Technical Assistance to the Islamic Republic of Pakistan for Preparing the North-West Frontier Province Devolved Social Services Program (Financed by the Japan Special Fund)

July 2005

Asian Development Bank
### CURRENCY EQUIVALENTS
(as of 1 July 2005)

<table>
<thead>
<tr>
<th>Currency Unit</th>
<th>Pakistan rupee/s (PRe/PRs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRe1.00</td>
<td>$0.0168</td>
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<tr>
<td>$1.00</td>
<td>PRs59.65</td>
</tr>
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</table>

### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>NGO</td>
<td>nongovernment organization</td>
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<tr>
<td>NWFP</td>
<td>North-West Frontier Province</td>
</tr>
<tr>
<td>NPG</td>
<td>North-West Frontier Province provincial government</td>
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<tr>
<td>P&amp;DD</td>
<td>Planning and Development Department</td>
</tr>
<tr>
<td>PPP</td>
<td>public-private partnership</td>
</tr>
<tr>
<td>PPTA</td>
<td>project preparatory technical assistance</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Program</td>
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<tr>
<td>TA</td>
<td>technical assistance</td>
</tr>
<tr>
<td>TMA</td>
<td>tehsil municipal administration</td>
</tr>
<tr>
<td>WSS</td>
<td>water supply and sanitation</td>
</tr>
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### TECHNICAL ASSISTANCE CLASSIFICATION

<table>
<thead>
<tr>
<th>Classification</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeting</td>
<td>Targeted intervention</td>
</tr>
<tr>
<td>Sector</td>
<td>Multisector</td>
</tr>
<tr>
<td>Subsector</td>
<td>Health, nutrition and social protection, water supply, sanitation and waste management</td>
</tr>
<tr>
<td>Themes</td>
<td>Inclusive social development</td>
</tr>
<tr>
<td>Subthemes</td>
<td>Human development</td>
</tr>
</tbody>
</table>

### GLOSSARY

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>nazim</td>
<td>Elected head of a district, tehsil, or union</td>
</tr>
<tr>
<td>tehsil</td>
<td>Administrative unit below a district</td>
</tr>
<tr>
<td>Union council</td>
<td>Administrative unit below a tehsil, and comprising two or more villages</td>
</tr>
</tbody>
</table>

### 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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This report was prepared by L. Gutierrez (mission leader) and M. Sultana.
I. INTRODUCTION

1. Twelve services, including education, health services, and water supply and sanitation (WSS), were devolved by the Government of Pakistan to local governments in 2001. Devolution provides opportunities to improve substandard social services while, at the same time, it presents major challenges in the face of limited capacity, local political priorities, and financing constraints. The Government of Pakistan requested the Asian Development Bank (ADB) to provide assistance for improving governance, capacity, and financing of devolved social services in the North-West Frontier Province (NWFP). A related project preparatory technical assistance (TA) was requested for the preparation of a feasibility study. The TA will build on lessons learned from previous and ongoing social sector investments of ADB and development partners, including the Decentralization Support Program, the Sindh Devolved Social Services Program (DSSP), Punjab DSSP, public resource management programs, and the NWFP Structural Adjustment Credit I and II.

II. ISSUES

2. NWFP is the second poorest province of Pakistan’s four provinces. During 2001/02, 46% of NWFP’s population were below the poverty line and the literacy rate was at a low 38%. Although literacy rates and enrollment rates have improved, these are still marked by gender disparities. The male literacy rate is about 57% while the female rate is 20%; the male primary net enrollment rate is 62% while the female rate is 39%. Although there are indications that health outcomes improved in NWFP between 1998 and 2002, much improvement is still needed. The child mortality rate stands at 79 per 1,000 and the maternal mortality ratio is high at 300–450 per 100,000. Access to piped water for domestic purposes in urban areas is 66%, while in rural areas only 23% of the population have piped water supply and another 11% have access to community taps. In a participatory poverty assessment study, poverty and vulnerability in NWFP were identified with illiteracy, inadequate access to goods and public services, social exclusion and stigma, remoteness and physical isolation, and insecurity and lack of peace, among others.

3. The pace of devolution implementation in NWFP has been slow. Education and health services were devolved to district governments. At the district level, education and literacy constitute one department while higher education is separate. In WSS, the functions have been devolved to the urban tehsil municipal administrations (TMAs) but not to rural ones. In addition, NWFP’s Works and Services office has divided the province into six regions, each headed by a superintending engineer. The provincial government has been accused of interference in district affairs by district nazims, including in the appointment and transfer of personnel, partly for political reasons and partly due to a murky definition of roles and responsibilities. Salaries remain within the provincial account and are thus effectively being paid by the province. Many project activities for the districts are still being administered by the provincial government through so-called “vertical programs.” In terms of the budget, fiscal flows within the province are formula based (Provincial Finance Commission awards); however, the definition of deductions to arrive at the divisible pool for the districts is still discretionary. The capacity of local

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1 The TA was first listed in ADB Business Opportunities (Internet edition) on 21 February 2005.
government officials to fulfill their responsibilities in terms of planning, implementation, and monitoring is still limited.

