



# Technical Assistance Report

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Project Number: 37213  
December 2007

## Islamic Republic of Pakistan: Preparing the Second Balochistan Resource Management Program

## CURRENCY EQUIVALENTS

(as of 11 December 2007)

Currency Unit	–	Pakistan rupee/s (PRe/PRs)
PRe1.00	=	\$0.016
\$1.00	=	PRs61.21

## ABBREVIATIONS

ADB	–	Asian Development Bank
BRMP	–	Balochistan Resource Management Program
EA	–	executing agency
FY	–	fiscal year
HRM	–	human resource management
IT	–	information technology
MTEF	–	medium-term expenditure framework
PPTA	–	project preparatory technical assistance
TA	–	technical assistance

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General intervention
<b>Sector</b>	–	Law, economic management, and public policy
<b>Subsectors</b>	–	Economic management, subnational government administration
<b>Themes</b>	–	Sustainable economic growth, governance
<b>Subtheme</b>	–	Public governance

## NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, .e.g., FY 2007 ends on 30 June 2007.
- (ii) In this report, "\$" refers to US dollars.

<b>Vice President</b>	L. Jin, Operations Group 1
<b>Director General</b>	J. Miranda, Central and West Asian Department (CWRD)
<b>Director</b>	R. Subramaniam, Governance, Finance, and Trade Division, CWRD
<b>Team leader</b>	J. Brömmelhörster, Senior Economist (Fiscal Management), CWRD

## I. INTRODUCTION

1. The Asian Development Bank (ADB) has supported the government of Balochistan (the government) in public resource management reforms through the Balochistan Resource Management Program (BRMP I). BRMP I was approved in November 2004,<sup>1</sup> and closed after the release of the second tranche on 31 May 2007. In total, BRMP I provided \$130 million to assist the government of Balochistan to (i) enhance provincial finances through fiscal restructuring and better financial management, and (ii) improve processes and establish appropriate institutions for public service delivery and private sector development. In early 2007, the government requested further ADB support to sustain the first phase of reforms. An ADB mission visited Quetta and Islamabad during 3–12 September 2007 to reach general agreement on the scope of the proposed technical assistance (TA) required to prepare the second Balochistan Resource Management Program (BRMP II).<sup>2</sup> The design and monitoring framework is in Appendix 1. Appendix 2 presents the initial social and poverty analysis. Details on costs are in Appendix 3, with implementation arrangements outlined below. Appendix 4 presents the outline terms of reference for the preparation of BRMP II, which will be processed in the second quarter of 2008.<sup>3</sup>

## II. ISSUES

2. ADB's country strategy and program for Pakistan<sup>4</sup> has good governance at its core. This emphasis is reflected in ADB's lending portfolio and several important governance programs have been approved over the last 7 years.<sup>5</sup> Public resource management—the implementation of public policies through fiscal, administrative, and political arrangements—is a key element of governance that has received significant attention in recent years, particularly in light of Pakistan's decentralization reforms, which began in August 2001.

3. BRMP I was successful not only in initiating systemic thinking on strategic reforms in the government and with other stakeholders but also in implementing certain fundamental policy changes. Balochistan had an open-ended subsidy system for electricity for operating agricultural tube wells, which accounted for about 8% of provincial current expenditure and had increased by 150% between fiscal year (FY) 2001 and FY2006. Through BRMP I, the subsidy was capped at PRs2 billion in nominal terms (about 5% of provincial expenditure in FY2007). This decision was taken despite the fact that most of the larger landowners, the principal beneficiaries of the subsidy, had considerable political influence. The water resource component of BRMP I has provided a firmer institutional basis for better water resource management through the adoption

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<sup>1</sup> ADB. 2004. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grants to the Islamic Republic of Pakistan for the Balochistan Resource Management Program*. Manila.

<sup>2</sup> The aide memoire outlining the proposed PPTA was confirmed by the government of Balochistan on 31 October 2007.

<sup>3</sup> The TA first appeared in *ADB Business Opportunities* on 9 October 2007.

<sup>4</sup> ADB. 2005. *Country Strategy and Program Update (2006–2008): Pakistan*. Manila.

