

ASIAN DEVELOPMENT BANK

TAR: PAK 36057

TECHNICAL ASSISTANCE

Cofinanced by the Poverty Reduction Cooperation Fund and
The Government of the United Kingdom

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR

**ENHANCING CAPACITY FOR RESOURCE MANAGEMENT
AND POVERTY REDUCTION IN PUNJAB**

December 2002

CURRENCY EQUIVALENTS

(as of 14 October 2002)

Currency Unit	–	Pakistan rupee (PRe/PRs)
PRe1.00	=	\$0.01698
\$1.00	=	PRs58.90

ABBREVIATIONS

ADB	–	Asian Development Bank
CGA	–	Controller General of Accounts
CSP	–	country strategy and program
DFID	–	Department for International Development
DSP	–	Decentralization Support Program
EA	–	Executing Agency
IA	–	Implementing Agency
KPI	–	key performance indicator
M&E	–	monitoring and evolution
MTBF	–	medium term budgetary framework
P&D	–	Planning and Development Board
PFC	–	Provincial Finance Commission
PG	–	Punjab Government
PMU	–	Project Management Unit
PRSP	–	Poverty Reduction Strategy Paper
P-PRSP	–	Provincial Poverty Reduction Strategy Paper
PRCF	–	Poverty Reduction Cooperation Fund
PRMP	–	Punjab Resource Management Program
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2002 ends on 30 June 2002.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The (ADB's) country strategy and program (CSP) for Pakistan focuses on poverty reduction and highlights support for governance reforms that will help reduce poverty. In this framework, attention is given to policy and institutional reforms at the provincial level, including public resource management. The proposed Punjab Resource Management Program (PRMP) loan, which will be processed in 2003, will initiate ADB's involvement in holistic province reforms in Pakistan. The program incorporates reforms in development planning, fiscal and financial management, and public service delivery.

2. Pakistan's Interim Poverty Reduction Strategy Paper was approved by the Federal Government in November 2001. The full national level Poverty Reduction Strategy Paper (PRSP) to be completed in early 2003 will be closely linked with the provincial poverty reduction strategy papers (P-PRSPs). Punjab Government (PG) has started drafting a P-PRSP in consultation with the federal PRSP secretariat, civil society, and district governments. However, the completion and subsequent implementation of the P-PRSP and the reform effort supported by PRMP will present new challenges to the staff and elected leadership of the PG. To enhance its existing resources and build new capacities, PG has requested a technical assistance (TA) grant from the ADB to assist in completing and implementing the P-PRSP and the PRMP. The TA is included in ADB's 2002 program¹ and is consistent with ADB's CSP for Pakistan. The TA was designed during the Fact-Finding Mission² fielded on 15-19 July 2002, and understanding was reached with PG on the objectives, scope, effectiveness measures, and implementation arrangements.³ The TA framework is attached as Appendix 1.

II. ISSUES

3. **Rise in Poverty.** Income poverty in Punjab increased significantly from 25.2% in FY1991 to 33% in FY1999. Poverty in the rural areas in FY1999 was estimated at 36%, and that in the urban areas was 25.5%. Together with income poverty, most key social development indicators in Punjab have also displayed a disappointing trend. For example, the primary school gross enrollment rate declined from 80% in FY1991 to 75% in FY1999.

4. **Lack of Clarity in Development Objectives.** Development planning in Punjab has lost much of its efficacy. As a result, Punjab lacks a coherent and focused strategy for poverty reduction and socioeconomic development. Development priorities in the province are inadequately informed by public consultation or engagement with elected leaders at local and province levels. Commitments are made incrementally on the basis of individual investment, rather than in the wider frame of medium-term priorities and poverty goals and a robustly determined estimation of corresponding resource availability

5. **Inadequate Fiscal and Financial Management.** A direct result of weak development planning is the inadequate level of resources for poverty-focused development expenditures. Equally, if not more, problematic is that available resources are not efficiently utilized because of weak public sector fiscal and financial management. Fiscal management is severely constrained by inflexible expenditure and revenue policies and procedures, which do not allow the provincial government to undertake/generate necessary investment needed to stimulate economic growth. Salaries absorb the bulk of current expenditures. Complicated procedures encourage rent

¹ The TA was originally titled Enhancing Capacity for Resource Management and Institutional Reforms in Punjab.

