



Completion Report

Project Number: 37135
Loan Numbers: 2107/2108
December 2008

Pakistan: Balochistan Resource Management Program

Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit – Pakistan rupee/s (PRe/PRs)

		At Appraisal	At Program Completion
		6 September 2004	21 June 2007
PRe1.00	=	\$0.01705	\$0.0165
\$1.00	=	PRs58.65	PRs60.57

ABBREVIATIONS

ADB	–	Asian Development Bank
AIT	–	agricultural income tax
BDF	–	Balochistan Development Forum
BHU	–	basic health unit
BLGO	–	Balochistan Local Governance Ordinance
BRMP	–	Balochistan Resource Management Program
BRSP	–	Balochistan Rural Support Program
DAO	–	district accounts office
DSP	–	Decentralization Support Program
GDP	–	gross domestic product
IWRM	–	integrated water resource management
NCGR	–	National Commission for Government Reforms
O&M	–	operation and maintenance
PFC	–	provincial finance commission
PMU	–	program management unit
PSDP	–	Public Sector Development Program
RDA	–	Rural Development Academy
S&GAD	–	Services and General Administration Department
SDR	–	special drawing rights
TA	–	technical assistance
WAPDA	–	Water and Power Development Authority

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., FY2008 ends on 30 June 2008.
- (ii) In this report, “\$” refers to US dollars.

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CONTENTS

	Page
BASIC DATA	i
I. PROGRAM DESCRIPTION	1
II. EVALUATION OF DESIGN AND IMPLEMENTATION	1
A. Relevance of Design and Formulation	1
B. Program Outputs	2
C. Program Costs	7
D. Program Schedule and Disbursements	7
E. Implementation Arrangements	7
F. Conditions and Covenants	8
G. Related Technical Assistance	10
H. Performance of the Government of Balochistan and the Executing Agency	11
I. Performance of the Asian Development Bank	11
III. EVALUATION OF PERFORMANCE	12
A. Relevance	12
B. Effectiveness in Achieving Outcome	13
C. Efficiency in Achieving Outcome and Outputs	13
D. Preliminary Assessment of Sustainability	14
E. Impact	14
IV. OVERALL ASSESSMENT AND RECOMMENDATIONS	15
A. Overall Assessment	15
B. Lessons	15
C. Recommendations	16
APPENDIXES	
1. Program Framework	18
2. Policy Matrix for the Balochistan Resource Management Program	24
3. Fiscal Statistics	44
4. Performance Grants Released from Counterpart Funds Generated from the First Tranche of the Balochistan Resource Management Program	47
5. Overall Assessment	48

BASIC DATA

A. Loan Identification

1.	Country	Pakistan
2.	Loan Number	2107
3.	Program Title	Balochistan Resource Management Program
4.	Borrower	Islamic Republic of Pakistan
5.	Executing Agency	Finance Department, Government of Balochistan
6.	Amount of Loan	¥12,076,350,000.00
7.	Program Completion Report Number	PCR: PAK 1092

B. Loan Data

1.	Appraisal	
	– Date Started	6 September 2004
	– Date Completed	15 September 2004
2.	Loan Negotiations	
	– Date Started	27 October 2004
	– Date Completed	27 October 2004
3.	Date of Board Approval	25 November 2004
4.	Date of Loan Agreement	14 December 2004
5.	Date of Loan Effectiveness	
	– In Loan Agreement	14 March 2005
	– Actual	23 December 2004 ^a
	– Number of Extensions	
6.	Closing Date	
	– In Loan Agreement	31 December 2006
	– Actual	31 May 2007
	– Number of Extensions	Two extensions: 30 April 2007 and 31 May 2007
7.	Terms of Loan	
	– Interest Rate	London interbank offered rate-based
	– Maturity (number of years)	15 years
	– Grace Period (number of years)	3 years
8.	Terms of Relending (if any)	
	– Interest Rate	Not Applicable
	– Maturity (number of years)	Not Applicable
	– Grace Period (number of years)	Not Applicable
	– Second-Step Borrower	Not Applicable

^a On 18 December 2004, the government of Balochistan informed ADB that all first tranche release conditions for Loan 2107-PAK (ADB. 2004. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Islamic Republic of Pakistan for the Balochistan Resource Management Program*. Manila (Loan 2107/2108-PAK, for \$130 million, approved on 25 November 2004)) had been satisfied and requested the release of the tranche before 25 December 2004. ADB declared Loan 2107-PAK effective on 23 December 2004.

9. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
24 December 2004	31 May 2007	29 months
Effective Date	Original Closing Date	Time Interval
23 December 2004	31 December 2006	24 months

b. Amount (¥)

Category or Subloan	Original Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
1	12,076,350,000	0	12,076,350,000	12,076,350,000	0

C. Program Data

1. Program Cost (\$)

Cost	Appraisal Estimate	First Tranche	Second Tranche	Total
Foreign Exchange Cost	110,000,000	68,173,155 ^a	40,589,286 ^b	108,762,441 ^c
Local Currency	0	0	0	0
Total	110,000,000			108,761,441

^a Equivalent to ¥7,136,025,000.^b Equivalent to ¥4,940,325,000.^c Equivalent to ¥12,076,350,000 (a+b).

2. Program Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
30 November–31 December 2004	Satisfactory	Satisfactory
1 January–31 March 2005	Satisfactory	Satisfactory
1 April–30 June 2005	Satisfactory	Satisfactory
1 July–30 September 2005	Satisfactory	Satisfactory
1 October–31 December 2005	Satisfactory	Satisfactory
1 January–31 March 2006	Satisfactory	Satisfactory
1 April–30 June 2006	Satisfactory	Satisfactory
1 July–30 September 06	Satisfactory	Satisfactory
1 October–31 December 06	Satisfactory	Satisfactory
1 January–31 March 2007	Satisfactory	Satisfactory
1 April–31 May 2007	Satisfactory	Satisfactory

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members^a
Inception Mission	14–18 March 2005	1	5	a
Consultation Mission	16–19 May 2005	1	4	a
Review Mission	9–17 Nov 2005	1	2	a
Review Mission	23–27 January 2006	1	4	a, c
Review Mission	26 April–5 May 2006	1	4	a
Review Mission	21–24 August 2006	1	4	a
Review Mission	4–6 December 2006	2	6	a, c
Program Completion Review ^b	29 July–6 August 2008	2	11	a, b

^a a = project officer, b = project analyst, c = counsel, d = financial analyst.

^b The project completion report was prepared by J. A. Tan III, Economist (Public Finance), CWGF (mission leader), assisted by M. I. Martin, Assistant Project Analyst, CWGF. The mission was conducted concurrently with the Appraisal Mission for BRMP II (ADB. 2008. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Islamic Republic of Pakistan for the Second Balochistan Resource Management Program*. Manila (Loan 2482/2483 -PAK, for \$100 million, approved on 11 December 2008)).

BASIC DATA

A. Loan Identification

1.	Country	Pakistan
2.	Loan Number	2108
3.	Program Title	Balochistan Resource Management Program
4.	Borrower	Islamic Republic of Pakistan
5.	Executing Agency	Finance Department, Government of Balochistan
6.	Amount of Loan	SDR13,580,000.00
7.	Program Completion Report Number	PCR: PAK 1092

B. Loan Data

1.	Appraisal	
	– Date Started	6 September 2004
	– Date Completed	15 September 2004
2.	Loan Negotiations	
	– Date Started	27 October 2004
	– Date Completed	27 October 2004
3.	Date of Board Approval	25 November 2004
4.	Date of Loan Agreement	14 December 2004
5.	Date of Loan Effectiveness	
	– In Loan Agreement	14 March 2005
	– Actual	28 April 2005 ^a
	– Number of Extensions	0
6.	Closing Date	
	– In Loan Agreement	31 December 2006
	– Actual	21 June 2007
	– Number of Extensions	Two extensions – 30 April 2007 and 31 May 2007
7.	Terms of Loan	Grace Period: 1.0%; Amortization Period: 1.5%
	– Interest Rate	24 years
	– Maturity (number of years)	8 years
	– Grace Period (number of years)	
8.	Terms of Relending (if any)	Not Applicable
	– Interest Rate	Not Applicable
	– Maturity (number of years)	Not Applicable
	– Grace Period (number of years)	Not Applicable
	– Second-Step Borrower	

^a Loan effectiveness was delayed due to the late approval of the notification of the Local Services Delivery Grant and its rules.

9. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
06 June 2005	21 June 2007	24 months
Effective Date	Original Closing Date	Time Interval
28 April 2005	31 December 2006	20 months

b. Amount (SDR)

Category or Subloan	Original Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
01	13,580,000		13,580,000	13,580,000	

C. Program Data

1. Program Cost (\$)

Cost	Appraisal Estimate	First Tranche	Second Tranche	Total
Foreign Exchange Cost	20,000,000	10,014,910.50 ^a	10,278,758.68 ^b	20,293,669.18 ^c
Local Currency				
Total				

^a Equivalent to SDR6,790,000.^b Equivalent to SDR6,790,000.^c Equivalent to SDR13,580,000 (a+b).

2. Program Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
30 November–31 December 2004	Satisfactory	Satisfactory
1 January–31 March 2005	Satisfactory	Satisfactory
1 April–30 June 2005	Satisfactory	Satisfactory
1 July–30 September 2005	Satisfactory	Satisfactory
1 October–31 December 2005	Satisfactory	Satisfactory
1 January–31 March 2006	Satisfactory	Satisfactory
1 April–30 June 2006	Satisfactory	Satisfactory
1 July–30 September 2006	Satisfactory	Satisfactory
1 October–31 December 2006	Satisfactory	Satisfactory
1 January–31 March 2007	Satisfactory	Satisfactory
1 April–31 May 2007	Satisfactory	Satisfactory

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members^a
Inception Mission	14–18 March 2005	1	5	a
Consultation Mission	16–19 May 2005	1	4	a
Review Mission	9–17 November 2005	1	2	a
Review Mission	23–27 January 2006	1	4	a, c
Review Mission	26 April–5 May 2006	1	4	a
Review Mission	21–24 August 2006	1	4	a
Review Mission	4–6 December 2006	2	6	a, c
Program Completion Review ^b	29 July–6 August 2008	2	11	a, b

^a a = project officer, b = project analyst, c = counsel, d = financial analyst.

^b The project completion report was prepared by J. A. Tan III, Economist (Public Finance), CWGF (mission leader), assisted by M. I. Martin, Assistant Project Analyst, CWGF. The mission was conducted concurrently with the Appraisal Mission for BRMP II (ADB. 2008. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Islamic Republic of Pakistan for the Second Balochistan Resource Management Program*. Manila (Loan 2482/2483 -PAK, for \$100 million, approved on 11 December 2008)).

I. PROGRAM DESCRIPTION

1. On 25 November 2004, the Asian Development Bank (ADB) approved the Balochistan Resource Management Program¹ (BRMP) comprising (i) two program loans amounting to \$130.0 million equivalent; (ii) a technical assistance (TA) loan of \$3.0 million equivalent to support public resource management reforms; (iii) a TA grant of \$1.9 million equivalent, which was financed by the Government of the Netherlands and administered by ADB to support the implementation of water resource management policy; and (iv) an advisory TA grant of \$0.4 million equivalent to strengthen capacity for program implementation. The first program loan, Loan 2107-PAK, amounting to ¥12,076,350 (\$110 million equivalent), was funded from the ordinary capital resources, while the second program loan, Loan 2108-PAK, amounting to SDR13,580,000 (\$20 million equivalent) was from ADB's Special Funds resources.

2. The goal of BRMP was to support pro-poor development by improving governance and public resource management. The expected outcomes of BRMP included the creation of a sustainable fiscal space to finance the cost of structural adjustments and reforms; and local government financing for high-priority social and human development programs targeting the poor, while supporting increased participation of key stakeholders for transparent, accountable, and sustainable public service provision. To realize these objectives, the Program focused on seven policy reform areas: (i) rationalize poorly-designed, untargeted subsidies; (ii) broaden the tax base, expand coverage, and rationalize user charges; (iii) establish reliable, transparent, and accountable financial management systems; (iv) establish and implement transparent, rule-based systems of local government funding; (v) improve administrative frameworks for effective public service delivery; (vi) create an enabling environment for private sector development and promote public-private partnerships in service delivery; and (vii) improve management and sustainability of water resources.

3. Loans 2107-PAK and 2108-PAK were both signed on 14 December 2004. Loan 2107-PAK became effective on 23 December 2004, and the first tranche of ¥7,136,025,000 was disbursed on 24 December 2004. The second tranche amounting to ¥4,940,325,000 was disbursed on 31 May 2007. Loan 2108-PAK became effective on 28 April 2005, and the first tranche of SDR6,790,000 (approximately \$10 million) was released on 6 June 2005. The second tranche of the same amount was released on 31 May 2007.² ADB monitored program implementation closely through five review missions.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

4. In August 2001, Pakistan initiated a decentralization program designed to empower and transfer responsibilities to provincial and local governments. This required developing capacity within the subnational governments to implement these reforms. Provincial governments were given more policy-making powers and local governments were made largely responsible for social service delivery, regulation of environmental assets, and labor and commercial activity. Enhancing provincial fiscal and financial capacities was identified as a key element in ensuring an efficient flow of funds to the local governments.

