

FOREWORD

In Balochistan, the Federal Project Manual was being followed in Project Management Cycle and other development related portfolios. Several developments including 18th amendment, that took place in the recent past, have made it necessary to develop a provincial Planning and Project Management Manual.

Publication of the “Planning and Project Manual” by P&DD, Government of Balochistan, is a milestone in furtherance of planning and development activities in the province. The manual not only covers the existing rules, regulations and procedures, but also includes several modifications to suit the present day requirements of the project cycle that include project identification, appraisal, approval, monitoring, closing and evaluation of the projects under the Public Sector Development Program(PSDP).

The manual covers the important instructions issued by the Government of Balochistan, from time to time, in respect of the implementation of the development initiatives to streamline the process and to ensure efficiency and accountability. Effort has been made to provide policy cover to the establishment of the Project Management Unit(PMU), the appointment of the Project Director, the Consultant and other related staff. Moreover, in the manual maximum flexibility has been maintained to include any changes through Notifications, enactments etc. to cater for any unforeseen changes arising in future.

It is anticipated that, with the implementation of manual, efficient and smooth utilization of the resource allocation will be materialized in order to achieve the desired outputs against the set targets, aiming at the development of the province of Balochistan.

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Additional Chief Secretary (Dev)

LIST OF ABBREVIATIONS

ADP	Annual Development Plan
PSDP	Public Sector Development Plan
PPP	Public Private Partnership
PDWP	Provincial Development Working Party
CDWP	Central Development Working Party
ECNEC	Executive Committee of National Economic Council
NEC	National Economic Council
DSC	Departmental Sub Committee
DDWP	Divisional Development working Party
PMU	Project Management Unit
MIS	Management Information System
LCGC	Local Council Grants Committee
SDGs	Sustainable Development Goals
SDP	Sectoral Development Plan
ToRs	Terms of References
GPS	Global Positioning System
CSR	Composite Schedule of Rates
NSR	Non Schedule Rates
EAD	Economic Affairs Division
IRR	Internal Rate of Return
NPV	Net Present Value
PSC	Project Steering Committee

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Chapter 1:

Planning Machinery in Pakistan

1.1. Development Planning Concept:

Development Planning is the process of systematically finding the best ways to solve a development related problem, achieve some desired goals or create some required objects.

Development planning for a country or province prioritizes areas and synchronizes activities given the scarce resources. Good Planning is consistent in nature; has focused objectives; is balanced; practicable and according to the needs of the target group to meet the bigger problem and challenges.

There are two types of planning: top-down planning and bottom-up planning. In Top-down planning, most of the decisions are taken at the central level keeping in view the overall global and national economic indicators. With top-down planning approach, setting of the economic goals and the ways of achieving them are set and decided by the senior management. While with the bottom-up approach, the function of planning is decentralized, and proposals are conceived at grass root level. The proposals gradually integrate into regional, provincial, national and global goals and strategies.

In modern day world, most of the countries including Pakistan follow mixture of top-down and bottom up planning. Global goals, commitments and strategies as well as national and provincial plans are

set, which are met through centrally designed as well as departmentally identified inputs/proposals.

Development planning involves five steps as under:

1. Identifying the problems, needs or objectives – What is the problem? What is needed to make our sphere better? What are the things we want to achieve?
2. Identifying the various ways in which the problems can be solved; needs met or objectives achieved.
3. Finding the most suitable and commonly acceptable ways of solving the problem, meeting the needs or achieving the objectives.
4. Detailing the solutions or the programs/projects; including the budgeting, detailed design, technical inputs required, how a project is to be constructed or undertaken, how it will be maintained, who will do each of these parts of the work etc.
5. Implementing the programs/projects and managing it, including the monitoring, reporting and auditing the processes.

There are four main benefits that make planning worthwhile:

1. **Planning enables to know what should be done, when should be done and how**—without proper planning, projects or programs may be implemented at the wrong time or in the wrong manner and may result in poor outcome. Further, planning identifies possible and most efficient methods to perform the task.
2. **Planning helps mitigate and manage crises and ensure smoother implementation**—there will always be unexpected situations in programs

and projects. However, a proper planning exercise helps reduce the likelihood of these and prepares the team for dealing with them when they occur. The planning process should also involve assessing risks and assumptions and thinking through possible unintended consequences of the activities being planned. The results of these exercises can be very helpful in anticipating and dealing with problems

3. Planning improves focus on priorities and leads to more efficient use of time, money and other resources—Having a clear plan or roadmap helps center one’s focus on limited resources on priority activities, that is, the activities most likely to bring about the desired change. Without a plan Governments / departments/ authorities often get distracted by many competing demands. Similarly, projects and programs will often go off track and become ineffective and inefficient.

4. Planning helps determine what success will look like—A proper plan helps departments and authorities to know whether the results achieved are those that were intended and to assess any discrepancies. For a fact, this requires recording of data prior to intervention for comparison, effective monitoring and evaluation of what was planned. For this reason, good planning includes a clear strategy for monitoring and evaluation and use of the information from these processes.

1.2. Program:

A program is a collection of projects that are managed and delivered as a single package in order to achieve desired goals and objectives. Programs are generally large in size and cover long term strategy and the projects falling under a program are grouped into strategic portfolios.¹

¹ <https://www.pmi.org/learning/library/understanding-difference-programs-versus-projects-6896>

1.3. Project:

A project is an organized and unique effort undertaken to achieve planned objectives, which could be defined in terms of innovative deliverables, outputs, outcomes or benefits. The principal aim of development project is to establish an effective and sustainable instrument to improve the living conditions and economic status of population, create an impact in terms of synergy, development or creation of assets for the public sector which has a public value. A project is usually deemed to be a success if it achieves the objectives according to the accepted criteria, within an agreed timescale and budget.² Therefore, a project is bound by the triple constraints that are: calendar, cost and quality, each of which can be determined and measured objectively along the lifecycle of the project.

1.4. Plan:

In project management, a plan is a formal, approved document that defines how the project is executed, monitored, and controlled. It may be a summary or a detailed document and may include baselines, subsidiary management plans, work breakdown structure and other planning documents.³

Besides a project plan, there are some interval plans that a government adopts over a period of time to achieve the objectives of development planning;

- | | | |
|-----|------------------|-------------|
| i. | Perspective Plan | 10-25 Years |
| ii. | Medium term Plan | 04-07 Years |

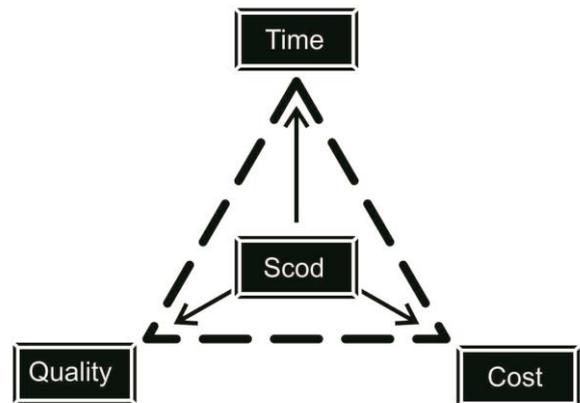
² <https://www.apm.org.uk/body-of-knowledge/context/governance/project-management/>

³ <https://www.simplilearn.com/what-is-a-project-management-plan-article>

- iii. Rolling Plan 03 Years
- iv. Annual Plan 01 Year

1.5. Project Management

Project management is the application of processes, methods, knowledge, skills, resources and experience to achieve the project objectives within an agreed time and budget. Objectives can be defined in terms of outputs, outcomes or benefits.⁴



Project Management ensures successful completion of the project and attaining the required objectives ensuring time and cost effectiveness and maintaining acceptable quality of work. It is very important to rightly identify the problems; designing sustainable projects; implement them successfully; monitor projects regularly and culminate within the prescribed time and cost.

1.6. Project Management Cycle:

Project Management Cycle is a logical sequence in which the projects are identified, prepared, approved and implemented. It is used to guide management activities and decision-making procedures during the life-cycle of a project, from the initially conceived idea until the ex-post evaluation.

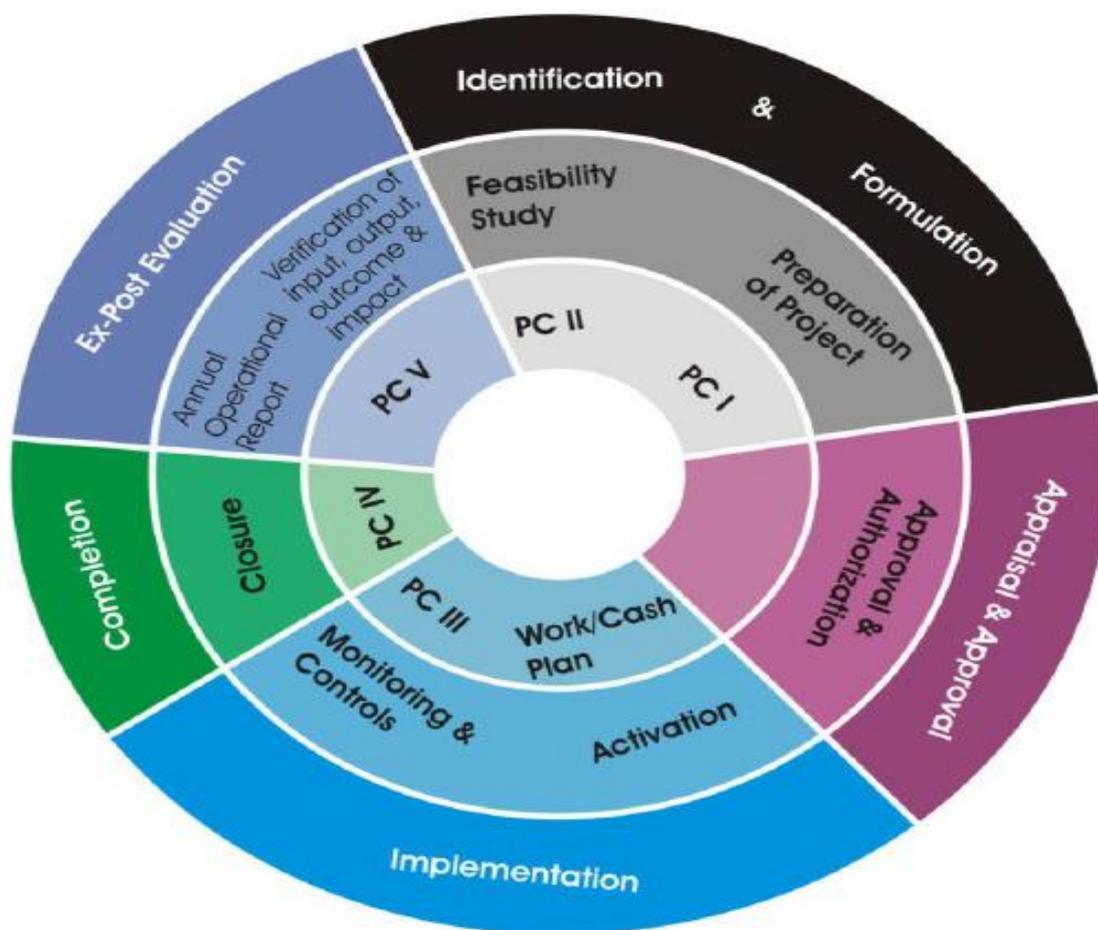
The cycle defines the key decisions, information requirements and responsibilities at each phase. The phases in the cycle are progressive – each phase needs to be completed before the next phase to be tackled with

⁴ <https://www.apm.org.uk/body-of-knowledge/context/governance/project-management/>

success. The cycle draws on evaluation to build experience from existing projects into the design of future projects.

The Project Management Cycle in Pakistan comprises five phases:

1. Project identification and formulation
2. Appraisal and approval
3. Implementation
4. Completion
5. Ex post Evaluation



1.7. Institutional Provisions of Planning & Development

The planning process was initially formalized in Pakistan with the creation of first Development body in Pakistan in 1948 under the umbrella of Economic Affairs Division called Development board. In 1950, a six-year development plan was drafted that gave a broad outline for rapid economic and financial development. However, to make a more comprehensive National Plan, the Government of Pakistan established first Planning body “National Planning Board” on 18th July, 1953 for equitable distribution of national wealth; to provide adequate social services, improve living standards and welfare of the general public. The Board prepared first five year plan 1955-1960 for the country.

In 1958, the Government of Pakistan brought structural changes in the development planning set-up and re-designated the National Planning Board as “Planning Commission of Pakistan” with an aim of designing and implementation of public policy for optimal utilization of resources to attain highest standards and formulate medium and long term economic plans and policies.

1.8. Structure of Planning Commission of Pakistan:

Planning Commission of Pakistan occupies the central position in the overall planning machinery and performs its functions under the Ministry of Planning, Development and Reforms (MoPDR). It is headed by the Prime Minister of Pakistan who is the Chairperson of the Planning Commission. The Planning Development and Reforms Division acts as the secretariat of the Planning Commission of Pakistan.

1.9. Functions of Planning Commission:

Vide resolution No.4-6/2006-Min-1 dated 30th October 2013, the Planning Commission was revamped, and its functions were enhanced. The functions of Planning Commission include:

- i. Preparing the National Plan and review and evaluating its implementation.
- ii. Formulating annual plan and ADP;
- iii. Monitoring and evaluating implementation of major development projects and programs.
- iv. Stimulating preparation of sound projects in regions and sectors lacking adequate portfolio;
- v. Continuously evaluating the economic situation and coordinate economic policies; and
- vi. Organizing research and analytical studies for economic decision making.

The Planning Commission shall also discharge the following functions:

- i. Assisting in defining the national vision, and undertaking strategic planning;
- ii. Assessing the material, capital and human resources of the country and formulating proposals for augmenting such resources;
- iii. Assisting the Government in providing a conducive macroeconomic and regulatory framework, improved resource mobilization, an institutional framework and efficient public investment;
- iv. Promoting and developing role of the private sector as engine of growth by co-opting it as a partner in development process through institutionalized effective consultative process;

- v. Promoting and coordinating reform and innovation in government in partnership with relevant Ministries/Divisions and Organizations;
- vi. Promoting and developing social capital for development with stakeholders (MDGs, poverty alleviation, social harmony);
- vii. Promoting and coordinating economic and infrastructure initiatives towards developing regional economic integration;
- viii. Monitoring Pakistan's economic competitiveness and developing strategies for its enhancement with relevant Ministries/ Divisions and Organizations;
- ix. Promoting development discourse in the country towards participatory and collaborative planning and development.
- x. Study trends and evaluate impact of globalization and develop appropriate national responses in coordination with relevant Ministries/Divisions and Organizations;
- xi. Study and evaluate impact of new technologies on development and to develop appropriate and rationale responses in coordination with relevant Ministries/Divisions and Organizations;
- xii. Facilitating capacity building of agencies involved in development and;
- xiii. Any other function assigned by the Prime Minister.

1.10. Planning and Development Department in Balochistan

At the Provincial level, the Planning & Development Department (P&D), Government of Balochistan is entrusted with the responsibilities of development planning and performs the role of Secretariat for the Provincial Development Working Party (PDWP).

The P&D Department, Government of Balochistan historically worked on the pattern of P&D Department Punjab. In the beginning, it was headed by Development Commissioner. However, arrangements were changed with the passage of time and presently the Department is administratively headed by Additional Chief Secretary (Dev).

Functions of Planning and Development Department

The functions of Planning and Development Department, Government of Balochistan as mentioned under Schedule 1, section (B) of Balochistan Government Rules of Business 2012 are as under:

1. Scrutinizing of Development Schemes prepared and forwarded by the Administrative Departments.
2. Preparation of Annual Development Program (ADP/PSDP) with the coordination of all Departments of Government of Balochistan.
3. Preparation of long term development plans and coordination in the preparation of Five years/Rolling Plans and other National development Plan.
4. Conducting research on economic issues of interest to the provincial Government, socio economics impact analysis and helping in the formulation of views on economic policy issues.
5. Compilation of provincial statistical data with the help of Bureau of Statistics.
6. Acting as catalyst between different developments departments in order to improve pace and quality of economic development.
7. Determining policy for the approval of development schemes in the Provincial Government.
8. Devising strategy for investment priorities based on the availability of internal and external resources.

9. Helping in the formulation of policy regarding planning and devising guidelines in the development programs.
10. Approval, monitoring, implementation and allocation of development outlays for development programs and projects.
11. To act as a clearing house for development schemes within the competence of the Federal Government i.e. CDWP/ECNEC.
12. Implementation relating to development and administration in respect of foreign assisted/funded projects in the Province, lead steering committees in PRBs of various foreign funded mega projects.
13. Coordination of external capital assistance including foreign training for Provincial Government employees.
14. Coordination of external capital assistance from abroad.
15. To evaluate the progress of development schemes and write their critical appraisal.
16. Representation in Departmental Sub Committees.
17. Review of various development Plans/projects to be implemented through PSDPs by conducting Quarterly Review Meeting.
18. Giving suitable publicity to development plans for the education of public for better utilization of facilities development and the results achieved periodically.
19. To look after the affairs of Autonomous Bodies.
20. Selection of Project Directors through the Project Director Selection Committees.
21. Establishment of MIS (Management Information System) for Provincial line departments for the purpose of planning and monitoring.

22. All Service matters of the employees of the Attached Departments, *which does not include employees of the Secretariat* and except those matters entrusted to Services and General Administration Department or to any other Department.

1.11. Planning at Line Department level

The basic input for planning is provided by the department concerned mandated for provision of public services in the respective jurisdiction or area as per roles assigned under rules of business. The administrative departments are responsible for systematically collecting and providing information in connection with implementation while framing new proposals. The departments are required to incorporate lessons learnt and remedial measures required for future interventions. The main source of information for line departments is reliable data, surveys, feasibilities, sectoral plan duly aligned with the plans and priorities of national and provincial strategies and objectives.

Dedicated Planning cells are established in some of the departments that deal with all sorts of planning and development matters, departmental development strategies, action plans, projects and Management Information Systems (MIS) etc. In addition, the Directorates, Divisional and District setups of the department play a vital role in planning and development functions of the line departments by providing relevant data and ensuring on ground implementation.