² The Mission comprised N. Hamid, Senior Economic Advisor, PRM and S. Aftab, Project Specialist – Social Sectors, PRM. ADB consultant S. H. Kardar also joined the Mission.

³ The TA first appeared in *ADB Business Opportunities* (Internet edition) in September 2002.

seeking and prevent the timely release of allocations to service delivery sites. The poor quality of monitoring, reporting, and accountability systems has compromised the quality of public resource management. Provincial accounts are not fully reliable, and timely reconciliation of accounts is lacking.

6. Public Service Delivery and Changing Role of Provincial Government. Punjab's public administration is overstaffed, underpaid, and generally operating below potential. In addition, devolution has far-reaching implications for the structure and role of the provincial government. With responsibility for the delivery of most social and productive services now assigned to local governments, the province must restructure itself and adopt new systems consistent with its new responsibilities to make policy, and to support, supervise, and monitor the performance of agencies with which it has no direct command-and-control relationship.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

7. The TA will promote poverty-focused development planning and effective use of public resources in Punjab for poverty reduction, human development, and economic growth. To this end, the TA will support completion and implementation of the P-PRSP, and poverty reduction action plans at the district level. The TA will also assist in developing needed systems and modalities for enhanced effectiveness of public expenditures and increased resource mobilization. Finally, the TA will engender broad-based ownership of the poverty reduction strategy and reform process in the political and administrative organs of the province and local governments, and within civil society and other stakeholders, while at the same time enhancing the capacity to enable PG to undertake key activities necessary for developing the strategy and implementing the reform program.

B. Methodology and Key Activities

8. The TA will fund domestic as well as international experts on needs basis, workshops and forums to promote the participation of civil society and other stakeholders, and studies and surveys. The TA will have two interrelated components. The first will focus on promoting poverty-focused and effective development planning in Punjab with the aim to develop a provincial poverty strategy and district-based poverty action plans. The second component will assist in translating the poverty reduction strategy and action plans into a medium-term budget and expenditure plan to ensure that the resource needs identified by the poverty strategy are prioritized and met on an ongoing basis. This component will also enhance the effectiveness of development and poverty-related spending by supporting improvements in fiscal and financial management.

1. Effective, Poverty-Focused Development Planning

9. The TA will assist PG in developing a medium-term poverty reduction strategy, along with specific targets and key performance indicators (KPIs). The TA will support these activities:

- (i) Complete and implement the P-PRSP,⁴ which will provide a comprehensive framework for social development and poverty reduction, and will be based on an extensive consultative process.

⁴ PG has initiated work on preparing the PPRSP, which will be supported by the Government of the United Kingdom's Department for International Development (DFID) prior to the effectiveness of the TA.

- (ii) Initiate the process of poverty-focused planning at the district level by providing intellectual and logistic support, and organizing subregional (i.e., between groups of districts) workshops and consultations with government officials and elected representatives at the district level, while building synergies with the district planning work planned under the Decentralization Support Program (DSP).
- (iii) Facilitate the preparation of district poverty assessments, along with action plans for reducing poverty and benchmarks for assessing performance in selected districts⁵.
- (iv) Establish linkages between development planning and the budgetary processes to permit the preparation of an effective, rolling, poverty-focused medium-term development program within the available resources.
- (v) Promote the participation of major stakeholders and civil society institutions in the reform and development process through provincial and subregional workshops on poverty and development issues, preparation of user-friendly reports on economic and social indicators, and information dissemination through the Internet.
- (vi) Upgrade and expand existing monitoring and evaluation systems to more effectively track progress in implementing the P-PRSP, and the implementation and outcomes of investment projects, establish the framework for a regular reporting system for user-friendly province- and district-specific economic and social indicators.

2. Effective Resource Management

a. Fiscal and Financial Management

10. The TA will assist PG in developing and implementing a poverty-focused medium-term fiscal restructuring plan and a program for improving financial management. The specific activities follow:

- (i) Develop a medium-term budgetary framework (MTBF), as well as build capacity to ensure that the exercise becomes sustainable and is carried out on an ongoing basis.
- (ii) Develop instruments, measures, and procedures for improved resource mobilization and institutional arrangements for efficient tax collection.
- (iii) Strengthen the reliability and accuracy of provincial accounts and the reporting systems involving timely reconciliation of accounts.
- (iv) Undertake a comprehensive exercise to determine the actual and contingent liabilities of the provincial government (such as pensions).
- (v) Enhance transparency and accountability by including in the budget documents information to facilitate informed assessment of the financial status of the provincial government, and posting quarterly fiscal accounts on the Internet.
- (vi) Build capacity at the provincial and local levels for PG's eventual take over of accounting functions. The Government of the United Kingdom is already providing support to the office of the Controller General of Accounts (CGA) at the federal level in the area of financial management, one component of which is to support the CGA's work to enable the provinces to take over accounting functions by 2006.