4. **Health.** The Government aims to improve health indicators over the medium term. The government strategy consists of management and organizational reforms, programmatic reforms, and increasing financial allocations. The reforms include improving management structure and building district management capacity, reorganizing health facilities into a multilevel referral system, focusing on preventive and primary health care, removing obvious gaps in facilities, providing budgetary allocations, and developing public-private partnerships with adequate regulation.\(^5\) The implementation of programmatic reforms, e.g., malaria control, has progressed while management and organizational reforms have lagged behind. Health management and institutional reforms have been initiated. Policy and reform functions are now at the provincial level and service delivery is devolved to the districts. Autonomy has been granted to tertiary hospitals. Rationalization and standardization plans are being implemented in several district hospitals. Public-private partnerships are being promoted. In addition, more lady health workers and female nurses have been recruited in district hospitals. Additional financial resources are required for the continued implementation of these reforms and the provision of support to districts to ensure effective implementation under the devolved setup.

5. **Education.** The education system is marked by gender disparities in enrollments and suffers from issues such as teacher absenteeism, poor teaching quality, and poor facilities. This has resulted in low participation rates and high dropout rates. Lack of access is especially a problem in remote areas, as schools remain closed due to lack of teachers; lack of school infrastructure also remains an issue. Special efforts are needed to rationalize resources and thus improve the internal and external efficiency of the education system. Activities are under way to address these issues. In an effort to reduce teacher absenteeism and ensure staffing of schools, teachers are being hired on location-specific contracts. Communities are increasingly becoming involved in school management, including monitoring teacher attendance and having spending authority on instructional materials and repairs. To address the large gap between boys' and girls' enrollment rates, more resources are being allocated to enrolling and keeping girls in school, e.g., provision of free textbooks to girls enrolled in government primary schools and building new schools. Basic facilities and additional classrooms will be provided for the growing population. Upgradation of primary schools to middle schools and middle schools to high schools is being carried out. Higher education issues also need to be addressed. With devolution, more resources are required to help districts increase access and deliver high-quality education. This includes developing more effective mechanisms for monitoring district education outcomes and making accountable district-employed teachers.

6. **Water Supply and Sanitation.** Safe drinking water facilities and services are a major concern for the poor. Where facilities are present, systems may be nonfunctional as funds for operation and maintenance, including for electricity bills, are insufficient. In the absence of access to piped water supply or community taps, water is obtained from hand pumps, wells, or through private water vendors, who charge high prices. Private water vendors tend to operate in poorer areas, which translates into poorer people tending to pay higher prices for water. Some rural residents have to fetch water from distant sources as well. Water quality is poor due to an aging distribution system, lack of treatment facilities, lack of water-quality monitoring systems, and contaminated water sources in urban areas. The demand for municipal and industrial water will increase due to the combined effect of an increasing population and the need for greater access to clean water for a healthier population. Ongoing activities to increase access are not sufficient to meet the requirements of the province. Drainage and sanitation work

in the province is also limited. With devolution, TMAs, too, need capacity building and additional resources to effectively meet their responsibility to deliver safe drinking water.

7. Crosscutting Features. Under devolution, the aim is for local governments and communities to take responsibility for social services. Social service delivery must be viewed as a cooperative venture among all levels of government, communities, and the private sector in support of low-cost quality services. District governments and TMAs need to build links with communities, especially community citizen boards. To effectively implement devolution of social service delivery, the macro issues include: (i) improving linkages between the provincial government and local governments to manage social sector policy reforms, and provide technical support and monitoring; (ii) streamlining provincial political and administrative forces to benefit the public; and (iii) ensuring the efficiency of additional resources and accountability. These would entail (i) enhancing local governments’ capacity to plan and manage the social sector; (ii) putting in place mechanisms for more sustainable social sector financing and efficient spending; (iii) increasing community control over services and staff; and (iv) supporting provincial line departments with clear roles and improved linkages. Social sector development depends on the leadership capacity at district and community levels; the relationship of provincial, nazim, and district coordination officers; competent staff; and financial resources for operations.

8. External Financing. The World Bank is providing assistance to NWFP in health, education, and rural WSS, and supporting policy reforms through its structural adjustment credits. Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) is providing assistance in education and health. The United Nations Development Programme’s Essential Institutional Reforms Operationalisation Programme provided capacity-building support to elected officials. The Government of the United Kingdom, through the Department for International Development, is proposing to provide £150 million over 5 years to create fiscal space for social sector spending, particularly in education. At present, ADB is supporting the implementation of devolution in NWFP through the Decentralized Support Program (DSP). Technical assistance in DSP provides capacity-building inputs with focus on governance and gender. ADB assistance to the social sectors in NWFP is being provided through projects in education, health, and WSS. In light of ongoing and proposed assistance in the social sectors of NWFP, ADB’s assistance will be coordinated to avoid overlap with assistance provided by other development partners.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The objective of the TA is to assist the NWFP provincial government (NPG) prepare a program of reforms, to be financed by a program loan, to make devolved social services more effective, efficient, equitable, and sustainable. In turn, this should have major benefits for the poor in health, education, and WSS. The TA design and monitoring framework is in Appendix 1. The TA will have the following outputs: (i) situation analysis, (ii) recommendations for reform in the social sectors, (iii) program loan design, (iv) capacity-building and program implementation support design, and (v) completion of some first tranche actions.

