



Program Support Unit Sindh Devolved Social Services Program

Finance Department, Government of Sindh, Karachi

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Loan No. 2049-PAK: Sindh Devolved Social Services Project

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3rd & 4th Quarterly Progress Report For the Period upto February 2005

A. Summary Part

With an unrelenting focus on brining sustainable devolution of political power through decentralization of administrative authority, de-concentration of management functions, diffusion of the power-authority nexus, and distribution of resources to the district levels DSSP has made a remarkable progress within its brief existence.

The fact that Program outcomes cannot subscribe to a straitjacket of structure and strategy cannot be overemphasized. Three years may appear to be a reasonable time scale for expecting tangible outcomes of devolution yet absence thereof only points to the grim reality of absolute erosion of governance and social structures over a period of time. DSSP aims to remedy the underlying ailment rather than manifest symptoms and as such the results would have trickling effect.

Documented results of First Tranche Actions (FTA) and further progress on achieving the Second Tranche Actions are fully demonstrative of the Government of Sindh's resolve to cascade the effects of devolution down to the last link of administration. However there are immense capacity gaps in institution that have to execute reform plans. It is envisaged that upon full roll out of the Program; with operationalization of Program Support Unit (PSU) and its counterpart in Districts the Local Support Units (LSUs), the implementation would gain due momentum. While all the Provincial Line Departments promptly expressed commitment to the DSSP strategy of thorough reforms in social sectors yet find themselves severely restricted in producing their own implementation plans with ideal mix of ground realities and modern management solutions. Moreover in perspective of new relationships and linkages the Program was expected to follow a prefigured implementation route.

B. Technical Part

Description	Assessment of Progress-to-date	Reference
<p>A. Program and Sector Management and Monitoring</p>		
<p>a. PSU shall ensure that all the initiatives envisioned under the Program are carried out as per the Policy Matrix.</p>	<p>Notwithstanding a severe human resource crunch PSU has managed to ensure conformance to the envisaged policy outcomes of the Program. FTA Report and Aid memoirs as a result of close liaison with ADB vouch for the role performed by PSU.</p> <p><u>Policy Outcome 1:</u> (i) As a major step towards further devolving the Social Services to Local Governments the SPG has devolved the management of the basic urban services like Karachi Water & Sewerage Board, Karachi Building Control Authority, Lyari development Authority and Malir development Authority to the City District Government Karachi.</p> <p><u>Policy Outcome 2 :</u> (i) The PFC has considered and approved a formula for the distribution of the DSSP conditional grants to DGs and TMAs. This formula was recommended by the PSC after having consulted LGs. It was decided by the PFC that the formula will remain in force for the first year of the Program while it will be reviewed after the studies for Strengthening of PFC and establishing a Mechanism for the Conditional Grants under DSP are completed and recommendations for a performance based formula are presented to the PFC.</p> <p>SPG has created four new districts which affected the sharing of districts while the sharing of TMAs has remained unaffected. The PFC was requested to decide mechanism for the change in sharing of newly created districts. PFC approved the proposal of the PSU and funds are now being disbursed accordingly.</p> <p>(ii) The Finance Department, on the recommendation of the PSU has decided to allow the opening of Local Fund Accounts for the TMAs. This revolutionary step towards fiscal decentralization is aimed at ensuring greater fiscal autonomy to be exercised by the TMAs – the local government tier that is fundamentally responsible for the provision of the basic municipal services. The TMA funds from the provincial side are now being transferred in their new Local Fund accounts. The Finance department in consultation with the PSU-DSSP has issued comprehensive instructions for the operation of such accounts. Existence of such accounts has also facilitated in the direct disbursement of the DSSP grants to the TMAs and tracking of the utilization thereafter.</p> <p>(iii) On the insistence of the Finance Department and PSU the outstanding issue of the procurement of the medicines by the provincial health department has been resolved. The DoH has now realigned its role to the streamlining of ‘Rate Contract’ only and the procurement will be made directly by the district governments from the funds being directly transferred through PFC mechanism. Going a step ahead the</p>	<p>Annex- A</p> <p>Annex-B (I, II, III)</p>