¹ ADB. 2004. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Islamic Republic of Pakistan for the Balochistan Resource Management Program*. Manila (Loan 2107/2108-PAK, for \$130 million, approved on 25 November 2004).

² Due to foreign exchange revaluation, an additional \$3,927 was released on 21 June 2007.

5. Support for good governance, sustainable pro-poor economic growth, and inclusive social development were among the key thrusts of ADB's 2002 country strategy and program³ for Pakistan. This support was included in succeeding country strategy and program updates. ADB's Decentralization Support Program (DSP), launched in 2002, aimed to strengthen local government representation, accountability, and efficiency to improve service delivery. DSP provided support for policy, legal, technical, and fiscal reforms. This included assistance for key federal institutions, such as agencies responsible for decentralization, finance, women's development, supreme audit, and accounts; provincial institutions responsible for intergovernmental fiscal policy, regulation, and technical support; and the political and administrative organs of local governments at the district, *tehsil* (town), and union levels. While a federal government program, DSP extended to all provinces, including Balochistan.

6. In 2004, the government of Balochistan approved the Balochistan Poverty Reduction Strategy Paper as its road map for lowering poverty levels, improving social conditions, and enhancing growth over the medium-term. The poverty reduction strategy aimed to engender growth, manage scarce water resources, strengthen governance, improve human development, and address vulnerability to shocks. Among the key governance reforms included in the strategy were civil service reform, devolution, and improvement of law and order.

7. Building on the broad reforms initiated by the federal government under DSP, BRMP was designed to focus support on improving governance and public sector resource management at the provincial level. A program preparatory TA supported the formulation of BRMP. The government of Balochistan was fully involved in the formulation of BRMP.

B. Program Outputs

1. Rationalize Poorly-Designed, Untargeted Subsidies

8. BRMP sought to phase out and/or rationalize poorly-designed subsidies by retargeting them towards the most vulnerable groups whom they were intended for. The tubewell and wheat subsidies were two such examples. The government of Balochistan subsidized the cost of electricity in the operation of electric tubewells as a means of lowering the irrigation costs faced by farmers. With respect to the wheat subsidy, the government of Balochistan sold wheat to the general public at subsidized prices, without any income stratification.

9. Rationalizing the tubewell subsidies was necessary not only to remove inefficient subsidies, but also to increase the sustainability of water resources. The government of Balochistan's intention and BRMP's goal was to cap the tubewell subsidy and eventually phase it out with an incentive mechanism that encouraged sustainable water use. The government of Balochistan issued a policy on restructuring the tubewell subsidy under the first tranche. This served to restrict the subsidy for tubewells that were operational before 1 January 2005 and fixed the subsidy in nominal terms per working tubewell based on the FY2004 subsidy. However, with opposition from politically-influential tubewell owners, the government of Balochistan was unable to implement the action as originally designed. Instead, the budget allocation for the tubewell subsidy was capped at PRs2 billion per year and the number of subsidized tubewells was limited to no more than 15,206.⁴ These steps violated a loan covenant resulting in a reversal of the first

³ ADB. 2002. *Country Strategy and Program (2002-2004): Islamic Republic of Pakistan*. Manila.

⁴ The progress report [ADB. 2007. *Progress Report: Release of Second Tranches on the Balochistan Resource Management Program in Pakistan*. Manila.] indicated that the number of subsidized tubewells was 15,206. However, discussions with the government of Balochistan in August 2008 revealed that the actual number of subsidized tubewells was 15,660.

tranche commitment. However, at the request of the government of Balochistan, the progress report later recommended that this capping be treated as satisfactory compliance.⁵

10. The general and untargeted wheat subsidy, which did not benefit the poor, was to be replaced by an *Atta* (wheat flour) subsidy targeting the poor and more vulnerable segments of the population. A study on a mechanism for phasing out the wheat subsidy and replacing it with the *Atta* subsidy was completed, and an implementation plan was developed. However, the government of Balochistan has not implemented the mechanism. Currently, the wheat subsidy is still in place, with the government of Balochistan subsidizing the sale of wheat through licensed shops that cater to the general public. The initial commitment has clearly waned over time.

2. Broaden Tax Base, Expand Coverage, and Rationalize User Charges

11. BRMP included a broad range of measures to increase provincial taxes and non-tax revenues. There was a significant increase in provincial own-source revenues during the BRMP's implementation period from PRs1.5 billion in FY2005 to PRs2.9 billion in FY2007.⁶ However, much of this increase was not attributable to the revenue reforms under BRMP, with the possible exception of increases in the motor vehicle tax (from PRs191 million in FY2005 to PRs253 in FY2007) and mineral royalties (from PRs3 million in FY2004 to PRs353 in FY2007). The proceeds from the sale of land by the provincial government comprised the bulk of revenue gains.

12. The second tranche release conditions for this policy reform area were not fully complied with. Revenue yields of existing taxes—such as property tax, motor vehicle tax, stamp duty, general sales tax on services, and professional tax—were to be enhanced with a combination of rate adjustments, the lowering of exemptions, and administrative reforms (e.g., third party survey of property tax registers in Quetta, and development of stamp duty valuation and annual rental value tables). A policy was also to be developed and implemented to rationalize the agricultural income tax (AIT). Success was limited to the motor vehicle tax, where collections increased from PRs191 million in FY2005 to PRs253 million in FY2007. The valuation table for stamp duties on property transfers was not developed, while annual rental value tables for property taxes were not completed until after program implementation. The third party survey of the property tax registers was not conducted. Reforms of the general sales tax on services and professional tax were not undertaken. These agreed actions were replaced by measures to revise the taxes related to minor minerals and user charges related to fees for services in tertiary hospitals. Implementation of the AIT was suspended due to frequent drought conditions in the province. Even the implementation of motor vehicle tax reform had to deviate from the original agreed action. The government of Balochistan noted that promoting tax reforms was a difficult task mainly due to the lack of political consensus for increased tax rates.

13. Non-tax measures proposed under BRMP included increasing the tariff for *Abiana* (water charges) and the implementation of an action for its cost recovery, and auctioning rights to collect royalties on minor minerals.⁷ Among non-tax measures, the auctioning of mineral royalty collections helped increase receipts. The government of Balochistan was able to raise *Abiana* tariffs, but the action plan for cost recovery was neither prepared nor implemented. Throughout program implementation, *Abiana* collections remained insignificant.

⁵ Para. 30 of the progress report. The capping limited the burden of the subsidy, and the Government of Pakistan's decision to cap its share of the tubewell subsidy at PRs3 billion (not part of the BRMP conditionality) offered additional assurance that the provincial government cap will not be exceeded.

⁶ Provincial own-source revenue refers to the collection of taxes and other revenues by the provincial government as opposed to the receipts it gets as transfers and grants from the federal Government.

⁷ *Abiana* is a charge for water used for irrigation.

14. There was a reversal in the first tranche commitment to reduce the exemption coverage for property tax on self-occupied properties. The government of Balochistan had committed to reduce the exemption coverage to below 1,500 square feet. However, the Provincial Assembly increased it to 5,000 square feet (perhaps, under pressure for owners of large dwelling houses), which was a violation of a loan covenant. As a result, the envisaged broadening of the property tax base was not achieved, although the government of Balochistan reported that the reduction in property tax collection had not been significant. This suggests that the Program could have set the property tax exemption ceiling at a level which induces better tax compliance.

3. Establish Reliable, Transparent, and Accountable Financial Management Systems

15. On the expenditure side, BRMP aimed to improve budget and financial management system. Key reforms included rationalizing the Public Sector Development Program (PSDP), developing medium-terms fiscal projections, strengthening capacities in accounting and account reconciliation, and reforming procurement processes.

16. The successfully completed actions under this component completed include capacity building of treasury officers, infrastructure upgrading of two district accounts offices (DAOs), timely account reconciliation, improved content and presentation of budget documents, establishment of the public accounts committee, and asset management. The government of Balochistan launched a website and posted budget information to improve government transparency. While the government of Balochistan did take actions to provide the groundwork for a policy dialogue, the broad-based and comprehensive consultation that had been envisaged did not occur. In addition, while a budget was provided for the Balochistan Development Forum (BDF), the first BDF has yet to be conducted in 2006. Instead the agreed action was revised to exclude the specific year (i.e., 2006) to conduct the BDF. The progress report indicated that the forum was awaiting the completion of the Balochistan Economic Report, which was only completed in May 2008.⁸

17. Rationalizing the Public Sector Development Program (PSDP) was not fully completed. Positive actions were taken to rein in unapproved development schemes, withdraw block grants, and issue criteria for utilization of block grants. However, the throw forward, excluding mega projects, in the PSDP was reduced by the government of Balochistan to only 4 years during compliance review for the second tranche release, and not 3 years as agreed under BRMP.⁹ A full cost review of incomplete schemes and the elimination of the overlapping of mandates in devolved schemes were also not achieved during the implementation period. The agreed action on civil society representation in the formulation of the PSDP was revised to focus on the provincial water resource management policy.

18. The government of Balochistan was unable to undertake the study on contingent liabilities, enactment of procurement legislation and related rules and manuals, or make budgetary allocations for roads and irrigation based on operating and maintenance (O&M) expenditure yardsticks. O&M yardsticks were developed and issued for the irrigation sector, but were not used in the final budget allocation.

⁸ World Bank, Asian Development Bank and government of Balochistan. 2008. *Report No. 40345-PK: Pakistan Balochistan Economic Report –From Core to Periphery*. Washington, D.C.

⁹ 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.

4. Establish and Implement Transparent, Rule-Based Systems of Local Government Funding

19. BRMP aimed to improve the flow of funds to the local governments by making the Provincial Finance Commission (PFC) operational, and ensure the design of more equitable arrangements for distribution of resources between the province and local governments, taking into account non-salary recurrent and development budget requirements of local governments. It also aimed to make the PFC awards more predictable using a multi-year framework.

20. BRMP was able to improve local government funding, although one out of three second tranche release conditions was assessed as having been substantially complied with. The PFC was made operational and a 3-year PFC award was subsequently approved and implemented, albeit one year later than envisaged. A weakness in the PFC award process is that allocations only take into account recurrent budget requirements. However, since the award acts as a one-line transfer, some district governments were able to use savings from recurrent spending for development expenditure. The government of Balochistan was also able to operationalize the Local Service Delivery Grant.¹⁰ The first tranche of Loan 2108-PAK was fully utilized and allocated to district governments in FY2006. However, there were difficulties in utilizing the second tranche of Loan 2108-PAK since district government were not applying for the grants. There clearly is a lack of absorptive capacity for performance grants on the part of the districts.

5. Improve Administrative Frameworks for Effective Public Service Delivery

21. To improve the administrative framework for public service delivery, BRMP sought to undertake a combination of measures, including (i) strengthening the role of the Balochistan Public Service Commission (BPSC) to facilitate merit-based recruitment of provincial and local government staff, (ii) amending the rules of business to delineate provincial and local government responsibilities in devolved sectors, (iii) supporting capacity building in the local governments, (iv) fostering gender balance, and (v) infusing transparency and accountability. Under this policy reform area, one out of six second tranche release conditions was substantially complied with.

22. Under BRMP, the BPSC's administrative and financial autonomy was enhanced, and private sector members were included in the BPSC. However, there was no full compliance with respect to extending the responsibility for the recruitment of provincial and local government staff to the BPSC. Likewise, alternative recruitment modalities were not pursued and proposed actions on contract-based employment were negated by the then administration. Although endorsed by the government of Balochistan, the establishment of a district cadre service, which intended to provide a pool of talented individuals for local governments, has not yet materialized and remains pending with the National Reconstruction Bureau.

23. The overlap between provincial and local government service mandates was not eliminated because the governor of Balochistan did not approve an amendment to the rules of business. This was a negative development. By contrast, a positive achievement was the delegation to district governments of administrative and financial approval of development schemes up to PRs10 million.

24. The delivery of capacity building programs has not been fully achieved. Training courses for the elected local representatives were conducted by the GoB through the TA loan

¹⁰ The Local Service Delivery Grant is a performance grants provided by the government of Balochistan to local government to provided additional funding for selected development spending by the latter.

(Loan 2109-PAK). However, these training programs have not been institutionalized and may one-off capacity development programs. Institutionalization of the training programs for local governments was envisaged by making the Rural Development Academy (RDA) in Balochistan an autonomous institution. However, the BRDA did not attain autonomy under the Program because the necessary amendment to the relevant law stalled within the government of Balochistan's Law Department. Even with autonomy, the RDA would not have had the basic capacity to undertake training programs.

25. The gender reform action plan was approved and subsequent budget allocations were provided. However, the implementation of the action plan was largely focused only on the establishment of the Social Welfare, Special Education, and Women's Development Department and its Directorate of Social Welfare and Women's Development. The development budget allocated for the gender reform action plan remains significantly underutilized.