<sup>5</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grant to the Islamic Republic of Pakistan for the Access to Justice Program*. Manila; ADB. 2002. *Report and Recommendation of the President to the Board of Directors on Proposed Program and Technical Assistance Loans to the Islamic Republic of Pakistan for the Decentralization Support Program*. Manila; ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Program Cluster of Loans to the Islamic Republic of Pakistan for the Punjab Resource Management Program*. Manila; and ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to the Islamic Republic of Pakistan for the Punjab Resource Management Program-Subprogram 2*. Manila.

of an integrated water resource management policy—a first in Pakistan. Debt restructuring was made possible by using ADB’s ordinary capital resources loan to retire the more expensive cash development loans of the province from the Federal Government, thus saving over PRs1 billion per annum in debt servicing costs. Initial revenue management reforms have begun to take effect: revenue receipts from tax and nontax sources increased by an impressive 58.2% in FY2006 over the previous year, although the increase in tax revenue was only 8%. The recovery of irrigation water charges has picked up under an action plan supported by BRMP I. The “throw forward” of Balochistan’s public sector development program has been reduced under BRMP reforms.<sup>6</sup> Another fundamental policy achievement was the establishment of a rule-based transparent system of local government funding. Moving forward, there are three sets of constraints.

4. **The fiscal and public financial management reform agenda is incomplete.** While the government has taken a number of important steps<sup>7</sup> to improve fiscal discipline, further short and medium-term reforms are required over the next one to five years to (i) strengthen the planning and budgeting systems, and adopt a medium-term expenditure framework to enhance the credibility, predictability, comprehensiveness, and transparency of the budgeting process;<sup>8</sup> (ii) gradually phase out the remaining subsidies that are deemed to be inefficient;<sup>9</sup> (iii) strengthen property and agriculture tax administration, at both provincial and local government levels; (iv) improve pension administration and contingent liability management;<sup>10</sup> and (v) strengthen accounting, internal control, and audit systems.<sup>11</sup>

5. **Serious issues remain in institutional and human resource management.** BRMP I introduced reforms that enhanced the autonomy of the Public Service Commission, updated the government rules of business, and introduced third party audit and public grievance redress mechanisms. However, the overall number and structure of provincial line departments need to be reviewed. Business processes also need to be improved, particularly in agencies dealing with development and revenue collection, and those with extensive citizen interface. The human

<sup>6</sup> A throw forward is the excess of the cost of a development scheme over the current financial year’s allocation, and is one of the measures used to analyze the sustainability of the development budget. It provides information on how many years it will take to complete a development scheme, or in how many future budgets the scheme will have to appear. In this case, the throw forward was reduced from almost 10 years in 2004 to 4 years in 2007.

<sup>7</sup> ADB. 2007. *Balochistan Resource Management Program Progress Report: Release of Second Tranche*. Manila (Loans 2107-PAK and 2108-PAK[SF]). Further information on public finance support by other developing partners can be found in government of Balochistan, World Bank, and ADB. 2007. *Balochistan Economic Report: From Periphery to Core*. Quetta (forthcoming).

<sup>8</sup> BRMP II will continue to strengthen the devolution agenda. Under the Balochistan Local Governance Ordinance, 2001 the provincial government is no longer a direct implementer exercising complete administrative and financial control. Under the ordinance, it is now required to define the policy and regulatory frameworks and ensure they are observed at the local level. This requires a more complex and sophisticated monitoring and analysis role, and building capacity at the local level.

<sup>9</sup> Following the capping of the tube well subsidy under BRMP I, a scheme to phase out the subsidy scheme was developed under ADB. 2004. *Technical Assistance to the Islamic Republic of Pakistan for Strengthening Program Implementation for Balochistan Resource Management Program*. Manila.

<sup>10</sup> There was a fivefold increase in pension and provident fund liabilities between FY1997 and FY2007 with group insurance payments quadrupling over this period—the estimates for FY2007 are PRs943 million (pension liabilities), PRs562 million (provident fund liabilities), and PRs100 million (group insurance payments). Draft legislation to set up a general provident fund management board to oversee an independent professionally managed fund is pending in the provincial assembly.

<sup>11</sup> For further details see government of Balochistan, World Bank, ADB, Department for International Development (DFID), European Commission. 2004. *Balochistan. Public Financial Management and Accountability Assessment*. Quetta. The assessment concluded that 21 out of 31 public financial management indicators were weak in Balochistan.

resource management regime is outdated and does not encourage or offer incentives for good performance. Proper training, career management, and human resources databases are needed. The difficulty of attracting high-quality civil servants to accept transfers and postings in Balochistan has to be addressed through incentive mechanisms and business process improvements that improve efficiency.

