \$250,000 from the ADB - funded TA (TA 4520-PAK) program and \$62,500 counterpart funding by GOP</li> <li>• £3million TA grant from Department for International Development of the United Kingdom</li> <li>• \$150,000 TA grant from ADB to support subprogram 3 of the Punjab Resource Management Program</li> </ul>

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<p>6.3 Formulate policy and plan for automation of urban property record management and tax collection</p> <p><b>7. Reduce direct public sector involvement in economic and/or commercial operations</b> 7.1 Order restructuring or closure of Agriculture Research Board, Punjab Library Foundation, and Punjab Privatization Board</p> <p><b>Activities with Milestones (Tranche 2)</b></p> <p><b>1. Strengthen provincial finances through fiscal restructuring and financial management</b> 1.1 Rationalize policies on UIPT (including indexation of gross annual rental value to previous year inflation), Agriculture Income Tax and stamp duty and operationalize them through budget FY 2007</p> <p>1.2 Reorganize Excise and Taxation department on functional lines and automate tax assessment and collection</p> <p>1.3 Decentralize UIPT assessment and levy to all <i>tehsil</i> municipal administrations in Lahore, Faisalabad, and Sialkot</p> <p><b>2. Rationalize provincial expenditures</b> 2.1 Finalize legal framework, rules and regulations for General Provident Fund and partially capitalize it</p> <p><b>3. Improve effectiveness, predictability, and accountability in financial management</b> 3.1. Announce Provincial Finance Commission award and implement it through for FY2007 budget.</p> <p>3.2 Set up MTBF cells in the Finance Department and P&amp;DD, prepare Communication and Works Department and Irrigation and Power Department budgets according to the MTBF, prepare district budgets according to a new accounting model, and revise budget and planning manuals</p> <p>3.3 Post unit costs for health and S&amp;GAD procurements on S&amp;GAD procurement website; update purchase manual; and notify new consultant selection guidelines</p> <p><b>4. Improve strategic programming of investments for poverty reduction</b> 4.1 Devise and implement expenditure tracking system for provincial and local government development budgets; reorganize P&amp;DD along functional lines; and automate monitoring and evaluation function and procedures in P&amp;DD</p> <p>4.2 Operationalize Poverty Focused Investment Strategy for education, health, and livestock and dairy development departments through annual development program of FY2007</p> <p>4.3 Prepare a reform package through consultative process for subprogram 3.</p> <p><b>5. Restructure and strengthen the Government, administration and human resource development</b> 5.1 Review, enhance, and notify delegation of departmental authority (financial and administrative) for irrigation and power, health, and finance departments</p> <p>5.2 Amend PPSC law to broad base its composition, to enhance its autonomy through non-renewability of tenure, and to incorporate eligibility criteria for transparency in selection of commission members, including chairman</p> <p>5.3 Complete civil service census for provincial government staff and at least 10 districts</p>			

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<p>including Lahore</p> <p><b>6. Regulatory and administrative reforms for private sector development and public private partnership.</b></p> <p>6.1 Finalize and notify urban zoning regulations for Lahore and one other city</p> <p>6.2 Outsource collection of agriculture market fee in another set of identified cities</p> <p>6.3 Amend Punjab Agriculture Produce Market Ordinance, 1978, to eliminate the public sector monopoly in market committees; and allowing private sector markets</p> <p>6.4 Outsource installation and operation of weighbridges to private sector in identified cities; and establish cooling chains through Punjab Agriculture Marketing Company at identified airports</p> <p>6.5 Finalize assessment of provincial policy and legal framework for private sector development and on cost of doing business</p> <p>6.6 Implement urban land management and titling study recommendations; and amend <i>Rent Control Ordinance</i>, 1959, to ensure sanctity of contract</p> <p>6.7 Automate urban property record and tax collection system in 10 <i>tehsil</i> municipal administrations in identified districts</p> <p><b>7. Reduce direct public sector involvement in economic and/or commercial operations</b></p> <p>7.1 Announce a policy and a 2-year action plan for restructuring, including privatization and/or liquidation of provincial public sector organizations</p> <p>7.2 Transfer management of five Punjab Small Industries Corporation estates to industrialists' associations; outsource operations of three Technical Education and Vocational Training Authority institutions</p>			