26. To improve transparency and accountability in public service delivery, BRMP established third party assessments through the chief minister's inspection team. However, this was later found to lack the requisite technical expertise. BRMP also called for independent and special audits of large projects and district governments. Under a revised agreed action, in FY2006, the Local Fund Audit completed the audit of five projects while the auditor general of Pakistan completed the audit of 11 district governments. Likewise, grievance redressal procedures to handle public complaints, particularly those pertaining to corruption, were announced for all government departments.

6. Create an Enabling Environment for Private Sector Development and Promote Public-Private Partnerships in Service Delivery

27. BRMP aimed to implement a private sector development strategy, promote public-private partnerships in social service delivery, and operationalize non-functional health facilities. However, little progress was made in all of these areas. One of three second tranche release conditions was partially complied with under this policy reform area. The private sector development strategy was not completed despite having an initial draft prepared under the program preparatory TA. The Balochistan Health Foundation was restructured with the inclusion of private sector members in its board. It continues to have a limited loan portfolio and has promoted public-private partnerships in health services. Under BRMP, a memorandum of understanding was signed with the Balochistan Rural Support Program to service the basic health units (BHUs) in six districts. After the BRMP implementation period, responsibility for the BHUs was outsourced to the President's Primary Healthcare Initiative. By the second tranche release, Public Health Engineering Department, in partnership with nongovernmental organizations, approved the government of Balochistan's partial funding of the rehabilitation of 208 nonfunctioning water supply schemes. Operating and maintenance costs were to be shouldered by the communities. Of the 208 approved schemes, 129 were completed. However, the rate of rehabilitation was outpaced by increases in the number of nonfunctioning schemes, which resulted in a net increase during the implementation period. As of August 2008, nonfunctioning water schemes had increased to 447.

7. Improve Management and Sustainability of Water Resources

28. BRMP recognized that a lack of water was a major factor limiting growth in the province. Under BRMP, the Integrated Water Resource Management Policy was approved by the government of Balochistan in April 2006. Balochistan is the first province in Pakistan that has

adopted such a policy. However, the policy is yet to be implemented as the government of Balochistan has not taken the necessary follow-up actions. In addition, one tranche release condition was not fully met. The basin management plans for three basins (Pashin–Lora, Nari River, and Noab) have not yet been completed and adopted. The timeframe required to develop the basin management plans was underestimated during the design phase. The plans will require at least 2 years to complete, and are expected to be finished by December 2008.

C. Program Costs

29. ADB supported BRMP with two loans amounting to \$130 million equivalent. These included a loan of ¥12,076,350,000 (\$110 million equivalent) from the ordinary capital resources and a loan of SDR13,580,000 (\$20 million equivalent) from the Special Funds resources. Structural adjustment costs associated with the program were estimated at \$201 million.

D. Program Schedule and Disbursements

30. BRMP was approved on 24 November 2004. The first tranche of Loan 2107-PAK (amounting to ¥7,136,025,000) was released on 24 December 2004, following loan effectiveness. The second tranche (amounting to ¥4,940,325,000) was delayed from the scheduled disbursement date and was released on 31 May 2007. It was initially scheduled to be released within 18 months from loan effectiveness (June 2006). The delay was due to the need for more dialogue between ADB and the government of Balochistan on reversals in first tranche release conditions and a lack of full compliance with several second tranche release conditions.

31. Loan 2108-PAK was declared effective on 28 April 2005 due to the delayed approval and notification of the rules for the Local Services Delivery Grant, which was a condition for loan effectiveness. The loan was disbursed in two equal installments totaling SDR13,580,000 (approximately \$20 million). The first tranche was released on 6 June 2005 and the second tranche was released on 31 May 2007.¹¹

32. The closing date of both program loans was extended twice—to 30 April 2007 and, subsequently, to 31 May 2007—as required by the government of Balochistan to allow more time to fully comply with all second tranche release conditions.

E. Implementation Arrangements

33. The government of Balochistan was responsible for program implementation, financing, and maintenance of the project management unit (PMU) for BRMP; and the effective utilization of counterpart funds generated from loan proceeds. A program agreement was entered into between the government of Balochistan and ADB. The Finance Department was the executing agency for the BRMP and its attached TA loan and grants. Due to its broad coverage, BRMP had 14 implementing agencies: (i) Agriculture, Food, and Cooperatives Department; (ii) Board of Revenue; (iii) Education Department; (iv) Finance Department; (v) Health Department; (vi) Industries and Commerce Department; (vii) Information Technology Department; (viii) Irrigation and Power Department; (ix) Local Government and Rural Development Department; (x) Mines and Mineral Department; (xi) Planning and Development Department; (xii) Public Health Engineering Department; (xiii) Services and General Administration Department; and (xiv) Social Welfare, Special Education and Women's Development Department. The

¹¹ Due to foreign exchange revaluation, an additional \$3,926.98 was released on 21 June 2007.

Home and Tribal Affairs Department had been identified as an implementing agency during appraisal. However, there was no action in the policy matrix that necessitated its inclusion.

34. The large number of implementing agencies required effective implementing arrangements, particularly on program oversight and management. With the presence of the Decentralization Support Program (DSP) in Balochistan, implementation arrangements were designed such that both BRMP and DSP shared the same PMU. This resulted in additional resources being given to the existing provincial program support office of DSP to enable it to act in an expanded capacity in support of BRMP. A high-level steering committee was constituted to provide program oversight. Membership in the steering committee was expected to consist of department secretaries; members of political parties; and representatives from the private sector, business organizations, and civil society. The PMU acted as the secretariat for the steering committee.

35. The shared PMU between DSP and BRMP was designed to maximize resources based on the assumption that both programs were closely related. However, this arrangement proved to be counterproductive during the implementation period. The PMU was unable to undertake the multi-tasking arrangements required. As a result, the amount of support provided to BRMP was insufficient.

36. Oversight arrangements were also poorly designed. The high-level steering committee was supposed to enhance and maintain government ownership of BRMP. However, the composition of the steering committee was quite cumbersome, due to the large number of reform areas and implementing agencies, that it became untenable. More importantly, as the chief secretary was not explicitly made the committee's chairman, his role was limited to providing policy guidance to the steering committee. As a result, the steering committee was not fully empowered, and program implementation was implicitly vested with the finance secretary. While this helped in day-to-day activities, the progress of reforms outside the purview of the Finance Department suffered because the finance secretary did not have supervisory authority over other departments.

F. Conditions and Covenants

37. The April 2007 progress report to ADB's Board of Directors on BRMP stated that out of 26 second tranche achievement targets, 17 were fully complied with, 5 were substantially complied with, and 4 were partially complied with. The tranche condition on the revised AIT was not implemented (para. 12) and, subsequently waived due to the prolonged drought affecting Balochistan. Concern was raised in the progress report over the reversal of the first tranche agreed action on the reduction of the property tax exemption for self-occupied properties. The nine substantially- and partially-complied conditions were to be revisited as conditions for processing the next phase of BRMP (BRMP II), as well as the reversed first tranche agreed action (Table 1). During the processing of the second phase of BRMP, ADB revisited the outstanding BRMP conditions and is currently engaged in a dialogue toward achieving the agreed actions.

Table 1: Substantially and Partially Complied With Second Tranche Release Conditions

Tranche Condition	Compliance Status During Tranche Release (April 2007)	Mission Findings on Pending Agreed Actions (November 2008)
(i) Announced PFC award by June 2005 in line with BLGO 2001	Substantially complied with	Fully complied. Substance required in the tranche condition has been achieved.
(ii) Continued rationalization of PSDP, ensuring that scheme-wise budgetary provisions are consistent with phasing in Planning Commission approval documents; and developed mechanisms for involving civil society in its formulation	Substantially complied with	Fully complied. The three nested conditions include: (a) Full cost review of all incomplete schemes and phasing of schemes by 30 April of the preceding fiscal year: Done (b) Ensure PSDP does not include schemes in devolved subject to eliminate overlapping of mandates consistent with BLGO 2001: Done (devolved schemes in PSDP have been substantially reduced) (c) Reduce core PSDP throw-forward to 3 years, excluding mega projects: Done
(iii) Undertaken study to identify and estimate contingent liabilities	Partially complied with	Advanced progress made, and will be completed in December 2008 (prior to loan effectiveness of BRMP II).
(iv) Finalized and implemented private sector strategy	Partially complied with	Advanced progress made. (a) Finalization of the strategy through broad stakeholder consultation: To be done by 20 December 2008 (b) Initiate its implementation: To be done from January 2009
(v) Enhanced the revenue yield from agreed taxes and user charges	Substantially complied with	Advanced progress made. Two of the five nested conditions fully complied with. Another one will be done by 20 December 2008. Two more will be completed gradually. (a) The third party survey of the property tax PT1 register: This can only be done after June 2009 (b) Construction of the annual rental values table for Quetta and posting in the GOB website: Done (c) Construction of valuation tables for determining stamp duty on transactions relating to property transfers and posting on the GOB website: To be done by December 2008 (prior to BRMP II loan effectivity). (d) Implementation of action plan for cost recovery: To be done by February 2009 (e) Study on the cost recovery for tertiary services: Done
(vi) Promulgated and brought into force legislation on procurement, including preparation of purchase manuals	Partially complied with	Progress made. (a) Enactment of procurement legislation: ADB and GOB agreed that the draft law be submitted to the Provincial Assembly as a condition for loan effectivity (b) Provincial and local government procurement rules: Rules have been prepared and will be adopted after enactment of the law (c) Purchase manual: Need more time to complete (beyond 2008)
(vii) Adopted mountain valley management plans for integrated water resource management	Partially complied with	Advanced progress made. Development of basin management plans for integrated water resources management for the three selected basins (Pashin-Lora, Nari River and Zoab) will be finalized by 20 December 2008
(viii) Strengthened local institutional capacity for training	Substantially complied with	Approval of the status of the Rural Development Academy as an autonomous capacity building institution: Not possible because of institutional constraints and change in policy direction
(ix) Reviewed and finalized recommendations on study of selected O&M expenditures	Substantially complied with	Advanced progress made. (a) O&M yardsticks for irrigation sector: Done (b) O&M yardsticks study roads sector: Need more time to complete. Expected by June 2009.

BLGO = Balochistan Local Government Ordinance, O&M = operation and maintenance, PFC = provincial finance commission, PSDP = Public Sector Development Program.

Source: Asian Development Bank.

38. Substantial progress has been made on several tranche conditions (following the tranche releases and financial closure of the Program). The government of Balochistan approved the 3-year PFC award in 2006, which was one year later than envisaged, and some district governments have used savings generated from the PFC awards for development expenditures. Therefore, the tranche condition has been satisfied. Recent discussions with the government of Balochistan indicate that it has moved forward in rationalizing the PSDP with the full cost review of all incomplete schemes and the expected reduction in throw forward, excluding mega projects, to 2.5 years in FY2009. The overlapping of mandates in devolved schemes has been significantly reduced, but cannot be fully eliminated not only in Balochistan but also in the rest of Pakistan. The study on contingent liabilities has been drafted and will be completed before the end of 2008. The private sector strategy is currently being updated.

39. With respect to the enhancement of revenue yields, of five pending agreed actions, two have been completed: the annual rental value table and cost recovery in tertiary services. Work is ongoing under two agreed actions: the stamp duty valuation table and an action plan on *abiana* recovery. The government of Balochistan has agreed to make the development of the stamp duty valuation table as a loan effectiveness condition for BRMP II. The *abiana* action plan is expected to be completed by February 2009. However, the third party assessment of the property tax registers has not yet been undertaken since the 5-year property survey of the government of Balochistan will not be completed until June 2009. The government of Balochistan has agreed to submit the draft procurement law to the Provincial Assembly as part of the loan effectiveness conditions for BRMP II. The mountain valley management plans are to be finalized by December 2008, but their adoption will require additional time.

40. Two remaining conditions are no longer possible during implementation of BRMP II due to a change in policy direction and time constraints. The agreed action to strengthen local institutional capacity for training (i.e., the granting of autonomy to the RDA) is no longer possible due to a change in policy direction. The government of Balochistan's position is that granting autonomy would not have a significant impact on local government capacity because there is a lack of basic capacity within RDA to conduct training. As a result, pursuing this condition would not result in the desired outcome of developing the RDA to be the lead institution for local government capacity building. The program design could have been improved had a capacity assessment of RDA been prescribed before any action to grant it autonomy was proposed. In terms of O&M yardsticks, those developed for the road sector were of poor quality since they were not compliant with the communications and works manual, and the O&M yardsticks yielded unrealistic budget estimates when applied. Consequently, they were not accepted by the government of Balochistan and pushing for their adoption will not be possible unless another study is undertaken first.

41. Lowering the exemption at this time would not be possible because this requires the promulgation of an act but given the economic situation in Pakistan and the October 2008 earthquake in Balochistan, persuading the majority of the huge coalition government to take such action would be difficult.

G. Related Technical Assistance

42. BRMP was supplemented by a TA loan (Loan 2109-PAK) and two TA grants (TA 4560-PAK and TA 4449-PAK). All attached TAs were approved together with BRMP. TA 2109-PAK, amounting to \$3 million, became effective on 24 December 2004 and was designed to support

program implementation. It was physically closed in 30 June 2008 and a separate project completion report will be prepared for it.