10. The TA will plan a program of reforms for NWFP that targets the poor and is province-wide, demand driven, and performance based. All districts and TMAs in NWFP will be assisted for about 3 to 4 years, with an emphasis on cost-effective services that will benefit many people, in particular the poor and women. While the program will be sector-wide, its design will ensure that the activities will be in line with government priorities.
B. Methodology and Key Activities

11. TA implementation will be in two phases: (i) preparing the program loan and (ii) supporting first tranche actions. The first phase will (i) conduct a comprehensive analysis of the current situation in light of local government ordinances and other government directives, and assistance from development partners and assess the progress of ongoing policy reforms in the social sectors; (ii) identify and recommend social sector reforms required and/or to be strengthened, in order to improve social service delivery under devolution and to be supported by a program loan; (iii) identify program-related activities to assist provincial social sector departments support local governments; and (iv) design project activities to help local governments improve the quality of social services, build local capacity for service delivery, develop and support public-private partnerships, and support improvements to make the social sector more effective, efficient, equitable, and sustainable. The second phase will support activities leading to the completion of some first tranche actions in the proposed program loan’s policy matrix that would have been agreed upon by the national Government.

12. Support will be provided for health, education, and WSS, with crosscutting support for related activities such as in poverty reduction, community participation, and gender in development (See Appendix 2 for the Summary of Initial Poverty and Social Analysis). The specialists, led by the governance and institutional development specialist, will develop a policy matrix to ensure district- and TMA-level capacity to deliver social services. The poverty, gender, and participation specialist and sector specialists will develop a selection of activities to reinforce capacity building to strengthen social service delivery. For example, in education, the program may support activities to improve the quality of education and enrollment. In health and population welfare, the scope may include support to implement health sector reforms and improve facilities. In WSS, support may be extended to developing cost-effective water-quality monitoring mechanisms, increasing coverage and minimum standards, and strengthening TMA capacity for planning, developing, and managing WSS and solid waste management services. ADB financing for the proposed program may follow one of several design modalities, and the specialists will review ongoing government, ADB, and other externally funded programs and projects to indicate how the proposed program will complement and build on ongoing efforts.

C. Cost and Financing

13. The total cost of the TA is estimated at $600,000 equivalent, of which $15,000 will be the foreign exchange cost and $585,000 equivalent will be the local currency cost. ADB will finance $450,000 equivalent, which includes the entire foreign exchange cost and $435,000 equivalent in local currency cost. The remaining $150,000 will be contributed by the Government and will include office accommodation, utilities, transport, remuneration of counterpart staff, and administration support. The TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government has been informed that ADB’s financing of the TA does not commit ADB to financing a subsequent loan project. The detailed cost estimates and financing plan are shown in Appendix 3.

D. Implementation Arrangements

14. The Planning and Development Department (P&DD), NWFP, will be the Executing Agency for the TA. A steering committee will be established to provide overall guidance to the TA team. The committee, chaired by the Additional Chief Secretary, P&DD, will comprise representatives from the departments of finance, schools and literacy, higher education, health, population welfare, local government, works and services, and public health engineering;
four representatives from district governments and TMAs; and two nongovernment representatives. At least two members will be female. The committee will be established before the start of the TA. The committee will meet at least twice in the first 3 months and at least once in the next 2 months to monitor the TA. It will provide guidance, establish ownership by NPG, ensure that the design maximizes the development impact for the poor, and support the ensuing loan processing, if any. NPG will appoint a focal person before TA signing. The focal person will also attend the meetings of the steering committee. All concerned departments will designate counterpart staff to work on a part-time basis with the consultants. P&DD will provide administrative support. NPG will provide adequate office space in the P&DD after TA signing. The office will have utilities, furniture, and local telephone services. The consulting firm will procure equipment, software, and furniture, as necessary, in accordance with ADB’s Guidelines for Procurement. The equipment, software, and furniture will be transferred to the government upon TA completion.

15. The TA will employ the services of consultants for a total of 45 person-months. In view of the capacity and availability of domestic consultants who are knowledgeable about the details of devolution and the social sectors, consulting services will be procured locally. The first phase of TA implementation will require 27 person-months of consulting services. The experts will include a governance and institutional development specialist and team leader (5 person-months); a public finance/economics specialist and co-team leader (5 person-months); an education sector specialist (3 person-months); health and population welfare sector specialist (3 person-months); a water supply and sanitation sector specialist (3 person-months); an environment specialist (1 person-month); a public-private partnership specialist (4 person-months); and a poverty, gender, and participation specialist (3 person-months). The remaining consulting services for the second phase of TA implementation will be identified after the completion of the first phase. ADB will engage a consulting firm in accordance with ADB’s Guidelines on the Use of Consultants and other arrangements satisfactory to ADB for engaging domestic consultants. The simplified technical proposal will be used. The outline terms of reference are in Appendix 4.

