

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: CWPF

TA 7201-PAK: Improving Private Sector Participation and Public Expenditure Management		Amount Approved: \$800,000.00	
		Revised Amount: N/A	
Executing Agency Planning and Development Department, Sindh	Source of Funding TASF-Others	Amount Undisbursed: \$196,577.71	Amount Utilized: \$603,422.29
TA Approval Date: 11 December 2008	TA Signing Date: 12 February 2009	Fielding of First Consultant: 1 September 2009	TA Completion Date Original: 30 June 2010 Actual: 31 December 2013 Account Closing Date Original: 30 June 2010 Actual: 16 May 2014
<p>Description</p> <p>On 11 December 2008, ADB approved the Sindh Growth and Rural Revitalization Program (SGARRP) cluster program, subprogram 1 and a technical assistance (TA) grant. The cluster program and TA were to support the acceleration and improved sustainability of economic growth in Sindh Province in Pakistan, by reforming provincial public expenditure management and improving the business environment for rural economic activity as well as private sector participation in infrastructure and social services.¹</p> <p>Expected Impact, Outcome and Outputs</p> <p>The purpose of the TA was to support the implementation of the SGARRP. The TA outcome and related outputs were as follows: (i) increased private sector participation in public sector delivery by supporting Finance Department with the establishment of public-private partnerships (PPPs) through the development of a PPP policy and regulatory framework; (ii) improved quality of public expenditure investment by supporting (a) the Planning and Development Department to enhance prioritization, project management, monitoring and evaluation, and medium-term planning, and (b) the Finance Department to strengthen the governance structure, investment, policy, and legal frameworks for pension and other employee benefits; and (iii) revitalizing the rural economy by supporting the Board of Revenue in formulating an integrated and comprehensive strategy to modernize land records.</p> <p>Delivery of Inputs and Conduct of Activities</p> <p>The TA was planned to engage 18 consultants (7 international consultants for a total of 22.0 person-months, and 11 national consultants for a total of 86.0 person-months). By the end of the TA, 14 individual consultants were engaged (8 international consultants for a total of 21.9 person-months, and 6 national consultants for a total of 50.6 person-months), reflecting support being given to a new PPP loan design and land registry work being shifted to ADB's TA Support to Governance Reforms in Pakistan.² The TA was adequately designed, supporting the core policy areas (CPAs) in SGARRP.</p> <p>CPA 1 Promotion of private sector participation: TA support was pivotal in establishing institutional, legal and regulatory frameworks and the public finance architecture to support PPPs in Sindh. The contributions by the international legislative oversight expert and the international PPP specialist were satisfactory.</p> <p>CPA 2 Strengthening of public expenditure management: The quality of the TA support provided to the Planning and Development Department was mixed. The international public financial management specialist was recruited to facilitate work in CPA 2, but his contract was terminated after 2.1 person-months out of 7.3 contracted due to less than satisfactory work. No additional consultant was engaged. This work was assigned to other consultants and there was no material impact on the success of the TA. The support to CPA 2 policy actions for the development of a management information system for planning was rated satisfactory. Substantial TA support was provided to the Finance Department for the development of pension and other employee benefits, and the inputs were well appreciated by the government and ADB.</p> <p>CPA 3 Revitalization of the rural economy: Support for the modernization of land records and related activities was provided under another later ADB TA³ by agreement, as part of a wider range of land and governance activities.</p>			

¹ ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster, Loan for Subprogram 1 and Technical Assistance Grant to the Islamic Republic of Pakistan for the Sindh Growth and Rural Revitalization Program*. Manila. The TA was originally targeted to assist on only one of the six sub-objectives of CPA3—land records.

² ADB. 2007. *Technical Assistance to Pakistan for Support to Governance Reforms in Pakistan*. Manila.

³ Attached to ADB. 2006. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grant to Pakistan for Improving Access to Financial Services (Phase 1) Program*. Manila.