6. **Asset management remains weak.** Balochistan's geography and weather patterns put significant pressure on its water resources. Ineffective water resource management and misdirected subsidies have diverted fiscal resources from other high-priority areas. Building on progress made under BRMP I (para. 3 above), the next generation of reforms may include the creation of and support to a water regulatory authority and strengthening of other institutions, including area water management boards. Strategic planning and monitoring and evaluation capacities in the Irrigation Department are quite weak and need to be further strengthened.

7. Balochistan has a rich cultural heritage and the government is the custodian of one of the most ancient civilizations in human history.<sup>12</sup> Proper protection<sup>13</sup> and preservation of this heritage is essential if it is not to be lost forever. Strategic marketing of Balochistan's cultural treasures has the potential to bring in additional revenue from raising awareness<sup>14</sup> and, if it is linked to the local services industry (e.g., crafts and tourism), it could create jobs. In addition, recognition and promotion of Balochistan's unique heritage would help to bridge the cultural and ethnic divides in the province, which would have further dividends in the form of improved law and order and private sector growth.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

8. This project preparatory TA aims to help the government develop the next generation of public administration reforms to be pursued under BRMP II.<sup>15</sup> Such continuation and deepening of policy reforms in fiscal and financial management, public administration, and asset management will free resources for pro-poor development and better public service delivery. This in turn is likely to improve the economic and social outcomes in the province. The expected outcome is greater fiscal space for the province of Balochistan through enhanced flows and improved management of resources, as further detailed in the design and monitoring framework (Appendix 1).

9. These outcomes will be achieved through diagnostic and analytical work under the TA, with wide stakeholder consultations (involving the government, civil society groups, and the private sector, among others). Several policy papers will be prepared to help formulate the reform agenda under BRMP II. The consultative nature of the process will raise awareness and build capacity to coordinate policy development.

<sup>12</sup> The Mehrgarh civilization (located close to Quetta) dates back to at least 7000 Before the Common Era (BCE). Previously the other Indus cultures of Mohenjo-Daro and Harappa (which date back to about 3300 BCE) were believed to be the oldest remnants of South Asia's past.

<sup>13</sup> Many of the archeological sites are not properly protected and countless precious settlements and grave sites were robbed before scholars were able to examine them. Trade in illicit antiquities is widespread.

<sup>14</sup> For instance, major artifacts could be lent to leading museums to generate revenues, which in turn could be earmarked for a museum to be built in Balochistan to ensure that these cultural assets are properly stored and exhibited. Such efforts may also contribute to a positive international image of Balochistan.

<sup>15</sup> For information and research papers produced under BRMP I, see the BRMP website at <http://brmp.gob.pk/>.

## B. Methodology and Key Activities

10. The TA will fund (i) national and international experts to undertake studies and policy analysis, and to develop the policy reform agenda for BRMP II; and (ii) workshops to promote participation by civil society and other stakeholders and incorporate their feedback in the policy reform process. The TA will build on recommendations of previous policy-based lending operations and public resource management programs.<sup>16</sup>

11. The studies will also build on the reforms already achieved or initiated under BRMP I and subsequent analytical work such as the first *Balochistan Economic Report* and *Public Financial Management and Accountability Assessment*,<sup>17</sup> supported by ADB and the World Bank. The workshops will encourage stakeholders to scrutinize the impact and initial results of BRMP I. Outcomes of such workshops/consultations will be published on the BRMP website. Close collaboration with other development partners is also envisioned so that the policy dialogue under the BRMP II is well coordinated.

## C. Cost and Financing

12. The TA is estimated to cost \$450,000 equivalent in local currency costs. ADB will provide \$400,000 equivalent on a grant basis from ADB's TA funding program. The government of Balochistan will contribute the remaining local currency cost of \$50,000 equivalent in kind by providing office accommodation, counterpart staff, and facilities for seminars and meetings. Appendix 3 presents the cost estimates and financing plan. The government has been informed that approval of the TA does not commit ADB to finance any ensuing project. The Government of Pakistan has also been informed of the scope of the TA.