Similarly, Autonomous Bodies such as Quetta Development Authority, Balochistan Development Authority, Balochistan Coastal Development Authority, Gwadar Development Authority have emerged over the time, to cater for the specific development needs of relevant sectors and geographic

areas. These development authorities have streamlined their own procedures for preparation, approval and implementation of their programs through self-generated funds. All these autonomous bodies are carrying out small and big development projects, which are not fully reflected in the provincial PSDP except those which are fully or partially financed from the provincial consolidated fund.

1.12. Planning at Local Councils Level

Balochistan Local Government Act (BLG-Act), which was enacted in May 2010, covers the functions of planning, development and implementation at different tiers of Local Government system. A local council may sponsor or promote any community development project falling in its geographical area and devolved subdivision.

The local councils generate their own revenues called local fund as well as get some grants from Provincial Government out of the proceeds of Provincial Consolidated Fund. The grant received from Provincial Consolidated Fund is distributed among Local councils by Local Council Grant Committee (LCGC) headed by Minister Finance with Secretary Finance, Secretary P&D and Secretary Local Government as members. Proposals against approved budget are forwarded for approval of Divisional Coordination Committee (DCC) which is headed by Commissioner of the Division concerned.

Chapter 2:

Project Identification

Project identification is the first phase of Project Management Cycle. It holds key importance in pointing out problem(s) and achieving the desired goals and objectives. Every Government has ambitions and aspirations for development. Similarly, every government organization has vision and goals for attaining desired impact and improvement of public service delivery. To translate the vision and goals into output, the Government keeps spending on different types of projects.

Project identification is the most important phase in Project Management cycle; Identification is, therefore, done keeping in view the project's relevance to the National, Provincial and Departmental Development Plans. For Project identification, deep understanding of the overall national and provincial growth framework, social values, anticipated outcomes and most pressing and common problems of target group and future perspectives of completed projects are essential. On the basis of national and provincial sources of project identification; socially acceptable, economically viable and environmentally sustainable projects are designed. For project identification, objectives of public investment must be clear and target group identified.

Purpose of the project identification is to develop a preliminary proposal for the most appropriate set of interventions and course of action. While every citizen of the state has equal rights to point out problems and identify projects for wellbeing of society, the projects are required to be processed as

per laid down procedure and routed through the designated forums for alignment with the development plans before consideration for inclusion in Provincial PSDP, based on merit.

Use of accurate data is essential for project identification so that the input and output can be gauged on specific yardstick in relation with other demanding and competing projects. If research and data already exist, the stakeholders should rely on these. Otherwise, it may be necessary to commission new research to gain a better understanding of the specific issues. Stakeholders should review the findings of studies prior to embarking on the problem analysis. This will help to inform the quality of the group's analysis of the problems. The user can consult the following available policies / documents for identifying projects. In case the requisite data is not available in the following mentioned documents, other reliable documents can be consulted and reference thereby shall be given in the concept paper:

2.1. International Commitments:

Pakistan has signed various international commitments from time to time. To meet the international commitments and standards, Government of Pakistan specially focuses the targeted fields and the identified projects are aligned to meet the targets and standards Pakistan has agreed to. Some of the international commitments that Pakistan has signed include Sustainable Development Goals (SDGs), Polio eradication, Human Rights, Women empowerment etc.

2.2. Perspective Plans Provisions:

Perspective planning is the road map regarding the objectives and targets of long run growth. In Pakistan perspective plans are framed by the Planning Commission of Pakistan and approved by National Economic Council (NEC).

2.3. Medium Term Plan provisions:

Medium term plans such as Five-year Plans programs are planned, coordinated and cumulative economic and social development stretched over a period of five to seven years which give reasonable timeframe for achievement of targeted development goals.

First five-year plan in Pakistan was introduced in 1955 for implementation during 1955-1960. So far, 11 five-year plans have been developed. The 11th five-year plan (2013-18) sought to increase PSDP volume from 3.9% of GDP in 2012-13 to 4.6% during the year 2017-18. Furthermore, the plan intended to provide friendly environment to Public Private Partnership and Private Investors to reduce burden on PSDP.

The five-year plans include preferred resource allocation and sectors with a tentative outlay of allocation for the period. Identified Projects for inclusion in Federal PSDP are aligned with the strategy chalked out in five-year plan.

2.4. National Policies and Plans:

Various overarching policies and plans have been formulated at national level by the Federal Government that act as guide for the provinces as well as policy guidelines for identification of projects, such as:

1. Plan for China-Pakistan Economic Corridor.
2. National Education Policy.
3. National Health Vision.
4. National Food Security Policy.
5. National Climate Change Policy.
6. National Environment Policy.
7. Poverty Reduction Strategy.
8. National Water Policy.

2.5. Provincial Policies, strategies and Surveys

Apart from the National plans and policies, the Government of Balochistan has developed policies and strategies for attaining the anticipated goals of development in the province which help in identification of potential plans and projects. Provincial policies, strategies and surveys help to understand the circumstances and provide authentic data for identification of project that feed into annual development plan:

1. Development Statistic of Balochistan (www.balochistan.gov.pk)
2. Multiple Indicator Cluster Survey (<http://balochistan.gov.pk/mics/>)

3. Balochistan Economic Report

(<http://documents.worldbank.org/curated/en/866831468285360512/Full-report>)

4. Balochistan Development Need Assessment

(<https://www.pakistanmdtf.org/images/stories/project-documents/BalochistanDevIssuesandProspects.pdf>)

5. Balochistan Comprehensive Development Strategy

([https://www.undp.org/content/dam/pakistan/docs/PROCUREMENT/2018/July%202018/2\)%20BCDS%20Revised%20Final%20Draft%20August%2027%202013.pdf](https://www.undp.org/content/dam/pakistan/docs/PROCUREMENT/2018/July%202018/2)%20BCDS%20Revised%20Final%20Draft%20August%2027%202013.pdf))

6. Livestock Policy and Strategy

7. Mines and Minerals Policy Balochistan

8. MIS of different departments

2.6. Sectoral Development Plans:

Sectoral Development plans are crucial source for identification of projects. A sector plan is a dynamic document that defines department's strategy, goals and objectives along-with identifying the bigger problems. It points out weaknesses, deliverables and prioritizes financial and human resource allocation over a period of time for attaining the objectives. A sector plan is a doable proposal with its roots aligned in implementation plan. It gives clear directions along with criteria for interventions.

The identified projects for PSDP must be aligned with the departmental sectoral plan based on logic and criteria. PC-I should specially include details regarding integration of the proposed projects with the departmental sectoral plans and if it does, it should mention the reference number of action area. If any PC-I is not aligned with the available sector plan, it shall

be lacking legitimacy and legal sanctity and, therefore, cannot be considered at any forum.

Broad principles and processes for Sector Plan preparation;

1. The sector development plans are a medium-range document: multiyear roadmaps that identify the province' vision for public service delivery in the sector, planning goals, outlines strategies to achieve them.
2. The activity may be led by the department concerned through a broad based consultation, for the purpose Technical Working Group(s) may be notified for every sector comprising all stake holders including relevant development partners. In case of multiple dimensions, thematic working groups can be formulated.
3. The sectoral plan shall be aligned with the provincial and national commitments/ vision for development.
4. The vision may be driven from the international commitments, Balochistan Rules of Business and Service Delivery Plan, as the case may be.
5. The Sector Development Plan shall incorporate realistic estimates of the cost for implementation of the plan keeping in view the provincial fiscal framework.
6. Provide basis for project identification and data support for the purpose.
7. The plan should set basis for monitoring and evaluation of indicators.

The Sectoral Development Plans (SDP) shall preferably be scripted by Technical Working Group under the Chairmanship of Secretary of the Department concerned, comprising all the relevant stake holders from within

the department, other related Govt functionaries, development partners and civil society. The sector plan shall be approved by the Provincial Cabinet and monitored for review and implementation by a committee under the Chairmanship of ACS (Dev).

TORs for the Technical Working Group

- a) Formulation of Medium term Costed Sector Strategic Plan.
- b) Identification and discussion on issues of policy and strategic nature from all participating stakeholders to provide logic of direction to the Sector strategy.
- c) Development of indicators for monitoring and evaluating of SDP.
- d) Critical analysis of submissions in the working groups to ensure that department's vision remains focused.
- e) Prioritization of expenditure within the available resources and mobilization of resources for funding identified financial gaps during the course of implementation of sectoral projects and programs over the period of time.
- f) Harmonization and monitoring & evaluation of Sector Policies and Programs.
- g) Soliciting approval of SDP from provincial cabinet.

TORs for the Review & Implementation Committee

- a) Review of Sectoral Development Plans (SDPs) before approval from Provincial Cabinet.
- b) Receive reports from Technical Working Groups and consider their consistency with objectives of Sectoral Plans.
- c) Ensure that the SDP investment programs are in line with provincial priorities.

- d) Pursue solutions to structural, institutional and other constraints to effective SDP implementation at provincial and local levels.
- e) Review mechanisms for enhancing stakeholder participation in implementing the SDP.
- f) Provide the main forum for the sector-wide approach to planning and budgeting for the Sector.
- g) Identify, on the basis of sector expenditure and investment plans and policy issues for consideration and action by the Government of Balochistan.
- h) Monitor budget implementation with regard to the aims and objectives set out in the SDP.
- i) Make decisions regarding key Government coordination issues and set coordination mechanism between different departments of GoB.
- j) Forward unresolved Government coordination issues for further action at the level of Cabinet.
- k) Develop and monitor sector performance indicators.
- l) Mobilize financial resources to meet the gaps during the course of implementing of sector projects and programs.
- m) Harmonize Sector Policies and Programs and Monitoring and Evaluation reporting formats.

2.7. Policy and Routine Directives:

The Governor and Chief Minister issue directives from time to time for identification of projects to be made part of upcoming budget. These projects can either be recommended by Government officials, departments, civil society or other relevant stakeholder which are communicated in form of a directive to the relevant administrative department or the P&D

Department; such directives require consideration in the interest of public service.

Directives received from the Governor and Chief Minister are generally received by Administrative Departments, which are required to re-submit the case on the prescribed format in the form of a summary for getting formal approval from the Governor or the Chief Minister before issuance of order/implementing the directives as required under the Balochistan Government Rules of Business, 2012. The summary for implementation of directives is routed through prescribed route and the procedure for identification, financing supporting data, feasibility and other aspects shall be considered. The compatibility of such projects with the sector plan of department which is aimed to meet the set objectives and outcomes over a medium period of time shall be analyzed.

Similarly, directives are also issued for change/ modification of existing development/ budgetary policies which have already been approved by the Government. For implementation of such directives the Administrative Department concerned shall submit case for approval of Provincial Cabinet on prescribed format through all the relevant stakeholders as defined under the rules of business.

2.8. Stakeholder / Citizens needs and demands assessment Surveys:

The stakeholder needs and demands assessment surveys are generally conducted by different departments to assess what the community members see as the most important need or requirement of that group or community. It is important that the requirement is more than an individual need and represents something that specifically relates to a particular group or community. The findings of survey work as guide for proposed development, public investment and represent views of the whole range of people from

individuals, communities or groups who will be impacted or affected by a public intervention.

Similarly, common man of society can also pinpoint an issue and submit demand for public intervention/ investment through proper channel. Such applications shall be submitted with the Divisional/ District Head of Administrative department concerned or through the office of Divisional Commissioner/ Deputy Commissioner of District concerned and are routed through the administrative department for appraisal based on specified criteria for inclusion in PSDP.

2.9. Steps Involved in project identification and PSDP Formulation:

The project identification and PSDP formulation involves the following steps:

- i. The Finance Department shall convey the total tentative development outlay to P&D Department in the month of January / February.
- ii. The P&D Department shall devise annual development and sectoral preference policy, necessary approval shall be obtained.
- iii. The P&DD shall Communicate /Sector-wise Indicative Budget Ceiling (IBC) to all Administrative Departments with mandatory guidelines in the month of February.
- iv. The departments shall ask field offices to submit proposals and compile the plans based on departmental sectoral plans.
- v. The relevant internal committees of the Department concerned shall scrutinize the proposals based on solid criteria, requisite spade work, and broad based consultative process.
- vi. The concept papers shall be prepared, and projects be listed in order of priority.
- vii. The proposals shall be submitted to P&D Department for placing in Inter departmental priority committee meeting headed by ACS (Dev).

viii. Projects that pass the scrutiny are submitted for approval of cabinet which after ratification by the cabinet are made part of PSDP/ Provincial Budget subsequent to approval from Provincial Assembly.

2.10. Concept Paper

Concept paper is a brief submitted by the Administrative department in support of its proposal giving rationale that the project is worth investing and feasible to be considered for inclusion in the PSDP. In addition to that it will also help to achieve targets or the goals set under national/ provincial / departmental sectoral plan. The concept paper is a 1-3 pager document which includes details such as nomenclature; sector and subsector; goals and objectives to be achieved; geographical coverage; time period required for completion; reference of aligned sectoral plan; GPS coordinates; details of nearby facilities along-with their GPS coordinates; relevant available data citing sources and all the details as required by P&D Department vide request for proposal letter. The concept paper can also be submitted for reflection of feasibility cost for any potential project.

If PC-II of the project has already been approved/ prepared, the details may be incorporated in the concept paper and PC-II/ feasibility study shall be attached. Sample concept paper at **Annex-I**

2.11. General Criteria for Project Identification

It is critical that the formulation process for identification of project for PSDP is driven by specific and well-defined development policy milieu extracted from the development vision of the provincial government. Along-with other sector specific factors, the following mentioned criteria/ guidelines shall be followed for identification of projects for inclusion in PSDP:

- a. The project is economically, financially, technically and environmentally feasible and reliable data is used to assess its feasibility.
- b. The project fits into overall development plan
- c. The proposed project does not clash with other project of any other department either in principle or in details and there is no contradictory policy being followed in projects of two different departments
- d. Proposed schemes should be in compliance with targets set under Sustainable Development Goals (SDGs).
- e. The proposed investment shall be aligned with the expected outcomes and outputs proposed to be generated through public sector resource utilization.
- f. There is no duplication in the project.
- g. Repair/ purchase projects shall not be proposed as it is part of non-development budget.
- h. No block allocations be proposed as per directions of Hon'able Supreme Court of Pakistan and High Court of Balochistan.
- i. Project size be kept so rational that it may be completed within rationalized time period.
- j. Only Government owned institutions shall be proposed for financing.
- k. No small nature projects shall be proposed.
- l. Projects of individual nature shall not be considered.

2.12. Budget Call Circular:

Once the Government has decided the broad budget strategy for coming year, the Finance Department prepares a budget call circular for development and non-development budget processes which summarizes the

Government's strategy for the coming budget. The budget call circular envisages details such as Budget Calendar, Budget Preparation Processes, Budget guidelines, budget forms and instructions to fill in budget forms and budget activities plan. (**Annex-II**)

Chapter 3: Feasibility

3.1. Feasibility Study

The feasibility study provides relevant detailed information regarding project and determines whether the project can be implemented successfully. It also identifies potential challenges and risks that could potentially hinder the seamless implementation of the project and solutions to such potential problems at execution stage.

The Federal Planning Manual outlines the feasibility study as an *“in-depth three in one study of a project which offers technical, financial and economic viability of the project and arrives at definitive conclusion”*⁵. Feasibility study is therefore; a detailed analysis of whether a project can be successfully completed and/or the desired outcomes are achieved keeping in view the economic, financial, legal, social and other factors that can affect the project during execution or implementation.

3.2. PC-II

Planning Commission Performa-II (PC-II) is a concise proposal submitted to P&D Department as a demand for conducting survey and feasibility studies. It includes a brief description of the project which requires commission of survey/ feasibility, details of sponsoring and executing agency, general description and justification including implementation plan, cost estimate, manpower requirements, financial plan, expected outcomes and details of the project. **(Annex-III)**

⁵ Federal Planning Manual 1991, Edition

3.3. Purposes of feasibility:

Some of the development projects are complex in nature or involve huge public investment. A feasibility study in respect of these projects is therefore essential for comparison, sound planning and determining the best possible means of execution to achieve the target objectives and to ensure that the identified development projects are need-based and properly appraised to attend and address the pressing issues and problems of the masses. The feasibility study is also called pre-investment study.

The feasibility study provides basic information related to the Project on the basis of carried out research. It may contain technical, financial, economic, managerial, social, regional or any other required aspect of the project.

The activities for consultant shall be based on the requirements of the project which may include, but not limited to the following;

- a. Determination of the relative priority to be accorded to a project.
- b. Formation and comparison of various alternatives, and recommendations as to which is the best.
- c. General engineering layout and preliminary design of major structures.
- d. Estimation of cost, benefit analysis and construction period.
- e. Preparation of preliminary cost estimates.
- f. Evaluation of economic and technical soundness.
- g. Carrying out preliminary economic / financial evaluation and to determine the most viable alternative.
- h. Suitability of organizational and managerial arrangements.
- i. Social impact analysis.

- j. Carrying out Initial Environment Examination (IEE)/ preliminary Environment Impact Assessment (EIA).
- k. Investigating and reporting on the condition of an existing structure/facility and assessment of the strength/stability/suitability for a specific purpose.
- l. Collecting and reviewing all available data and information relevant to the study.
- m. Carrying out preliminary reconnaissance surveys and investigations appropriate in extent and detail where necessary to supplement available information.
- n. Preparation of implementation plan for the Project i.e. work plan and cash plan of the project.
- o. Reporting the merits of proceeding to the next stage of Detailed Feasibility Study.
- p. Evaluating/ assessing the potential risks that can be involved in during implementation.

3.4. When is a feasibility Study needed

The Government of Balochistan has not set any financial threshold for mandatory feasibility study. The Feasibility study is carried out in respect of major projects or for a project which is complex in nature that requires careful consideration before investment/ implementation. The approval for threshold/ complexity of project is decided by the PDWP on the proposal of Administrative Department.