⁵ The selection of districts that will have support for undertaking poverty assessments and preparing action plans will be based on evidence of sufficient ownership of this process within a particular district, its existing technical and management capacity, and its level of poverty.

b. Improved Public Service Delivery

11. The TA will assist PG developing modalities and instruments for meeting P-PRSP goals in the changed environment where responsibility for social service delivery has been devolved to local governments, and in improving the management of its human resources. The activities will include the following:

- (i) Work closely with institutions nominated by PG to provide the necessary information and analysis to the Provincial Finance Commission (PFC) so that its finance award for district governments incorporates incentives for poverty-focused social sector expenditures at the district level.
- (ii) Evaluate the impact of ongoing innovative schemes in education and health, and promote the use of third-party validation of outcomes.
- (iii) Streamline procedures for timely release of funds for recurrent, nonsalary expenditures.
- (iv) Conduct a comprehensive civil service census to develop a human resource database, a functional review of provincial departments, and an assessment of training requirements for critical jobs.

C. Cost and Financing

12. The TA is estimated to cost \$850,000 equivalent, comprising foreign exchange costs of \$193,000 and local currency cost of \$657,000 equivalent. ADB will provide \$680,000 to finance the entire foreign exchange costs, and \$487,000 of the local currency costs on a grant basis from ADB's TA funding program, through the Poverty Reduction Cooperation Fund (PRCF), and by the Government of the United Kingdom. The estimated cost of component 1 is \$300,000 equivalent, of which \$33,000 will be the foreign exchange costs and \$267,000 equivalent the local currency costs. An amount equivalent to \$230,000 will be provided from the PRCF to finance the entire foreign exchange costs, and \$197,000 equivalent of local currency costs of the component, while PG will contribute the remaining local currency cost of \$70,000 equivalent in kind by providing office accommodation, counterpart staff support, and facilities for seminars and meetings.

13. The estimated cost of component 2 is \$550,000 equivalent, comprising foreign exchange costs of \$160,000 and local currency costs of \$390,000 equivalent. ADB will finance \$250,000 equivalent on a grant basis from its TA funding program, and the Government of the United Kingdom will finance \$200,000 equivalent on a grant basis, administered by ADB, to finance the entire foreign exchange costs, and \$290,000 equivalent of local currency costs. PG will contribute the remaining local currency cost of \$100,000 equivalent in kind by providing office accommodation, counterpart staff support, and facilities for seminars and meetings. Appendix 2 summarizes the cost estimates. Appendix 3 presents component 1 using the PRCF budget framework.

D. Implementation Arrangements

14. The executing agency (EA) for the TA will be the Punjab Planning and Development Board (P&D). Implementing Agencies (IAs) to be supported by the TA will include P&D, and the departments of finance, excise and taxation, and management and professional development. Each IA will set up a core team, which, together with the consultants for the TA, will be responsible for undertaking the key activities agreed upon for their particular area. The EA will

establish a project management unit (PMU)⁶, and will appoint a senior official to act as TA director and as Director of PMU. The PMU will have a core staff of 2 persons, assisted by consultants recruited for the TA.

15. A project coordinator, who will be domestic consultant, will be responsible overall for the TA. Under the project coordinator, two teams of consultants will be appointed, one for each component. Each team will have a team leader. Consultants will report in the first instance to their respective team leader who will be responsible for the quality of their activities. The PMU director will be responsible for overall day-to-day supervision in consultation with the project coordinator and the two team leaders. The deployment of international consulting resources (6 person-months) will be identified during TA inception and finalized no later than 3 months of the effectiveness of the TA. A steering committee chaired by the Chairman of P&D and consisting of representatives of the concerned provincial departments, will provide overall guidance and coordination.

16. The TA will be implemented over 18 months from December 2002 to May 2004. A total of 135 person-months (6 for international and 129 for domestic consultants) will be required to implement the TA (Appendix 4).