## D. Implementation Arrangements

13. The Executing Agency (EA) for the TA will be the Finance Department of the government of Balochistan. Implementing agencies will include the Departments of Planning and Development, Excise and Taxation, Board of Revenue, Culture, Irrigation and Services and General Administration. The BRMP program management unit will coordinate the TA activities on behalf of the EA. The TA is expected to begin in January 2008 and will be implemented over 7 months. All consultants will prepare inception reports on their work assignments within 4 weeks of the commencement of services. They will also reconfirm the work program and establish time-bound outputs. The consultants will also produce final reports, preceded by interim pieces as appropriate, together with clear recommendation of policy reform measures, other proposed activities, and realistic milestones that could be achieved under BRMP II. The final reports, which will include complete documentation of all outputs, will be submitted within 1 month of the end of the assignment.

14. Procurement will be in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). No major procurement of goods is envisaged under the TA. Supply contracts valued below \$10,000 may be directly purchased from the supplier.

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<sup>16</sup> See for example ADB. 2007. *Performance of Technical Assistance*. Manila; ADB. 2007. *Policy-Based Lending: Emerging Practices in Supporting Reforms in Developing Member Countries*. Manila; ADB. 2007. *ADB Support to Public Resource Management in India*. Manila; and ADB. 2007. *Performance Evaluation Report: India: Gujarat Public Sector Resource Management Program*. Manila.

<sup>17</sup> See footnotes 7 and 11 above, respectively.

15. The TA will require 8 person-months of international and 21 person-months of national consulting services. The outline terms of reference for the consultants are provided in Appendix 4. All consultants will be recruited as individuals in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time) using arrangements satisfactory to ADB.

#### **IV. THE PRESIDENT'S DECISION**

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 on a grant basis to the Government of Pakistan for preparing the Second Balochistan Resource Management Program, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Next generation of public resource management reforms implemented.</p>	<p>Provincial GDP growth rates maintained at an average of 6% a year until 2012</p> <p>Progress toward health, education, water and sanitation, and poverty reduction MDG targets</p>	<p>Federal government statistics and BOS data</p> <p>Provincial BOS data</p> <p>Annual budget statements</p> <p>PSLM survey data</p> <p>MICS data</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Government remains committed to the reform process.</li> <li>• Political and economic stability</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Endogenous and/or exogenous shocks</li> </ul>
<p><b>Outcome</b> Adoption of program design</p>	<p>Aide Memoire signed by Government of Balochistan in July 2008.</p>	<p>TA mission</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Government remains committed to the reform process.</li> <li>• Political stability and policy consistency</li> <li>• Timely availability of quality consultancy input</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Delays in implementation of reforms due to weak capacity and lack of coordination</li> <li>• Resistance to change from vested interests</li> </ul>
<p><b>Outputs</b> 1. Draft policy and background papers identifying critical policy reform areas</p>	<p>1. Final drafts of papers by July 2008 with policy recommendations on:</p> <p><b>a. Fiscal and financial management</b> (covering;</p> <ul style="list-style-type: none"> <li>- Planning and budgeting systems (including medium-term expenditure framework)</li> <li>- Inefficient subsidies;</li> <li>- Property and agricultural tax administration;</li> <li>- Pension administration and contingent liability management;</li> <li>- Accounting, internal control and audit systems).</li> </ul>	<p>Records of the provincial Finance Department</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Expertise of requisite quality is available</li> <li>• There is good quality government counterpart support for a quality analysis.</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• A deterioration in law and order may deter high-quality consultants.</li> </ul>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
2. BRMP II implementation plan	<p><b>b. Institutional and human resource management</b> (covering: - Provincial line departments; - Business processes in agencies dealing with development and revenue collection; - Human resource management system</p> <p><b>c. Asset management</b> (covering: - Water resources management - Protection, preservation and strategic marketing of selected cultural assets</p> <p>2. Implementation plan</p>		
<p><b>Activities with Milestones</b></p> <p>1.1 Eight person-months of international and 21 person-months of national consultancy input</p> <p>1.2 One provincial workshop on fiscal and financial management and at least two workshops in selected districts. Two consultative provincial workshops and 4 regional workshops on water resources management.</p> <p>1.3 Balochistan Development Forum in 2008</p>			<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• \$400,000 ADB grant</li> <li>• \$50,000 government in kind support</li> <li>• Ideas and time from civil society</li> </ul>

ADB = Asian Development Bank, BOS = Bureau of Statistics, BRMP = Balochistan Resource Management Program, GDP = gross domestic product, GP = general provident, MDG = Millennium Development Goal, MICS = multiple indicator cluster surveys, PSLM = Pakistan Social and Living Standards Measurement.