Eligibility threshold in the form of ex-ante evaluation/ preliminary investigation for analysis of the anticipated impacts is required for every project irrespective of whatever the cost may be. Such assessments shall be

the sole responsibility of the officer of Administrative Department who verifies the information/ data given in the PC-I regarding viability of the proposal.

3.5. Financing of Feasibility Study/PC-II

P&D Department allocates funds yearly in PSDP under the head of “Feasibility Studies and Research”. PC-II for intended feasibility studies/ surveys are prepared and submitted by the Administrative Departments for consideration of PDWP. If the proposal is approved by the forum, funds are released out of the subject head.

In addition, the funds can also be managed if the cost for feasibility study of the specific project is explicitly reflected in PSDP. Besides, the cost for feasibility study can also be met from the principal amount reflected for project implementation. The cost of feasibility study shall be computed by taking into consideration the requirements and relative weightage of the project.

3.6. Instructions for filling up PC-II:

- a. Provide a general description of the aims, objectives and coverage of the survey / feasibility study.
- b. Provide justification for undertaking the study, indicate whether studies in the field have been undertaken, if yes, provide details.
- c. Indicate duration of study and proposed months of commencement and completion of the study.
- d. Provide item-wise/ Year-wise capital cost estimate of the study.
- e. Indicate date on which the cost estimates were taken and basis of the cost.
- f. Source of financing for proposed study should be mentioned.

- g. Indicate whether the feasibility will be in-house consultancy or external consultants will be hired.
- h. If external consultant is to be hired reason may be provided.
- i. External consultant should only be recommended if the required expertise are not available with the procuring agency.
- j. The expected outcome (Technical, Economical, financial) must be mentioned explicitly.
- k. If the study is being undertaken for selection amongst the alternates, the details of alternates must be provided.

3.7. Appointment of Consultant for feasibility:

The executing / implementing agencies have highly qualified and experienced staff with ample experience in implementation of complex works. The departments should therefore, use in house consultancy for feasibility studies / preparation of project documents. The salaries and other services are charged out of the current budget; however, the operational costs (T/A, Printing, Survey etc. if required) may be met through the approved source of funding. The officers working on feasibility study are not entitled to any other allowance including project allowance.

If the services of external consultant are required and approved by the approving forum (PDWP), the selection of consultant shall be done according to the Balochistan Public Procurement Rules, 2014. Prior to hiring of consultants, clear and precise ToRs are required to be developed that spell out the requirement of the feasibility study.

3.8. Approval of PC-II

The PC-II is prepared by the administrative department in close collaboration with the executing agency on relevant Planning Commission's

form. The PC-II shall map clear and concise deliverables keeping in view the requirements of study.

The PC-II shall be submitted to P&D Department by the administrative department which is then placed in PDWP forum for approval subject to fulfilling the required standards. The relevant scrutinizing body and mechanism for appraisal of PC-II remains the same as for the PC-I.

3.9. Approval of feasibility study

The feasibility study/ report conducted by department itself or through external consultant is authenticated by the procuring agency. If the feasibility study meets the set standards and fulfills the purpose as covered under the TORs, the feasibility study is shared with the P&D Department along-with ToRs for placing in PDWP forum to discuss the findings of study. Appraisal of the data and proposed design is done by technical committee of P&D Department before placing in PDWP forum. In case, the feasibility study does not provide the required data, the study can be returned for provision of additional information. PC-I of projects for which feasibility study has been carried out, must be based on the findings of the study and must incorporate the relevant information.

Chapter 4: PSDP

4. Public Sector Development Program

Public Sector Development Program (PSDP) is the development part of annual budget statement indicating the capital and revenue expenditure proposed for various development projects for a financial year. It represents a key policy instrument for actualizing development vision of the government through strategic resource investment. Through PSDP the government aims to invest in those projects which are likely to yield maximum benefits in terms of public service delivery. By virtue of its size and sectoral spread, PSDP interventions are seen as principal drivers of economic growth and equitable development.

4.1. Federal PSDP

The development initiatives taken by the Federal Government are reflected in Federal PSDP, prepared by the Ministry of Planning, Development and Reform in coordination with the Federal Ministries and Provincial Governments. The Federal PSDP is classified into three types of investment:

1. Federal Government carries out development works in priority sectors such as Power, multipurpose large scale water storage Dams, Higher Education, Science, Research and Information Technology, Highways & Motorways, Railways etc. through the respective federal executing agencies directly, without transfer of funds to provincial government.
2. Some projects fall under the provincial concurrent list, funds allocated for such projects under Federal PSDP are transferred to provincial

governments for execution of development projects through the relevant provincial executing agencies.

3. The Federal Government also allocates resources to the special areas falling under the federal responsibility, i.e. Azad Jammu and Kashmir, Gilgit-Baltistan and former FATA to prepare and execute development programs (ADPs) according to their local needs and priorities.

4.2. Provincial PSDP:

The Provincial PSDP reflects development strategy of Provincial Government based on inter-departmental and inter-district equity and sectoral balances and is coordinated by the P&D Department, Government of Balochistan in close collaboration with Finance and other Administrative Departments. Funds are allocated in different sectors as per functions assigned to the concerned Administrative Departments under Balochistan Government Rules of Business, 2012. The provincial PSDP comprises new and ongoing projects and provides information on sectors, sub sectors, year in which project became part of PSDP, district, name, total cost, revenue and capital cost, FPA component, expenditure up to 30th June of previous financial year, allocation for current year and throw-forward of the project.

The provincial PSDP accounts for development expenditure for complete financial year (July 1st - 30th June); is authenticated by the Provincial cabinet followed by approval of the Provincial Assembly and subsequent authorization of Chief Minister Balochistan as provided under Article 120 of the Constitution. The PSDP is a voted expenditure; the Provincial Assembly has the power to assent to in total, refuse to assent to or assent to any demand subject to a reduction of the amount specified therein.

4.3. Allocation of funds

Allocation of funds refers to establishing priorities within the budget in order to attain the government objectives for effective utilization of public resources, improved service delivery and governance. Allocation of funds for development projects requires careful consideration of the total size of the project, annual financial phasing in approved PC-I, total number of projects in PSDP, number of projects in a particular sector, relative importance of project for delivery of public services, requirements of foreign aided project, federal funded and cost sharing projects with high national priority and percentage of allocation fixed for various sectors / sub-sectors.

As the PSDP comprises on-going and new projects, in general the on-going projects are given more preference in allocation of funds for early completion. Full allocation shall, preferably, be given to new projects which can potentially be completed within a financial year or two to yield early benefits/outcomes.

4.4. Throw forward Management

Throw-forward is the remaining amount of funds that a project requires for completion of approved scope of work in upcoming financial years. Mathematically, it is calculated as:

$$\text{Throw-forward} = \text{Total Cost} - (\text{Expenditure upto June of previous FY} + \text{Allocation for current FY})$$

When multiyear projects are included in PSDP, a legitimate quantum of throw-forward is always generated based on annual financing plan, which cannot be avoided. However, a throw-forward created due to addition of large number of projects or suboptimal funding of on-going projects is detrimental to development planning, causing an unnecessary and

unending (in certain cases) burden over the development budget. A larger throw-forward causes suboptimal/thin resource distribution among large number of ongoing projects and likewise lesser amount becomes available for new projects. Throw-forward arises when lesser amount of funds is allocated for on-going projects and huge numbers of new projects are included in PSDP. The Projects, thus, compete for allocation of funds within the limited size of development budget. The thin distribution of funds causes delay in completion of projects resulting in time and cost overrun.

4.5. Block Allocation:

Block allocations do not represent good financial and budgetary management practices as they have negative impacts on development planning and project management. Thus, the allocation of funds in block must be avoided. Specific and item-wise demand for grant in the budget is required to be laid before the Parliament/Assembly.

4.6. Umbrella Project

Umbrella project consists of number of similar or inter related sub-projects which are dispersed on multiple sites, fall in the geographical domain of different districts or functions of different departments, but is reflected under a single project and a single PSDP ID. The Project documents (PC-I/II/III/IV/V) for such projects shall be prepared through coordination and details of all the activities falling in the domain of each site and/or district/ department shall be declared explicitly along-with financial costing.

4.7. Cost sharing Projects:

Sometimes, the Federal and Provincial Governments agree to finance a project on cost sharing basis. Such projects are reflected in the Federal and Provincial PSDP simultaneously. The Federal and Provincial Government PSDP will reflect their agreed share of cost only in their respective PSDP. Sum of share of both the Governments, as reflected in their respective PSDPs, forms the total cost of the project.

The cost sharing agreements are also granted by the Government of Balochistan and donor/ implementing partners. In such cases, the GoB and FPA cost components are reflected in PSDP separately.

4.8. Foreign Project Assistance (FPA)

After 18th amendment, provinces are supposed to mobilize foreign assistance including grant, credits, loans and any other support from donors/development partners proactively for its financial and technical assistance to accelerate the process of growth and improve service delivery. The assistance is the outcome of interaction of two priorities. The first one is the development priorities of the province and the second is the framework agreed by the Development partner and Federal government. The former is realized in the shape of Development Framework or Five Year Plans whereas the latter is in the shape of Country Partnership Strategies or Country Operation Plans of the development partners.

When a consensus is reached amongst the Development Partners, Federal and Provincial governments, a consultative process is initiated based on various studies and development frameworks of the province and country partnership strategies of the development partners through P&D department, assisted by group of sector experts. The consultation, after

passing through various stages, sometimes spanning over years culminates in the formulation of project or program document. Aid, grant, loan or financial supports to Government of Balochistan by international development partners make a substantial part of Provincial PSDP. The FPA becomes part of the provincial PSDP after negotiations with Economic Affairs Division.

Chapter 5:

Project Preparation:

5.1. PC-I

Planning Commission proforma-I (PC-I) is a detailed form developed by Planning Commission of Pakistan to be used for preparation of technical and financial estimation as well as detailed designing for implementation and subsequent approval of the project for execution. There are three types of PC-I proformas under use:

- a. The proforma used for projects of Education, Training & Manpower, Health, Water Supply & Sewerage, Culture, Sports, Tourism, Social welfare, Women Development sector etc. is called “Social Sector PC-I proforma” (**Annex-IV**)
- b. The infrastructure sector proforma is used for the projects of Communication & Transport, Information Technology, Energy, Physical Planning & Housing, Town Planning, Irrigation, Coastal Development etc. (**Annex-V**)
- c. The production sector PC-I proforma is used for projects of Agriculture, Industries, Mines, Fisheries sector etc. (**Annex-VI**)

5.2. Planning for Project Preparation:

PC-I is the key document for mapping of required financial, human and physical resources in order to attain the objectives of public investment in shape of the project. The document is prepared keeping in view context specific requirements of all stakeholders. The executing agencies must

ensure that the preparation of PC-I takes into account prior field survey reports/ feasibility studies, background input data, as well as criteria specifying the selection procedure of schematic interventions. This is necessary as without providing the sector and project related data, the PC-I turns into a mere cost estimate.

PC-I consists of two parts: i) Project Digest (Part A) and ii. Technical/ Engineers estimates (Part B). The (Part A) or Project Digest is the segment about the general description and data which relates to details such as name, location, plan provision, O&M cost, objectives and justification etc. These details are better accredited by the Administrative Department; therefore, the part A shall be filled by the administrative department concerned.

The part B provides the detailed engineering/technical estimates that shall be prepared by the engineer in-charge or technical authority/ officer (s) of the executing agency after field survey.

PC-I shall be prepared in close coordination with the administrative department concerned and revenue authorities (In case of land acquisition is required to be undertaken as per prevailing law) for sustainability and mapping of all required interventions. The site for intervention plays pivotal role in successful completion and operations. Therefore, the site shall be visited conjointly by the district officers of respective administrative department and executing agency. Geographical location, ownership, acquisition possibility etc are equally important, therefore, while identifying site for the project, convenience of general public and road access shall be given due importance. The officers responsible for preparation of the project documents are required to understand the issues of population/ economy as

well as to carry out on-ground appraisal (real time on-ground realities) of the proposed projects keeping in view social, economic, engineering and environmental outcomes of the anticipated intervention thereby, designing the project in most suitable manner to meet the desired outcomes of Public Investment at the earliest.

5.3. Project Digest of PC-I

Project Digest (Part A) which is termed as general abstract which provides the required information on anticipated project. While inscription of PC-I proforma (General Abstract), the following instructions shall be complied with:

- a. Clear and concise name of the project shall be mentioned. The nomenclature as given in PSDP or sector plan should be followed.
- b. Location of the project shall be given as per available record. Location Map and GPS coordinates shall be attached.
- c. Details of nearby facilities and their GPS coordinates shall be attached.
- d. The name of sponsoring and executing authorities shall be given.
- e. For future O&M of the public facility, name of the department along-with annual tentative O&M cost shall be given.
- f. Project objectives and its linkages with sectoral objectives shall be mentioned and the reference number of available sector plan shall be given in the PC-I.
- g. Demand and supply analysis shall be attached.
- h. The number and type of beneficiaries should be given.
- i. Project benefit and cost analysis are required to be made in quantified terms wherever applicable.

- j. If the project is aimed at strengthening of already existing infrastructure, the map of site, details and condition of existing infrastructure shall be attached.
- k. In case, the revised PC-I is prepared, justification for proposed revision should be given. Item wise approved cost, expenditure so far and proposed changes should be given on comparative statement.
- l. Financial phasing shall be chalked out and attached in the PC-I.
- m. The certificate that the project proposal (PC-I) has been designed on the basis of instructions provided by the Planning Commission of Pakistan should be signed by the officer who has prepared the PC-I.
- n. The environmental aspects of the PC-I/ initiative shall be taken into account and the Environmental Impact Assessment (EIA) report duly approved by the concerned Environmental Protection Agency shall invariably be attached with the PC-I.
- o. All the columns shall be filled as required in the PC-I for respective sector.

5.4. Engineering Estimates/ Technical Details

Besides, the general description, the PC-I accounts for engineering estimates/ Technical details which provide information regarding requirements of physical inputs, financial resources and technical details for implementation of the project. Cost estimates are critical to successful project management, so teams must produce a reasonably accurate and reliable estimate during the conception and design phase of a project.

Cost estimating is the practice of forecasting the financial cost of undertaking a project with a defined scope. It is done at the lower level to ascertain the required components for implementation of the project. Each component is

costed separately based on CSR Balochistan along with other required charges.

5.5. Composite Schedule of Rates (CSR)

Composites Schedule of Rates (CSR) Balochistan 2018 has been approved by the Government of Balochistan and enforced with effect from 1st July 2018. The CSR provides basis for cost estimates for preparation of PC-I, administrative approval and detailed estimates for technical sanction for execution of engineering works. The schedule also provides basis for inviting tenders as percentage above or below the rates after application of premiums.

The updated rates of CSR 2018 are applicable to new and unapproved cost estimates. The already approved on-going projects remain intact on old rates and cannot be converted on new rates of CSR 2018.

The CSR 2018 comprises three Volumes, namely Composite Schedule which is divided into 31 sections, detailed rate analysis and general & technical specifications. The Composite Schedule provides details such as Serial No., description, unit and rate for each item separately. Rates cover cost of the materials, transportation to site of work, labour charges, equipment, tools, plants, supervision charges, all Government levies, imports, overheads, profits and incidental cost thereto required for the satisfactory completion of the work.

Keeping in view the fact that the rates become rapidly outdated in the face of inflation, the PDWP forum in its meeting held on 20th April, 2018, to consider revision/ update of the CSR decided that the CSR shall be updated on regular basis to incorporate updated market rates and add latest items.

For stated purpose, a high power committee is to be constituted in the P&D Department to ensure regular update of CSR Balochistan. The update can be item-wise based on specific requirement, or for the entire CSR on the basis of the inflation experienced during the period of time and innovations/new items added in development works.

5.6. Non Scheduled Rate (NSR)

The items which themselves or whose best alternates are not part of CSR, but are required for implementation of any work/project are made part of the PC-I based on nonscheduled rates analysis. The non-scheduled rates analysis is done based on quotations obtained from open market inclusive of all the taxes. Fresh quotations from at-least three leading firms/ suppliers must be obtained in support for the quoted rate in PC-I. The rate analysis for NSR items shall be carried out on standard pattern given in volume 2 of the Balochistan CSR and the quotations shall contain date, stamp and valid phone numbers in case required for verification. The price for non-scheduled rates can also be verified through internet. CSR Premiums are not applied on the cost of nonscheduled items.

5.7. Project Scope Management:

Project Scope Management delineates requirements of a project to deliver a product, service, or result with the specified features and functions. The Project scope management includes the processes required to ensure that the project includes “all the work required”, and “only the work required”, to complete the project successfully.

A project shall be developed on a complete package encompassing development, recurring and non-recurring expenditure to ensure sustainability in long run.

5.8. CSR Premium

Prior to enforcement of CSR 2018, the estimation of CSR was done during the year 1998, therefore, in the coming years the rates could not compete with the market prices owing to inflation. To make the scheduled rates workable, updated premiums were enforced by the P&DD in different years.

The former premiums were enforced from 1st July, 2013. All the projects approved after the aforementioned date up-to 30th June 2018 were based on CSR 1998 along-with premiums as mentioned above. The Quetta city was taken as base standard and 20% above was applied for earth work, base and sub base items, 100% above for civil work and bituminous related items and 200% above for steel related items. The rates for other districts varied keeping in view distance from base standard and availability of material.

Annex-VII

5.9. Financial Phasing and Work Breakdown Structure (Work Plan):

The proposed financial phasing and physical activities should be given under column 7 (b) of the PC-I. The financial phasing shall be looked thoroughly and approved keeping in view financial flow in the coming years. The Financial phasing approved by approving forum (PDWP/DSC) shall be abided by and funds shall be allocated and released according to the financial phasing in PC-I.

Work breakdown Structure, or work plan is a deliverable-oriented hierarchical decomposition of the work to be executed by the project team, to accomplish the project objectives and create the required deliverables. Once the deliverables and scope have been identified, the work of project can be successively subdivided into smaller and smaller work elements. Item-

wise/year-wise implementation schedule phasing physical activities should be worked out and given in the PC-I under the column 7 (a).