16. The TA will be implemented over a period of 12 months; the first phase will be from September 2005 to February 2006, and the second phase will be from June to August 2006. The team will submit an inception report within a month of TA commencement, a preliminary report of the situation analysis and initial policy matrix within 3 months, the draft final report in month 4, and the final report within 6 months from the start of the TA. The government of NWFP and ADB will comment on the draft final report. The TA will include field visits, stakeholder mapping, and institutional mapping; and employ participatory methods to ensure consultation with a wide range of stakeholders, including parents, teachers, health staff, community water boards, and political and administrative leaders at various levels. The consultants will organize at least four district workshops and one provincial workshop in Peshawar involving stakeholders to solicit and discuss views and recommendations, and discuss options and activities.

IV. THE PRESIDENT’S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of $450,000 on a grant basis to the Government of Pakistan for preparing the North-West Frontier Province Devolved Social Services Program, and hereby reports this action to the Board.
## Design and Monitoring Framework

<table>
<thead>
<tr>
<th>Design Summary</th>
<th>Performance Targets</th>
<th>Data Sources/Reporting Mechanism</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Impact</strong></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
| Strengthen devolved social services for more effective, equitable, efficient, and sustainable delivery of social services in line with LGO | • Primary net enrollment rates increase  
• Infant mortality rate falls  
• Total fertility rate falls  
• WSS coverage increases | • Pakistan Integrated Household Survey  
• Multiple Indicators Cluster Survey | • Program loan design is implemented effectively.  
• Government commitment to improving social service delivery within a devolved system is continued. |
| **Outcome**    |                     |                                  |                       |
| Program loan design and capacity-building support agreed to by Government and ADB | • Memorandum of understanding signed by Government and ADB during appraisal mission in 2006 or aide-mémoire confirmed after appraisal mission | • TA review mission aide-mémoires and BTORs  
• Memorandum of understanding | • There is continued political will and commitment to institutionalize devolved LG system |
| **Outputs**    |                     |                                  |                       |
| 1. Situation analysis completed  
2. Recommendations for reform in the social sectors developed  
3. Program loan design completed  
4. Capacity-building, and program implementation support design completed  
5. Activities leading to the completion of some first tranche actions | • TA inception report  
• TA midterm report  
• TA draft final report  
• TA progress report | • TA review mission aide-mémoires and BTORs  
• ADB document registration | • Provincial, local, and community stakeholders effectively participate  
• Provincial and local government and elected officials provide the necessary information |
| **Activities with Milestones** |                     |                                  |                       |
| 1.1 Inception report: within 1 month of TA commencement  
1.2 Workshops with local governments: commencing from 2nd month | | | • ADB: $450,000  
• Government: $150,000 |
| **Assumptions** |                     |                                  |                       |
|  | | |                       |

### Inputs
- ADB: $450,000
- Government: $150,000
### Activities with Milestones

2.1 Preliminary report of the situation analysis and initial policy matrix: within 3 months
2.2 Refinement of reforms and related policy matrix: 3rd month

3.1 Develop and finalize program loan design, capacity building, and program implementation support: 3rd to 4th month
3.2 Finalize program loan design and submit draft final report: 4th month
3.3 Final report: within 6 months of TA commencement

4.1 Identification of required activities for completing first tranche actions
4.2 Submission of work plan for the required activities to be supported by the TA
4.3 Submission of progress reports

ADB = Asian Development Bank, BTOR = back-to-office report, LG = local government, LGO = local government ordinance, MDG = Millennium Development Goal, NWFP = North-West Frontier Province, TA = technical assistance, WSS = water supply and sanitation.
INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

| Is the sector identified as a national priority in country poverty analysis? | ☑ Yes | ☐ No | Is the sector identified as a national priority in country poverty partnership agreement? | ☑ Yes | ☐ No |

Contribution of the sector or subsector to reducing poverty in Pakistan:

Pakistan has made significant achievements in sustaining economic growth levels and reducing income poverty during the decades; however, relatively little progress has been made in improving human development outcomes.

North-West Frontier Province (NWFP) is the second poorest province of Pakistan’s four provinces. During 2001/02, 46% of NWFP’s population were below the poverty line and the literacy rate was at a low 38%. Although literacy rates and enrollment rates have improved, these are still marked by gender disparities. The male literacy rate is about 57% while the female is 20%; the male net primary enrollment rate is 62% while the female is 39%. Although there are indications that health outcomes improved in NWFP between 1998 and 2002, much more improvement is needed. Only 22% of currently married women aged 15–49 years use contraceptive methods, and immunization rates for children are low at 57%. Access to piped water for domestic purposes in the urban areas is 66% while in rural areas, only 23% of the population have piped water supply and another 11% have access to community taps. In a participatory poverty assessment study, poverty and vulnerability in NWFP were identified with illiteracy, inadequate access to goods and public services, social exclusion and stigma, remoteness and physical isolation, and lack of peace and insecurity, among others.