	<p>DoH has also allowed the provincial institutions and teaching hospitals to directly procure the medicines instead of through provincial procurement cell.</p> <p><u>Policy Outcome 3 :</u> (i) After the approval of the GRAP from the Cabinet the Women Development Department (WDD) is working on the preparation of a detailed Action Plan for the implementation of each of the action approved by the Cabinet. PD (DSSP) and PD (DSP) are assisting the Secretary WDD in this regard.</p> <p>(ii) PSU remained engaged with the DGs and TMAs through a series of interactive sessions where the objectives of the program and the implementation modus operandi were discussed with the stake holders. As a result of this interaction the majority of the LGs have agreed to participate in the program and have signed the MOUs as a sign of their commitment towards the improvement of the service delivery system through this program.</p> <p><u>Policy Outcome 4 :</u> (i) Since the distribution of the grants is linked with the preparation and approval of the ASPs therefore the PSU has prepared, circulated and discussed with the LGs the Guidelines for the preparation of Annual Sector Plans (ASPs) for the devolved social sector aimed at improving the budgeting and planning process. Some of the LGs have prepared their basic plans and got these plans approved from their respective councils as well. However, it is observed that a greater intervention is required for the capacity building of the concerned officials of the DGs and TMAs.</p> <p>From 11 February the SPG has started the disbursement of funds to the eligible LGs. In the first instance 7 districts and 11 TMAs have been provided funds under the PFC conditional grant formula.</p> <p><u>Policy Outcome 5 :</u> SPG stands committed to the expansion of support to the SMCs upto the class XII and Katchi in two phases. Allocation in year 2004-05 has been enhanced to Pak Rs. 500 million to extend this support upto class VIII in current year.</p>	<p>Annex-C List of LGs</p> <p>Annex-D Release Orders DSSP Funds</p> <p>Annex-E FD release order</p>
b. PSU shall implement a system of Program monitoring and shall implement the Project.	Due diligence is being observed in setting up of basic Program framework, upon complete roll out of Program with operationalization of PSU and LSUs the nuts and bolts level of forensic mechanism would be out in place.	
c. PSU shall track the flow of funds and monitor financial management of the proceeds of the Loan	MOUs signed with DGs interalia contain an intrinsic tracking function. The PSC has also approved a mechanism in consultation with the office of the Accountant General Sindh for the distribution of the loan proceeds to the LGs and tracking of the utilization of these funds.	Annex- F Coy of guidelines
B. Capacity Building		
a. PSU shall organize awareness campaigns about Sindh's poverty reduction	An ambitious networking campaign has been started to align all potential sources required for such extensive capacity building agenda. The TORs of sectoral experts interalia list	

<p>strategy, strengthening of participatory planning, rationalization of services, and support for CBOs and devolved social services.</p>	<p>deliverables on capacity building. Building on their recommendations based on the Training Need Assessment (TNA) very structured capacity building programs would be launched by PSU.</p>	
<p>b. LSU will strengthen the DGs and the TMAs in the areas of :</p> <p>(a) annual planning and budgeting for social services using a participatory approach;</p> <p>(b) gender mainstreaming;</p> <p>(c) social sector management & monitoring;</p> <p>(d) financial management as required;</p> <p>e) strengthening of linkages of governments and communities and</p> <p>(f) Capacity building of the CBOs.</p>	<p>Process has been initiated for hiring of a Participatory Planning Specialist at PSU to assist PLDs and LGs on participatory planning Methodologies. Likewise, F&G officers are being hired at LSUs to assist and build the capacity of LGs in social sector planning, budgeting and financing areas.</p> <p>Process has been initiated for hiring of a ‘Gender & poverty Specialist’ to assist PLDs and LGs on the issues related to gender mainstreaming.</p> <p>PSU is providing consulting facility for PFC and M&E in PSU and M&E firm in LSU to strengthen the capacity of PFC and support PLDs and LGs in management and monitoring of social sector</p> <p>A very proactive financial management would begin upon positioning of finance and governance experts at LSUs working under overall guidance of PSU for a coherent and centrally coordinated financial management.</p> <p>ADB has also provided a Technical Assistance for the ‘MOBILIZATION OF GRASSROOTS STAKEHOLDERS FOR PRO-POOR SOCIAL SERVICE DELIVERY’ in Sindh. PDWP has approved the PC-II and it has been sent to CDWP for its approval before the lead NGO is hired by the ADB for study in two selected model districts. The TA aims at creating ‘Social Development Forum’ with representation from communities, public representatives, NGOs, technocrats and civil servants to identify and discuss issues at community level. This TA will play an important role in bringing the marginalized groups on one platform and ensuring their access to the social services.</p>	
<p>C. Sector Specific Reforms</p>		
<p>a. Education: Sindh shall examine, with the assistance of consultants, a range of policy issues such as the functioning of the SMCs, contracting teachers and affordability of education.</p>	<p>Sindh Education Department in collaboration with EU has initiated a very ambitious but rightly directed Sindh Education Plan (SEP). The plan envisages to cover all the policy areas as well as preparation of a mid term expenditure framework (MTEF). The work has been completed in the pilot district (Thatta) and the PSU is on board. The experience of this initiative will be shared with other districts before replicating it under SEP / DSSP.</p> <p>To further assist the DoE and the DGs on the sector specific reforms the PSU has started the process for the hiring of Education Sector Reform Specialist, and Education Sector Economist for PSU and Education Sector Officers for LSUs. For ownership purpose the TORs for these three positions</p>	