5.10. Route for submission of PC-I:

The engineering/ technical cost estimates are prepared by the executing agency and submitted to the administrative head of the sponsoring department through the technical hierarchy of the department. The technical wing is required to validate the input data, incorporated details, design and viability of the proposals specified in the PC-I/PC-II before it is presented to the approving forum. The PC-I shall be placed in the DSC forum if it falls in the domain of the department. Otherwise, if the administrative department is different, the PC-I shall be forwarded to the relevant administrative department for placing in DSC forum. If the cost exceeds Rs. 100.00 million, the administrative department shall forward the PC-I to the P&D Department for technical scrutiny and placement in PDWP forum.

5.11. Foreign Aided Project concept clearance:

As per Planning Commission guidelines, when a broad outline regarding the nature and scope of the foreign-funded project is known at the preliminary stage, the concept clearance should be obtained from the Planning & Development Division (in the Federal Government) even before the preliminary discussions with the aid giving agencies take place. Foreign funded projects require approval from the Federal Government, irrespective of their size and value. The concept clearance is required in order to ensure that the project is in line with the development priorities of the government.

A committee for concept clearance of foreign aided projects was set up in the Planning Development and Reform Division. The Concept Clearance

Committee is chaired by Deputy Chairman, Planning Commission and provincial Governments have also been given representation in this Committee. Sponsoring agencies are required to submit 35 copies of the project proposal on this format to the Public Investment Program (PIP) Section of Planning Development and Reform Division. After obtaining the recommendations of the concerned technical section, the project proposal is submitted to Concept Clearance Committee for its approval. The approval of the Concept Clearance Committee is communicated to EAD and to sponsoring agency for aid negotiations with the donors.

After the concurrence of concept clearance by the competent forum, the donor agency generally arranges pre appraisal/appraisal missions to discuss the project with the EAD/other agencies concerned. After appraisal of the project, sufficient data is available with the sponsoring agency to prepare the PC-I. The sponsoring agency are required to submit the PC-I to Planning Development and Reform Division within a maximum period of one month after appraisal of the project by the donor agency for processing through the relevant approving authority. It is necessary that the decision of the CDWP is available before formal loan negotiation is held with the donor agency, so that loan negotiation conforms to the decision of the CDWP. Likewise, the loan agreement, etc. should not be signed before approval of the project by the competent forum, or the anticipatory approval of the Chairman, ECNEC.

5.12. Machinery, equipment & furniture/ fixture components in PC-I

The details and specifications for machinery, equipment & furniture/ fixture component for PC-I which is generally referred as revenue cost, shall be provided by the administrative department for incorporation in the PC-I.

The specifications should be standardized as per requirements of the department/ facility. While selecting the machinery and equipment; nature of project, alternative use of machinery, available technology levels, scale of output, cost and availability of spare parts and the performance reliability may be deliberated.

5.13. Contingency/ Departmental Service charges

Contingency charges are included in the PC-I to meet the unforeseen expenditures during the execution of the project and expenses such as POL, Stationeries and Printing etc. for executing offices. Contingency is generally fixed at 1% of total capital cost of the project unless the project is large, for which the contingency may reduce upto 0.5% of total cost. The PMU with approved SNE shall not use the contingency charges for current expenses unless approved by the Project Steering Committee.

Departmental service charges are allowed for selected authorities only. Vide P&D Department letter No. P&D.BDA(31)2008/7398 dated 25th August 2011, the Balochistan Development Authority (BDA) has been allowed to claim 2% contingency charges for all new and on-going projects. The contingency/ service charges are not applied on land compensation/ consultancy charges etc.

5.14. Future recurring cost of projects:

Under column 8 of PC-Is, the item wise annual operating cost for post completion for five years is required to be specified. The projects are required to be identified and appraised on the basis of a very careful assessment of the future recurrent costs for putting the investments to work in terms of staffing etc.

To cater the issues of shelter less public facilities or public buildings not providing services due to non-provision of recurring and non-recurring cost etc, the future annual operating costs for public facilities shall duly be given in the PC-I under the respective column (if required), and the representative of Finance Department shall examine the same based on SNE policy of Government of Balochistan, Finance Department.

During the course of SNE meetings in Finance Department, a concise correlation shall be established between the physical progress/ availability of public buildings/ facility and sanction of new expenditure.

5.15. Cost Escalation

Increase in price of project inputs over period of time is called cost escalation. To mitigate the future inflationary effect on project inputs, a specific amount is added in PC-I on base cost as cost escalation. According to the P&D Department notification No P&D.ROCT (1) 129 /2008 /2383 dated 14th June, 2008, a lump sum amount @ 6% was to be added in the PC-I during its approval as provisional sum for the projects up-to Rs.50.000 million, 8% provisional sum for the projects up-to Rs.100.000 million and 10% provisional sum for the projects more than Rs.100.000 million on account of escalation to cover the increase in commodity prices during the implementation phase. However, after notification of new premiums in September, 2013 application of escalation was ceased for new project approved after 1st July, 2013

The ongoing projects of PSDP approved prior to 1st July, 2013 with provision of escalation cost in approved PC-I are eligible for payment of escalation. The payment for escalation shall be made as specified under the clause (I-d) of aforementioned notification which states:

“The size of the scheme be kept in a limit to be completed with a maximum period of 5 years. The escalation would be payable on the 2nd, 3rd, 4th and 5th year of completion @ 5%, 10%, 15% and 20% of bill to be paid for road and road structures and 7%, 14%, 21% and 28% for works other than road and road structures respectively. If the funds required for completion within 5 years period are not provided the contractor may ask for finalization of his contract. In case the work is delayed by the contractor penalty clause will be imposed”.

5.16. Do’s and Don’ts in PC-I preparation:

- a. Name and scope of work in PC-I shall be same as reflected in the PDSP.
- b. Name on title page and scope inside PC-I shall not be contradictory.
- c. Cost of PC-I shall not exceed the cost as reflected in PSDP.
- d. No rough costing/ lump-sum provision shall be kept in PC-I.
- e. Vague terms such as “various, etc., other, different” shall not be used. Specific name of site/ scope/item shall be used.
- f. Adequate and authentic data shall be provided in the PC-I.
- g. Officers involved in provision of flawed or misleading information are liable to disciplinary and criminal proceedings under the prevailing laws.
- h. Unrealistic cost estimation shall be avoided.
- i. Over estimation of benefits/ impact shall be avoided.
- j. The relevant authorities/ agencies shall be taken on board and timely coordinated.
- k. Availability of funds/ finance must be ensured.

- l. Premiums on CSR are different district to district and also vary for within the city (DHQ) and outside, pertinent premiums shall be applied.
- m. Premiums are not applied on Non Scheduled items.
- n. PC-I shall be signed in original. Scans must not be used
- o. The Project I.D shall be given on the title page, certificate and on the general abstract of cost.
- p. Land availability shall be ensured and status be incorporated in the PC-I.
- q. Site /Location shall be identified scientifically.

Chapter 6. Project Appraisal:

The project appraisal is an essential stage in project planning & management cycle. A project appraisal assesses the technical, economic, financial, managerial soundness and viability of a project. The projects involve huge investment out of public exchequer; therefore, while making the decision for approval of projects for implementation, the project appraisal plays a vital role to assess the costs and benefits. The costs are compared with the benefits, if benefits are greater than costs, a project is considered viable. The basic purpose of systematic appraisal is to make better spending decisions for capital and current expenditure on projects and programs. The project appraisal involves a careful checking of the basic data, assumptions and methodology used in project preparation, an in-depth review of the financial phasing, work plan, cost estimates and proposed financing. Therefore, appraisal involves the comparison of costs and benefits related to the projects that aids the decision makers in knowing about the short-comings and strengths of the proposal, both in financial and non-financial aspects. Before approval and allocation of resources for a particular project, the decision making authority shall convince itself that the proposed project is the best and most economical medium of achieving the desired socio economic objectives. Based on findings of appraisal, the project can be accepted or rejected.

Appraisal and approval of projects is undertaken at both the Federal and Provincial levels. Pre-approval appraisal of all proposed projects is domain of the Planning and Development Departments. The Key objectives of the appraisal process for a project include:

- Scrutiny of the basic data, assumptions and methodology used in project preparation (Tasks, quality of documents).
- In depth review of the work plan, cost estimates and modes of financing.
- Assessment and validity of project's financial, economic, social, managerial, environmental and organizational viability.
- Perform assessment to select amongst the competing alternative proposals to help decision makers accept or reject the project on the basis of data.

There are various types of project appraisals, out of which either one or a mixture of two or more can be opted, based on sector and type of the PC-I/ project.

6.1. Financial Appraisal:

Financial appraisal is an unbiased evaluation of the profitability and financial strength of a project. Financial and economic appraisals have similar features; both estimate the net benefits of a project. The financial appraisal takes into account the costs and benefits for project using market prices while the economic appraisal counts the expected benefits to overall economy based on shadow prices. The financial appraisal also reviews the proposed financial phasing provisions in the PC-I and likelihood of availability of resources to meet the financial requirements of the project.

The Internal rate of return, discounted cash flow and net present value are recommended analytical methods for financial appraisal.

Internal Rate of Return (IRR):

Internal rate of return (IRR) (Financial) in Project Management is based on the principle of opportunity cost and is used to estimate the profitability of public investment. Base for calculation of the IRR is prevailing discount rate which is actually the opportunity cost of intended investment on specific project. IRR is the discount rate for which the Net Present of Value of the project would be zero.

Similarly, Economic Internal Rate of Return (EIRR) implies the economic evaluation and measurement of impacts of project.

IRR calculations are compared against the prevailing rate of interest on which the State Bank of Pakistan provides loans to other commercial banks. For example if prevailing discount rate is 8% and the IRR for any project is greater than 8%, project is feasible for investment. If the calculated IRR is less than 8%, it means that the project is not feasible for investment. If the discount rate and IRR are equal, it shall mean that the project is on break-even point and the decision to implement the project would depend on other factors.

$$IRR = 1/1+r^{t*NP}$$

Where r is the discount rate, t is the years of computation and NP is the net profit of loss during the year concerned. The IRR is calculated for number of years a project is expected to yield benefit or remain operational

Examples:

Year	Capital	O&M	Total cost	Revenue	Net Profit /loss
1	30		30		-30.00
2	20		20		-20.00
3	30		30		-30.00

4	20		20		-20.00
5	0	2	2	23.56	21.56
6	0	3	3	24	21.00
7	0	5	5	28	23.00
8	0	6	6	39	33.00
9	0	8	8	43	35.00
10	0	9	9	42	33.00
	100.000	33.000	133.000	199.560	66.56

Discount rate or r. @8%

IRR= 10%, so feasible for investment.

6.2. Economic Appraisal

Economic appraisal compares the economic benefits and costs of the project to the entire economy. Thus, economic analysis is concerned with the value, a project holds for the society as a whole. The question to be addressed in economic appraisal is whether the investment proposal contributes to the development objectives of the country/province and whether this contribution is likely to be large enough to justify the use of scarce resources. It takes into consideration all members of the society and measures, the project's positive and negative impacts.

Like, financial analysis, the economic appraisal is also done through same methods i.e. internal rate of return (IRR) and net present value (NPV). As compared to the financial analysis where market prices are taken, in

economical appraisal the shadow price is taken into account. Shadow price is the value to a commodity that is not ordinarily quantifiable as having a market price, but needs to be assigned a value to conduct a cost-benefit analysis. Shadow price is assigned to goods that are not generally bought and sold as separate assets in a market place.

6.3. Technical Appraisal

Technical appraisal provides a comprehensive review of all technical aspects of the project. The appraisal is done based on the technical data and information given in the PC-I and prevailing circumstances. The technical appraisal may cover, but is not limited to the following aspects of the project under consideration:

- I. There is a sound rationale for the selected technical design and approach.
- II. The proposed design is in confirmation with the international and best engineering standards to the extent possible and meets the identified needs in the best possible way.
- III. The intended technology has been proven or tested or has been in practice elsewhere.
- IV. The proposed design is in line with existing infrastructure/ facilities/ programs.
- V. Equipment demand is satisfactory and in line with requirements.
- VI. Cost estimates are prepared based on CSR Balochistan.
- VII. All technical alternatives have been considered and requirements fulfilled.
- VIII. Correct engineering data is used for design and estimation.
- IX. Future expansion is possible and prospect is considered.

6.4. Social Appraisal:

Social appraisal of the project is done from the perspective of society. It reviews the impact of project on target population and concerned stakeholders in terms of social welfare and better understanding of their interests. The social appraisal takes into account the following areas:

- I. The project does not worsen income distribution.
- II. The project does not adversely affect one age cohort.
- III. The project is acceptable for all ethnic and religious communities.
- IV. The project does not harm one religious community disproportionately.
- V. The project does not harm one gender disproportionately.
- VI. The project ensures equal opportunities and resources for women, girls and other vulnerable groups.

6.5. Environmental Impact Assessment

Environmental impact assessment is an integral part of PC-I. *“Environmental impact assessment” means an environmental study comprising collection of data, prediction of qualitative and quantitative impacts, comparison of alternatives, evaluation of preventive, mitigation and compensatory measures, formulation of environmental management and training plans and monitoring arrangements, and framing of recommendations and such other components as may be prescribed⁶.*

While preparing PC-I, the potential adverse impacts in shape of ecological, Physio-Chemical and human interests must be reported and analysed as some of the projects especially of water, infrastructure and power sector may have adverse impacts on environment. The purpose of

⁶ Balochistan Environmental Act, 2012

environmental impact assessment is to ensure that costs and benefits pertaining to the environment are considered in the decision making process and to ensure that possible adverse impacts are identified and avoided or minimized. A brief preliminary study to assess whether the project is harmful or not is called Initial Environmental Examination (IEE).

A specific concern with the development is that those who enjoy the fruits of economic development today may be making future generations worse off by excessively degrading the earth's resources and polluting the earth's environment. The development projects shall be designed on the principles of sustainable development so that the current generations can meet their needs without compromising the ability of future generations to do the same.

The environmental analysis assessment may cover any of the following matters:

- I. Whether the project is likely to cause air, noise or water pollution.
- II. Whether the project is likely to adversely affect labour and working conditions.
- III. Whether the project is going to threaten biodiversity conservation and natural resource sustainability.
- IV. Whether the intervention is likely to damage flora and fauna.
- V. Whether the project is causing any harm to indigenous people.
- VI. Whether the project involves disaster risk and arrangements have been made to mitigate or reduce the same (DRR).
- VII. Whether the project can involves risks of flood, drainage erosion, water logging, soil fertility etc.
- VIII. Whether the areas of settlement, agricultural lands or navigations are likely to be disturbed.

6.6. Methods of appraisal:

6.6.1. Net Present value:

Net present value (NPV) is the difference between the present value of benefits and present value of cost. NPV of a project can be calculated by discounting net cash flows at required rate of return and deducting initial investment. A project with positive net present value is accepted and with negative net present value is rejected. NPV is calculated as under:

Formula for NPV

$$NPV = \sum_{i=1}^n \frac{\text{Cash flows}}{(1+r)^i}$$

Where cash flow indicates the cash flow in the time period, r is the discount rate, i is the years of computation. The NPV is calculated for number of years a project is expected to yield benefit or remain operational. The key determinants of the NPV calculation are the appraisal horizon, the discount rate, and the accuracy of estimates for costs and benefits.

NPV is different from IRR as it offers the expected cash flows associated with a proposed project to their current value in currency. The IRR however calculates the percentage rate of return at which those same cash flows will result in a net present value of zero.

6.6.2. Payback period:

Payback period is the measure of project capital recovery. It is calculated based on length of time required to recover the original investment. The Project with lesser length of time required for payback are considered to be more feasible and economical as compared to the projects which need more time for payback.

Payback period method is used to evaluate projects, which are designed to generate revenue for public. It is used for comparison among multiple potential projects and selecting the best based on lesser payback period.

$$\text{Payback period} = \frac{\text{Initial investment}}{\text{Annual net earning}}$$

Scenario 1:

Quetta-Kuchlak Bypass:

Capital Investment:	Rs. 369.00 million
Annual Net Earnings:	Rs. 73.00 million average
Pay Back period	$369/73=$ 5.054 years

Scenario 2:

Ziarat Chair-lift Project:

Capital Investment:	Rs. 256.00 million
Annual Net earnings:	Rs. 18.00 million
Payback period:	14 years

In the above scenarios, since the project 1 will payback in lesser period of time; therefore, the project 1 shall be preferred for financing.

Note: Applying different appraisal techniques to the same data may yield contradictory conclusions due to differences in the timing of when those costs and benefits are accrued and other variables that are evaluated.

Therefore, the appropriate method shall be opted for project appraisal based on the requirements and nature of the project.

Chapter 7:

7. Approving Bodies for Development Projects

Approval is a legally recognized written consent by a regularity body to proceed with a requested activity. Once the project proposal has gone through the appraisal stage, the project needs to be approved by the competent approving forum prior to the implementation phase.

Approving forums are constituted at national, provincial, departmental and divisional level for approval of project documents falling in their financial and administrative domain based on the nature of project and mode of financing.

7.1. Divisional Development Working Party (DDWP)

The Divisional Development Working Party (DDWP) is empowered to approve development projects costing up-to Rs. 100.00 million. The approval of development projects is subject to proper appraisal and consideration. (Annex-VIII)

Composition of DDWP:

i. Divisional Commissioner	Chairman
ii. Deputy Commissioner in the Division	Member
iii. Divisional head of the concerned department	Member
iv. Director Development, P&D Department	Secretary/Member

Terms of Reference:

- a. The approving authority of DDWP is only for schemes which are coordinated by Divisional Commissioner.
- b. DDWP cannot approve Federal Government and Foreign Funded projects.
- c. DDWP cannot revise, re-appropriate and authorize funds for development projects.
- d. DDWP will adhere to the criteria of schemes duly notified by the competent forums.
- e. Any task assigned by the competent forums.