The federal Government has made as one of its four core principles the improvement of human development outcomes. The Government has undertaken federal reform programs in health and education, and the provincial governments have taken steps to improve governance and decentralization of government. Government efforts for devolution and decentralization present a unique opportunity to improve social sector outcomes by improving efficiency in resource allocation, and by encouraging innovation in public-private partnership. The proposed program would support both the Government’s efforts toward full implementation of the devolution process and improved social service delivery.

B. Poverty Analysis

Targeting Classification: Targeted intervention

What type of poverty analysis is needed?

The poverty analysis will use both statistical data and qualitative information. Statistical data to be analyzed will be from household surveys such as the Pakistan Integrated Household Survey and the Multi-Purpose Indicator Cluster Survey; qualitative information will be from participatory poverty assessments, published and unpublished studies, and participatory workshops to be conducted by the project preparatory technical assistance (PPTA). The situation analysis will include descriptions of the characteristics of the poor in the context of NWFP; identification of districts with concentrations of the poor; review and assessment of service delivery systems (health, education, and water and sanitation), particularly in rural areas; constraints faced by the poor in access to services; capacity of the service providers/institutions; and service providers’ attitude toward the poor. The analysis will explore mechanisms and strategies to involve poor communities, elected representatives, and provincial and local government officials, so as to improve the delivery of social services to poor and marginalized groups.

C. Participation Process

Is there a stakeholder analysis? ☑ Yes ☐ No

The PPTA study will undertake stakeholder analysis and institutional mapping as part of the situation analysis.
Is there a participation strategy?  ☒ Yes  ☐ No

The PPTA study will engage a poverty, gender, and participation specialist whose tasks include the application of participatory approaches in engaging men and women members of rural and urban communities to assess the service delivery system and to obtain inputs to designing potential program policy interventions related to local-level planning, for planning and monitoring services and for budget allocation. Consultations will be held with the officials of the provincial government line departments, district governments, the tehsil municipal administrations, and union councils to identify and analyze devolution-related issues to be addressed in the design of the program.

D. Gender Development

Strategy to maximize impacts on women:

The PPTA will engage a poverty, gender, and participation specialist. Among others, the specialist will examine the situation utilizing published and unpublished studies, and interactions with women stakeholders. The specialist will undertake gender analysis that includes a description and analysis of women’s situation, including constraints faced, in: public administration; human development indicators; accessing health and education services, and safe drinking water and good sanitation; and their roles as elected representatives in local government. The PPTA will identify areas for capacity building of women representatives. The PPTA will make recommendations to increase the participation of women, especially the poor, in communities, as elected representatives, and as government officials in the sectors to be supported by the proposed program (including making recommendations on quotas of women represented in various institutions or committees).

Has an output been prepared?  ☒ Yes  ☐ No

Based on the gender analysis, a gender plan will be prepared for the proposed program.

E. Social Safeguards and Other Social Risks

<table>
<thead>
<tr>
<th>Item</th>
<th>Significant/ Not Significant/ None</th>
<th>Strategy to Address Issues</th>
<th>Plan Required</th>
</tr>
</thead>
<tbody>
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<td>☐ Full ☐ Short ☒ None</td>
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<td>Affordability</td>
<td>☐ Significant ☒ Not significant ☐ None</td>
<td></td>
<td>☐ Yes ☒ No</td>
</tr>
<tr>
<td>Labor</td>
<td>☐ Significant ☐ Not significant ☒ None</td>
<td></td>
<td>☐ Yes ☒ No</td>
</tr>
<tr>
<td>Item</td>
<td>Significant/ Not Significant/ None</td>
<td>Strategy to Address Issues</td>
<td>Plan Required</td>
</tr>
<tr>
<td>-------------------------------------------</td>
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<td>--------------------------------------------------------------------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Indigenous Peoples</td>
<td>☐ Significant</td>
<td>An indigenous peoples’ framework will be prepared, subject to verification of different ethnic groups in NWFP.</td>
<td>☐ Yes</td>
</tr>
<tr>
<td></td>
<td>☑ Not significant</td>
<td></td>
<td>☑ No</td>
</tr>
<tr>
<td></td>
<td>☐ None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Risks and/or Vulnerabilities</td>
<td>☐ Significant</td>
<td>Will be examined during the PPTA implementation.</td>
<td>☐ Yes</td>
</tr>
<tr>
<td></td>
<td>☐ Not significant</td>
<td></td>
<td>☑ No</td>
</tr>
<tr>
<td></td>
<td>☐ None</td>
<td></td>
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</tbody>
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## COST ESTIMATES AND FINANCING PLAN