43. TA 4560-PAK, which amounted to \$1.92 million and was financed by the Government of the Netherlands, became effective on 4 April 2005 and was envisaged to improve management and sustainability of water resources in Balochistan. TA 4560-PAK is still ongoing and is progressing well. It is expected to complete all activities by 31 December 2008.

44. TA 4449-PAK, amounting to \$400,000, became effective on 15 January 2005 and sought to augment the capacity for implementation and sustainability of the reform agenda under BRMP. To achieve its purpose, the TA focused on (i) enhancing implementation capacity within the PMU, (ii) strengthening implementation capacity within the implementing agencies and focusing on the preparation of training needs assessment for senior staff in government departments to improve service delivery, (iii) strengthening financial management in the Planning and Development and Finance departments, and (iv) supporting measures leading to enhanced policy analysis within the government of Balochistan and civil society. The TA was physically closed in January 2008. A separate technical assistance completion report was prepared and the TA was rated as satisfactory.

H. Performance of the Government of Balochistan and the Executing Agency

45. The overall performance of the government of Balochistan is rated as partly satisfactory. The program benefited from having the same finance secretary throughout implementation. This protected the executing agency from being adversely affected by re-assignments within the top echelon of the bureaucracy, which is quite common in Balochistan, thereby ensuring continuity during program implementation. This also helped the Finance Department meet all reporting requirements, including its own program completion report. However, commitment to the reform program has been uneven across implementing departments, resulting in slippage in the compliance with tranche release conditions. The executing agency found it difficult to coordinate the reforms among the various implementing agencies. The executing agency, through the PMU, was also unable to effectively mobilize support for program implementation from the TA loan resources. The PMU did not have sufficient capacity to administer the TA loan to support BRMP implementation. For example, consultant recruitment was very slow. There was also lack of an overarching plan to integrate the capacity-building programs undertaken by the PMU. Finally, the PMU was unable to develop effective focal persons within implementing agencies to push for program implementation and foster stakeholder ownership. In sum, the PMU was neither able to make effective use of TA resources to support program implementation nor play its role of coordinating stakeholders.

I. Performance of the Asian Development Bank

46. ADB's performance is rated as partly satisfactory. Continuity was achieved by maintaining the same ADB mission leader throughout program preparation and implementation. However, implementing a public resource management program in an environment such as Balochistan posed many challenges in terms of government capacity and commitment. ADB fielded seven missions (one inception mission, one consultation mission, and five review missions) to monitor program implementation and repeatedly flagged implementation problems with the government of Balochistan. However, progress in resolving identified problems was slow as similar issues continued to reemerge during each mission. This resulted in the delayed release of the second tranche and lack of full compliance with nine tranche conditions.

III. EVALUATION OF PERFORMANCE

A. Relevance

47. The design of BRMP is rated as partly relevant. While proposed reforms were consistent with both the government of Balochistan's development objectives and ADB's country strategy, the program design was far too complex for the existing capacities of the government of Balochistan. Compared with other provinces in Pakistan, Balochistan faces more significant capacity constraints in its bureaucracy and has had no prior experience implementing program loans. Yet, the BRMP design incorporated a broad range of reform areas such as fiscal and financial management, civil service, service delivery, private sector, and water resource management. Attempting to cover all of these areas under BRMP was unrealistic. In addition, the program's broad scope made it necessary to work with and across numerous implementing agencies. In a highly-fragmented bureaucracy, such as that in Balochistan, coordinating and sustaining ownership of reforms became very difficult.

48. Not only was the program scope too broad, but there were an excessive number of actions to be completed due to nested conditions.¹² For example, in the second tranche release, there were 27 tranche conditions spread over seven policy reform areas. To meet these conditions, the government of Balochistan was expected to complete 54 agreed actions. This meant that some tranche release conditions required multiple policy actions, all of which needed to be satisfied to register full compliance. This type of design may have been appropriate for other provinces in Pakistan that have greater capacity and experience in policy reforms.

49. There are also design deficiencies with respect to the policy matrix. First, with mutual agreement between ADB and the government of Balochistan, the agreed actions can be revised. However, neither the program and loan documents clearly mentions on how such amendments can be made. Second, there are some inconsistencies between the requirements of the tranche release conditions and agreed actions. For example, under the first tranche, one of the policy achievements required Balochistan to have developed the private sector strategy, whereas, the agreed action required Balochistan only to initiate development of the strategy.

50. Compliance assessment during the first tranche release was liberal in that it allowed the tranche disbursement based on actions that were to be done after the tranche release date. Specifically, government notifications indicating future dates for full implementation of policy actions were accepted as satisfactory compliance evidence. However, since the tranche had already been released, the leveraging of reforms was compromised. This raised the risk of reversals in policy actions, as experienced in BRMP. Throughout implementation, close monitoring of the first tranche release conditions was necessary at the same time the second tranche release conditions were being undertaken.

51. Implementation arrangements for BRMP were inadequate. The shared PMU arrangement with DSP prevented it from focusing on BRMP activities and effectively mobilizing needed TA support. Also, there was no central figure with sufficient authority within the steering committee that could direct implementing agencies to undertake the reforms.

¹² BRMP was designed using nested tranche conditions, where the release of a tranche is dependent on attaining achievement targets and judgment on progress is made on the basis of implementation of agreed actions. In certain instances, an achievement target has multiple agreed actions.

52. Program design with respect to the performance grants could have been improved to take into account the lack of absorptive capacity of district governments to utilize the funds. Better fund utilization could have been achieved had the program included some reforms to improve the public financial management of district governments.

B. Effectiveness in Achieving Outcome

53. BRMP is rated as less effective. The Program had two reform outcomes: (i) enhanced provincial finances through fiscal restructuring and financial management; and (ii) enhanced processes and adequate institutions for public and private service delivery. BRMP has not strengthened the government of Balochistan's fiscal and financial management. The fiscal deficit remained at PRs5.7 billion in FY2006, contracted to PRs244 million in FY2007, and then expanded to PRs3.3 billion in FY2008. These fiscal deficits were larger than what had been projected under the medium-term fiscal framework presented at the time of BRMP appraisal. With regard to BRMP revenue reforms, not all were completed. The improvement in the revenue position was largely due to the increase in federal government transfers and the sale of land, neither of which were part of BRMP reforms. Balochistan's expenditures profile remains poor compared with other provinces, with a larger proportion going to recurrent spending. Inefficient subsidies have also remained. In FY2009, the fiscal deficit is expected to reach PRs5.8 billion, which is likely to compromise future development expenditures. On local government funding, the government of Balochistan was successful in putting in place the mechanisms for allocating PFC awards and performance grants.

54. The enhancement of private and public service delivery attributable to BRMP has been limited. Reforms in administrative processes have not been implemented and institutionalized as envisaged under BRMP (e.g., changes in the rules of business, delineation of provincial and local government functions, and capacity building). There has been scanty progress in private sector participation in the provision of social services, but even such limited achievement cannot be entirely attributed to BRMP. The Balochistan Education Foundation, with World Bank support, has entered into partnerships with the private sector in the provision of basic education. The Balochistan Health Foundation, which was covered by BRMP, has not progressed in the same direction. Public-private partnerships in the health sector have progressed with the outsourcing of the BHUs to the President's Primary Healthcare Initiative. Improvement of water supply schemes through public-private partnerships has not been achieved as the activity supported by BRMP was not sustained.

C. Efficiency in Achieving Outcome and Outputs

55. BRMP is assessed as less efficient. Given its broad scope and the high degree of coordination entailed, the Finance Department had difficulty in managing program implementation. As the executing agency, the Finance Department lacked the authority to compel other departments to undertake BRMP reforms. This was compounded by inter-departmental friction. The high-level steering committee was unable to effectively perform its program oversight function even though it should have been the proper forum for the executing agency to follow-up on the actions of the implementing agencies. As a result, reform implementation proceeded slowly and it was necessary to extend the program and delay the second tranche release by almost one year. Even with the delay, not all conditions were fully complied with. The PMU, which was to lead program implementation, was also inefficient. It was unable to mobilize the TA loan resources to support program implementation.

56. With respect to the performance grants supported by Loan 2108-PAK, the Finance Department was able to process grant applications and release funds to the district governments in FY2006, after the loan was disbursed just before end-FY2005. However, releasing performance grants supported by the second tranche has been more problematic than envisaged. Only a few district governments have applied for the performance grants after an official announcement in September 2007. As of August 2008, no performance grants from the second tranche had been released.

D. Preliminary Assessment of Sustainability

57. The sustainability of BRMP, as it was originally designed with multiple components and given the capacity constraints, is unlikely. This is among the principal reasons for having a simpler structure and focused program under the second phase. The ability to follow through with more reforms is constrained by weak institutional capacity within and unbalanced commitment across government departments. Unfortunately, BRMP was not able to build enough capacity within the bureaucracy to undertake reforms. Under BRMP, the progress of reform actions was dependent on consultants, which reflected capacity substitution and not capacity building. Working with a large number of departments as implementing agencies under a broad program cannot be sustained. Securing ownership and commitment to reforms will be difficult under such circumstance. This is evident from the relatively better performance in the public financial management area. A positive aspect that would help sustain this part of the program is commitment shown by the concerned key departments (Finance Department and Planning and Development Department) to pursue reforms. The Finance Department has prepared a more disaggregated budget for FY2009 that improves budget monitoring and control during budget execution. The Planning and Development Department has improved the PSDP for FY2009 by fully costing all incomplete schemes and prioritizing the completion of most of these by this fiscal year.

58. Sustainability is also hampered by the financial constraints faced by the government of Balochistan. Next generation reforms, and even the completion of pending BRMP reforms, cannot be fully funded by the government. An exogenous factor that might help ease the government of Balochistan's financial difficulty is the potential revenue that could be earned from their minerals sector. Balochistan is well-endowed with mineral resources, yet these remain largely untapped. There has been increased interest by investors in minerals and mining. Income generated from the minerals sector in the future could potentially fund capacity-building initiatives and reform programs.

E. Impact

59. BRMP had limited impact on budget allocations for social sectors, such as education and health. Counterpart funds generated from both Loans 2107-PAK and 2108-PAK were aimed at creating fiscal space for increased social spending. The retirement of the expensive cash development loans, which used counterpart funds generated from Loan 2107-PAK, has freed up PRs1.8 billion per year to be used for social sector spending. Counterpart funds generated from the first tranche of Loan 2108-PAK, amounting to PRs510.5 million, were released for FY2006 performance grants to district government in the following sectors: education, health, water supply, and sanitation. However, the share of provincial spending on education and health between FY2005 and FY2008 has not shown significant increases and has remained constant at around 22% and 7%, respectively.

60. To some extent, BRMP supported activities to improve the gender situation in Balochistan. The use of performance grants funded by Loan 2108-PAK to support girls education should have positive gender impacts. However, in the absence of an independent assessment, the success of the performance grants cannot be ascertained.¹³ Moreover, the mainstreaming of gender reforms was not successful as the gender reform action plan, while approved, has shown no implementation progress.

61. BRMP's institutional development impact was less significant. Capacity building in fiscal and financial management was limited to upgrading information technology facilities in two DAOs and developing mechanisms for local government funding. Except for the strengthening of the BPSC, administrative reforms to support better service delivery were not fully implemented. The gender impact had also been limited. BRMP was classified as environment category C and had no environmental impact.¹⁴

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

62. BRMP is rated as partly successful (Appendix 5). The program design was rated as only partly relevant since it was overly ambitious and complex given the capacity of the government of Balochistan. The Program could have been implemented more successfully had its design been simpler and more focused. The logical flow between outcomes, outputs, and activities was adequately designed, but too much depended on the large TA component, which was to provide the necessary capacity-building programs and facilitate dialogue among stakeholders. In addition, the scope was very broad, which stretched resources and required high levels of coordination. When the major portion of the TA component (TA loan) was not adequately mobilized, program implementation suffered. Outputs were not properly delivered and outcomes were not realized.

63. Coordination was weak and hampered by inter-departmental friction. Program oversight was not adequately provided as the high-level steering committee was untenable and central leadership in the bureaucracy played only a passive advisory role. The government of Balochistan's commitments, which were secured during program design, were not sustained during program implementation. Political risks were not adequately mitigated and the Program was unable to build the necessary political constituency. As a result, compliance with policy conditions was poor and policy reversals occurred. Program implementation was less efficient due to a lack of coordination, weak government ownership, and poor program oversight. The inability to either build capacity or develop financial resources compromised the Program's sustainability.

B. Lessons

64. **Focused Program Structure.** One of the pitfalls in the design of BRMP is an inappropriate structure that proved to be too complex for Balochistan. The program scope was too broad and the required actions were too numerous relative to the capacity within the provincial government. This resulted in poor compliance and weak traction within the Program.

¹³ Due to security reasons, the independent assessment of the performance grant under by TA 4449-PAK could not be undertaken.

¹⁴ Category C refers to projects that are unlikely to have adverse environmental impacts.