7.2 Departmental Sub Committee (DSC)

Powers to approve provincially funded projects (PC-Is), costing upto Rs. 100.00 million have been delegated to the Departmental Sub Committee (DSC) of respective administrative department. The DSC is chaired by the Administrative Secretary of the department concerned and is fully competent to approve projects placed before it, reject them outright or approve them with certain conditions. However, in case of a difference of opinion, the project/PC-I is referred to the PDWP for consideration/approval. DSC notification is (**Annex-IX**)

Composition of DSC:

- | | | |
|------|---|-------------|
| i. | Secretary to the Government in the Department concerned | Chairperson |
| ii. | A representative of P&D Department | Member |
| iii. | A representative of Finance Department | Member |
| iv. | Any Co-opted member(s) if required, | Member |

(Chairperson may opt)

- v. Concerned Head of Section/ Wing of the concerned Department Member/Secretary

Further,

- a. The DSC is presided over by the administrative Secretary in person and cannot be held in his absence.
- b. The Departmental Sub-Committee/Divisional Development Working Party meeting will, in no case, be held without presence of any permanent member except with the written consent of the concerned member.
- c. To ensure proper appraisal, the PC-I shall be provided to the members at least a week before the meeting. The meeting notice, along with working paper, should be served well in time to ensure full participation of all members.
- d. The Departmental Sub-Committee/Divisional Development Working Party will not consider any project, new or revised, if it is not formulated in the light of instructions to fill the PC-I/PC-II forms.
- e. In the projects of emergent nature, (concerning quick relief and rehabilitations, for instance) the Chairperson, of the approving forum, may authorize execution. Missing necessary information shall be provided thereafter at the earliest possible time.
- f. The DSC/DDWP cannot consider any project for which source of funding is not known. In such case, the project proposal should be placed before the PDWP for consideration irrespective of its cost.
- g. PC-Is cannot be split into fragments to bring them in the domain of DSC/DDWP. A project above Rs. 100.00 million shall be forwarded to P&D Department without fragmentation.

- h. Minutes of the meeting of Departmental Sub-Committee/Divisional Development Working Party shall be prepared and circulated after approval of the Chairperson. The member(s) may point out any deviation in writing (if it exists) in recording of decision and the decision taken in the meeting.
- i. The minutes, under each item of the agenda, should consist of two portions: discussion and decision. The decision about the project so approved should invariably indicate the cost and scope at which it is approved.
- j. The DSC does not have the powers of re-appropriations, revisions and authorizations.
- k. DSC cannot approve Federal Government / foreign Aided projects.
- l. DSC is not empowered to approve PC-II.
- m. Autonomous and semi-autonomous authorities are not entitled to conduct DSC meetings.

7.3 Provincial Development Working Party (PDWP)

Provincial Development Working Party (PDWP) is the highest empowered clearing house in Balochistan to approve projects ranging from above Rs. 100.00 million to Rs. 10,000 million. These include projects sponsored by Government of Balochistan or sponsored by donor agency with less than 25% FPA share. The Projects exceeding Rs. 10,000 million or partially/completely funded by the Federal Government or where more than 25% of cost is borne by a donor agency are also cleared by the PDWP before submission to the CDWP for recommendation.

The PDWP is chaired by the Additional Chief Secretary (Dev) and the Planning and Development Department, Government of Balochistan acts as Secretariat for the forum.

The composition and functions of PDWP are as under:

- | | |
|--|------------------|
| a. Additional Chief Secretary (Dev)
P&D Department, Balochistan | Chairperson |
| b. Secretary Finance,
Government of Balochistan | Member |
| c. Secretary of the Concerned
Administrative Department | Member |
| d. Concerned Joint Chief Economist,
P&D Department, Balochistan | Member |
| e. Chief of Section,
P&D Department, Balochistan | Member/Secretary |
| f. Any Co-opted member(s) | |

Further,

1. There is no restriction on the PDWP, if it feels necessary, to call for, or to consider any project below its power, referred to it by the Departmental Sub-Committee/ Divisional Development Working Party or any Department /agency.
2. The PDWP will also consider for approval of project below its powers, which do not fall solely within the jurisdiction of any particular department, but pertains to multiple departments (Umbrella projects).
3. All the projects of autonomous/ semi-autonomous authorities irrespective of cost are approved by the PDWP.
4. Projects, properly formulated, should be submitted to the PDWP through the Planning and Development Department.

Note: *Sanctioning powers and composition of approving forums such as PDWP, DSC and DDWP are subject to changes as and when deemed necessary by the Government.*

7.4 Departmental Development Working Party (Federal Govt.)

Project pertaining to Federal Government or the Provincial Project with more than 25% Federal share are considered in Departmental Development Working Party of the Division concerned which is empowered to approve project costing upto Rs. 2.00 billion. The projects involving 25% or more Foreign aid/exchange are submitted to the CDWP.

7.5 Central Development Working Party (CDWP)

The CDWP is second highest forum for approval of development projects at Federal Government. The CDWP is empowered to approve all the federally funded projects costing up to Rs 10.00 billion. The projects with costs exceeding Rs. 10.00 billion are discussed and recommended for approval of ECNEC.

All development projects of the Provincial departments/agencies costing more than Rs. 10.00 billion, projects relating to water sector and all projects with 25% or more FEC component, initially recommended by the PDWP, are processed/ examined by the CDWP and recommended to the ECNEC for consideration.

The CDWP works as pre-clearing office for ECNEC, therefore before recommendation of PC-I/II to ECNEC, it ensures that the project documents have been prepared on sound lines, the proforma has been furnished; relevant papers such as project reports, maps and plans are made available and that the necessary economic, financial and technical scrutiny has been carried out.

7.6 Executive Committee of National Economic Council (ECNEC)

The National Economic Council (NEC) has delegated its powers to its Executive Committee referred as Executive Committee of National Economic Council (ECNEC) for smooth conduct of government business. The main functions of the ECNEC are:

- i. To sanction public sector development projects exceeding financial competency of CDWP and provincial PDWP.
- ii. To allow moderate changes in the plan and sectoral re-adjustments within the over-all plan allocation.
- iii. To supervise implementation of the economic policies laid down by the Cabinet and the National Economic Council.
- iv. Reports asked for by the Committee in pursuance of its earlier decisions.
- v. Any other matter referred to the Committee by the Prime Minister, the National Economic Council, the CCI, the Cabinet or raised by a member in the committee with the permission of the Chairman.

7.7 National Economic Council (NEC)

The National Economic Council (NEC) is the supreme policy making forum for devising long term policies and plans for economic development of the country. NEC has been constituted under article 156 of the constitution of Islamic Republic of Pakistan, which states:

156. National Economic Council (1) The President shall constitute a National Economic Council which shall consist of—

(a) The Prime Minister, who shall be the Chairman of the Council;

- (b) The Chief Ministers and one member from each Province to be nominated by the Chief Minister; and*
- (c) Four other members as the Prime Minister may nominate from time to time.*
- (2) The National Economic Council shall review the overall economic condition of the country and shall, for advising the Federal Government and the Provincial Governments, formulate plans in respect of financial, commercial, social and economic policies; and in formulating such plans it shall, amongst other factors, ensure balanced development and regional equity and shall also be guided by the Principles of Policy set out in Chapter 2 of Part-II.*
- (3) The meetings of the Council shall be summoned by the Chairman or on a requisition made by one-half of the members of the Council.*
- (4) The Council shall meet at least twice in a year and the quorum for a meeting of the Council shall be one-half of its total membership.*
- (5) The Council shall be responsible to the Majlis-e-Shoora (Parliament) and shall submit an Annual Report to each House of Majlis-e-Shoora (Parliament)*

7.8 Approval Steps/Flow of Federally funded Project

PC-Is for the federally funded projects being implemented by the Provincial Government are prepared by the executing agency and administrative department of Government of Balochistan in close collaboration as per guidelines. Forty five (45) copies duly signed by the Principal Accounting Officer of department concerned are submitted to the

Planning and Development Department for appraisal & recommendation from PDWP and signature of ACS (Dev) for onward submission to the concerned Federal sponsoring ministry and thereafter to the Ministry of Planning, Development & Reforms, Islamabad.

On receipt of project PC-I and minutes of the PDWP meeting (45 copies) from the concerned sponsoring ministry, the Ministry of Planning, Development and Reform, Government of Pakistan circulates copies of these project PC-Is among the concerned sections of the ministry. These projects are scrutinized for their economic/financial and technical aspects by each section and the findings/results are forwarded to the corresponding section. Based on the views of different sections, the section concerned prepares working paper for the CDWP. The working paper is then circulated among all the members of the CDWP for their comments. The sponsoring department/agency is required to prepare the replies to the points raised in the working paper and also to supply additional data, if required. The project is then put up for consideration by the CDWP and recommendation to ECNEC. The meetings of the CDWP are normally held every month and the Planning, Development and Reform Division works as Secretariat of CDWP. The ECNEC, however, generally meets once in 6 weeks or in certain cases may meet early, if so required. ECNEC is fully competent to approve, or reject a project on the basis of its merits and demerits. The CDWP may send a project back to the sponsoring agency after making some observations and suggesting modifications. These agencies carry out the amendments accordingly and again forward the projects to the Ministry of Planning, Development and Reform, Government of Pakistan. The concerned sections of this division prepare summaries, thereon for consideration by ECNEC. The Approval Steps/Flow of partial cost sharing projects is also same as for

fully sponsored Federal projects.

7.9 Approval steps of Provincial Funded Projects:

PC-Is for provincial funded projects shall be prepared by the executing agency in collaboration with the administrative department and other stake holders. PC-I prepared by the Executive Engineer of the division is routed through the engineering/ technical hierarchy of department concerned for counter check of the engineering designs / estimates. It is, then, submitted for recommendation of the Principal Accounting Officer. Similarly for social sector projects the PC-I shall be prepared by the DDO concerned and routed through the administrative hierarchy. If the executing agency and administrative department are different, the PC-I shall be forwarded to the administrative department for placement in DSC forum, if the cost is equal to or below Rs. 100.00 million. If the cost exceeds Rs. 100.00 million, it is forwarded to the Planning and Development Department.

All PC-Is to be placed in the PDWP/DSC/DDWP are subject to appraisal and discussion, therefore, the PC-Is received in the section concerned shall be appraised internally by the officers of section and, later forwarded to technical section/ committee for detailed appraisal. The observations, if any, are communicated to the departments well in time to respond. A working paper is then prepared and circulated amongst the members of PDWP along-with relevant documents well-before the PDWP meeting for maximum participation of all the members.

The PC-Is falling in DSC are primarily scrutinized by the department concerned and PC-Is along-with detailed working papers must be circulated to the members at-least one week before the date of meeting for appraisal and participation in the meeting.

Minutes of the PDWP and DSC meetings are recorded very carefully covering all the decision taken, special requirements (if any), clearly mentioning discussion and decisions taken. Draft minutes are approved by the Chairperson of the meeting before circulation to other members for signature. After signature, minutes of the meeting shall be circulated to all the members & relevant departments for record and further processing for release of funds etc.

7.10 PC-I preparation and approval of Foreign aided project:

After 18th amendment, provinces can proactively mobilize foreign assistance including grant, credits, loans and any other support from donors/development partners for its financial and technical assistance to accelerate the process of growth and improve service delivery. The assistance is generally sought to address two priorities; the first one is the development priorities of the provincial government and the second is the framework agreed by the Development partners and the Federal government. The former is realized in the shape of Development Framework or Five Year Plans whereas the latter is in the shape of Country Partnership Strategies or Country Operation Plans of the development partners. The terminology, however, referred to; may vary from donor to donor or province to province.

The cycle of engagement with donor starts with a process of interaction that takes place between the Government of Balochistan and the development partners facilitated mostly by Federal Government (Economic Affairs Division). These interactions are in the shape of field missions of development partners to Balochistan or the visits of provincial government officials to development partners or their projects. The aim is to see what

best international practices are being followed for any intervention in the areas of Public Finance, Public Investment or improvement of service delivery or what the gaps are for the prospective financial assistance. The missions include Identification Mission, Scoping Mission, Appraisal Mission, Project Design or Formulation Mission, Project Implementation Mission, Progress Review Mission, Project Completion Mission etc.

When consensus is reached amongst the Development Partners, Federal and Provincial governments, a consultative process is initiated. This process is based on various studies, development frameworks of the provincial government and country partnership strategies of the development partners and is assisted by group of sector experts led by P&D department. The consultations after passing through various stages sometimes culminate on the formulation of project or program document. The development partners process that document for internal approval whereas the province converts the same document into its own format of planning commission i.e. PC-I and PC-II. Upon the approval of the PC-I and PC-II by PDWP, the same is forwarded to the Federal Government for approval of CDWP and ECNEC.

After approval from CDWP and ECNEC, implementation phase of the Foreign Assisted Projects starts as per design and operational manual broadly following the Financial and Procurement arrangements of the development partners through opening of the revolving funds and assignment accounts. The project activities are overall controlled by the Project Steering Committee headed by Additional Chief Secretary (Development) with coordination or facilitation mechanisms delegated to relevant officials.

At the closure phase, another mission prepares "Project Implementation & Completion Result Report" and the ICRR is shared with all stakeholders and becomes a reference document for future projects.

Chapter 8:

Project Implementation:

Project implementation entails intense tasks and a variety of physical work for accomplishment of planned activities and financial management. The implementation of project is undertaken in accordance with all the established guidelines, procedures and regulations.

8.1. Administrative Approval

After approval of the project PC-I by the competent forum i.e. DDWP/ DSC/ PDWP/ ECNEC and authorization of funds for implementation, for every project (excluding petty works and repairs) it is necessary to obtain, in the first instance the concurrence of the competent authority of the department concerned requiring the work which is known as administrative approval. The administrative Secretary of department concerned issues the administrative approval based on minutes of the approving body meeting. This means that the department has formally accepted the proposal to incur expenditure as per approved scope of work and within the given cost and time. The administrative approval contains details such as total cost of a project, its breakdown into capital and revenue expenditure and conditions for implementation as decided by the approving body. In addition to these, the recurring cost required after completion of the project along-with number of posts created is also given. The head of account under which the expenditure has to be debited is also indicated in the administrative approval.

The administrative approval once issued remains valid unless there is a change in the cost and/or scope of work of the project. If a project is revised, the revised administrative approval is issued by the Administrative Department. Similarly, revised approval is also required if the design or scope of a project already approved is changed.

It must be noted that the administrative approval is time-bound. The projects requiring extension in set time-period must apply for extension and the concerned Ministry/ Administrative department would, thereafter issue extension after due justification. Third time extension in time-period of a project has to be, however, obtained from the forum that has formally approved the PC-I i.e. DSC/ PDWP/ CDWP etc.

8.2. Release of funds

For federally funded PSDP projects, the Finance Division, Government of Pakistan issues release mechanism. According to enforced release strategy, funds are released as;

1st & 2nd quarters 20% each

3rd & 4th quarter 30% each

The Ministries and other executing agencies are, nevertheless, given the flexibility to obtain releases for a certain quarter for their fast moving and near completion projects. These releases are in excess of the projects' individual ceilings but within the overall respective ceiling. This flexibility is basically meant to minimize the throw-forward and to avoid time and cost overruns as far as possible.

For the first quarter, Ministry of Planning, Development and Reforms may issue authorization for approved schemes remaining within 20% of overall PSDP allocation. Releases for quarter 2 and onward are recommended by the PD&R Division after due scrutiny.⁷

For provincial PSDP funded projects, the Planning and Development Department issues authorization letter to the Finance Department for release of funds to be placed at the disposal of the Administrative Secretary concerned. The amount for release of funds, as proportion of the total allocation, is decided by the P&D Department from time to time based on release policy for ongoing and new projects, notified for subject financial year.

For on-going projects of the PSDP, which are already approved by the competent forums, first quarter releases are made in the first month of financial year as per release policy adopted by the Planning and Development department. For release of remaining allocated funds or additional funds, the progress report of last quarter on **PC-III (b)** format and utilization report of already released funds is submitted to P&D Department. In addition, the monitoring reports are also referred to for release of funds and recommendations therein considered.

8.3. Project Steering Committee:

Project Steering Committee is the key advisory body of senior stakeholder or experts within the government structure, notified for selected projects. The committee is responsible for resolving issues and giving

⁷ Finance Division letter No. F.No.2(3)BR-III/2019/465 dated 17th September, 2019

recommendations that are essential for ensuring the successful delivery of the project outputs and the attainment of project outcomes. This includes;

1. Approving the annual work plan, cash plan, SNE,
2. Defining and realizing outcomes.
3. Monitoring risks, quality and timelines.
4. Making policy, assessing and taking decision on the issues referred by the Project authorities.
5. The PSC cannot approve PC-I/ PC-II of development projects.

8.4. Establishment of Project Management Unit (PMU)

Majority of the PSDP projects are implemented/executed by the executing agencies/line departments directly. However, for execution of selected complex nature projects and foreign aided projects, separate Project Management Units (PMU) are established with the aim to expediently implement the project and improve processes. The demand for establishment of independent PMU is raised by the Administrative department and considered/approved by the PDWP forum keeping in view rationale for establishing independent PMU. All the details of PMU are provided in the PC-I and accepted/approved by the competent forum. This can be reduced/enhanced as per consensus of the forum. The details envisage number and nomenclature of posts, basic project pay scale, required qualification, details of operational costs and details of physical assets required to be purchased. The PMU is mixture of management and technical experts whose job is to accomplish the task assigned under the project. The PMU is therefore designed keeping in view requirements of the project.

The schedule of new expenditure (SNE) for PMU is approved by the Project Steering Committee (PSC) on annual basis keeping in view

requirements and activities of the project during the year. The sanctioned posts, eligibility criteria and overall cost allocated for SNE component in PC-I cannot be increased/changed unless formally approved by the PDWP after examining the given justification.