($)’000

<table>
<thead>
<tr>
<th>Item</th>
<th>Foreign Exchange</th>
<th>Local Currency</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Asian Development Bank Financing</strong>a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Consultants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Remuneration and Per Diem</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Domestic Consultants</td>
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<tr>
<td>b. Local Travel</td>
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<tr>
<td>c. Reports and Communications</td>
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</tr>
<tr>
<td>2. Equipment, Software, and Furnitureb</td>
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<tr>
<td>3. Workshops</td>
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<td>4. Miscellaneous Administration and Support Costs</td>
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<td>5. Representative for Contract Negotiations</td>
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<tr>
<td>6. Contingencies</td>
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<td><strong>Subtotal (A)</strong></td>
<td><strong>15.0</strong></td>
<td><strong>435.0</strong></td>
<td><strong>450.0</strong></td>
</tr>
<tr>
<td><strong>B. Government Financing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Office Accommodations, Utilities, and Transport</td>
<td>0.0</td>
<td>60.0</td>
<td>60.0</td>
</tr>
<tr>
<td>2. Counterpart Staff and Administration Support</td>
<td>0.0</td>
<td>50.0</td>
<td>50.0</td>
</tr>
<tr>
<td>3. Others</td>
<td>0.0</td>
<td>40.0</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Subtotal (B)</strong></td>
<td><strong>0.0</strong></td>
<td><strong>150.0</strong></td>
<td><strong>150.0</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15.0</strong></td>
<td><strong>585.0</strong></td>
<td><strong>600.0</strong></td>
</tr>
</tbody>
</table>

a  Financed by the Japan Special Fund, funded by the Government of Japan.

b  Includes computers, a network printer, fax machine, e-mail connection, mobile phones, and furniture, as necessary.

The Government is responsible for all taxes and duties, if any.

Source: Asian Development Bank estimates.
OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance (TA) will employ the services of domestic consultants for a total of 45 person-months. The TA will comprise two phases: (i) the first phase will prepare the loan design, and (ii) the second phase will assist the Government to fulfill the first tranche actions. The first phase of TA implementation will require 27 person-months of consulting services. The remaining consulting services for the second phase of TA implementation will be identified after the completion of the first phase. The Asian Development Bank (ADB) will engage a consulting firm in accordance with ADB’s *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. The simplified technical proposal will be used.

2. Each consultant is required to work with the team in developing all outputs. The team will coordinate closely with other ongoing activities of ADB and development partners in governance and in the social sectors. The consultants will take into account the relevant ADB guidelines and requirements, especially on poverty and social analysis, environment, indigenous peoples, and ADB’s Policy on Gender and Development. The specific technical tasks associated with each consultant are outlined in the following paragraphs.

### A. Governance and Institutional Development Specialist and Team Leader (domestic, 5 person-months)

3. The team leader will be a governance and institutional development specialist or the equivalent, with at least 10 years of experience in public sector reform and decentralization and institutional development. As team leader, the specialist will (i) lead the TA with the program director and team coleader, and (ii) prepare a task matrix for consultants and counterparts. The specialist will be familiar with crosscutting issues of poverty reduction, gender, and environmental concerns.

4. The specialist will prepare a situation analysis that includes a problem tree, capacity constraint analysis, institutional mapping (see *World Development Report 2004*), and stakeholder analysis. This would include (i) coordinating closely with other ongoing ADB and non-ADB activities in the area of governance, i.e., Devolution Support Program, Access to Justice Program, Sindh Devolved Social Services Program, Punjab Devolved Social Services Program, Balochistain Devolved Social Service Program project preparatory technical assistance (PPTA), and Structural Adjustment Credits, among others; (ii) identifying key issues in public social sector performance and requirements for reform; (iii) together with the sector specialists, identify key sector policy reforms relating to service delivery at the district and tehsil levels; (iv) review current and alternative approaches to strengthening devolution that support social service delivery in North-West Frontier Province (NWFP); and (v) identify governance support required for social sector development.

5. The specialist will be primarily responsible for designing the loan. The specialist will (i) determine the roles and capacity requirements of provincial, district, and tehsil municipal administrations, and communities for social sector management; (ii) with the help of sector specialists, prepare a program framework, and prepare the policy matrix for the program; (iii) prepare the action plan associated with the policy matrix that includes responsible stakeholders, resources required, and timing; (iv) plan capacity building to strengthen

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governance and prepare action plans; (v) with district social sector staff, develop plans and procedures to work closely at various local government levels, including community citizen boards and school management committees, to improve the accountability of service delivery; and (vi) with the help of the sector specialists, propose a set of district performance indicators to be used for performance-based budgeting and conditional grants.

6. In connection with loan design, the specialist will evaluate the best modality for the program and project. The specialist will identify the risks to the program and develop a risk mitigation strategy and matrix. The specialist will (i) lead the design of the local government support structure and program; (ii) prepare the arrangements and terms of reference for implementing the program, specifying responsibilities for all stakeholders, including the local governments, line departments, steering committee, and program implementation unit; and (iii) develop program monitoring and evaluation arrangements.

7. Throughout TA implementation, the specialist will ensure that stakeholder consultation is undertaken (i) thoroughly discussing with responsible stakeholders the provisions included in the policy matrix and the action plan, and (ii) consulting with district and tehsil municipal administrators to refine procedures for sector-specific guidelines and instruments to improve service delivery.