Future program lending in Balochistan needs to be focused on a narrower and simpler set of policy actions. This would reduce the likelihood of delays and/or reversals.

65. **Securing Ownership of Reforms.** All reforms, and particularly policy and institutional reforms, require the full ownership of both the political and bureaucratic levels within the government since such reforms frequently involve changes to the status quo. Adequate internal dialogue between the bureaucracy and the political leadership is necessary before commitments are finalized. BRMP appeared to suffer from this disconnect as commitments from the bureaucracy were not always consistent with the political realities surrounding reform issues. A lack of full commitment on the part of key actors within the bureaucracy and/or political leadership can result in future implementation problems. A high-level steering committee with real decision-making authority within the government of Balochistan would have been a useful mechanism to ensure the commitments needed for successful BRMP implementation.

66. **Strengthening Coordination among Implementing Agencies.** The experience of BRMP demonstrates the importance of close coordination among implementing agencies. It is necessary to empower the relevant focal persons within key implementing agencies. Proper dissemination of information on reform achievements and benefits can also help build constituencies of support.

67. **Need for Strong Program Implementation Support.** One of the factors leading to poor implementation of BRMP was that the PMU was unable to provide effective support. The implementation of the TA loan was very poor, with disbursement and utilization at very low levels. Constraints were faced in consultant recruitment as well as integrating the various TA activities toward the achievement of program objectives. Any province-level policy reform program in Pakistan must have its own dedicated and fully-resourced PMU. The decision to use the same PMU for both BRMP and DSP led to compromises in staffing the PMU. Lessons also point to the need to have professional, dedicated staff in the PMU, both at the technical and project management level. Staffing for the PMU should be based upon a recruitment process that is open, transparent, and competitive.

C. Recommendations

1. Program Related

68. **Future Monitoring and Further Action.** Compliance problems led to the decision to revisit the pending tranche release conditions while BRMP II was being prepared.¹⁵ It is important that ADB continue to monitor progress in the pending BRMP conditions and include them as part of a continuing policy dialogue.

69. **Covenants.** Experience with BRMP clearly points out that future program lending operations should avoid using nested policy conditions where compliance with tranche release conditions are measured by multiple agreed actions. Such design can be prone to inconsistency which generally causes confusion during program implementation.

70. **Additional Assistance.** While the success of the BRMP has been limited, there is a need to continue engaging with the government of Balochistan with respect to the reform process.

¹⁵ ADB. 2008. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Islamic Republic of Pakistan for the Second Balochistan Resource Management Program*. Manila (Loan 2482/2483 -PAK, for \$100 million, approved on 11 December 2008).

Balochistan remains strategically important for Pakistan, and its growth needs to be raised to higher and sustainable levels. More reforms are needed to improve public resource management in Balochistan. Taking into account the pitfalls in BRMP design and implementation, the province will benefit from the more focused BRMP II which strengthens revenue mobilization and expenditure management. Any future TA support should be through a TA grant that can be better managed by ADB.

71. **Timing of the Program Performance Evaluation Report.** A fuller evaluation report of BRMP can be undertaken in 2 years.

2. General

72. At program appraisal, it is important to have a comprehensive assessment of the institutional capacities of the executing agency and implementing agencies to implement a reform program, and appropriately match these capacities with the broadness of the Program. This will ensure that the Program is not too complex or ambitious for the executing agency and implementing agencies to undertake. In the design of implementation arrangements, program oversight should actively involve the government's top leadership in order that stakeholder ownership and coordination can be maintained during program implementation.

73. Sustained policy dialogue at different levels of government is necessary to ensure successful program implementation. Discussions with the senior-level officials should foster program ownership, while discussions with mid-level officials and specialists should ensure the proper implementation of proposed policy actions. The frequency of review missions should take into account the implementation capacities of the executing agency and implementing agencies. Finally, additional guidance is needed when working with an executing agency or implementing agency that lacks implementation capacities.

PROGRAM FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal</p> <p>Enhanced fiscal space for pro-poor development and improved public service provision</p>	<p>Reduction in poverty in Balochistan from 47% in 2003 to 40% in 2007</p> <p>Enhanced fiscal space through reduced debt service payment by PRs1 billion per annum</p> <p>Quantitative and qualitative improvements in public service delivery</p> <p>Enhanced management of scarce water resources</p> <p>Improved public policy formulation</p>	<p>Economic and social sector statistics</p> <p>Provincial budget documents and annual development plans</p> <p>The annual performance review (APR) is consistent with the Decentralization Support Program APR and provides detailed monitoring mechanisms on public service delivery</p> <p>Review and evaluation reports by the Asian Development Bank (ADB)</p>	
<p>Purpose</p> <p>Enhanced provincial finances through fiscal restructuring and financial management</p> <p>Enhanced Processes and Adequate Institutions for Public and Private Service Delivery</p>	<p>Reduction of fiscal deficit as per medium - term fiscal framework (MTFF).</p> <p>Increase of 15% annually In PSDP budget allocations for pro-poor development schemes</p> <p>Timeliness and predictability of formula based grants transferred to local government (LG) in accordance with provincial finance commission (PFC) recommendations</p> <p>Annual budgets allocate resources based on analysis of gender utilization of services and performance targets to reduce gender gaps</p> <p>Performance benchmarks established for local government services, governance processes (including public-private partnerships), and systems</p>	<p>MTFF</p> <p>Annual PSDP document</p> <p>PFC award</p> <p>Annual PSDP document, budget document</p> <p>Local government commission (LGC)</p>	<p>Assumptions</p> <ul style="list-style-type: none"> Decentralization will continue to be a national priority for the Government and key ordinances will be given sufficiently durable legal cover Policy commitment to intergovernmental fiscal reforms for predictability, transparency, and timeliness is articulated in practice Vertical fiscal imbalances are reduced as a consequence of fiscal policy measures Sufficient political constituency is mobilized to Support Cabinet approval and subsequent implementation of gender reform action plan (GRAP) <p>Risks</p> <ul style="list-style-type: none"> Provincial development strategy by the federal Government Acceptance of new approaches to governance and development

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
			management by the provincial parliament and bureaucracy <ul style="list-style-type: none"> • Rule of law
Long-Term Objectives of the Reform Process Strengthen provincial finances Reform processes and institutions for pro-poor service delivery Create opportunities for growth and income generation in the private sector	Revenue mobilization increased to 15% by 2010 Medium-term, poverty-focused investment strategy developed Strengthened capacity of key planning and resource management agencies Improved regulations and institutional support for private sector development and public-private partnerships	Annual budget statement Annual performance review Capacity building plan implementation (report by Finance Department) Notifications (Industries Department)	
Outputs 1. Rationalize poorly-designed, untargeted subsidies 2. Broaden tax base, expand coverage, and rationalize user charges 3. Establish reliable, transparent and accountable financial management systems	Reduction in budgetary allocation for subsidies (tubewells, wheat); <i>Atta</i> subsidy reaching targeted beneficiaries Revenues from property taxes received by <i>Tehsil</i> Municipal Administration (TMAs) Increased provincial government revenues from tax, fees & royalties 70% of 2004-05 Public Sector Development Program (PSDP) funding to existing schemes Approved Finance Department (Treasury) human resource development plan implemented	Annual budget statement Notifications, plan and report of food department PFC Award Annual estimate of receipts in budget PSDP document, notification of Planning and Development Department (P&DD) Training completion report by Finance Department	Assumption <ul style="list-style-type: none"> • Effective targeting of rationalized subsidy schemes Risk <ul style="list-style-type: none"> • Political pressure against reduction of tubewell subsidy and new <i>atta</i> subsidy Assumption <ul style="list-style-type: none"> • Effective revenue collection system Risks <ul style="list-style-type: none"> • Public do not accept increased/new taxes • Public lack capacity to pay increased taxes • Departments lack capacity to collect Assumptions <ul style="list-style-type: none"> • Change management undertaken • All Finance Department posts filled • PSDP rationalized and functional • Transfers of key GOB personnel Risks <ul style="list-style-type: none"> • PSDP continues to be

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
4. Establish and implement transparent, rule-based systems of local government funding	Medium-term Budget Framework (MTBF) approved	Minutes of cabinet meetings	<p>based on political criteria</p> <ul style="list-style-type: none"> Relevant departmental responsibilities not devolved to local level
	Debt management strategy approved	Minutes of cabinet meetings	
	Budget allocated in accordance with approved revised roads & irrigation operation and maintenance (O&M) standards	Notification of the Communications and Works Department (CWD)	
	Revised PSDP approved	PSDP document	
	Two district account offices effectively and efficiently performing functions	Inspection report of the Finance Department	
	PSDP reflects civil society involvement	Notification of the P&DD for reconstituting committee approving PSDP	
	Annual Balochistan Development Forum conducted	Newspaper	
	Contingent liability study approved	Minutes of the steering committee of BRMP	
	GoB procurement rules and manual approved	Procurement rules and manual and notifications by Finance Department	
	Approved provincial and local government asset control rules implemented	Notifications of the local government and rural development department (LG&RD) and LGC	
	PFC annual reports disseminated	Notification report of PFC	
	LGC annual reports disseminated	Notification and report of the LGC	
	PFC award consistent with local government expenditure assignments, in particular for non-salary recurrent and development budget requirements	PFC award	<p>Assumption</p> <ul style="list-style-type: none"> Districts have capacity for good governance <p>Risk</p> <ul style="list-style-type: none"> Irregular flow of grants
	Local governments managing service	PFC award	

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
5. Improve administrative frameworks for effective public service delivery	<p>delivery grant allocations in accordance with Balochistan Local Governance Ordinance (BLGO) 2001</p> <p>Adequate budget allocated to implement approved GRAP</p> <p>PSC operating in accordance with reformed rules of business</p> <p>GoB rules of business amended consistent with BLGO 2001</p> <p>Local governments managing human resources in accordance with amended rules for appointments, postings & transfers</p> <p>Rules regarding contract based employment implemented</p> <p>Elected representatives performing functions effectively</p> <p>District governments effectively and efficiently managing development schemes up to PRs10m, in accordance with approved administrative and financial powers</p>	<p>PSDP and volume III of the budget documents</p> <p>BRMP steering committee</p> <p>Notification of the S&GAD</p> <p>LGC Notifications Notifications of the S&GAD and Finance Department</p> <p>Report of the LGC and law department</p> <p>Notifications of the P&DD and reports of the LGC</p>	<p>Assumptions</p> <ul style="list-style-type: none"> Amendment of GOB Rules of Business Strengthened district governments <p>Risks</p> <ul style="list-style-type: none"> Premature postings and transfers Delay in release of funds for projects District cadres not established Tribal and political interference Tribal resistance to the GRAP
6. Create enabling environment for private sector development and promote public-private partnerships in service delivery	<p>Public-private partnership (PPP) and private sector participation (PSP) strategy approved including definition of partnership</p> <p>Approved PPP & PSP action plan implemented</p> <p>Amended provincial health foundation (BHF) restructure and eligibility criteria approved</p>	<p>Notifications of the Industries Department</p> <p>Notifications of the P&DD and reports of the Health and PHE Departments</p> <p>Notifications of the Health Department</p>	<p>Assumptions</p> <ul style="list-style-type: none"> Public sector willing to collaborate with private sector Private sector motivated, willing to invest Tribal leaders/elders involved Private sector participation results in pro-poor job creation Enabling environment for PPP and PSD exists <p>Risks</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>7. Improve management and sustainability of water resources</p>	<p>Adequate budget allocation to BHF</p> <p>Approved innovative contracting arrangements for private sector involvement in service delivery implemented</p> <p>Non-functional water supply schemes operating on a sustainable basis by communities or private sector in accordance with agreed terms and conditions</p> <p>Recommendations from Integrated Water Resources Management (IWRM) Policy Working Group</p> <p>IWRM Policy approved</p> <p>Approved Three Mountain Valley Management Plans implemented</p> <p>Demonstrated community involvement in O&M</p>	<p>Statement and report of the Health Foundation</p> <p>Notification of the P&DD and reports of the Public Health Engineering Department</p> <p>Notifications and reports of the PHE department</p> <p>Notification of the Irrigation and Power Department</p> <p>Notification of the Irrigation and Power Department and minutes of the Cabinet</p> <p>Notifications and reports of the Irrigation and Power Department</p>	<ul style="list-style-type: none"> Community non-acceptance of service delivery by private sector Lack of mutual trust between key stakeholders <p>Assumption</p> <ul style="list-style-type: none"> Uniform IWRM policy implementation leads to improved connection with water levels <p>Risks</p> <ul style="list-style-type: none"> Renewed drought impacts negatively on IWRM process Focus on north of Balochistan may lead to political and administrative problems Lack of timely action
<p>Inputs and Activities</p> <p>ADB funding to finance adjustment cost: \$130 million equivalent</p> <p>\$3.0 million equivalent TA loan, augmented by grant of \$1.92 million equivalent from the Government of the Netherlands for capacity building and institutional development</p> <p>\$400,000 advisory TA grant for strengthening program implementation</p> <p>Continued dialogue with stakeholders to</p>	<p>Compliance with the BRMP policy matrix</p> <p>Analytical support to key development planning and financial management agencies</p> <p>Capacity building and training of key staff in agreed departments</p> <p>Facilitation of public sector-civil society dialogue (e.g., through organization of stakeholder workshops); number of workshops and seminars conducted</p>	<p>Regular progress reports by program management unit, provincial reforms group and review missions</p> <p>Follow up and facilitation by nongovernmental organizations (NGOs) and ADB staff</p>	<p>Assumption</p> <ul style="list-style-type: none"> Adequate and timely provision of skilled staff and facilities Project ownership by government agencies and civil society Active dialogue with civil society/NGO support Continued and consistent government and NGO/civil society support

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
effectively promote new governance and development mechanisms	and attendance; number of comments via Internet on program web site		
Program oversight	Quarterly steering committee meetings		
Program review	Periodic reviews, and comprehensive midterm review 12 months after loan effectiveness		
Project review	Periodic reviews; and two comprehensive reviews 12 and 24 months after loan effectiveness, respectively		

ADB = Asian Development Bank, APR = Annual Performance Review, BHF = Balochistan Health Foundation, BLGO = Balochistan Local Government Ordinance, BRMP = Balochistan Resource Management Program, CWD = Communications and Work Department, GOB = government of Balochistan, GRAP = Gender Reform Action Plan, IWRM = Integrated Water Resources Management, LG = Local Government, LGC = Local Government Commission, LG&RD = Local Government and Rural Development, O&M = Operations and Maintenance, MTFF = Medium-term Fiscal Framework, NGO = Non-governmental Organization, PHE = Public Health Engineering, P&DD = Planning and Development Department, PFC = Provincial Finance Commission, PPP = public-private partnership, PSDP = Public Sector Development Program, PSP = private sector participation, S&GAD = Services and General Administration Department, TMA = Tehsil Municipal Administration.