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country/Project Title: Pakistan/Preparing the Second Balochistan Resource Management Program

Lending/Financing Modality: Project which should lead to policy-based lending modality Department/ Division: Central and West Asia Department/ Governance, Finance, and Trade Division

### I. POVERTY ISSUES

#### A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

Public resource management deals with processes and mechanisms for mobilizing revenues and allocating them to development purposes. Effective public resource management will increase revenues, and improve the allocation efficiency of public expenditures. It will lead to higher socioeconomic returns, improve the access of the poor to public services, and promote private sector development and employment generation. Governance reforms, including public resource management, are a central element of ADB's country poverty analysis and country strategy and program. BRMP II will strengthen the performance orientation of the budget, free up resources for expenditures on reducing poverty, and improve the responsiveness of the civil service to the public's needs, particularly for the delivery of pro-poor services.

#### B. Targeting Classification

1. Select the targeting classification of the project:

General Intervention  Individual or Household (TI-H);  Geographic (TI-G);  Non-Income MDGs (TI-M1, M2, etc.)

2. Explain the basis for the targeting classification:

Public resource management programs are governance reforms which indirectly reduce poverty.

#### C. Poverty Analysis

1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed?

No full poverty analysis is required, but the project will consider available poverty assessments in Balochistan.

2. What resources are allocated in the PPTA/due diligence?

No specific funds will be allocated since the project will build on existing poverty analysis in Balochistan.

2. If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)?

BRMP II will continue funding performance incentive grants for local governments (as under BRMP I). An evaluation of the success of the grants is currently being undertaken by the Department of Finance of Balochistan.

### II. SOCIAL DEVELOPMENT ISSUES

#### A. Initial Social Analysis

Based on existing information:

1. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?

The project intends to improve governance structures in Balochistan.

2. What are the potential needs of beneficiaries in relation to the proposed project?

The project intends to improve governance structures in Balochistan and is not directly targeting certain beneficiaries.

3. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them?

The project intends to improve governance structures in Balochistan and is not directly targeting certain beneficiaries.

#### B. Consultation and Participation

1. Indicate the potential initial stakeholders.

The TA is a continuation of policy dialogue which started under BRMP I, which funded several workshops. The workshops under the TA will strengthen the participation of civil society and other stakeholders. The government of Balochistan will conduct a Balochistan Development Forum before fact-finding for the program.

2. What type of consultation and participation (C&P) is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of nongovernment organizations and community-based organizations)?  
 Workshops and involvement of nongovernmental organizations (plus coverage in the local media, including the non-English language press),

3. What level of participation is envisaged for project design?  
 Information sharing     Consultation     Collaborative decision making     Empowerment

Under BRMP I, the electrical tubewell subsidy was capped and collaborative decision making will be used to build on this.

4. Will a C&P plan be prepared?  Yes     No    Please explain.  
 A C&P plan will be prepared only for the tubewell policy action.

**C. Gender and Development**

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project/program?  
 The program fully supports the implementation of the gender reform action plan in Balochistan.

2. Does the proposed project/program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making?  Yes     No    Please explain.

The program supports the implementation of the gender reform action plan in Balochistan.

3. Could the proposed project have an adverse impact on women and/or girls or to widen gender inequality?  
 Yes     No    Please explain.

The program will assist in implementing the gender reform action plan (as under BRMP I).

**III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS**

Issue	Nature of Social Issue	Significant/Limited/ No Impact/Not Known	Plan or Other Action Required
<b>Involuntary Resettlement</b>	None	No impact	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<b>Indigenous Peoples</b>	None	No impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<b>Labor</b> <input type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards	Not significant	Civil service reform will improve the functioning of the labor market.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<b>Affordability</b>	Not significant	The efficiency gains and poverty reduction impact outweighs program costs.	<input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<b>Other Risks and/or Vulnerabilities</b> <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input type="checkbox"/> Others (conflict, political instability, etc.), please specify	None	No impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain

**IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT**

1. Do the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s?  
 Yes  No If no, please explain why.

The PPTA draws on existing poverty, social and gender analysis and will also use findings of the World Bank and ADB *Balochistan Economic Report 2007*.

2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the PPTA/due diligence?  Yes  No If no, please explain why.

A specific budget is not needed since analysis in these fields takes place regularly and any findings will be taken into account in the Program.