8. The specialist will prepare the technical feasibility study according to ADB format and guidelines, including the sector analyses and the draft program implementation manual.

B. Public Finance/Economics Expert and Co-Team Leader (domestic, 5 person-months)

9. The specialist will be a public finance/economics expert with at least 5 years of experience with reforms in the public sector of Pakistan. The specialist will (i) coordinate the team with the program director and the team leader; and (ii) help the team leader prepare the technical feasibility study according to ADB format, including the sector analyses and the draft program implementation manual.

10. For the situation analysis, the specialist will (i) review social sector financing in NWFP based on work carried out to date by the government of NWFP, World Bank, Department for International Development, ADB, and other development partners; (ii) determine the major sources and uses of funds for each social sector, drawing on existing information from budgets and projects; (iii) review the overall budget and financing of local government administration in the social sectors; and (iv) estimate district social sector financing requirements based on several models, propose financing arrangements for devolved social services, and prepare a detailed report.

11. During the design of the loan, the specialist will (i) assess general recurrent cost implications of various types of social services delivery mechanisms and propose ways to sustain their impact; (ii) prepare a draft provincial and district medium-term expenditure plan to improve social sector outcomes, including the potential for private sector financing in coordination with the Poverty Reduction Strategy Program (PRSP) and other related assistance to avoid duplication; (iii) propose approaches to improve the allocation and use of funds; (iv) review the potential for cost recovery; (v) ensure that the following issues are addressed: availability of resources, resource transfers, and incentive structure for service providers; and (vi) prepare cost estimates of the policy reform agenda.
The specialist will undertake and prepare all prepared reports on economic and financial analyses according to ADB guidelines, including program rationale, justification, information on cost-effectiveness, rate returns, and financial sustainability for various sectors.

**C. Public-Private Partnership Specialist** (domestic, 4 person-months)

13. The specialist will be a development practitioner-sociologist or equivalent, with at least 5 years’ experience in nongovernment organization (NGO) involvement in the provision of social services, and administration of NGO-government cooperation activities. The specialist will assist the team prepare a task matrix for the international consultants, program framework, and problem tree analysis that captures critical constraints.

14. For the situation analysis, the specialist will (i) identify models of public-private partnerships (PPPs) in Pakistan and lessons learned; and (ii) review existing laws, regulations, rules of business, and contracting modalities for exiting PPP modalities.

15. In the development of the reform program and design of the associated loan, the specialist will (i) together with the sector specialists, identify areas and tasks where NGO and private sector involvement will be appropriate and may improve the availability and quality of services; (ii) with inputs from team members, identify at least two PPP models in each sector that support social participation by beneficiaries of basic social services that may be adapted in NWFP; (iii) meet with NGOs and discuss their availability and capacity to be involved in service delivery in NWFP; (iv) draft regulations and rules for NGO and private sector involvement; (v) draft model contracts for outsourcing public tasks; and (vi) elaborate monitoring and evaluation tools for NGO and private sector involvement.

16. The specialist will prepare a report containing all of the above outputs and assist in the preparation of the final report by providing policies and financial and implementation arrangements required for PPP to improve social services. The specialist will undertake other tasks as may be reasonably expected within the scope of work.

**D. Poverty, Gender, and Participation Specialist** (domestic, 3 person-months)

17. The specialist will be a sociologist or equivalent, with at least 5 years’ experience in social, gender, and poverty analysis; participatory planning; and hands-on community development. The specialist will assist the team leader prepare a task matrix, program framework, and problem tree analysis that captures critical constraints.

18. For the situation analysis, the specialist will (i) build on the work prepared by other development partners; (ii) prepare a poverty and social assessment paper per ADB guidelines, in coordination with the PRSP and other related assistance, to avoid duplication; (iii) conduct a social analysis with emphasis on gender issues, reaching the poor and disadvantaged, and participation of the poor and disadvantaged; (iv) appraise district poverty assessment and any special issues for vulnerable groups; and (v) prepare a poverty map based on district indicators for use as the baseline for program interventions, in coordination with the PRSP and other related assistance, to avoid duplication.

19. The specialist will (i) assess women’s and men’s overall participation in local government structures; and (ii) assess existing institutional mechanisms enabling the poor and the socially vulnerable, especially women, to voice their needs and difficulties in accessing basic social services.
20. The specialist will (i) plan and implement a series of four regional and one provincial stakeholder workshops, including government and elected officials, with the team, and record finding of plenary and personal interviews with stakeholders; and (ii) document the perceptions and priorities of stakeholders, including beneficiaries and local government officials, through field visits. The specialist will (i) prepare a participation strategy that is implementable and monitorable during the program framework and whose final elements are validated through stakeholder workshops; and (ii) using a participatory process, develop a strategic framework matrix for improving social aspects of program design, in particular targeting the poor and women. The framework should take into account pragmatic implementation and monitoring issues and costs and human resource constraints in implementation.

21. Subject to verification of different ethnic groups in NWFP, the specialist will prepare an indigenous peoples’ framework for the reform program and loan. The specialist will undertake other tasks that may be reasonably expected within the scope of work.