**POLICY MATRIX FOR THE
BALOCHISTAN RESOURCE MANAGEMENT PROGRAM**

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
1. Rationalize poorly-designed, untargeted subsidies	GOB to have initiated (i) capping and restructuring of agricultural tubewell subsidy; and	Restructure agricultural tubewell subsidy: (i) GOB to publish a policy prior loan negotiations which incorporates the following a. that the agricultural tubewell subsidy will be restricted to tubewells operational before 1st January 2005 and will not be extended to new tubewells installed after this date. b. fixing the subsidy in nominal terms per working tubewell to equate the subsidy being incurred by GOB in FY2004. The balance outstanding against an electricity bill to be borne by the farmer. c. criteria and procedures for approving replacement	GOB to have: (i) continued restructuring of the subsidy for agricultural tubewells;	Publish and implement results of survey on eligibility for tubewell subsidy: The results of the survey to determine the number of tubewells to be eligible for the restructured subsidy to have been published in the Gazette and on the GOB website. From July 2005 the GOB to only pay for tubewells identified under the survey, their replacements and additional ones sunk prior to 1 January 2005 and approved as such by the GOB.	Compliance assessment during tranche release: Complied with. The tubewell subsidy has been capped at PRs2 billion and the number of subsidized tubewells limited to 15,660. During the second tranche release, the number of subsidized tubewells was reported at 15,206.

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
		<p>tubewells qualifying for the subsidy.</p> <p>(ii) The Irrigation and Power Department with WAPDA, to announce a survey to be undertaken to determine the number of tubewells to be eligible for the restructured subsidy. Results of the survey are expected prior to the next tranche release and published in the Gazette.</p>			
			(ii) introduced schemes for efficient use of water for irrigation; and	<p>Implementation of scheme for efficient water usage: Savings from tubewell subsidy to be used to introduce schemes for efficient water usage and to publish the same on the GOB website in connection with the development of the Water Resource Management Policy (see PRA 7).</p>	<p>Compliance assessment during tranche release: Complied with.</p> <p>Irrigation schemes, which included water-use efficiency as an objective, have been included in the development budget.</p>
	(ii) the phasing out of the wheat subsidy and replacement with a poverty targeted subsidy for Atta.	<p>Policy for removal of wheat subsidy and replacement with poverty targeted Atta subsidy: The GOB to announce in the budget speech for FY2005 the decision to phase out the wheat subsidy by June 2005 by accelerating the cascading of its issue price. Government to</p>	(iii) introduced scheme designed to reform wheat subsidy system to ensure better poverty targeting.	<p>Progress in implementation of mechanism for phasing out of wheat subsidy by June 2006.</p> <p>Program for targeting of Atta subsidy: Food Department to have begun providing Atta subsidy targeted to the poor by June 2006 and to report this on the GOB web site</p>	<p>Compliance assessment during tranche release: Complied with.</p> <p>The plan of action for the distribution of Atta subsidy was approved in October 2006. But to date, the subsidy scheme has not yet been implemented.</p>

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
		notify that a mechanism will be developed to replace wheat subsidy with a more poverty targeted subsidy for Atta by June 2005, with implementation of the mechanism by June 2006.			
2. Broaden the tax base, expand coverage and rationalize user charges	GOB to have introduced measures to enhance the revenue yield from (i) property tax, (ii) motor vehicles, (iii) royalties on minor minerals, and (iv) Abiana.	Reduce property tax exemptions: Board of Revenue to withdraw property tax exemption on large self-occupied properties (land area in excess of 250 square yards, and/or covered area of more than 1,500 square feet) and limit those who receive exemptions to disadvantaged groups like widows.	GOB to have (i) announced agricultural income tax (AIT) policy, and	AIT policy announcement: Board of Revenue (i) undertake study to determine the best mode of levying agricultural income tax, and (ii) to announce AIT policy and deliberation on results and to publish the same on the GOB web site.	Compliance assessment during tranche release: Waiver. Waiver on this policy condition due to the continued drought in Balochistan. Implementation of AIT remains suspended.
		Transfer receipts of property tax: Board of Revenue to collect property tax and FD to transfer all property tax receipts to TMAs while reducing the charge for collection costs from 15% to 5%. Motorcycle token tax reform: Board of Revenue to withdraw the annual motorcycle token fee and replace it by a charge of PRs1,000 merged with the registration fee of	(ii) further enhanced the revenue yield from agreed taxes and user charges.	Reform of the Property Tax System (i) Survey on property tax: Board of Revenue to undertake third party surveys in Quetta to assess accuracy, reliability and completeness of property tax PT1 register. (ii) Property tax action plan: Board of Revenue to develop action plan to extend property tax to agreed urban areas of Balochistan, with more liberal exemptions for disadvantaged groups like widows and to publish the same on the GOB web site.	Compliance assessment during tranche release: Substantially complied with. (a) the third party survey of the property tax PT1 register— Can only be completed after June 2009 (b) construction of the annual rental values table for Quetta and posting in the GOB website— Completed (c) construction of valuation tables for determining stamp duty on transactions relating to property transfers and posting in the GOB website— To be completed by

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
		<p>the vehicle.</p> <p>MVT reform: Board of Revenue to raise registration fee for all vehicles by 0.25%.</p> <p>Royalty collection: Mines and Mineral Development Department to introduce auctions for right to collect royalties on minor minerals.</p> <p>Increased receipts from Abiana: Irrigation and Power Department to (i) enhance rate of tariff for Abiana by at least 10% in FY2005, (ii) increase recovery rate of Abiana to 40% of assessed value, and (iii) notify study to develop action plan to achieve full cost recovery for provision of irrigation water</p>		<p>(iii) Develop annual rental value (ARV) tables for Quetta: Board of Revenue to reduce discretionary powers of officials by constructing Annual Rental Value Tables for Quetta, based on land, and covered area. In case of commercial properties ARVs to also capture element of goodwill (pugree) and to publish the same on the GOB web site.</p> <p>(iv) All future exemptions to be based on ARVs. Board of Revenue. [Announce in Budget 2007]</p> <p>(v) Develop stamp duty valuation tables: Board of Revenue to construct valuation tables for determining stamp duty on transactions relating to property transfers and to publish the same on the GOB website.</p> <p>Enhance revenue yield of other taxes and fees: GOB to (i) broaden base of GST on services, and (ii) increase professional tax to PRs200 per taxable person, and broaden coverage by updating taxpayer records based on CBR maintained</p>	<p>December 2008</p> <p>(d) implementation of action plan for cost recovery–To be completed by February 2009</p> <p>(e) study on cost recovery for tertiary services–Completed</p> <p>(f) The reversal of the agreed action for the first tranche (exemption on property taxes) has not been corrected. The provincial government indicates that this is not politically feasible.</p>

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				<p>database. Announce and publish on GOB web site intention to revise professional tax rates every alternate year. [Announce in Budget 2007]</p> <p><u>GoB and ADB agreed on a revision of this agreed action to the following: GoB to enhance the provincial revenue through revision of the taxes related to minor minerals and user charges related to fees for services of the tertiary hospitals</u></p> <p>Reform of MVT: Board of Revenue to (i) initiate phased harmonization of vehicle registration rates with those in Sindh, and (ii) harmonize vehicle token/road tax and transfer fees rates with those in Sindh and to publish the same on the GOB website [Announce in Budget 2007]</p> <p>Implement action plan for cost recovery of Abiana (irrigation water).</p> <p>Study on cost recovery for tertiary services. Education and Health Department to launch study on improved cost recovery possibilities for tertiary services (higher education and curative health care, including an assessment of its social and distributional</p>	

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				impacts).	
3. Establish reliable, transparent and accountable financial management systems	GOB to have (i) initiated process to rationalize PSDP and reduce throw-forward,	Targeted review of development schemes: Planning and Development Department to complete review of portfolio of on-going schemes by using at least 70% of PSDP funding for on-going programs.	GOB to have (i) continued rationalization of PSDP, ensuring that scheme-wise budgetary provisions are consistent with Planning Commission approval documents; and developed mechanisms for involving civil society in its formulation,	Reform of PSDP (all to be published on GOB web site other than (vi)): (i) Planning and Development Department to issue instructions that all unapproved schemes in the PSDP to be approved before the start of FY2006. (ii) Planning and Development Department to withdraw from FY2006 some block grants, with block grant for backward areas to clearly set out the criteria for scheme selection and prioritization (iii) Planning and Development Department to provide for all incomplete schemes a full review of cost estimates and phasing of schemes by April 30 th of the preceding fiscal year. From FY2006 onwards no new unapproved scheme to be included in the PSDP. In future, all scheme wise allocations to be based on the phasing in the respective PC1s. (iv) Finance Department to make medium term projections of revenues and expenditures to be	Compliance assessment during tranche release: Substantially complied with. (a) full cost review of all incomplete schemes and phasing of schemes by 30 April of the preceding fiscal year– Completed (b) ensure PSDP does not include schemes in devolved subject so as to eliminate co-occupation of mandates consistent with BLGO 2001– Completed (devolved schemes in PSDP have been substantially reduced) (c) reduce core PSDP throw-forward, excluding mega projects, to 3 years– Completed

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				<p>used to inform preparation of future budgets and PSDPs.</p> <p>(v) Planning and Development Department to ensure that PSDP does not include schemes in devolved subjects so as to eliminate co-occupation of mandates consistent with BLGO 2001.</p> <p>(vi) Planning and Development Department to ensure Core PSDP throw-forward is reduced to 3 years excluding mega projects.</p>	
	(ii) developed a plan for training of Treasury officers and upgrading of Treasury offices and DAOs,	Development of action plan for treasury officers: Finance Department to develop action plan to train treasury officers and staff in DAOs in financial rules and procedures and to upgrade their offices with competent, professionally equipped staff and with necessary hardware and software aimed at creating more effective accounting systems.	(ii) implemented training and upgrading plan developed for treasury and DA offices,	<ul style="list-style-type: none"> • Implementation of action plan for treasury officers: Finance Department to implement action plan to train Treasury Officers in financial rules and procedures and upgrade their offices with staff and necessary hardware and software. • DAO offices upgrading: Finance Department to authorize and the Accountant General's office to upgrade the two DAO offices in the province by providing hardware and software facilities. • Reconciliation of accounts: Ensure timely (within six months) reconciliation of accounts 	<p>Compliance assessment during tranche release: Complied with.</p> <p>Additional treasury officers are being trained on NAM and the chart of accounts. PIFRA is currently upgrading information technology facilities in Treasury offices to convert them into DAOs.</p>

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				both by function and major object.	
	(iii) initiated development of medium-term projections for revenues and expenditures,	Development towards medium term projections: Finance Department to initiate development of medium-term projections and expenditure forecasts that are consistent with resource availability and the provincial PRSP.			Compliance assessment during first tranche release: Complied with. The medium-term projections were not institutionalized. No new projections are available.
	(iv) prepared draft debt management strategy, and	Prepare draft debt management strategy.			Compliance assessment during first tranche release: Complied with. The provincial government has not move forward in further improving its debt management strategy. While it was able to convert its CDLs to less expensive foreign loans, the debt stock continued to increase as revenues were unable to keep pace with expenditures. This resulted in the accumulation of overdrafts with the central bank. Recently, the overdrafts were converted to less expensive blocked loans.
			(iii) improved public access to information, increased transparency, and initiated a policy dialogue,	Increase public access to information, introduce transparency and initiate policy dialogue:	Compliance assessment during tranche release: Complied with.