ADB = Asian Development Bank, BRMP = Balochistan Resource Management Program, C&P = consultation and participation, GI = general intervention targeting classification, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, MDG = Millennium Development Goal, PPTA = project preparatory technical assistance, TI-G = geographic targeting classification, TI-H = individual or household targeting classification, TI-M1/M2 = non-income MDGs targeting classification, TOR = terms of reference.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

<b>Item</b>	<b>Total Cost</b>
<b>A. Asian Development Bank (ADB) Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	152.0
ii. National Consultants	105.0
b. International and Local Travel	47.0
c. Reports and Communications	3.0
3. Workshops and Resource Persons <sup>b</sup>	35.0
4. Contingencies	58.0
<b>Subtotal (A)</b>	<b>400.0</b>
<b>B. Government Financing</b>	
1. Office Accommodation and Transport	20.0
2. Remuneration and Per Diem of Counterpart Staff	20.0
3. Contingencies	10.0
<b>Subtotal (B)</b>	<b>50.0</b>
<b>Total</b>	<b>450.0</b>

<sup>a</sup> Financed by ADB's technical assistance funding program.

<sup>b</sup> The position includes ADB staff acting as resource persons.

Source: ADB estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. Fiscal and Financial Management

#### 1. Governance and Finance Advisor (international, 6 person-months)

1. The governance and finance advisor will have overall responsibility for the fiscal and financial management component of the second Balochistan Resource Management Program (BRMP II). He or she will work closely with the Executing Agency (EA) and will liaise with the project management unit, implementing agencies and consultants to ensure coordination of technical assistance (TA) inputs. The advisor will have more than 15 years' professional experience in development planning, fiscal and financial management, governance and policy reform, and an in-depth understanding of and experience in Balochistan.

2. The tasks of the advisor will include the following:

- (i) provide inputs to the design of the overall perspective for the program;
- (ii) assume lead responsibility for preparing the fiscal and financial management component of BRMP II;
- (iii) supervise and assure the quality of work inputs by the TA consultants for the fiscal and financial management component;
- (iv) review provincial fiscal and financial management (building on work conducted under the *Balochistan Economic Report*, and the *Balochistan Public Financial Management and Accountability Assessment*<sup>1</sup> and inputs from the financial management specialist (see below);
- (v) support the economist (see below) to coordinate inputs to the policy matrix and work plan, together with the EA and the consultants;
- (vi) support the economist to develop a coordination matrix for other policy and investment programs affecting development in Balochistan;
- (vii) advise and support the EA in all matters concerning the TA, participate in workshops before the Balochistan Development Forum, and advise the EA in follow-up;
- (viii) ensure that recommendations of evaluation reports of the Asian Development Bank (ADB) on (a) the performance of the TA, (b) policy-based lending, and (c) public resource management programs are taken into consideration;
- (ix) ensure sound donor coordination and draft a donor coordination matrix;
- (x) participate in missions and other assignments leading to preparation of the BRMP II; and
- (xi) perform any other activity, consistent with the above terms of reference, assigned to him or her by ADB.

#### 2. Financial Management Specialist (national, 6 person-months)

3. The specialist will prepare papers and studies that will investigate (i) strengthening provincial revenues and revenue management; (ii) rationalizing provincial development expenditures; and (iii) improving effectiveness, predictability, and accountability in financial management by modernizing system management (accounting, treasury functions, contingent

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<sup>1</sup> ADB. 2007. *Balochistan Economic Report: From Periphery to Core*. Quetta (forthcoming); 2004. *Balochistan. Public Financial Management and Accountability Assessment*. Quetta.

liabilities), improving budgeting process (including the introduction of a medium-term budget framework and medium-term expenditure framework), and fiscal responsibility and public disclosure mechanisms.

4. The specialist will have at least 10 years' experience in financial management and an understanding of and experience in Balochistan. He or she will work under the direction and supervision of the governance and finance advisor.

5. The studies to be prepared by the financial management specialist will include areas agreed with the Executing Agency. They will be submitted as a series of short reports covering the following areas.