8.5. Appointment of Project Director:

The Planning Commission of Pakistan vide its letter dated 11th March, 2016 has circulated the following criteria for appointment of Project Directors:

- i. Appointment of an independent project director is mandatory for projects costing Rs. 3000 million and above. As such provision for the post of Project Director should invariably be included in the project PC-I costing Rs. 3000 million and above
- ii. If an independent Project Director is required to be appointed for projects costing below Rs. 3000 million, such case (Separately) should be submitted for approval of CDWP by providing proper justification. **(Annex-XI)**

The Government of Balochistan has not fixed financial ceiling for appointment of independent project director and PMU establishment. For provincially funded PSDP projects, independent Project Director shall only be appointed for project, which is complex in nature or involves multiple dimensional expertise for establishing PMU. The Project Director should be delegated full administrative and financial powers to improve project management, supervision and help fix technical and financial responsibility.

Appointment of Project Directors and Deputy Project Directors for the projects being executed through Government of Balochistan shall be

appointed through the following committee, unless otherwise agreed in Foreign Assistance Projects;

1. Additional Chief Secretary (Dev)	Chairman
2. Secretary S&GAD	Member
3. Secretary Finance Department	Member
4. Secretary Implementing Agency	Member
5. Secretary Sponsoring Agency	Member
6. Concerned Chief of Section	Member/ Secretary

1. The Project Director shall preferably be a Government servant or he/she can be hired from open market through competitive process.
2. The candidate fulfilling all the required skills and scoring highest marks shall be offered the post along-with well-defined terms and conditions.
3. The project related staff is hired on contract basis and the posts shall not be shifted on regular side.

For hiring of Project Director and project related staff, a brief Expression of Interest (EOI) is prepared and issued. The EOI shall be self-explanatory and include the following:

- i. An eligibility criteria for application
- ii. Manner and mode/ Methodology of hiring against the envisaged criteria
- iii. Brief description of project activities and deliverables
- iv. Space for arranging an information session for queries, if required

The Project Director reports to the Administrative Department/ implementation agency / Project Steering Committee and as a team leader,

he/she is under obligation to account for all actions, steps and decisions taken during project execution. It is advisable to set up camp office of the Project Director as close to the site of work as possible and preferably at site, to ensure his/ her availability for taking on-spot decisions on emerging issues. Project Director supervises project and shall try his/her best to resolve day-to-day problems faced in implementation through the administrative and financial powers delegated to him/her for project execution. If any problem is beyond his delegated powers or despite of his best efforts any problem is not solved, the matter shall be reported to the Project Steering Committee for appropriate decision. No staff shall be transferred/ posted without his consent or the approval of Project Steering Committee as per laid down procedure. The Project Steering Committee shall judge the performance of Project Director and other project staff on Key Performance Indicators (KPIs) and annual Performance Evaluation Report. Termination of a job contract can be exercised based on majority consensus of the PSC giving valid reasons for termination.

In case the project the Administrative Department does not appoint an independent Project Director or establish independent PMU. Gazetted officers may be posted on additional charge basis from the existing strength of the department. A summary, thereof must be initiated by the concerned administrative department through P&DD, listing a panel of at-least three officers elaborating their required and relevant expertise and suitability/fitness for final selection.

No project staff, hired from open market on contract basis, shall be allowed to continue after the completion of the project. For the posts which are transferred to current side from the development budget, the regular

process of recruitment through Departmental Selection Committee or Public Service Commission shall be followed.

8.6. Appointment of Project related staff (Below Project Director and Deputy Project Director):

Project staff below grade-16 shall be appointed by the following committee:

1. Secretary (Sponsoring Agency)	Chairman
2. Additional Secretary (Implementing agency)	Member
3. Additional Secretary S&GAD	Member
4. Additional Secretary Finance Deptt	Member
5. Concerned Chief of Section	Member
6. Project Director concerned	Secretary/Member

Further,

- a. Fresh appointments of Project staff in B-15 and below should be made on contract basis.
- b. All postings in the Projects by Transfer shall be made by the Administrative Secretary
- c. Postings on deputation will be made by the Service and General Administration Department.

8.7. Consultancy Service for Projects:

Some of the public sector development projects are complex in nature and require services of external consultant in many forms ranging from, but not limited to the following assignments:

- a. Pre-investment studies to establish basis for investment priorities, feasibility to opt for any project.
- b. Preparation services, which comprise preparation of detailed cost estimates, engineering specification, performance specification for turnkey contracts, preparation of bidding documents for civil work and equipment , prequalification of contractors and analysis of bids etc.
- c. Implementation services comprise works such as construction supervision, project management, inspection, certification, preparation or verification of measurement books/bills etc.
- d. Technical assistance, which comprises a wide range of advisory and support services, such as development of sector plans, institutional building, management studies and training needs etc.

The engineering departments of Government of Balochistan employ highly qualified technical staff with ample experience in designing and implementation of wide range of development projects. Therefore, the services of external consultants shall only be hired in the case where the department certifies that it has no specific expertise to carry out the task. The tentative cost of consultancy shall be provided in the PC-I with clear scope of assignment. The ultimate decision for approval of hiring of consultancy services or otherwise is to be taken by the PDWP forum based on findings of feasibility study, technical requirements and nature of project.

Based on the approval of PDWP for consultancy service, clear ToRs containing information such as objective and scope of the proposed assignment with in-depth definition of tasks, timing of the project, details of inputs and particulars of the outputs etc as per the requirement of the specific project shall be developed before floating expression of interest in leading newspapers. The selection of consultancy must be done based on

standing instruction of Government of Balochistan and B-PPRA rules or as notified from time to time.

A consulting firm selected to prepare final design; tender documents, supervision etc shall be solely responsible for the accuracy and suitability of its data, design etc. The responsibility however lies on sponsoring agency to supervise and review the consultant's work. No modifications shall be made in the final documents prepared by the consultant without the firm's consent. Similarly, when a consulting firm assists in implementation, the consultant shall have authority in written form to make decisions to tackle all the technical problems as prescribed under the ToRs.

8.8. Hiring of Consultancy Services:

The hiring of consultants is done according to the Balochistan Public Procurement Rules 2014. According to the Clause 65 of subject rules; every procuring agency for the selection of consultant(s), shall set up Departmental Consultant Selection Committee which is headed by a gazetted officer not below the rank of BS-19, and, if not available, then the officer of the highest grade available shall preside the committee. In case of administrative departments, autonomous and semi-autonomous bodies, the Project Directors, Project Coordinators or Managing Directors shall head the consultant selection committee of respective project.

Other members of the committee include:

- a. A nominee of the Planning & Development Department not below the rank of BPS-18.
- b. A nominee of the Finance Department not below the rank of BPS-18;

- c. A representative of the Procuring Agency not below the rank of BPS-18 to act as member and secretary;
- d. One technical member from the concerned departments for consultation having adequate experience in the relevant field not below the rank of BPS-18 or equivalent; and
- e. Co-opted member(s) – The Consultants Selection Committee, with the approval of its Chairperson, can co-opt up to two members, having adequate technical knowledge and experience in the relevant field, for providing technical input to the committee. The co-opted members shall have no voting rights.

8.9. Types of Consultancy Contracts:

There are various types of consultancy contracts, selection of appropriate dependents on the nature of the assignment and whether the scope and output are definable. The types include Man-Months consultancy contract, Lump sum Consultancy Contract and Percentage Contracts.

8.10. Procurement of Revenue components:

The PC-Is in which the scope of work envisages revenue cost for purchase of machinery and equipment's are sub divided into two parts i.e. Capital and Revenue components. The details of revenue cost are worked out and elaborated by the administrative department based on requirements and general specifications for utility.

The cost for revenue component shall not be released to the executing agency (in case sponsoring agency is different) and the administrative department shall carry out the procurement through the notified committees for purchase of goods out of development funds. The work plan for purchase of machinery and equipment shall be determined carefully

based on progress of civil work component which shall preferably be completed or near completion.

8.11. Revision of Projects

The scope of work for any project is to be followed as per approved PC-I by the competent forum without any change. However, if the changes are imperative in nature and cannot be avoided, the executing agency is given the authority to make changes up to 15% of (original) approved scope of work and inter-component cost without any increase in total monetary value of the project*⁸. However, these changes in terms of components are still to be reported to the P&D Department on PC-III proforma (Quarterly Progress Reports) which has special provision for reporting of changes, if any. If the required changes are beyond 15% in terms of scope or involve increase in monetary cost, the revised PC-I is to be prepared and submitted to P&D Department for consideration in PDWP forum. Further, if any project is already revised, the authority of executing agency to make changes within 15% of scope of work ceases. In such cases, the matter for making changes in scope of work is required to be submitted to P&D Department with proper justification for consideration/ approval through PDWP. Changes in project scope even upto 15% shall only be exercised in unavoidable circumstances; the changes shall not adversely affect the core deliverables of the project.

The ECNEC in its meeting held on 29th November, 1978 decided that all the authorities concerned should keep an effective check on the increase in the approved cost. The Planning Commission guidelines for project management illustrate that a strong check should be exercised on cost-overruns. For this purpose, frequent revision in scope and design of the

⁸ *The Federal Planning Manual allows 15% hike in monetary terms however, the GoB has decided to rule-out this.

projects should be avoided. If the revision in cost is imperative in nature and in line with the established procedures and criteria, the case shall be dealt with proper justification.

8.12. **Re-appropriation of funds:**

Re-appropriation means transfer of savings from particular detailed object to meet additional expenditure anticipated under another detailed object within the same function and grant.⁹ The re-appropriation of funds is governed under Balochistan Delegation of Financial Powers and Re-Appropriation Rules, 2019.

⁹ Balochistan Delegation of Financial Powers and Re-appropriation Rules, 2019

Chapter 9: Monitoring

9.1. Monitoring Concept:

Monitoring for development projects can be defined as the ongoing process by which stakeholders obtain regular feedback on the progress being made towards achieving the completion of asset, goals and objectives of any project. Monitoring is an important part of the project cycle and is a continuous process to identify and respond to bottlenecks or problems, track the physical and financial progress, quality of work, record, deviation from scope and completion schedule of an ongoing development project.

In the context of development planning, M&E stands at the heart of project life cycle management and is considered as “Core function” of overall planning process as it provides adequate input data at each respective phase of project management cycle. Programs and projects with strong monitoring and evaluation components tend to stay on track. Additionally, problems are often detected earlier, which reduces the likelihood of having major cost overruns or time delays later. The ultimate objective of M&E system is to ensure utilization of performance information towards evidence based decision making at the level of implementers and planners.

Monitoring is distinct from inspection which is generally undertaken at a higher level but not very regularly. Thus monitoring is an ongoing process done periodically; the lessons from monitoring are discussed regularly and used to inform actions and decisions.

9.2. Types of Monitoring:

9.2.1. Internal Monitoring:

Project Supervisors have the task of establishing sufficient controls over a project to ensure that it stays on track and achieve its objectives. Internal Monitoring is the responsibility of the managers of sponsoring department & executing agency who are directly involved in project formulation, appraisal, approval and implementation. The managerial staff of administrative and executing agency and engineering hierarchy of the executing agency are responsible for internal monitoring to fulfill the performance objectives of their respective department. The internal monitoring therefore must be done on daily, monthly or quarterly basis.

By virtue of the assigned duties and responsibilities to the Principal Accounting Officers under the regulatory provisions as chalked out in detail under the “System of Financial Control & Budgeting” notified by the Govt of Pakistan Finance Division on 13th September, 2006, states that “*the heads of department being the Principal Accounting Officer (PAOs), shall oversee observance of economy (value for money) and regularity (that is, spending money for the purpose and in the manner, prescribed by law and rules).*”

Furthermore, the complementary guidelines as elaborated in Para 88 of the General Financial Rules state that “*the authority administering a grant is ultimately responsible for watching the progress of expenditure on public service under its control*”

The present guidelines oblige the sponsoring / executing departments to:

- i. Dynamically generate, and furnish performance information on project activities.
- ii. Carryout baseline monitoring of the inputs and outputs on prescribed proforma (PC-III a & b) identifying bottlenecks during implementation.
- iii. Furnish “Sector Implementation Reports”: inception, execution, implementation, completion and post completion for analysis.
- iv. Observe and estimate value for money including focus on fiscal discipline (spending money for the purpose and in the manner, prescribed by law and rules).
- v. Ensure that the proper procedures for reviewing the progress reports do exist, and accountability mechanism is operational.

9.2.2. External Monitoring:

External monitoring is carried out by any department outside the circle of execution. The external monitoring is mostly done by the Planning and Development Department and foreign donors for their specific projects. The internal monitoring teams should have a close liaison with the external monitors and are responsible for providing information to the external monitors. The external monitoring teams validate the performance of the project by collecting information on the spot and through field visits and verify it against the information provided by the project management teams (internal monitoring).

9.2.3. Third Party Monitoring

Third party monitoring is performed by the parties that are external to the project or program’s direct beneficiary chain or management structure.

Third party monitoring is mostly opted by the donor agencies with the aim to provide an independent perspective on performance of the project.

9.3. M&E Setup in Balochistan

According to the Balochistan Government Rules of Business 2012, monitoring of development projects is one of the major functions of P&D Department. To strengthen external monitoring mechanism, a designated Implementation and Monitoring wing has been established in the Planning and Development under the Secretary (Implementation) with designated hierarchy at Provincial and Divisional level. The Secretary (Imp.) is assisted by the Director General (M&E), Director General (Imp.), Chief of Section (M&E), Superintending Engineer, Assistant Chief, Executive Engineers, Research Officers and Assistant Engineers at departmental level. The Monitoring teams issue monthly programs for inspection of development projects being undertaken by the different works departments in the first week of each month. Monitoring reports along-with photographs with specific observations, recommendations are shared within the first week of succeeding month.

The Directorates of Development are setup at Divisional level performing functions under the Director Development supported by Assistant Engineers, Assistant Director and other supporting staff. The Directorate reports to the Director General (M&E) P&DD and the Commissioner of Division concerned with the main responsibility to monitor and evaluate all the development works falling within the Division.

9.4. Functions/ Role assigned to P&D under M&E system:

- i. Trace out updated progress of projects in physical and financial terms.

- ii. Conduct random field inspections and compile reports on efficiency, quality and impact of outputs, as well as compliance with procedure
- iii. Identify failure in achieving outputs and suggest remedial actions.
- iv. Serve as “Monitoring and Evaluation Repository” on performance data for utilization at the time of revision of projects, or preparation of PSDP.

9.5. P&D Monitoring and Evaluation Framework:

To transform M&E system into an integral / core function of overall planning process and synergize with various phases of Project Management Cycle, the P&D Department has formulated M&E framework for P&D Balochistan.

The framework provides guideline for M&E cycle including illustration on rationale for M&E framework, institutional, regulatory & procedural mechanism for M&E, guiding principles for the assessment of projects and M&E functions, results including measurement framework for improved M&E framework, strategies for implementation and coordination for M&E framework.

9.6. Monitoring & Evaluation Cycle/Plan:

M&E is essential for designing, planning, assessing changes and measuring the results and impacts of a project. The M&E regulatory controls offer critical review of the various public investments and meeting the basic aim to improve economy and public service delivery. Therefore, the M&E goes side by side with every project management cycle.



M&E Cycle	Focus	Process
Work Planning	What to Monitor	Development inputs, activities, outputs
	Who should monitor development projects	<ul style="list-style-type: none"> • M&E Wing P&D • Divisional Directorates • Special Teams
	When to Monitor	Develop quarterly work plan for monitoring and assign roles and responsibilities
	Where to Monitor	PSDP projects

	What to evaluate and when to evaluate	<ul style="list-style-type: none"> • Status of achieving the desired results? • What worked in contributing towards achieving results and what did not? • How efficient and effective were the interventions in terms of use of resources (value for money) • Is the project economically, socially, environmentally sustainable.
Planning M&E	Standard indicators for development projects	<ul style="list-style-type: none"> • Obtain data on standard indicators and methodologies. The indicators shall match the objectives.
Methodologies and standard tools	How to monitor (methodologies & standard checklist) and with whom to monitor and evaluate	<ul style="list-style-type: none"> • Appropriate methodology (based on nature of project) for monitoring of development project shall be opted
Data collection and analysis	Data-base for inputting and compiling data and standard reporting format	<ul style="list-style-type: none"> • Data shall be obtained and compiled on standard format. Standard Reporting format which is simple and easy to understand be used mentioning key findings and suggested corrective actions.

Communication and reporting	Linkages with other databases and coordination between inter and intra departments	<ul style="list-style-type: none"> • The M&E data and reports be shared with all concerned stakeholders i.e. <ul style="list-style-type: none"> ○ Concerned sections in P&D ○ Finance Deptt ○ Concerned Administrative and Executing agencies ○ CMIT ○ Project Directors
Corrective Action	Linking credible information and evidence with planning and implementation processes	<ul style="list-style-type: none"> • The recommendations in reports shall be reviewed and corrective actions on the part of responsible departments shall be taken are reported to the relevant offices. The reports shall be shared and discussed in quarterly progress review meetings.

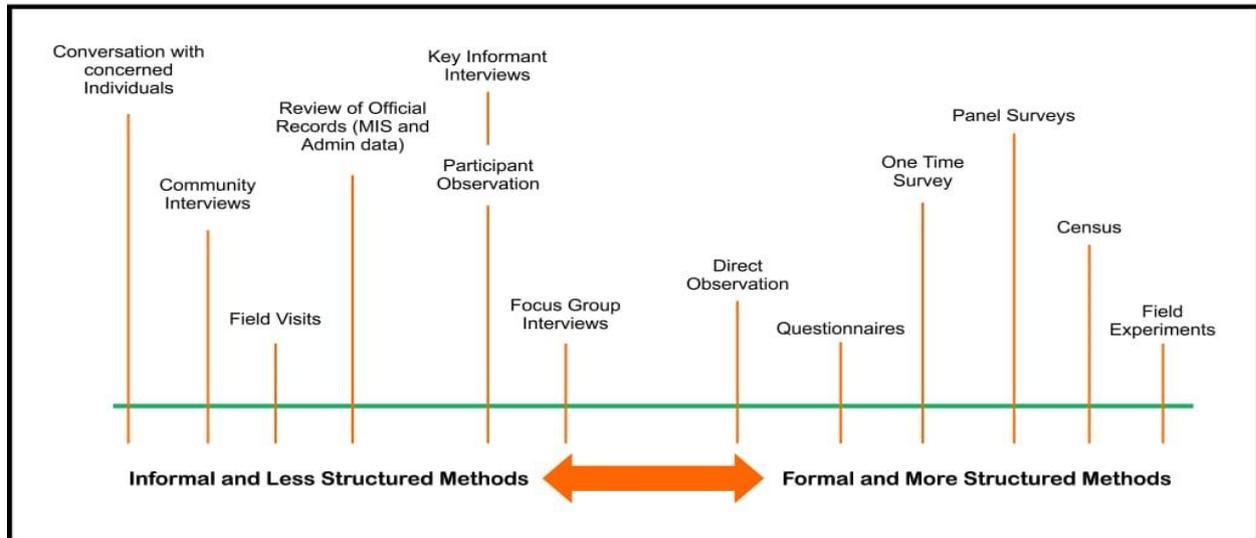
9.7. Monitoring Techniques:

There are many techniques used for Monitoring of projects. The techniques can be used individually or in combination keeping in view nature of the project:

9.7.1. Performance indicators monitoring:

These measure inputs, processes, outputs, outcomes and impacts of development interventions. They are used for setting targets and measuring progress towards them. The impact assessment of development interventions allows this to work for evaluation as-well.