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				<p>(i) Planning and Development Department to announce and make budget provision for first Balochistan Development Forum (BDF) to take place annually three months before budget speech. First BDF to have taken place in 2006.</p> <p><u>GoB and ADB agreed on a revision of this agreed action to the following: Planning and Development Department to announce and make budget provision for the first Balochistan Development Forum (BDF). The subsequent BDFs will take place annually three months before budget speech.</u></p> <p>(ii) Planning and Development Department to establish mechanism for civil society representation in the formulation of PSDP to be finalized and announced.</p> <p><u>GoB and ADB agreed on a revision of this agreed action to the following: Enhanced policy dialogues with civil society in the form of seminars, workshops and focus group discussions especially related to the province water resource</u></p>	The Balochistan Development Forum has not been undertaken.

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				<u>management policy.</u> (iii) Finance Department to improve content and presentation of budget documents presented in May 06 to include estimate of contingent liabilities, tax exemptions and concessions, medium term budgetary projections, financial and physical achievements (as against targets), and estimate of throw-forward of PSDP. (iv) Information Technology Department to develop GOB website and to post budgets and audited financial accounts of GOB, all GOB departments, and the budgets of the district governments on this site. (v) Finance Department to notify the PAC and make budgetary allocations for its functioning and to publish allocations on the GOB website .	
			(iv) undertaken a study to identify and estimate contingent liabilities,	Study on contingent liabilities. Finance Department to complete study on estimation of contingent liabilities, especially on account of Pension and GP Fund.	Compliance assessment during tranche release: Partially complied with. Report to be finalized by December 2008.

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
	(v) revised yardsticks based on current technology and costs for O&M of irrigation and road systems to ensure proper maintenance of installed infrastructure.	Revision of yardsticks for O&M expenditure for roads and irrigation networks.	(v) promulgated and brought into force legislation on procurement, including preparation of purchase manuals,	<p>Procurement legislation enacted. Finance Department to prepare and GOB to enact legislation for transparent and publicly accountable procurement, establishing a code of conduct for public officials handling procurement, and an effective inspection and complaint redress mechanism.</p> <p>Procurement rules, manuals. Finance Department to (i) revise, approve and notify provincial and local government procurement rules and the provincial purchase manual for goods including anti-corruption provisions for all procurement documents, and (ii) prepare, approve, notify and publish on the GOB web site procedures for procurement and outsourcing of services (technical, management, consulting) for provincial government and local government in accordance with the procurement legislation enacted.</p>	<p>Compliance assessment during tranche release: Partially complied with.</p> <p>(c) enactment of procurement legislation—To be included as BRMP II loan effectiveness condition</p> <p>(d) provincial and local government procurement rules—To be completed after the enactment of the law</p> <p>(e) purchase manual—Need more time to complete (beyond 2008)</p>
			(vi) improved asset management, and	Delineate control of assets between provincial and local governments and assign responsibility for maintenance of the assets for devolved sectors to local governments along with	<p>Compliance assessment during tranche release: Complied with.</p> <p>Maintenance of assets for devolved sectors has been assigned to the local</p>

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				<p>transfer of responsibility and resources for maintenance of assets.</p> <p><u>GoB and ADB agreed on a revision of this agreed action to the following: Delineate control of assets between provincial and local governments and assign responsibility for maintenance of the immovable assets for the devolved sectors to local governments along with transfer of responsibility and resources for maintenance of assets</u></p>	governments and resources have been transferred. However, local governments have been inefficient in their maintenance. There are discussions between the Finance and Health Departments to return to the provincial government the maintenance of district hospitals.
			(vii) reviewed and finalized recommendations on study for selected O&M expenditures.	<p>Studies on O&M: Finance Department to review and finalize recommendations on study to update yardsticks for O&M expenditure on roads and irrigation systems and make budgetary allocations on revised basis.</p>	<p>Compliance assessment during tranche release: Substantially complied with.</p> <p>(a) O&M yardsticks for irrigation sector—Completed; However, the budget estimates generated by the Irrigation and Power Department using the yardsticks are not fully incorporated in the budget.</p> <p>(b) O&M yardsticks study roads sector—Need more time to complete (beyond 2008).</p>
4. Establish and implement transparent, rule-based systems of local	GOB to have (i) operationalized the Province Finance Commission (PFC), (ii) announced interim PFC award by June	Make PFC operational: Finance Department to allot office space, and assign staff to make the PFC operational.	GOB to have (i) announced PFC award by June 2005 in line with BLGO 2001,	Announce PFC award. Announce and publish on the GOB web site PFC Award by June 2005, for three years, in accordance with BLGO 2001, with specific reference to the	<p>Compliance assessment during tranche release: Substantially complied with.</p> <p>Done—substance required in the tranche condition has</p>

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
government funding	2004 in line with BLGO 2001, and (iii) constituted and made the Local Government Commission consistent with BLGO 2001.			following parameters: (i) calculation of provincial retained and provincial allocable to local governments out of whole of provincial consolidated fund and in accordance with BLGO 2001 and transfer of block allocations to local governments; (ii) the size of provincial allocable is determined consistent with local government expenditure assignments, in particular for non-salary recurrent and development budget requirements, and (iii) horizontal distribution between districts is on the basis of agreed poverty indicators.	been achieved. District governments have allocated savings from PFC awards for development expenditure.
		Revise PFC Award for FY2005 , delegation of power to local governments to use the provincial account No. 1 for implementation of devolved schemes, consistent with provisions of BLGO 2001.	(ii) developed grant system for local governments, and	<p>Annual report on the use of the Local Service Delivery Grant (LSDG): Finance Department to publish first annual report on the GOB website, including performance measures and accounts, on the use of the LSDG.</p> <p>Strengthen grants to local government for service delivery: grants from local governments as envisaged under BLGO 2001, to implement provincial policy priorities and sectoral targets, create incentives to improve pro-poor service delivery on a sustainable basis, and reward</p>	<p>Compliance assessment during tranche release: Complied with.</p> <p>The performance grant system has been implemented for the Loan 2108-PAK. Counterpart funds generated from the first tranche have been released. Counterpart funds from the second tranche have not yet been released due to lack of interest from district governments. Performance grant rules will also be applied to the BDSSP conditional grants.</p>

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				<p>sound financial management and fiscal performance.</p> <p>Develop design for local government performance grants (including criteria, etc)</p>	
		<p>Constitute Local Government Commission consistent with BLGO 2001, allot office space, assign permanent staff and allocate budget for FY2004.</p>	<p>(iii) undertaken a study and implemented results on introducing transparency in the distribution of resources and schemes.</p>	<p>Transparency in the distribution of resources and schemes: Finance Department to undertake study and implement results of study on introducing transparency in the distribution of resources and schemes between different districts/parts of the province.</p>	<p>Compliance assessment during tranche release: Complied with.</p> <p>Study was completed and budget information was posted on the provincial government website.</p>
5. Improve administrative frameworks for effective public service delivery	<p>GOB to have (i) put rules in place to allow for more gender equitable public service delivery;</p>	<p>Approve GRAP: (i) Cabinet approval of GRAP by 30 July 2004, and (ii) Finance Dept. to make FY2005 budget provision for GRAP consistent with Cabinet approval.</p>	<p>GOB to have (i) implemented GRAP with demonstrated progress made on commitments;</p>	<p>Implement GRAP: Finance Dept. to carry out implementation of actions by identified agencies as set out in approved GRAP.</p>	<p>Compliance assessment during tranche release: Complied with.</p> <p>Not much action taken after the creation of the Social Welfare and Women Development Department and the Directorate of Social Welfare and Women's Development. The budget allocated for GRAP remains highly underutilized.</p>
	<p>(ii) instituted merit based recruitment; (iii) eliminated overlapping functions between province and local government; (iv) instituted plan for greater authority for local governments for staff appointments and transfers;</p>	<p>Strengthen Public Service Commission: Services and General Administration Department to (i) enhance financial and administrative autonomy of PSC; (ii) include private sector permanent members in PSC; (iii) extend</p>	<p>(ii) enhanced accountability of public service providers;</p>	<p>Develop basis for contract-based employment: Services and General Administration Department to initiate action to (i) determine sectors, services and positions that should shift to contract employment; and (ii) review and finalize actions required to cover contract appointments in</p>	<p>Compliance assessment during tranche release: Complied with.</p> <p>Chief minister did not approve the use of contract-based employment. District cadres have not been established and still pending with NRB. The elimination of overlap between provincial</p>

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
		<p>responsibility for recruitment of provincial and local government staff (BS 11 – BS 15) to PSC; and (iv) include contract appointments within purview of PSC.</p> <p>Provincial government rules of business: Services and General Administration Department to amend provincial government Rules of Business to eliminate overlapping LG-provincial departments service mandates consistent with the BLGO 2001.</p> <p>Approve and notify LG rules for postings and transfers; notify plan to create district cadres: Services & General Administration Dept. to</p> <p>(i) delegate authority for postings and transfer for BS 1 to 9 to local governments;</p> <p>(ii) institute system of facility-specific (education and health) contract-based</p>		<p>legislation/rules.</p> <p>Introduce merit-based appointments, postings and transfers: LG&RD Dept. to create district cadres; provide report showing the appointments, postings and transfers by local governments and the use of the notified merit-based procedures for selection and recruitment, and publish the same on the GOB website.</p>	<p>and local government service mandates has not been achieved as the amendment to the rules of business remains pending for notification by the Governor of Balochistan.</p>

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
		appointments for non-officer cadres; (iii) specify merit-based procedures for selection and recruitment; and (iv) notify plan to create district cadres.			
		Develop training courses for elected representatives. LG&RD Department to prepare training courses for elected representatives to enhance administrative, fiscal and financial knowledge.	(iii) provided training to elected representatives;	Implement training courses for elected representatives.	Compliance assessment during tranche release: Complied with. Training programs were conducted under the TA loan. No training programs were reported after the TA loan was closed.
			(iv) strengthened local institutional capacity for training;	Cabinet approves the status of Balochistan Rural Development Academy as an autonomous capacity building institution under a board of directors with representation from government, civil society and private sector and revised rules of business	Compliance assessment during tranche release: Substantially complied with. Approval of the status of the Rural Development Academy (RDA) as an autonomous capacity building institution— Not possible due to institutional constraints and change in policy direction
			(v) enhanced administrative approval and sanction powers of local governments;	Notify powers for administrative and financial approval of development schemes costing up to PRs10 million to district governments with appropriate technical sanction powers to local government officials)	Compliance assessment during first tranche release: Complied with. Approval authority of local governments increase to PRs10 million.

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				and publish the same on the GOB web site.	
	(v) measures undertaken to enhance third party assessments; and	Establishment of third party assessment and evaluation as a permanent feature of public resource management process.		Third party assessment. GOB to provide written assessment of functioning of chief minister's inspection team work on third party assessment and evaluation as a permanent feature of public resource management process and suggestions for improvement or alternative mechanism as required.	Compliance assessment during tranche release: Complied with. During the second tranche release, the chief minister's inspection team was found to lack the technical expertise.
	(vi) initiated development of grievance redressal mechanisms.	Improve public grievance mechanisms: Services and General Administration Department to notify principle officers in each department for the purpose of public grievance redressal.	(vi) improved grievance redressal mechanisms; and	Fostering public grievance mechanisms: Services and General Administration Department to have prepared, notified and supported public awareness efforts for grievance redressal procedures for at least Revenue, C&W, LGRD and Irrigation departments. Review of effectiveness of notification of principle officers in each department for redressal of grievances.	Compliance assessment during tranche release: Complied with. During the second tranche release, grievance redressal procedures to handle public complaints, particularly those pertaining to corruption, were announced for all government departments.
			(vii) conducted independent audits.	Conduct audits: (i) Special audits on an annual basis, starting in 2005, of the ten largest approved projects under PSDP and results published on the GOB web site. (ii) Independent audits of district accounts within 9 months of the close of the financial year, starting with FY2006.	Compliance assessment during tranche release: Complied with. During second tranche release, (i) the Local Fund Audit completed the audit of five development schemes, (ii) independent audits of 11 districts were completed.
6. Create enabling	GOB to have (i) developed a	Initiate development of private sector	GOB to have (i) finalized and implemented	Finalize development of private sector strategy	Compliance assessment during tranche release:

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
environment for private sector development and promote public-private partnerships in service delivery	private sector strategy; and	strategy.	private sector strategy;	through broad stakeholder participation and initiate implementation of private sector strategy. In consultation with civil society and the private sector, prepare a strategy and action plan to promote PPP and PSP in public service delivery. Initiate implementation of action plan.	Partially complied with. (a) the finalization of the strategy through broad stakeholder consultation— To be completed by December 2008 (b) initiate its implementation— To be completed beginning in January 2009
	(ii) measures for promoting public-private partnerships in, and enhancing access to, service delivery initiated.	Provincial Health Foundation revises, notifies and publishes on GOB web site eligibility criteria to provide capital and recurrent budget support to expansion of private sector and local NGOs outside Quetta with priority to reproductive health, children's health and nutrition, and training of female service providers at the local level. Ensure sufficient funding for health foundation..	(ii) enhanced PPP in social sector service delivery; and	Restructure Health Foundation by increasing private sector representation and enhancing administrative and financial autonomy. Definition of terms for partnerships: Health Department to define terms of partnership in consultation with sector NGOs and private sector to contract out operation and management of civil dispensaries and presently nonfunctional basic health units (BHUs) to NGOs and private sector and publishes same on GOB web site. Initiate study on public hospitals and private partnerships: Health Department initiates study to consider innovative arrangements for contracting out ancillary services (cleaning, security, waste management, others) in	Compliance assessment during tranche release: Complied with. Strategy for public-private partnerships in education and health were prepared and approved under BDSSP. During the second tranche release, the Health Department signed an MOU with the Balochistan Rural Support Program to manage six BHUs. Recent discussions with the Health Department indicate that management of BHUs has been outsourced to the President's Primary Healthcare Initiative (PPHI).