**a. Fiscal and Financial Management**

- (i) Report on existing accounting, reporting and monitoring systems, procedures and processes being practiced by the provincial government for federal transfers and for the province's own sources of revenue. The report will provide recommendations, an action plan, and formats for improving the reporting and monitoring of federal transfers according to National Finance Commission awards and other federal transfers, as well as performance against targets of the province's own sources of revenue.
- (ii) Report on existing systems, procedures and processes of the provincial government for management and accounting of off-system funds, personal ledger accounts, and vertical programs. The report will provide recommendations and an action plan for improvements, as well as suggested formats and procedures for managing, accounting, and monitoring such funds.
- (iii) Report on existing systems, procedures and processes of treasuries in Balochistan, recommending improvements in management and inspection of treasuries.
- (iv) Report on existing systems, procedures and processes of the provincial government for accounting, reporting and monitoring the General Provident Fund and Pension Fund. The report will provide recommendations and an action plan for improving the management of contingent liabilities.

**b. Budget**

- (i) Report on provincial expenditure budgeting, with proposals for improved processes for (a) budgeting, including approval and sanction of establishment strength, capital (development) expenditure, and current expenditure; (b) agreements on cash flow and expenditure with provincial departments and agencies; (c) implementation of expenditure allocations for non-salary expenditure; and (d) rationalizing commitments and phasing of development expenditure.
- (ii) Report on managing provincial departments' expenditures with proposals for introduction of (a) improved budget execution and reporting by the provincial departments and agencies, and (b) improved monitoring and reconciliation by the finance department.

**c. Accountability**

- (i) Report on the present functioning of the Public Accounts Committee as well as of the accounts committees of local governments. Make proposals to improve the

functioning of these committees in the context of post-audit actions for improved accountability.

- (ii) Prepare a draft of fiscal responsibility legislation.

**d. Enhancing Revenue Base**

- (i) Report on the province's own source revenues, reviewing the steps taken to implement commitments to improve these revenues under BRMP I and other initiatives of the provincial government.
- (ii) Make proposals and present an action plan to enhance the revenue base and to continue rationalizing economic services, the Mines and Minerals Department, and other areas, including royalty and dividend expenditure from provincial government investments.

**e. Transparency, Public Disclosure, and Access to Information**

- (i) Review the transparency, public disclosure, and access to information in the workings of provincial and local governments.
- (ii) Recommend improvements in rules and procedures for improved transparency, disclosure and access to information.
- (iii) Support preparation of annual reports by the provincial government on oil and gas revenues.

6. Based on the studies and analysis carried out above, the specialist will (i) make recommendations for fiscal and financial management reforms to be undertaken under BRMP II and present a specific time-bound action plan for implementation, (ii) participate in missions and other assignments leading to preparation of BRMP II, and (iii) perform any other activity, consistent with the above terms of reference, assigned to him or her by the governance and finance advisor.

**3. Economist (national, 4 person-months)**

7. Based on inputs from other consultants, the economist will (i) prepare briefs and presentations on each program area, and (ii) be responsible for preparing all the documentation required to process the program in keeping with the ADB requirements.

8. The economist will have at least 10 years' experience as an economist, in-depth knowledge of and experience in the procedures, systems and program processing requirements of ADB, and a thorough understanding of resource management, public finance, and poverty issues in Pakistan. He or she will work under the direction and supervision of the governance and finance advisor.

9. The tasks of the economist will include the following:

- (i) based on inputs from TA consultants, prepare briefs and presentations on each program area specifying the advantages of the proposed policy actions (and the implications if the proposed actions are not taken) for all components of the program;
- (ii) work closely with the governance and finance advisor on the policy matrix and work plan, and, based on inputs from other TA consultants, prepare the policy

- matrix and work plan and participate in discussions with the government for its finalization;
- (iii) coordinate with TA consultants to prepare all the documentation needed for the processing of the program, including the design and monitoring framework, policy coordination matrix, social and policy analysis, gender analysis, and other requirements;
  - (iv) participate in missions and other assignments leading to preparation of the BRMP II; and
  - (v) perform any other activity, consistent with the above terms of reference, assigned to him or her by ADB.

## **B. Institutional and Human Resource Management Reforms**

### **1. Institutional Specialist (national, 5 person-months)**

10. The specialist will undertake a study on (i) developing a diagnostic framework to rationalize and strengthen the institutional arrangements of the provincial government departments, and (ii) improving the business processes in select government departments to enhance their efficiency and effectiveness. The consultant will provide an overall policy direction for the reform agenda under BRMP II, with a specific, time-bound, measurable implementation action plan for the policy interventions. The consultant will share the study findings with the stakeholders through structured workshops and obtain feedback to inform the analysis and recommendations.

11. The consultant will have qualifications related to public administration or management, with at least 10 years' experience in public administration reforms and change management. Knowledge of and experience in Balochistan will be an asset.