Data Collection Methods



Source: World Bank

9.7.2. The logical framework (Log Frame) approach:

Logical framework (as sometimes called log frame) is a project matrix that makes a brief presentation of impact, effect, output and activities along with verifiable indicators, means of verification and assumptions. It provides an at-a-glance view of the project plan for managers and a basis for M&E needs and purposes.

9.7.3. Public expenditure tracking surveys:

These trace the flow of public funds and assess whether resources have been utilized as per allocation and approved scope without major deviations. The expenditures can be compared with the release position in PSDP or the progress reports/PC-III submitted by the executing agency for preceding quarter and on the basis of utilization capacity of the project further releases or allocation of funds in coming year can be suggested.

9.7.4. Quality Control Monitoring:

Quality Control is must in development projects. The standards of quality are given in the CSR and also illustrated in the PC-I. The executing agency

is liable to maintain the standards in engineering, design and material used. Defects or failures in constructed facilities can result in very large costs. Even with minor defects, re-construction may be required and facility operations may be impaired causing wastage of scarce resources.

9.8. Guidelines for Monitoring Officers:

- i. Project Selection criteria shall be defined, slow moving and projects at completion stage may be preferred.
- ii. Projects not monitored during the last FY may be preferred.
- iii. Size and strategic importance of projects may be given due importance while selecting for monitoring.
- iv. Set target of specific projects to reach and dates for reaching them.
- v. PC-I, PC-III (a &b), previous monitoring report (if any) and objectives of the project may be obtained from concerned section and examined for each project.
- vi. List of contact details of project staff/ contractors to be met in the field shall be obtained.
- vii. Multi-disciplinary monitoring teams may be formulated for better assessment of indicators.
- viii. Select outcome indicators to monitor.
- ix. Gather baseline information on the current condition.
- x. Depending on nature of project and stage of progress, identify types of community representatives to be met to obtain feedback input for monitoring data.
- xi. Photographs and videos may be taken and annexed in reports in support of observations / recommendations.
- xii. GIS coordinates may be taken for record.

- xiii. Data may be analyzed based on planned targets vs the actual performance.
- xiv. Analyze and report the results along-with reconditions.
- xv. Reports may be shared with the relevant stakeholders.
- xvi. Follow up monitoring schedule may be framed for assessing.
- xvii. Implementation of earlier recommendations.

9.9. **Monitoring Indicators:**

Monitoring indicators are specific yardsticks which can measure progress on change in the results of a project. The Federal Governments manual for development Projects has outlined some indicators, some of which are as follows:

i. **Primary Indicators**

- Completion of preliminaries like drawing, designing, tendering etc as per schedule.
- Financial utilization vis-a-vis PSDP allocations, fund releases and item-wise cost utilization. Physical progress, as per approved work scope and time schedule.
- Staff and equipment usage rate
- Managerial performance (timely decisions, efficiency and controls, inventory level, rate of progress, lack of labour trouble/inter-agencies coordination problems etc).

ii. **Secondary Indicators**

- Technical/qualitative parameters, quality control standards, input usage rate, credit supply, extension
- Services (transfer of knowledge and technology with adoption rate etc.)
- Economic parameters (capacity utilization, crop production, intensity, yield, growth rate, etc.)

- Social parameters (income distribution index, availability of basic needs, etc.)
- Environmental parameters (pollution, climate consideration, etc.)

9.10. **Result Based Monitoring:**

Results Based Monitoring (RBM) is a continuous process of collecting and analyzing information on key indicators, and comparing actual results to the expected results. Thus RBM has a wider horizon than just monitoring. Traditional monitoring looks into financial and physical progress but RBM probes into the outcomes and impacts of development projects and programs in quantifiable terms. RBM has been promoted as an important means to improve the quality and impact of development efforts. It is essentially a special public management tool which governments can use to measure and evaluate outcomes, and then feed the information back into the ongoing processes of governance and decision making.

9.11. **PC-III:**

PC-III (Planning Commission III) is a pro-forma used for project monitoring throughout Pakistan. It was developed by the Federal Planning Commission and is used by provincial governments for their project monitoring processes as well. There are two types of PC-IIIs i.e. PC-III (a) and PC III (b). PC-III (a) is submitted once a year in the month of July while PC-III (b) has to be submitted by 5th of every month. **(PC-III a & b annex-XIV)**. PC-III/Progress reports are essential for fact-finding so that decision makers can concentrate on problem solving. The department must therefore ensure timely submission of PC-III proformas.

9.12. Progress Review meetings:

The inter agency progress review meetings are held in the Planning and Development Department to monitor the progress of new and ongoing projects of province relating to Federal PSDP, Provincial PSDP and Foreign Aided projects. The Progress review meetings are held quarterly and are chaired by the Additional Chief Secretary (Dev). The other members include representatives from the Finance, sponsoring and executing departments along-with the concerned officers from M&E, Programming and section concerned P&D Department. The executing agency must submit the progress report/PC-III (a/b) of preceding quarter. The bottlenecks / recommendations for each project shall explicitly be mentioned for clear decisions of the progress review forum.

The progress review meetings also work as coordination forums between different stakeholders and also to follow-up the decisions already taken for implementation of development projects.

Chapter 10: Evaluation

Evaluation is the final phase of Project Management Cycle. Project evaluation is a systematic and objective assessment of an ongoing or completed project that aims to determine the actual contribution, relevance, performance, level of achievement of project objectives, development effectiveness, efficiency, impact and sustainability. Evaluation also feed lessons learnt into the decision-making process of the project stakeholders, including donors and national partners (Development Assistance Committee). Evaluation can help policy makers to extract relevant information from past and ongoing activities that can be used as the basis for programmatic fine-tuning, reorientation and future planning. Therefore, evaluation helps to find out the extent to which a project has been successful or unsuccessful in meeting the desired objectives. It also provides analysis of the project results and compares them with the planned outcomes and impact of a project.

Therefore, evaluation meets the following objectives:

- **Learning from experience:** With the assistance of evaluations, successes and failures of public investment can be interpreted. Based on the experiences, both current and future projects and programs can be improved.
- **Project progress and effectiveness:** The extent to which the project's immediate, medium term and long term objectives were achieved, or

are expected to be achieved, taking into account their relative importance.

- **Relevance and strategic fit of the project:** The extent to which the objectives of a development intervention are consistent with beneficiary requirements, provincial needs, national & global priorities, partner and donor policies.
- **Efficiency of resource use:** A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
- **Deepening understanding:** Evaluation is a tool for deepening knowledge and understanding of the assumptions, options and limits of development projects. Evaluations are intended to contribute to a comprehensive discussion and reflection about development projects.
- **Improved communication:** An evaluation is intended to foster communication and understanding within and between the different stake holders.
- **Validity of project design:** The extent to which the project design is logical and coherent.
- **Impact orientation and sustainability of the project:** The strategic orientation of the project towards making a significant contribution to broader, long-term, sustainable development changes. The likelihood that the results of the project are durable and can be maintained or even scaled up and replicated by project partners after major assistance has been completed.

- **Accountability mechanism:** The evaluation is used as accountability mechanism in implementation of the projects.

The evaluation must not be restricted to the completion stage of the project. It can be applied and conducted at any stage. However, the most appropriate timing will be governed by the nature of the project, and the reason for carrying out the evaluation. Ex-ante evaluation as feasibility study, interim evaluation during execution phase and terminal evaluation after the closure of project can be opted as per requirement when necessary.

10.1. **PC-V:**

PC-V is the evaluation form developed by the Planning Commission of Pakistan which is required to be furnished by 31st July of each year for 5 years after completion of Project indicating projects' operational results during the previous financial year. (PC-V Performa and guidelines to fill **annexed at XV**)

10.2. **Difference between Monitoring and Evaluation:**

Monitoring is necessary, but not sufficient for evaluation. Monitoring facilitates evaluation, but evaluation uses additional data collection and different frameworks for analysis and reporting the output, outcome and impact of development projects. Evaluations, like monitoring, can apply to all sorts of development initiatives, including an activity, project, program, strategy, policy, or organization. The key distinction between the two is that evaluations are done independently to provide an objective assessment of whether or not the project met its targets as per planned objectives. The evaluations also more structured and rigorous in their procedures, design and methodology, and generally involve more extensive analysis. However,

the aims of both monitoring and evaluation are very similar: to provide information that can help informed decisions, improve performance and achieve planned results.

The following matrix highlights differences between Monitoring and Evaluation:

Monitoring	Evaluation
Clarifies program objectives	Analyze why intended results were or were not achieved
Links activities and their resources to objectives	Assesses specific causal contributions of activities to results
Translates objectives into performance indicators and set targets	Examines implementation Process
Routinely collect data on indicators, compare actual results	Explores unintended results
Reports progress to stake holder departments and alerts them to problems	Provides lessons, highlights significant accomplishment of program potential, and offers recommendations for improvement

10.3. Evaluation Criteria:

Generally the development projects are evaluated based on the five key criteria¹⁰:

a. Relevance:

- To what extent are the objectives of the project still valid

¹⁰ UNEG

- Are the activities and outputs of the program / project consistent with the overall goal and objectives of the department?
- Are the activities and outputs of the programme consistent with the intended impacts and effects?

b. Effectiveness:

- To what extent were the objectives achieved / are likely to be achieved?
- What were the major factors influencing the achievement or non-achievement of the objectives?

C. Efficiency:

- Were activities cost-efficient?
- Were objectives achieved on time?
- Was the programme or project implemented in the most efficient way compared to alternatives?

D. Impact:

- What has happened as a result of the programme or project?
- What real difference has the activity made to the beneficiaries?
- How many people have been affected?

E. Sustainability:

- What were the major factors which influenced the achievement or non-achievement of sustainability of the programme or project?
- Is the facility functional as per plan?

10.4. Evaluation types:

The evaluation usually involves using a number of data collecting tools to obtain a range of quantitative and qualitative information about the outcomes and impact of the project or program. As monitoring, evaluation can also be carried out by different stake holders related to the project. The internal evaluation, the external evaluation and third party evaluation can be carried out by stakeholders concerned. The information and data required to be produced in the PC-V can be obtained from project related documents, monitoring reports of the project, previous year budget books, through field surveys, focus group discussions etc.

There are five types of evaluation. The reason for conducting the evaluation and the target development project will better determine the most appropriate type of evaluation to be carried out.

- a. **Formative Evaluation:** Formative evaluation sometimes also called internal evaluation is a method for judging the project/ program during the implementation phase for bringing improvements in scope/ methods. The formative evaluation focuses of the processes and can be conducted during any phase of the project management cycle. Its main purpose is to catch deficiencies as soon as possible and enable the implementers/ designers for remedial actions.
- b. **Summative evaluation:** summative evaluation also called external evaluation is used for judging the tangible worth of a program / project at the end phase of project management cycle. The focus of summative evaluation is on outcomes.

- c. **Process evaluation:** determines whether the project activities have been implemented as intended or planned during the design phase of program.
- d. **Outcome Evaluation** measures program effects in the target population by assessing the progress in the outcomes that the program was designed to address/ achieve.
- e. **Impact evaluation** assesses program effectiveness in achieving its ultimate goals.

Evaluation Type ¹¹	Definition	Uses	Examples
Formative	<ul style="list-style-type: none"> • Evaluates a program during development in order to make early improvements • Helps to refine or improve program 	<ul style="list-style-type: none"> • When starting a new program • To assist in the early phases of program development 	<ul style="list-style-type: none"> • How well is the program being delivered? • What strategies can we use to improve this program?
Summative	<ul style="list-style-type: none"> • Provides information on program effectiveness • Conducted after the completion of the program design 	<ul style="list-style-type: none"> • To help decide whether to continue or end a program • To help determine whether a program should be expanded to other locations 	<ul style="list-style-type: none"> • Should this program continue to be funded? • Should we expand these services to all other after-school programs in the community?

¹¹ <https://cyfar.org/different-types-evaluation>

<p>Process</p>	<ul style="list-style-type: none"> • Determines if specific program strategies were implemented as planned • Focuses on program implementation 	<ul style="list-style-type: none"> • To determine why an established program has changed over time • To address inefficiencies in program delivery of services • To accurately portray to outside parties program operations (e.g., for replication elsewhere) 	<ul style="list-style-type: none"> • Did your program meet its goals for recruitment of program participants? • Did participants receive the specified number of service hours?
<p>Outcomes</p>	<ul style="list-style-type: none"> • Focuses on the changes in comprehension, attitudes, behaviors, and practices that result from programs activities • Can include both short and long-term results 	<ul style="list-style-type: none"> • To decide whether program/activity affect participants outcomes • To establish and measure clear benefits of the program 	<ul style="list-style-type: none"> • Did your participants report the desired changes after completing a program cycle? • What are the short or long-term results observed among (or reported by) participants?
<p>Impact</p>	<ul style="list-style-type: none"> • Focuses on long term, sustained changes as a result of the program activities, both positive/negative and intended/unintended 	<ul style="list-style-type: none"> • To influence policy • To see impact in longitudinal studies with comparison groups 	<ul style="list-style-type: none"> • What changes in your program participants' behaviours are attributable to your program? • What effects would program participants miss out on without this program?

Chapter 11: Project Closure

The Project Closure Phase is the fourth phase in the project life cycle. In this phase, the development project is formally closed and the report regarding its overall level of success to achieve the anticipated objectives of the public investment is shared with all stakeholders.

Just as any of the other project management processes (initiation, planning, execution, monitoring and controlling), project closing serves an important purpose for the Development Planning. It ensures that the desired goals and objectives of the investment have been achieved. It also helps to avoid unfavorable and adverse scenarios which are generally denoted as the never ending, orphan and abandoned projects or claims of outstanding liabilities etc. Project closing must definitely occur at the end of the project to ensure that the project documents are complete, assets have been handed over to concerned authorities/ agencies, final payments are made, scope of work is complete and the facility has been handed over to the administrative department for operations.

In other words, Project Closing is the combination of the following when applied to a project:

1. Confirm that work is done as per the approved PC-I within given cost.
2. The Procurement processes have been completed.
3. Formal completion certificate is issued.
4. The Final payments have been made and accounts are closed properly.
5. Project related documentation has been completed.

6. Project is handed over to beneficiaries to deliver output.

7. PC-IV is prepared and submitted to the Planning and Development Department.

Closure of the project and preparation of PC-IV is the responsibility of executing agency concerned in coordination with sponsoring agency (if any) and the closure of project may not be delayed on account of security money.

11.1. PC-IV:

PC-IV is the Proforma designed by the Planning Commission of Pakistan which is required to be furnished immediately after completion of the project regardless of whether the project accounts have been closed or not.

The PC-IV is prepared by the executing agency in coordination with the Sponsoring agency. The particulars and instructions to fill the PC-IV annexed at XVI). The P&D Department shall notify committee(s) as deemed necessary for endorsement of PC-IV of closed projects and the Security for performance of the contractors shall be retained by the department and not paid unless PC-IV is approved by the forum. Further, the executing agency through admin department shall submit the PC-IV within 3 months of the preceding financial year.

11.2. Premature Project Closure:

It is pertinent that mere completion of the deliverables without adopting proper project closure mechanism does not mean the project is complete. There can be some situations when the projects are required to be prematurely closed. Sometimes situations may arise to close the project prematurely owing to the changed conditions, changed priorities or perpetual nature of project. The top management (PDWP) may not see the

project feasible anymore or worth the investment upto completion stage. A failed project which is unable to deliver would only drain the resources if continued.

In such case the project shall be closed if it is no longer justified, or can no longer achieve its development objectives and targets. The Sponsoring agency in coordination with the Executing Agency shall submit revised PC-I for approval of competent forum i.e. PDWP justifying why the project is being closed prematurely. The PC-I shall contain details of work done against which payment made.

11.3. Transfer of Project Assets:

The development project assets comprise the procured and developed assets during the course of implementation of the project. The developed assets may comprise a building, facility, study/report, software etc. as per approved scope of the PC-I. If the executing agency and administrative/sponsoring department are different, the completed assets have to be transferred to the administrative department for occupations and rendering services it is meant for. The handing-taking shall be done after joint inspection to verify that the work as per approved PC-I has been completed. The documentation for completion of facility and handing taking over shall be recorded and also furnished to concerned authorities. The assets such as machinery, equipment etc. procured through the revenue component of PC-I also need to be transferred and installed to the facility it is meant for.

The Project Authorities with PMU/PIU are required to maintain log / record of procured physical assets and to be presented in the Project Steering Committee (PSC) on annual basis at the eve of SNE approval. After closure or at the eve of closure of the project all the details of physical assets

are required to be presented in the Project Steering Committee to decide the further ownership.

Chapter 12:

Public Private Partnership (PPP)

A Public-Private Partnership (PPP) is a written agreement between the government and one or more private partners (which may include the operators and the financiers). Within the agreement, the private partners deliver the service so that the service delivery objectives of the government are aligned with the profit objectives of the private partners.¹²

According to World Bank *“PPP is a long-term contract agreement between a public party and a private party, for the development and/or management of a public asset or service, in which the private agent bears significant risk and management responsibility through the life of the contract, and remuneration is significantly linked to performance, and/or the demand or use of the asset or service”*.