The TA's implementation period was extended four times⁴ and exceeded the periods of Subprograms 1 and 2, which were closed in January 2009 and June 2010, respectively. The TA extensions provided continued support for reforms under the planned Subprogram 3 of SGARRP, which was not processed due to the discontinuation of the Stand-By Arrangement with the International Monetary Fund, making it challenging to provide programmatic support. The government requested continued engagement with the ADB on PPPs, based on their successful experience under SGARRP. A \$100 million project, Enhancing PPPs in Pakistan (Provincial Support), was included in the country program for 2014. The residual TA funds of \$270,000 were reallocated under a minor change in implementation arrangements approved in June 2013 to support the design background work for the proposed project. Four international consultants were engaged with expertise in PPP transactions, financing, legal and regulatory frameworks, and related capacity development. The only other resource available for designing the PPP project was a small-scale technical assistance, which would have been insufficient. The performance of the consultants was satisfactory.

Evaluation of Outputs and Achievement of Outcome

The TA helped the government of Sindh to achieve the following policy objectives. **CPA 1:** (i) legal and regulatory framework was established, (with a detailed PPP roadmap), and the 2010 Public-Private Partnership Law was drafted and adopted; (ii) safeguard and procurement guidelines for PPPs were developed and adopted; (iii) an institutional framework for PPPs was developed and operationalized, with an advisory PPP Board led by the Chief Minister and a PPP Unit for operational coordination; (iv) 17 workshops, seminars, town-hall meetings were held for policy makers and practitioners from the public and private sectors, legal and financial experts to develop awareness of and capacity for PPPs; and (v) transaction advisory services supported the 60 km Hyderabad-Mirpurkhas Dual Carriageway toll road, which was opened to traffic in 2012, and is already generating positive revenues as of May 2014. The positive demonstration effect from this first PPP project contributed to the development of a healthy PPP project pipeline since 2010. **CPA 2:** (i) a well-defined financing strategy for employee benefits was formulated and benefit funds have been professionally managed by the Sindh Fund Management House; (ii) in addition to extensive advisory and institutional support, training sessions and workshops on pension reforms and defined contribution systems in 2012 were conducted for practitioners; and (iii) policy-level support was provided for future adoption of a defined contribution system and improvement of existing defined benefit system for existing civil servants, and a roadmap for implementing the pension policy, including an employee benefits analysis.

The Sindh government's commitment to reforms on PPP was clear throughout implementation. Involved agencies kept pursuing the objectives of this reform agenda after subprogram 2 was completed. To date, of the 45 projects referred to the PPP Unit by sector departments, 5 have gone into execution phase, with 1 already in operation.⁵ During several SGARRP missions, the government reiterated interest to continue capacity development and upstream support from ADB for PPP development in Sindh. The confirmation and ongoing processing of the new loan with strong government support is good evidence of the ongoing engagement and effects of the TA and program.

Major TA activities were achieved and objectives under two of the CPAs were met, with CPA 3 being delivered under a later TA. In addition, essential design work for a new PPP project for 2014 consideration was delivered under this TA. The TA did not have a separate design and monitoring framework.

Overall Assessment and Rating

The TA is rated *successful*. The achieved outcomes were of good quality. Despite the extensions, the outputs were delivered at the right time, and well received by the client. The TA provided valuable foundation work which will support greater private sector participation in infrastructure and social services and strengthened public expenditure management. The TA also played an important role in the design of the PPP loan being processed in 2014.

Major Lessons

Due to real or perceived security concerns, it was difficult and time consuming to hire and retain qualified international consultants. Looking forward, additional time should be allocated to hiring consultants, and compensation rates take the security concerns into consideration. Flexibility to engage with other, later products—shifting from program cluster to project—has proven to be very useful, and should be built into other similar TAs in future.

Recommendations and Follow-Up Actions

Outputs from the TA supports the follow-up PPP loan which aims to develop a financially sustainable and fiscally-responsible PPP structure in Sindh that will increase private sector investments and generate additional employment.

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⁴ Extensions were in April 2010, June 2011, and June 2012 for one year each and in June 2013 for 6 months.

⁵ ADB. 2014. *Completion Report: Sindh Growth and Rural Revitalization Program in Pakistan*. Manila (Loans 2484-PAK and 2645-PAK). TA results in the cited document slightly differ from this report due to additional PPP expert consultants hired late in 2013 to help design the proposed PPP loan.