E. Education Sector Specialist (domestic, 3 person-months); Health and Population Welfare Sector Specialist (domestic, 3 person-months); and Water Supply and Sanitation Sector Specialist (domestic, 3 person-months)

22. Each specialist will have a minimum of 5 years’ experience in his or her sector and will be familiar with crosscutting issues of poverty reduction, gender, and environmental concerns.

23. Together with the team leader, the specialist will prepare a consultant task matrix, problem tree analysis, and local capacity constraint analysis to structure report writing; and will conduct regional and provincial workshops covering all districts to secure stakeholder participation and ownership in setting sector priorities.

24. The specialist, in his or her respective sector, will prepare a situation analysis of the sector that includes a problem tree, capacity constraint analysis, institutional mapping (footnote 2), and stakeholder analysis. The specialist will (i) collect information on the status of subsector indicators, including the Millennium Development Goals, for rural and urban populations by gender and population group, if available, in each district, and estimate requirements to achieve targets; (ii) review current devolution practices in the sector that support social service delivery; (iii) review alternative approaches to strengthening devolution in the social sectors in NWFP at both provincial and local government levels; and (iv) identify key issues in the public social sector performance and requirements for reform at both the provincial and local levels.

25. In the development of the reform program and design of the loan, the specialist will (i) identify key sector policy reforms relating to service delivery at the district and tehsil levels and help prepare the policy matrix; (ii) coordinate sector policies with other programs and projects in the subsector, especially with ADB, World Bank, and other development partners; (iii) determine the roles and capacity requirements of provincial, district, tehsil municipal administrations (TMAs), and communities for social sector management in a devolved setting; and (iv) identify governance support required for social sector development. Based on stakeholders’ needs (service beneficiaries and administration and elected officials), the specialist will prepare a selection of priority subsector policies, including (i) alternative mechanisms of service delivery for distant populations, especially the poor and disadvantaged; (ii) ways to ensure financial and administrative sustainability of service delivery; (iii) with the assistance of the PPP specialist, investigation of PPP possibilities; and (iv) identification of gaps in capacity-building activities, to date, for planning, implementing, managing, and sustaining
proposed services. The specialist will ensure a consistent integrated approach to service
delivery across sectors to ensure program focus on training needs, crosscutting issues, and
cost-effective approach. For key outcomes in the sector, the specialist will develop monitoring
indicators that correspond to program impact, e.g., link program outcomes to increasing district
targets.

26. The specialist will coordinate his tasks and assist team members, as necessary. The specialist will work closely with the other specialists on crosscutting issues. Together with the
public finance/economics specialist, for each proposed item, the specialist will determine the
quantity, unit costs, and total cost for each district. In cooperation with the PPP specialist,
the specialist will identify opportunities and proposed models for PPP to improve service
delivery in districts, TMAs, union councils, and communities. The specialist will assist the
poverty, gender, and participation specialist determine gender issues, and help prepare (i) the gender framework/strategy, and (ii) the social assessment materials linking program
needs, inputs, and impacts with the poverty reduction strategy. Together with crosscutting
specialists, the specialist will prepare stakeholder mapping.

27. In close cooperation with the team leader, the specialist will prepare the sections relating
to the sectors in all the reports to be submitted and provide a separate sector-specific analysis
and recommendations report. The specialist will undertake other tasks that may be reasonably
expected within the scope of work.

F. Environmental Specialist (domestic, 1 person-month)

28. The specialist will have a minimum of 5 years proven experience in working with
international organizations delivering environmental assessments. In accordance with ADB’s
Environment Policy,3 and its Environmental Guidelines,4 as well as Pakistan’s environmental
protection agency regulations, the specialist will (i) review Pakistan’s and internationally
acceptable environmental regulations and policies; (ii) review and compile all environmental
baseline data pertinent to the NWFP, including physical and ecological resources as well as
socioeconomic and cultural components; (iii) review possible environmental aspects of the
interventions and, if necessary, propose risk mitigation measures; (iv) assess the environmental
implications of the proposed policy interventions, linking first the policy interventions to potential
economic and social outcomes, and then, based on these economic and social outcomes,
the environmental impacts of the proposed policy interventions that will need to be assessed;
and (v) develop an environmental assessment of policy intervention.

29. This resulting environmental assessment of policy intervention will include the
preparation of an environmental management plan (EMP). The EMP will describe the conditions
or safeguards required to ensure that the policy interventions will promote environmentally
sound development and opportunities to promote efficient use of resources, which are to be
incorporated as an integral part of the program loan. The EMP will fulfill ADB’s environmental
requirements, including proposed activities, institutional arrangements and responsibilities for
reporting, review, and related cost estimates. If an investment or TA loan is to be proposed,
a comprehensive review of environmental implications for the investment component will be
produced. If significant environmental impacts are identified, an Initial Environment Examination
and Summary Initial Environment Examination will be developed for the investment component
(the TA loan), in accordance with ADB’s Environment Policy (footnote 3).

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