17. The project coordinator and the two international consultants will be engaged individually. Two domestic consulting firms, with the required diversity of experience, will be engaged, one for each component. The consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants*, using the quality and cost-based selection method with simplified technical proposals, and other arrangements satisfactory to ADB. Ownership of all materials and equipment purchased by the consultants (in accordance with ADB's *Guidelines for Procurement*) out of ADB funds for the purpose of the TA will be transferred to the EA on completion of the TA.

18. An inception mission will be fielded within 4 weeks from initiation of the TA to finalize the terms of reference for the consultants as well as their work assignments. The consultants will be required to submit quarterly progress reports. Quarterly tripartite meetings of the EA and the steering committee, consultants engaged under the TA, and ADB will review implementation progress. In addition, a midterm review will assess project progress and overall achievement will be assessed at TA completion. The performance of the consultants will be evaluated through ADB's specified consultant evaluation processes.

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of the technical assistance not exceeding the equivalent of \$230,000 to be financed on a grant basis by the Poverty Reduction Cooperation Fund; (ii) ADB administering a portion of technical assistance not exceeding the equivalent of \$200,000 to be financed on a grant basis by the Government of United Kingdom; and (iii) the provision of technical assistance not exceeding the equivalent of \$250,000 on a grant basis; all to the Government of Pakistan for Enhancing Capacity for Resource Management and Poverty Reduction in Punjab, and hereby reports this action to the Board.

⁶ A PMU to support the DSP is already planned to be established in the Department of Finance. In this regard, close coordination and interaction between the PMU for DSP and the PMU for the present TA will be ensured for synergistic functioning and operations.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal Promote poverty-focused development planning and effective use of public resources in Punjab for poverty reduction, human development, and economic growth</p>	Poverty-focused development plans and improved public resource management capacity in Punjab	Midterm review and technical assistance (TA) completion report	Political will and commitment to poverty reduction and the reform process exists in the provincial government.
<p>Purpose Support completion and implementation of provincial poverty reduction strategies in Punjab, and facilitate district poverty assessments and action plans to influence planning and expenditures at the district level</p> <p>Develop needed systems and modalities for enhanced effectiveness of public expenditures and improved resource mobilization</p>	<p>Increased poverty focus and poverty-related investments reflected in the development plans of the provincial and district governments</p> <p>Improved frameworks, systems, and modalities for efficient management of public expenditures and increase in public resources</p>	Quarterly reports and reviews, meetings of the steering committee, and regular consultant evaluations	<p>There is continuity in the devolution process and district governments are able to function as envisaged under the devolution plan.</p> <p>Adequate human resources are available at the provincial and district levels to benefit from capacity development under the Project.</p>
<p>Outputs Component 1: Poverty-focused Development Planning</p> <p>Process of consultation initiated for preparation of (P-PRSP)</p> <p>Preparatory and consultative work on poverty analysis undertaken in the 34 districts of Punjab</p> <p>Poverty assessments prepared to support preparation of development plans in selected districts</p> <p>Upgraded and expanded monitoring and evaluation system for monitoring progress in poverty reduction strategies and impact of reform on the poor</p>	<p>P-PRSP prepared</p> <p>Reports on district poverty situations and issues presented at regional poverty workshops</p> <p>District poverty assessments</p> <p>An operational efficient monitoring and evaluation system</p>	<p>Review missions and consultant reports</p> <p>Review of P-PRSP drafts</p> <p>Review of district poverty assessment reports</p>	<p>Level of government commitment to stakeholder consultation.</p> <p>Availability of data for analysis.</p> <p>Level of interest and ownership in the district governments.</p>