	have also been prepared by the DoE.	
<p>b. Health:</p> <p>(a) health boards and patient associations shall be established to strengthen local participation in managing services; and</p> <p>(b) studies shall be undertaken, vis a vis, contracting arrangements for staff and public-private partnership, improving the financial sustainability of health facilities, and rationalizing and operationalizing closed health facilities</p>	<p>Sindh Health Department is in process of formulating a comprehensive Provincial Health Policy. It is expected that Department will announce the policy by 1st week of March including policy guidelines for Public Private Partnership.</p> <p>To further assist the DoH and the DGs on the sector specific reforms the PSU has started the process for the hiring of Health Sector Reform Specialist, and Health Sector Economist for PSU and Health Sector Officers for LSUs. To ensure the ownership the Health Department has been asked to prepare the TORs for these three positions.</p>	
<p>c. Water and Sanitation Services:</p> <p>(a) technical support shall be provide for the capacity building of the TMAs, including financial management and monitoring system, categorization of schemes, consumer surveys, preparation of a master plan for the TMAs and capacity building and support for the VDAs to manage water and sanitation services; and</p> <p>(b) with the assistance of consultants and using a participatory process, interim policies for the water and sanitation sector shall be prepared, including for solid waste management in general and of hospitals, health centers and drinking water and sanitation in particular.</p>	<p>(i) Keeping in view the shortage of the technical manpower and the fact that most of the Town / Taluka Officers (W&S) are juniors the SPG has devolved the regional set up of the PHED and instead established District Support Units (DSUs) in each district to provide technical assistance to the TMAs for executing relatively larger and technically complexed water supply and drainage schemes.</p> <p>(ii) PSU is now working with PHE Department in coordinating the activities for capacity building of the TMA staff in preparation of ASPs and planning and execution of schemes.</p> <p>(iii) SPG has devolved the staff of the erstwhile Public Health Engineering Department to the Taluka Municipal Administrations in Sindh for an effective water supply & Sanitation service delivery and upkeep of the existing facilities. Salaries of the devolved technical staff are also being transferred directly into the accounts of the TMAs.</p> <p>(iv) ADB Technical assistance for 'STRENGTHENING ENVIRONMENTAL MANAGEMENT' in Sindh is aimed at improving policy framework in water supply and solid waste management sector. TA will assist SPG in the development of broad policies in the water, sanitation and solid waste management areas and tariff administration. After the completion of this TA the TMAs will prepare their own local Action Plans for the implementation of the outcomes of the TA depending upon their local circumstances and needs.</p> <p>PC-II for the TA has been approved by the PDWP. TA is likely to be effective immediately after the clearance from the CDWP.</p>	

C. Financial Part

I. Counterpart Funds

Amount requested by the Executing Agency for allocation in the annual budget	-	US\$	3.115 Million
		Pak Rs.	178.842 Million
Amount approved by the Government in the annual budget	-	US\$	2.570 Million
		Pak Rs.	147.607 Million
Amount of utilization to date	-	US\$	0.0002 Million
Difficulties in getting the allocated amount released due to budgetary or other procedures	-	US\$	NIL

D. Management and Operations Part

(i) Any changes in the organization of the Executing Agency, its management, etc;

- The organization of the Finance department being the Executing Agency and its management remained unchanged.
- The SPG has however, notified the creations of four new districts in province by bifurcating four existing districts and increasing the total number of administrative districts from sixteen (16) to twenty (20).
- PSU will have to incorporate certain changes in the PC-I to provide the required staff, technical and administrative facilities in the LSUs to be established in the four new districts.

(ii) Status of the Project Office and / or Field Office staffing;

- Process for staffing of government counterpart sector officers and consultants is progressing as per Action Plan agreed between ADB and PSU.
- PD has been notified and performance contract signed.
- Program Officers (Education, Implementation & Monitoring and Administration) have been notified by the finance department.
- Process for the recruitment of the support staff from market / public sector has been initiated.

(iii) Any significant decisions made in relation to particular loan covenants.

Nothing to report during the period under review

E. Loan Covenants and other Miscellaneous Matter

I. **Loan Covenants**

(Use PAM Appendix 9, pages 3 - 4)

Nothing to report during the period under report

II. **Expected Progress for the next reporting period**

(Narrative description of the expected progress for the next reporting period)

- i. Process for Hiring of the consultants for PSU and LSUs
- ii. Process for recruitment of the support staff
- iii. Process for procurement of goods & equipment
- iv. Identification / hiring of M&E and WSS firms for LSUs
- v. Complete transfer of ADF funds to LGs
- vi. Finalization of Performance Management system and performance contracts for the recruited staff

III. **Problems encountered which significantly affected the implementation of the Projects / Action Taken and / or Proposed**

Problems:

- i. Approval procedure has taken considerably longer time that has severely restricted the implementation process.

Actions Taken and / or Proposed:

Actions Taken

- i. PSC has constituted a technical working group consisting of focal persons from each PLD to assist PSU and their respective heads in the process of implementation.
- ii. PSC has approved the nominations of EDOs (F&P) and TO (I&S) as Focal persons for districts and TMAs respectively

Action Proposed

- i. To put the implementation process on fast track a note has been moved for the Senior Cabinet Minister for a high level Ministerial meeting to address the issues in the completion of the second tranche actions.

ABDUL KABIR KAZI
Program Director

Copy to;

1. Additional Chief Secretary (Dev) / Chairman PSC (SDSSP) Government of Sindh
2. Secretary Finance Department, Government of Sindh
3. Senior Joint Secretary, Economic Affairs Division, Pakistan Secretariat, Islamabad
4. Country Director ADB, PRM Islamabad