12. The tasks and outputs of the specialist will include the following:

- (i) review, in the light of the constitutional mandate and obligations of the provincial government, the allocation of business within its departments and agencies and identify any misalignment;
- (ii) prepare specific recommendations to amend the rules of business of the provincial government based on (i) above and the mandates of the local governments defined under the Balochistan Local Governance Ordinance, 2001 (and their rules of business);
- (iii) conduct a review of business processes in selected departments (Planning and Development and Mines and Minerals), map out in detail the workflows and the business processes to identify issues and make specific recommendations for improvement (including clearly identified amendments to rules and instructions where required);
- (iv) for the Planning and Development Department, the review will cover in detail the social sector, the infrastructure sector and the natural resources sector;
- (v) for the Mines and Mineral Department the review will cover the licensing, concessions, and royalty and other fee collection;
- (vi) propose reforms, including detailed recommendations on rules of business and business processes and government procedures for implementation under BRMP II;
- (vii) will conduct wide stakeholder consultations, including with civil society;
- (viii) participate in missions and other assignments leading to preparation of BRMP II; and

- (ix) perform any other activity, consistent with the above terms of reference, assigned to him or her by ADB.

## **2. Human Resource Management (HRM) Specialist (national, 4 person-months)**

13. The specialist will (i) prepare a study on a framework for identifying and removing weaknesses in the human resource management practices in the public sector, and (ii) provide an overall policy direction for the reform agenda under BRMP II, with a specific time-bound, measurable implementation action plan. The specialist will share the study findings with the stakeholders through structured workshops and obtain feedback to inform the analysis and recommendations.

14. The consultant will have qualifications related to human resource management or public administration with at least 10 years' experience in human resources management. Knowledge of and experience in Balochistan will be an asset.

15. The tasks and outputs of the specialist will include the following:

- (i) review the regulatory framework (including the Civil Servants Act, rules and other regulations) governing recruitment, career management, tenure, capacity building, performance evaluation and the incentive structure;
- (ii) review the functioning of the Public Service Commission, the Services and General Administration Department, and the public sector training institutions;
- (iii) identify major issues and make recommendations on the broad direction for policy reforms under BRMP II, including a framework for further detailed evaluation where necessary;
- (iv) provide a specific and measurable, time-bound implementation action plan for immediate implementation and/or piloting under BRMP II;
- (v) consult widely with stakeholders, including members of civil society and recipients of public services;
- (vi) participate in missions and other assignments leading to preparation of the BRMP II; and
- (vii) perform any other activity, consistent with the above terms of reference, assigned by ADB.

## **C. Provincial Natural and Cultural Asset Management**

### **1. Specialist in Water Resources Policies (national, 2 person-months)**

16. The specialist will be responsible for preparing all the documentation required for processing the program in keeping with ADB requirements.

17. He or she will have at least 12 years' experience and must have in-depth knowledge of and experience in the procedures, systems, and program processing requirements of ADB, and a thorough understanding of water resources policies in Pakistan. He or she will work closely with the team leader of the cofinanced TA under BRMP I on water resources management.<sup>2</sup>

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<sup>2</sup> ADB. 2004. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grants to the Islamic Republic of Pakistan for the Balochistan Resource Management Program*. Manila.

18. The tasks of the specialist will include the following:

- (i) review existing work on the water sector in Balochistan, in order to (a) prepare a concise action plan for water resource management; (b) propose time-bound policy reform actions for inclusion under BRMP II, and (c) review the water resource policy framework in view of its social provisions and possible impacts on involuntary resettlement and indigenous people;
- (ii) participate in missions and other assignments leading to preparation of the BRMP II; and
- (iii) perform any other activity, consistent with the above terms of reference, assigned to him or her by ADB.

**2. Heritage Management Specialist** (international, 2 person-months)

19. The heritage management specialist will have at least 15 years' experience in cultural asset management.

20. The tasks of the specialist will include the following: prepare an overview of archeological assets in Balochistan in collaboration with the relevant departments to include (i) ownership issues; (ii) rules and regulations (e.g., their applicability and any omissions); (iii) an overview of the cultural assets, particularly from Mehrgarh, that can be exhibited in a world-class exhibition in one or more countries; (iv) proposals on how revenues can be generated through such cultural marketing; and (v) proposals on how such revenues can best be used to house and preserve cultural assets in Balochistan.