The requirements of economies and societies have evolved a great deal to meet the requirements and fill the infrastructure gap. While the government plans and invests in potential sectors, the public interventions have some limitations in resources, scope and O&M which require the government to seek alternate means of financing to maintain and develop public infrastructure. Similarly, the private sector excels in designing, implementing, operating and funding of projects in an effective manner but

¹² OECD

has some restrictions in investing in some sectors which involve high risk or require government support. To meet both the boundaries, reduce pressure on public budget, attain expertise in infrastructure development, promote innovation, ensure value for money and cost effectiveness, the Government of Balochistan has also opted for promotion and adaptation of Public Private Partnership.

The Government of Balochistan P&D Department has developed legal and institutional framework for PPP. The Balochistan Public Private Partnership bill was approved by the Balochistan Assembly on 10th April, 2018 and assented by the Governor Balochistan dated 18th April, 2018. Under the act, the Government of Balochistan and its agencies have been fully empowered to enter into public private partnership agreement for development, procurement, implementation, rehabilitation, construction, operation, maintenance of the Projects and for any other appropriate purposes as may have been decided under mutually agreed terms and conditions. The agreement is subject to the provisions given under the act which includes approval by the PPP steering committee.

According to the Act “Public Private Partnership” or “(PPP)” means a contractual arrangement between a Government Agency and a Concessionaire, made in accordance with the Act, in which the Concessionaire is required to undertake an infrastructure project or facility, undertake a prescribed social service or perform a public function or utilizing public property.

12.1. Public Private Partnership Board:

To administer the PPP matters in the province, PPP board has been established under the Chairmanship of Chief Minister Balochistan. The

board is empowered to look into all related matters including Final cost of the projects, contractual and financial arrangements including any subsidies or concessions, amendments in act etc. The composition of PPP Board is as under:

1	Chief Minister, Balochistan	Chairperson
2	Minister, P&D department	Member
3	Minister Finance Department.	Member
4	Two Members of Provincial Assembly, nominated by the Speaker.	Member
5	Chief Secretary, Balochistan.	Member
6	Additional Chief Secretary (Dev:)	Member
7	Secretary, Government of Balochistan, Finance Department.	Member
8	Managing Director, PPP Unit	Member /Secretary.

12.2. Balochistan PPP Steering Committee:

Balochistan PPP Steering Committee has been established under the Chief Secretary Balochistan with the mandate to promote, facilitate, coordinate and supervise private investment in infrastructure and other development projects by using the Public Private Partnership approach.

The Steering Committee composition is as under:

1	Chief Secretary, Balochistan.	Chairperson
2	Additional Chief Secretary (Dev.)	Member
3	Senior Member Board of Revenue.	Member
4	Chief Economist, P&D department, Balochistan.	Member

5	Secretary, Government of Balochistan Finance department	Member
6	Secretary, Government of Balochistan Law Department	Member
7	Secretary (Planning), Government of Balochistan, P&D Department.	Member
8	Secretary, Government of Balochistan, concerned Department /Chairman, Director General of the concerned Authority	Member
9	President Lasbela Chamber of Commerce & Industries	Member
10	President of any other Chamber of Commerce & Industries of Balochistan (by election from amongst them)	Member
11	Managing Director, Balochistan Board of Investment	Member
12	MD, Balochistan Public Procurement Regulatory Authority	Member
13	Sector Specialist(s) from Private Sector	Member
14	Managing Director, PPP Unit.	Member /Secretary

The meetings of steering Committee can be convened as and when required or as inquired by the Chairman. All the decisions of the committee are required to be expressed in terms of the opinion of the majority of its members present and voting. In the event of an equality of votes, the Chairperson or, as the case may be, the Member presiding the meeting shall have a casting vote. The decision/ recommendation of the committee shall be recorded in writing and duly signed by the Chairperson.

12.2.1. Functions of Balochistan PPP Steering Committee:

- a. Formulate policies, rules and regulations relating to the public private partnerships in confirmation with the PPP Act.
- b. Supervise and coordinate the implementation of the Act, policy, relevant rules and regulations.
- c. Periodically, review the legal, institutional and regulatory framework of public private partnership with the objective to promote PPP in Balochistan.
- d. Advise and facilitate the agencies to identify, develop, structure and procure the PPP projects.
- e. Approve pipeline of PPP Projects for Balochistan to the Core Committee and ensure that the pipeline projects are consistent with provincial plans, policies and programs. Moreover, prioritize the list of pipeline projects for implementation.
- f. Approve or reject or send back for reconsideration PPP project proposals, including project concept note and feasibility studies, submitted by the agencies;
- g. Ensure value for money by conducting an analysis to evaluate projects;
- h. Examine and approve or disapprove the feasibility study conducted by a Government agency and recommend the feasibility study for final approval by the Committee;
- i. Recommend funding for PPP projects through Viability Gap Funding and/or Infrastructure Project Financing Facility (IPFF);
- j. Evaluate any direct or contingent support for a project proposal submitted by any Government agency and place the same for consideration by the PPP Board;
- k. Approve standardized contractual provisions and the sector specific provisions of the model public private partnership agreements;

- l. Ensure that each project agreement is consistent with the provisions of the PPP Act and in line with the provincial priorities specified in the relevant policy on public private partnerships or as presented in development plans or strategies;
- m. Determine the maximum limit of government support with regards to bids for any PPP project and have the limit approved by the PPP Board;
- n. Review user levies proposed and rationalize, reject or recommend the same for approval by the PPP Board;
- o. Perform any other function as may be conferred on it by the Act; and
- p. Take all other steps necessary for giving effect to the provisions of Balochistan PPP Act.

12.3. Balochistan Public Private Partnership Unit:

PPP Unit has been established in Planning and Development Department with the following functions:

- a. Serve as the secretariat and technical arm of the PPP Steering Committee;
- b. Assist the PPP Steering Committee in preparation of policies, rules, regulations and guidelines related to the PPP;
- c. Provide technical, financial and legal etc. inputs through relevant experts/ PPP Unit, established under the Act, to the Committee;
- d. Provide information about and guidance on PPP interventions in the province and to act as resource center;
- e. Provide support to the agencies throughout the project life cycle;
- f. Prepare and regularly update a pipeline of the projects in consultation with the agencies and recommend the same to the Committee and

- thereafter make available updated lists of the pipeline PPP projects to the Government Agencies;
- g. Recommend the projects for consideration of the Committee under the Act;
 - h. In consultation with the Risk Management Unit, coordinate / facilitate the PPP Steering Committee to process cases for consideration / approval of subsidy, grant user fee, availability of payments or annuity payment by the PPP Board;
 - i. Recommend to the Committee award of contracts cases;
 - j. Provide capacity building to, and advice government agencies involved in the planning, coordinating, undertaking or monitoring of the PPP projects.
 - k. Assist government agencies, where the Unit considers it necessary, to design, identify, select, prioritize, appraise evaluate and negotiate PPP projects;
 - l. Ensure that the procurement process relating to a project conforms to the Act and to that of Balochistan Public Procurement Regulatory Authority best procurement practices;
 - m. Conduct research and gap analysis to ensure continuous improvement in the implementation of public private partnerships;
 - n. Publish/submit periodical reports after approval from the Committee and share information on the media;
 - o. Facilitate smooth transfer of Assets at the expiry or early termination of a Project; and
 - p. Carry out such other functions as may have conferred on it by the Committee under the Act.

12.4. Risk Management Unit:

The Risk Management unit established in the Finance Department Government of Balochistan acts as the financial guardian for the PPP projects and performs the following mentioned tasks:

- a. Develop Risk Management guideline for approval of the PPP Steering Committee.
- b. Provide support and advice to any agency with regard to risk management in a project throughout the public private partnership process;
- c. Examine, in consultation with the PPP Unit, whether requests for Government support and the proposed risk sharing arrangements are consistent with the Act, rules and regulations, and are fiscally sustainable;
- d. Recommend the inclusion of approved Government support in the budget of the Province;
- e. Monitor direct and contingent liabilities of the Government incurred through the PPP projects; and
- f. Perform such other functions as may be prescribed or as the PPP Steering Committee may assign.

12.5. PPP Departmental Node:

Any government agency that desires to enter into a PPP arrangement in the form of a concession contract shall establish Department PPP Node with the approval of the PPP Steering Committee.

The Node will be headed by the head of the government agency and may consist of senior representatives from other departments with financial, technical, procurement or legal background but not below BPS- 19.

The Departmental PPP node will perform the following tasks:

- a. Identify suitable projects and prioritize these within its sector or geographical area of responsibility;
- b. Recruit transaction advisors for project preparation and tendering in consultation with PPP Unit;
- c. Supervise the preparation of the feasibility study and if its outcome is positive, submit the project proposal through the PPP Unit to the Steering Committee;
- d. Conduct a competitive tendering process, including pre-qualification and bidding to select the private party;
- e. Carry out bid evaluation and submit recommendations on contract award to the Committee;
- f. Negotiate and sign the PPP agreement after clearance from the Committee;
- g. Monitor and evaluate implementation and operation of the PPP projects;
- h. If needed, seek support and advice from the PPP Unit and Risk Management Unit for the performance of any of the above functions;
- i. Prepare monthly and annual progress reports (PC-III A and PC-III B) on the Agency's projects to be submitted to the Committee through PPP Unit;
- j. Implement the recommendations and guidelines approved by the Committee;
- k. Table such information as shall be required by the PPP Unit, Risk Management Unit or the Committee; and
- l. Perform such other functions as may be assigned to it by the Steering Committee.

12.6. PPP Project Inception:

No department shall select, prioritize, structure, procure and implement a project unless the project falls under the priority area of the Government and economic cost benefit analysis has been carried out with suitable outcome. The government agency shall conduct a preliminary economic cost-benefit analysis of the proposed Project through its PPP Node from its own available resources. If the analysis confirms suitability of the project to be implemented under PPP mode, a concept paper thereof shall be submitted to the PPP Unit. The data supported concept paper shall be appraised by the PPP unit for successful development and implementation under PPP modality. Upon initial approval by the PPP unit, the project shall be registered and the concept note shall be recommended for consideration of the PPP steering committee. After initial covenant by the PPP unit, the RMU and Steering Committee; the government agency shall conduct detailed pre-feasibility or feasibility study for in depth analysis for determining that the project is economical feasibly and capable of providing the value for money to the Government and PPP users, indicating full cost to the government if outsourced or otherwise. Along-with the Financial and economic viability of the project, the feasibility study shall also provide information of the other required aspects of the project such as outsourcing activity, managerial aspects, functionality, expected inputs and outputs of the project, effectiveness and ability of both the parties to implement and perform the task etc. The feasibility study may also cover any other requirement(s) of the government agency or as required under the law.

The feasibility study along-with a report and other required documents shall be shared with the PPP unit which shall be apprised for validity by the

PPP Unit and Risk Management Unit. After appraisal the feasibility report shall be placed in the steering Committee for consideration.

The Government Agency, as far as possible, shall complete the whole process commencing from initial screening up to the approval of feasibility study within a period of six months. In exceptional circumstances concerning the complexity of a PPP Project, the PPP Unit may extend the time to a reasonable timeframe required for the completion of the feasibility study.

The procuring agency shall prepare bidding document and draft PPP agreement and with the approval of the PPP unit shall advertise in leading newspapers as prescribed under the Act.

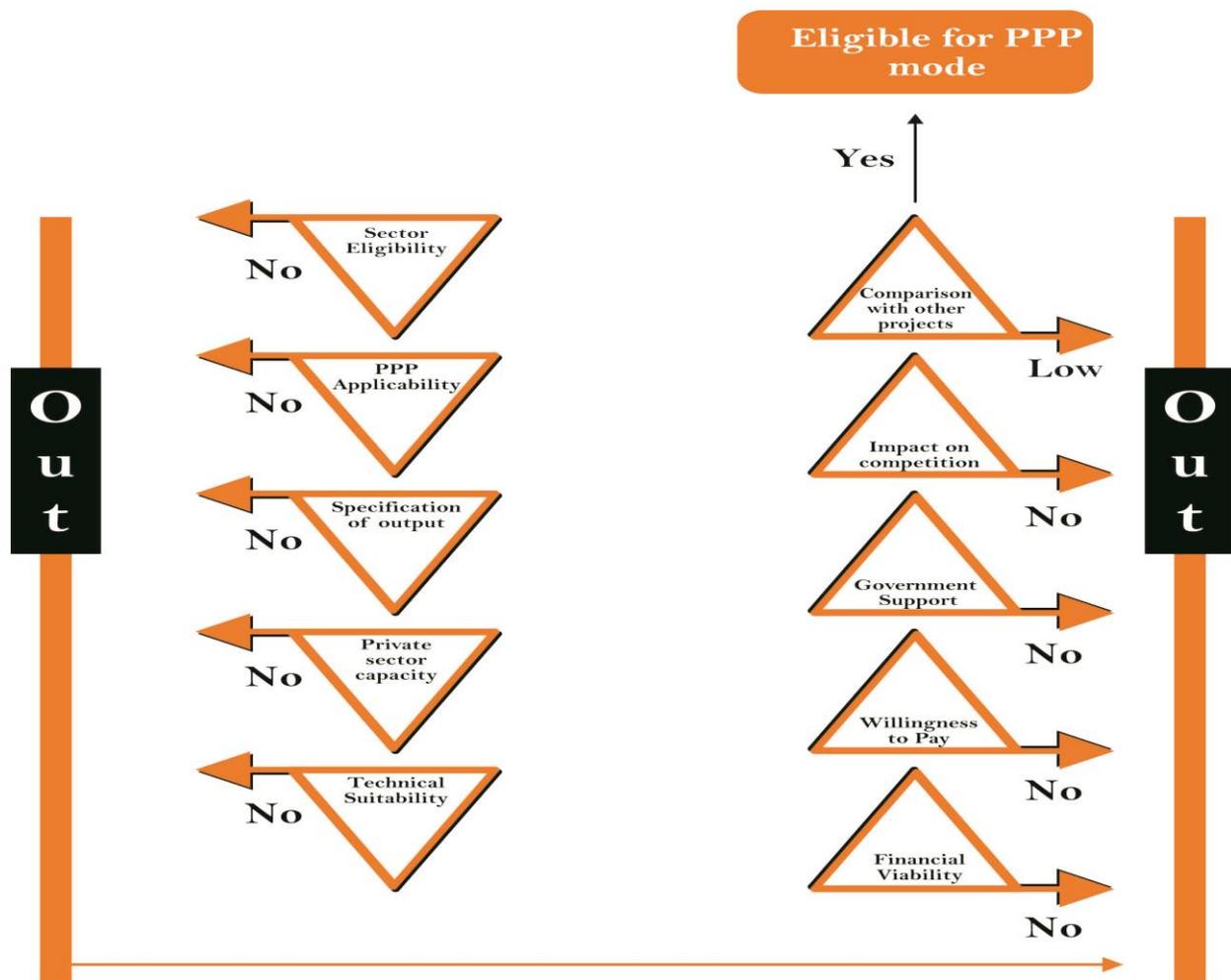
12.7. Unsolicited Proposals:

Unsolicited proposal refers to a written proposal for a new or innovative idea for development of a new PPP Project that is submitted to a government agency on the initiative of the offer or for the purpose of obtaining a PPP contract with the Government, and that is not in response to a request for proposals.

The PPP unit in consultation with and under the supervision of the Steering Committee shall prescribe special guidelines specifying preferred sectors, geographical areas and type of projects against which unsolicited projects shall be accepted. Further, the proposal submission, appraisal, processing and approval of such proposals shall also be defined apart from the principles as given under the act.

12.8. Screening of PPP Projects:

A number of factors need to be considered while screening a project to assess if it can be undertaken in PPP mode. Some of the criteria are explained briefly below:



12.9. PPP Project Implementation and Operations:

Based on formal approval and as per conditions incorporated under PPP contract agreement the project is implemented and the private party shareholders shall not be allowed to change their shareholding interests

during the debt service period. The affairs of implementation and operations are run as per the PPP agreement. The types of PPP agreement for implementation and operation of the project may include any of the following mechanisms:

1. Build and Transfer (BT)
2. Build, Lease and Transfer (BLT)
3. Build, Operate and Transfer (BOT)
4. Build, Own and Operate (BOO)
5. Build, Own, Operate and Transfer (BOOT)
6. Build, Transfer and Operate
7. Contract, Add and Operate (CAO)
8. Develop, Operate and Transfer (DOT)
9. Joint Venture (JV)
10. Management Contract
11. Rehabilitate, Operate and Transfer (ROT)
12. Rehabilitate, Own and Operate (ROO)
13. Service Contract

12.10. Probity and Transparency in PPP:

While entering in PPP agreement and during the processes of initiation, preparation, procurement, management and implementation, every agency of Government of Balochistan must adhere to the following principles of probity and transparency as set under the act:-

- a. A Government Agency must carry out its responsibilities relating to the initiation, preparation, procurement, management and implementation of public private partnership project(s) with complete probity and in a fair and transparent manner;

- b. A Government Agency may not include in the procurement documents, any condition or specification which favours or is likely to favour any individual bidder or a group of bidders unduly;
- c. The project officers, transaction advisors, procurement committee members, and members of the management team, may not have direct or indirect interest in public private partnership project(s), which the Government Agency is intending to implement and must disclose such interest to the accounting officer before any decision is taken by the Government Agency with respect to a public private partnership;
- d. The Accounting Officer of the Government Agency shall,-
- e. Evaluate the conflict of interest contemplated in clause (c) above and must formulate and implement appropriate responses to the such conflict of interests, such as recusal by the person concerned from any position where the conflict of interest could influence a decision by the Government Agency; and
- f. keep or cause to keep a record of disclosures made in terms of clause (c); and
- g. The Accounting Officer must keep or cause to keep a record of actions and decisions taken by the Government Agency in respect of public private partnership project (s), including tender proceedings.