<p>Component 2: Effective Resource Management</p> <p>Medium-term plan and budget frame-work, and capacity to ensure timely preparation of the annual budget within the frame-work on an ongoing basis</p> <p>Instruments, measures, and procedures for resource mobilization, and institutional arrangements for efficient taxation</p> <p>Assessment of actual and contingent liabilities of the provincial government</p> <p>Modalities and instruments for improved social service delivery</p> <p>Database development and needs assessment for human resource management</p>	<p>Medium-term plan and budget frame-work</p> <p>Necessary instruments and modalities in place for improved resource mobilization</p> <p>Reliable estimates of actual and contingent liabilities</p> <p>Report on improving social service delivery</p> <p>Ready availability of current information and statistics on the civil service, and needs assessment report</p>	<p>Review missions and consultant reports</p> <p>Budget documents</p>	<p>Consultants' expertise.</p> <p>Assignment of technically competent and relevant counterpart staff.</p> <p>Availability of data for analysis.</p>
<p>Activities</p> <p>Component 1: Review existing information, data, and analysis on poverty at the provincial and district levels</p> <p>Undertake analysis of capacity building needs of provincial and district officials in planning and strategy development and organize appropriate training</p> <p>Facilitate, through a series of workshops, consultations for developing a poverty reduction strategy, with all stakeholders at the provincial and local levels</p> <p>Provide needed intellectual and logistic support for poverty analysis and planning in the district governments</p> <p>Establish key performance indicators for effective monitoring of poverty reduction strategies</p>	<p>Compiled information, data, and analysis on the state of poverty in the province and districts</p> <p>Organized training in areas defined under the training needs analysis</p> <p>Organized workshops</p> <p>District poverty assessments</p> <p>Benchmarks for key performance indicators established</p>	<p>Review missions and consultant reports</p> <p>Needs analysis report, and record of organized training program</p> <p>Attendance in workshops</p>	<p>Government provides counterpart financing.</p> <p>Consultants are recruited expeditiously.</p> <p>Consultants' expertise.</p>

<p>Component 2: Undertake necessary technical and capacity building work for development of the medium-term budgetary framework</p> <p>Review institutional arrangements for efficient tax collection</p> <p>Develop an action plan for strengthening the reliability and accuracy of the provincial accounting system</p> <p>Streamline the system for timely release of recurrent, nonsalary expenditures in the social sectors</p> <p>Conduct a comprehensive civil service census</p> <p>Conduct a functional review of provincial departments, particularly those affected by devolution</p>	<p>Medium-term budgetary framework operational</p> <p>Report on proposed improvements to the tax collection system</p> <p>Action plan finalized</p> <p>Improved system for regular and timely release of budget allocations for the social sectors</p> <p>Civil service census completed</p> <p>Function review of provincial departments completed</p>	<p>Review missions and consultant reports</p>	<p>Consultants' are recruited expeditiously.</p> <p>Timely availability of data.</p> <p>Cooperation of concerned government departments.</p>
<p>Inputs</p> <p>Component 1: Asian Development Bank financing of \$230,000 (from PRCF funding), and PG contribution of \$70,000</p> <p>1 person-month of international and 45 person-months of domestic consulting services</p> <p>Component 2: Asian Development Bank financing of \$450,000 (\$200,000 in co-financing from Government of the United Kingdom), and PG contribution of \$100,000</p> <p>5 person-months of international consultancy and 84 person months of domestic consulting services</p>		<p>Quarterly progress reports by consultants</p> <p>Quarterly tripartite meetings</p> <p>Review missions</p>	<p>Timely establishment, and regular meetings of the steering committee.</p> <p>Timely establishment, and adequate staffing of the project management unit.</p> <p>Timely establishment of core teams by implementing agencies.</p>

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
I. Component 1			
A. Asian Development Bank PRCF Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	25.0	0.0	25.0
ii. Domestic Consultants	0.0	107.0	107.0
b. International and Local Travel	5.0	12.0	17.0
c. Reports and Communications	0.0	0.0	0.0
2. Equipment	0.0	0.0	0.0
3. Training, Seminars, and Conferences	0.0	30.0	30.0
4. Surveys	0.0	30.0	30.0
5. Miscellaneous Administration and Support Costs	0.0	0.0	0.0
6. Representative for Contract Negotiations	0.0	0.0	0.0
7. Contingencies	3.0	18.0	21.0
Subtotal (A)	33.0	197.0	230.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	70.0	70.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	0.0	0.0
3. Others	0.0	0.0	0.0
Subtotal (B)	0.0	70.0	70.0
Total (I)	33.0	267.0	300.0
II. Component 2			
A. Asian Development Bank Financing^b			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	125.0	0.0	125.0
ii. Domestic Consultants	0.0	218.0	218.0
b. International and Local Travel	20.0	10.0	30.0
c. Reports and Communications	0.0	10.0	10.0
2. Equipment	0.0	0.0	0.0
3. Training, Seminars, and Conferences	0.0	25.0	25.0
4. Surveys	0.0	0.0	0.0
5. Miscellaneous Administration and Support Costs	0.0	0.0	0.0
6. Representative for Contract Negotiations	0.0	0.0	0.0
7. Contingencies	15.0	27.0	0.0
Subtotal (A)	160.0	290.0	450.0