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
				public hospitals.	
			(iii) initiated actions to operationalize non-functional health facilities.	PHED completes preparation of PCIs to operationalize non-functional water supply schemes in partnership with sector NGOs where community or private sector enters into agreements to operate the schemes on a sustainable basis on agreed terms and conditions.	Compliance assessment during tranche release: Complied with. Health facilities in rural areas are already covered by the PPHI. District hospitals are in a pathetic state, and needs assistance in the construction of additional accommodation, repair of existing accommodation, better sanitation and more access to drinking water. The Health Department indicated that the government resources for four provincial hospitals were limited and would need financial assistance to cover maintenance costs.
7. Improve management and sustainability of water resources	GOB to have initiated development of an integrated water resources management (IWRM) policy.	Notification issued by Irrigation and Power Department to constitute a working group for the development of an Integrated Water Resources Management Policy.	GOB to have (i) adopted the integrated water resources management policy; and	Notification issued by Planning and Development Department for the approval of the Integrated Water Resources Management Policy.	Compliance assessment during tranche release: Complied with. The IWRM Policy has not yet been implemented.

Policy Reform Areas	First Tranche		Second Tranche		Progress as of August 2008
	Conditions	Agreed Actions	Conditions	Agreed Actions	
			(ii) adopted the mountain valley management plans for integrated water resources management.	Irrigation and Power Department to develop basin management plans for integrated water resources management for the three selected basins (Pashin-Lora, Nari river, and Zoab).	<p>Compliance assessment during tranche release: Partially complied with.</p> <p>Development of basin management plans for integrated water resources management for the three selected basins (Pashin-Lora, Nari River and Zoab)– Plans to be finalized by December 2008.</p>

AG = accountant general, AIT = agricultural income tax, ARV = annual rental value, BDF = Balochistan Development Forum, BER = Balochistan Economic Report, BHU = basic health unit, BLGO = Balochistan Local Governance Ordinance, BMP = basin management plan, BoR = Board of Revenue, BRMP = Balochistan Resource Management Program, BRSP = Balochistan Rural Support Program, C&W = communication and works, DAO = district accounts office, DSP = Decentralization Support Program, FY = fiscal year, GOB = government of Balochistan, GP = general provident, GRAP = gender reform action plan, I&P = irrigation and power, IA = implementing agency, IWRM = integrated water resource management, LFA = Local Fund Audit, LG&RD = local government and rural development, LSDG = Local Service Delivery Grant, MOU = memorandum of understanding, MTBF = medium-term budget framework, NGO = nongovernment organization, O&M = operation and maintenance, P&D = planning and development, PAC = public accounts committee, PC-I = Planning Commission pro-forma 1, PFC = provincial finance commission, PHE = public health engineering, PIFRA = Project for Improvement in Financial Reporting and Auditing, PPHI = President's Primary Healthcare Initiative, PPP = public-private partnerships, PSDP = public sector development program, TA = technical assistance, TO = treasury office, TOR = terms of reference.

Source: ADB

FISCAL STATISTICS

Table A3.1: Fiscal Balance
(PRs million)

Item	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
Federal Transfers								
Federal Divisible Pool Taxes	7,218	7,415	8,098	9,018	11,445	12,500	14,380	17,317
Straight Transfers	8,716	9,294	9,003	7,225	9,150	9,179	13,437	10,485
Subventions and/ or Grants	5,102	5,042	5,859	6,001	6,915	8,095	12,207	15,359
Total	21,036	21,751	22,960	22,244	27,510	29,774	40,024	43,161
Provincial Tax Receipts	452	474	594	709	761	1,038	882	937
Provincial Non-Tax Receipts	720	652	733	740	778	1,396	1,938	2,282
Total	1,172	1,126	1,327	1,449	1,539	2,434	2,820	3,219
Total Revenues	22,208	22,877	24,287	23,693	29,049	32,208	42,844	46,380
Current Expenditures								
General Administration	2,499	2,776	2,223	2,159	2,116	3,284	3,487	4,532
Law and Order	1,976	2,178	2,680	3,060	3,146	3,803	3,974	4,428
Community Services	1,739	1,867	895	1,035	1,138	1,200	1,539	1,094
Social Services	5,766	6,362	2,128	2,044	2,157	2,517	2,812	3,487
Economic Services	2,593	2,087	1,335	1,791	1,942	2,184	2,471	3,114
Transfers to LGs			8,101	9,763	10,811	12,069	14,615	16,128
Subsidy(wheat/ tubewells)	922	1,503	3,114	1,920	2,531	2,463	2,296	2,626
Debt Servicing	2,999	3,003	2,926	2,642	2,365	2,810	2,818	4,438
Total	18,494	19,776	23,402	24,414	26,206	30,330	34,012	39,847
Development Expenditures	4,207	2,979	4,607	7,787	8,582	7,558	9,076	9,839
Total Expenditures	22,701	22,755	28,009	32,201	34,788	37,888	43,088	49,686
Fiscal Balance	(493)	122	(3,722)	(8,508)	(5,739)	(5,680)	(244)	(3,306)

() = negative, LG = local government.

Source: Government of Balochistan. 2008. *White Paper Budget 2008-2009*. Quetta.

Table A3.2: Provincial Own-source Revenues
(PRs million)

Item	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
Provincial Tax Receipts						
Urban Immovable Property Tax	50.00	36.49	41.40	40.00	38.00	38.00
Tax on Transfer of Property	13.80	11.28	15.46	17.54	18.20	20.50
Land Revenue	43.92	89.60	45.47	52.51	74.80	83.71
Workers Welfare Tax		0.02				
Capital Gains Tax	1.00		1.70	1.50	1.00	1.00
Sales Tax		4.96				-
Professional Tax	1.32	1.03	1.14	0.80	0.85	0.85
Provincial Excise	165.42	215.86	225.00	224.62	216.89	.87
Stamp Duty	70.57	100.99	141.45	162.10	176.00	207.50
Motor Vehicle Tax	173.67	227.45	190.63	222.96	253.48	256.12
Other Indirect Taxes	74.52	21.63	98.76	100.08	102.85	104.80
Total	594.21	709.31	761.01	822.11	882.08	937.35
Provincial Non-Tax Receipts						
Interest	0.44	0.08	0.08	7.21	131.25	15.53
Dividends	10.72	3.44	23.27	13.36	28.12	28.01
Examination Fee	21.15	1.18	0.19	0.45	2.92	2.65
Fee of the Govt. Audit					0.80	1.25
Pension Contribution	1.45	1.55	1.29	2.19	1.69	1.97
Weights and Measures	2.75	2.14	1.55	2.36	1.91	2.35
Justice	25.14	18.12	22.33	21.31	56.32	75.01
Police	9.12	33.60	37.63	37.03	75.67	105.57
Jails	0.86	9.95	3.81	0.15	3.95	0.33
Civil Works	14.78	49.47	33.02	36.32	39.25	42.05
Public Health	15.68	25.57	25.00	17.04	26.90	20.00
Education	18.77	9.92	12.16	9.10	8.54	9.46
Health	28.68	23.53	28.42	37.85	47.11	45.04
Manpower	0.83	0.22	4.62	29.98	24.01	19.88
Social Welfare			1.81	0.15	0.20	0.15
Agriculture	107.41	122.05	149.33	139.15	161.14	172.23
Fisheries	3.85	2.40	4.01	6.17	30.45	4.03
Animal Husbandry	26.16	14.12	63.72	31.16	33.06	35.24
Forest	6.05	5.17	14.74	14.02	25.01	34.23
Irrigation	37.32	74.92	125.32	145.73	69.85	61.21
Board of Revenue (abiana)					9.41	1.33
Industries	5.61	3.01	0.37	10.84	11.69	18.00
Printing and Stationery	6.03	1.03	6.53	6.63	6.50	7.30
Mines and Minerals ^a		3.18		180.00	353.26	500.00
Extraordinary Receipt				215.50	806.30	900.00

Item	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
Other Misc. Receipts	389.99	334.37	218.66	648.30	22.63	177.54
Total	732.77	739.01	777.82	1,612.00	1,977.93	2,280.36
Total Provincial OSR	1,326.98	1,448.32	1,538.82	2,434.11	2,860.01	3,217.71

^a Includes development surcharge and royalties.

Note: FY2003 to FY2006 are actual data. FY2007 and FY2008 are revised estimates.

Source: Finance Department, Balochistan.

**PERFORMANCE GRANTS RELEASED FROM COUNTERPART FUNDS GENERATED
FROM THE FIRST TRANCHE OF THE BALUCHISTAN RESOURCE MANAGEMENT
PROGRAM (LOAN 2108-PAK)**

Table A4: Performance Grants for FY2006
(PRs'000)

District	Education	Health	Water Supply	Sanitation	Total
Quetta	18,750	4,000	2,000	500	25,250
Pishin	14,400	4,000	2,000	500	20,900
Chaghai	10,200	4,000	2,000	500	16,700
Noshki	10,200	4,000	2,000	500	16,700
Kila Abdullah	12,450	4,000	2,000	500	18,950
Nasirabad	12,300	4,000	2,000	500	18,800
Jafarabad	15,600	4,000	2,000	500	22,100
Jhal Magsi	10,050	4,000	2,000	500	16,550
Bolan	12,750	4,000	2,000	500	19,250
Loralai	11,700	4,000	2,000	500	18,200
Musa Khel	10,200	4,000	2,000	500	16,700
Barkhan	9,900	4,000	2,000	500	16,400
Zhob	12,750	4,000	2,000	500	19,250
Kila Saifullah	10,950	4,000	2,000	500	17,450
Khuzdar	13,950	4,000	2,000	500	20,450
Mastung	10,650	4,000	2,000	500	17,150
Awaran	9,750	4,000	2,000	500	16,400
Kharan	10,050	4,000	2,000	500	16,550
Washuk	9,750	4,000	2,000	500	16,250
Sibi	11,850	4,000	2,000	500	18,350
Kohlu	9,900	4,000	2,000	500	16,400
Ziarat	10,200	4,000	2,000	500	16,700
Dera Bugti	10,500	4,000	2,000	500	17,000
Lasbela	12,000	4,000	2,000	500	18,500
Kalat	11,400	4,000	2,000	500	17,900
Kech/Turbat	14,400	4,000	2,000	500	20,900
Panjgoor	11,100	4,000	2,000	500	17,600
Gawadar	10,650	4,000	2,000	500	17,150
Total	328,500	112,000	56,000	14,000	510,500

Source: Finance Department, Government of Baluchistan.

OVERALL ASSESSMENT

Criterion	Weight (%)	Definition under ADB Guidelines	Rating Description	Rating Value	BRMP Rating
1. Relevance	20	Relevance is the consistency of a project's impact and outcome with the government's development strategy for the country, and the Asian Development Bank's strategic objectives at the time of approval and evaluation and the adequacy of the design.	Highly relevant Relevant Partly relevant Irrelevant	3 2 1 0	1
2. Effectiveness	30	Effectiveness describes the extent to which the outcome, as specified in the design and monitoring framework, either as agreed at approval or as subsequently modified, has been achieved.	Highly effective Effective Less effective Ineffective	3 2 1 0	1
3. Efficiency	30	Efficiency describes, ex post, how economically resources have been converted to results, using the economic internal rate of return, or cost-effectiveness, of the investment or other indicators as a measure and the resilience to risk of the net benefit flows over time.	Highly efficient Efficient Less efficient Inefficient	3 2 1 0	1
4. Sustainability	20	Sustainability considers the likelihood that human, institutional, financial, and other resources are sufficient to maintain the outcome over its economic life.	Most likely Likely Less likely Unlikely	3 2 1 0	0
Overall Assessment	Highly successful: Overall weighted average is greater than or equal to 2.7. Successful: Overall weighted average is greater than or equal to 1.6 and less than 2.7. Partly Successful: Overall weighted average is greater than or equal to 0.8 and less than 1.6. Unsuccessful: Overall weighted average is less than 0.8.				0.8 (Partly Successful)