Item	Foreign Exchange	Local Currency	Total Cost
B. Government Financing			
1. Office Accommodation and Transport	0.0	100.0	100.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	0.0	0.0
3. Others	0.0	0.0	0.0
Subtotal (B)	0.0	100.0	100.0
Total (II)	160.0	390.0	550.0
Overall Budget			
A. Asian Development Bank Financing	193.0	487.0	680.0
1. Poverty Reduction Cooperation Fund - \$230,000			
2. ADB - \$250,000 ^c			
3. Government of the United Kingdom - \$200,000			
B. Government Financing	0.0	170.0	170.0
Total	193.0	657.0	850.0

^a Please see Appendix 3 for component 1 on the PRCF budget framework format.

^b Cofinanced by the Government of the United Kingdom.

^c Financed by ADB's TA funding program

Source: Asian Development Bank estimates.

COMPONENT 1: PRCF BUDGET FRAMEWORK
(\$'000)

Item	Output 1: Completion of P-PRSP	Output 2: Consultations in 34 Districts	Output 3: 10 District Poverty Assessments	Total (Input)	Percent
1. Revolving Fund Facilities	0.0	0.0	0.0	0.0	0.0
2. Civil Works	0.0	0.0	0.0	0.0	0.0
3. Equipment, Machinery, Materials and Other Capital Costs	0.0	0.0	0.0	0.0	0.0
4. Supplies	0.0	0.0	0.0	0.0	0.0
5. Training, Workshops, Seminars	5.0	15.0	10.0	30.0	13.0
6. Consulting Services International (remuneration, per diem, travel)	15.0	5.0	10.0	30.0	13.0
Domestic (remuneration, per diem, travel)	26.0	52.0	41.0	119.0	51.7
7. Surveys	0.0	15.0	15.0	30.0	13.0
8. Project Management	0.0	0.0	0.0	0.0	0.0
9. Miscellaneous, Administration and Support Costs for Consultants, Other Project Inputs	0.0	0.0	0.0	0.0	0.0
10. Contingencies	4.0	6.0	11.0	21.0	9.1
Subtotal PRCF- financed	50.0	93.0	87.0	230.0	76.7
Government Contribution	13.0	20.0	37.0	70.0	23.3
Contribution of other Bid Agencies	0.0	0.0	0.0	0.0	0.0
Contribution of Civil Society and Others	0.0	0.0	0.0	0.0	0.0
Contribution of the Poor	0.0	0.0	0.0	0.0	0.0
Total Project Costs	63.0	113.0	124.0	300.0	100.0

Note: Civil society will be requested to make in-kind contributions.

PRCF= Poverty Reduction Cooperation Fund

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. A project coordinator charged with overall responsibility for the technical assistance (TA) will be engaged for the 18-months time frame of the TA. The project coordinator will have substantial experience in development planning, and in fiscal and financial management, and an in-depth understanding of poverty issues in Pakistan.

2. International consultants will be engaged on short-term and as-needed basis to provide specific technical inputs, and/or do peer review of the domestic consultants' outputs. Since the development of a medium term budgetary framework (MTBF) requires technical expertise that may not be available locally, most of the inputs of international experts will be in this area.

3. Two consultancy teams will be engaged, one for each component of the TA. Each team will be headed by a team leader. The team leaders will have expertise in macroeconomics, public policy, and institutional reform, and will be responsible for coordination and quality control of the work/outputs of all members of the team. The team leader for component 1 will also have prime responsibility for poverty reduction strategy and planning; the team leader for component 2 for fiscal restructuring. The estimated level of effort required from each team leader is 9 person-months spread over the duration of the TA.

4. The key outputs and areas of expertise of other team members assigned to specific tasks under the two components are as follows.

A. Component 1

1. Poverty Reduction Strategy and Planning

5. Consultants with experience in policy planning and poverty assessment will be assigned to carry out this task. The bulk of the tasks will be done by domestic consultants (estimated input of domestic consultants is 18 person-months), with international experts being hired on short-term assignments to provide key inputs in areas such as conducting a poverty situation analysis in selected districts and establishing systems for generating regular reports on economic and social indicators. The consultants will work with the Planning and Development Board of the Punjab Government (PG) to

- (i) plan and coordinate a broad-based consultative process to encourage debate on the development of a poverty reduction strategy for Punjab;
- (ii) prepare a provincial poverty reduction strategy paper (P-PRSP);
- (iii) develop in line with the P-PRSP, a program of policies and investment for key sectors and subsectors;
- (iv) facilitate preparatory and consultative work on poverty situation analysis for all districts;
- (v) facilitate the preparation of district poverty assessments in 10 districts, along with action plans for reducing poverty and benchmarks for key performance indicators;
- (vi) establish systems for regular preparation of user-friendly reports on economic and social indicators, and institute systems for more efficient and user-friendly information dissemination through the Internet; and
- (vii) undertake needs analysis for building capacity of the provincial and district officials to plan and develop strategies and organize appropriate training.

2. Monitoring and Evaluation (M&E)

6. Consultants with expertise in M&E of development programs as well as community-based initiatives will be recruited to work in this area (estimated input of domestic consultants is 9 person-months). The consultants will work with key departments of PG to upgrade and expand existing M&E systems to

- (i) establish benchmarks for key performance indicators (KPIs) for effective monitoring of reforms and the P-PRSP;
- (ii) more effectively track the progress and impact of reforms on the poor;
- (iii) monitor progress in implementing the P-PRSP;
- (iv) monitor implementation and outcomes of investment projects on the poor;
- (v) include third-party validation of outcomes/indicators;
- (vi) establish the framework for a regular reporting system for user-friendly province- and district-specific economic and social indicators; and
- (vii) train provincial and district officials, and build their capacity for M&E.

B. Component 2

1. Fiscal Restructuring

7. Consultants with expertise in public finance will provide the necessary technical support in this area (estimated input of domestic consultants is 30 person-months). Under this component, the consultants will

- (i) assist the Department of Finance to develop an MTBF;
- (ii) conduct training on MTBF to build capacity in the department to ensure that the exercise becomes sustainable and is carried out on an ongoing basis;
- (iii) review existing expenditures and provincial government activities, particularly provincial enterprises, and make recommendations for improving focus and eliminating low-priority expenditures;
- (iv) assist the Department of Excise and Taxation and the Board of Revenue to develop instruments, measures, and procedures for enhancing the effectiveness of revenue collection; and
- (v) review institutional arrangements for efficient tax collection and give recommendations for more effective tax administration.

2. Financial Management

8. Consultants with expertise in financial management and public accounting will be recruited to provide services in this area (estimated input of domestic consultant is 10 person-months). Key activities are:

- (i) undertake a comprehensive exercise to determine the actual and contingent liabilities of the provincial government, including reconciling of the public fund account, and developing an inventory of public assets;
- (ii) develop a prioritized action plan for strengthening the reliability and accuracy of provincial accounts and the reporting and accountability systems involving timely reconciliation of departmental accounts with the civil accounts;
- (iii) assist in adoption of the new chart of accounts under the new accounting model being developed at the federal level; and

- (iv) organize for key staff the necessary training in management of public accounts.

3. Improved Public Service Delivery

9. The tasks in this area will be assigned to consultants with expertise in social sectors, development economics, human resource management, and public policy (estimated input of domestic consultants is 26 person-months). The consultants will also be responsible for the interface with the provincial finance commission (PFC). The consultants will

- (i) work closely with institutions designated by the Punjab government to provide the necessary information and analysis to the PFC so that the finance award for the districts incorporates incentives and benchmarks/criteria for social sector expenditures/outcomes at the district level;
- (ii) assist the concerned departments in evaluating the impact of ongoing innovative schemes in the education and health sectors;
- (iii) assist in working out the modalities, selection criteria, and arrangements necessary for instituting systems for third-party validation of outcomes in the social sectors;
- (iv) assist the Department of Finance in streamlining procedures for timely release of funds for recurrent expenditures, excluding salaries;
- (v) assist the Punjab government in conducting a comprehensive civil service census and developing a human resource database;
- (vi) assist in conducting a functional review of provincial departments, particularly those affected by devolution;
- (vii) assist in carrying out an assessment of training requirements for critical jobs; and
- (viii) undertake capacity building and training activities for provincial and district officials as needed.