



**SOUTH ASIA DEPARTMENT  
Social Sectors Division**

**AIDE MEMOIRE**

**Loans 2047/48/49-PAK: Sindh Devolved Social Services Program  
Inception Mission (July 12-17, 2004)**

**I. INTRODUCTION**

1. The Sindh Provincial Government (SPG) is undertaking wide-ranging reforms in the social sectors. ADB is supporting these reforms through the Sindh Devolved Social Services Program Loan (SDSSP) approved on 12 December 2003 for \$220 million. SDSSP will assist local governments in focusing on improving social services for the poor, especially women and children. SDSSP covers the social services that have been devolved to the district governments (education and health) and Taluka Municipal Administrations (water supply and sanitation). SDSSP supports formula-based conditional grants to local governments based on annual plans prepared for the entire sector and showing all sources and (proposed) uses of funds. A policy reform program has been agreed covering the following areas: (i) further devolution of administrative and financial powers, (ii) improving social sector financing, (iii) improving participation and public accountability, (iv) rationalization and standard setting of services, and (v) support for community-based organizations. In April 2004, the above captioned loans became effective and ADB released the first tranche of \$100 million.

2. A mission visited Karachi from 12-17<sup>th</sup> July, 2004 to (i) review loans 2047/48/49-PAK; (ii) provide the Program Support Unit (PSU) with an overview of ADB's procedures on procurement, consulting services, disbursements and reporting specifically related to the TA loan; (iii) attend the first meeting of the Core Group on the Sindh Education Program. The Mission comprised L. Arthur, Education Specialist/Mission Leader; W. Loxley, Principal Education Specialist; R. Romasanta, Associate Project Analyst; and F. Moriani, ADB Consultant, Finance and Governance. The Mission held discussions with the Departments of Finance, Planning & Development (P&D), Education, and Local Government. A list of persons met is attached as Annex A. The Mission appreciates the cooperation of all Departments, especially the Finance Department and P&D for their productive discussions and hospitality.

**II. PROGRAM ADMINISTRATION**

3. The PAM was circulated to Program staff at the PSU and Finance Department. It will serve as the working document for the implementation of the Program. In addition, Ms. Romasanta gave a presentation on ADB procedures, namely: consulting services, disbursements, procurement and reporting. The EA understood and agreed to follow ADB procedures for the implementation of the TA Loan, and has agreed to submit the

following reports for 2004: Inception Report by August 20, an Interim Quarterly Report by September 30, and a finalized Quarterly Report by November 15.

### III. PROGRAM IMPLEMENTATION

4. **Program Support Unit Establishment.** The Mission was pleased to see that progress has been made on the PSU facility, which is nearing completion and should be ready to house the initial staff shortly. The Secretary Finance indicated that bridge financing may be required from Government sources to complete construction of the PSU building while awaiting approval of the PC-I. The Mission supports this request.

5. **Imprest Account.** An imprest account has been opened at the State Bank of Pakistan for ADB's loan funds. The Finance Department has also opened PKR and US\$ assignment accounts at the National Bank of Pakistan for the Project loan funds and Government counterpart funds. The SPG has released an advance of PKR 3 million as part of the Government counterpart funds towards the TA.

6. **Steering Committee.** SPG has established the Provincial Steering Committee (PSC) chaired by the Additional Chief Secretary, P&D, including 5 provincial representatives, 3 Nazims, and 2 members from civil society. Two of the members are female. In its first meeting, the PSC approved a request from the Line Departments to add three technical representatives from Education, Health and Local Government. The Mission welcomed the establishment and activation of the PSC and stressed the importance of its role in providing the leadership for the Program. In this respect, the Mission highlighted the need – at this inception stage – for frequent PSC meetings to provide appropriate guidance and monitor the pace and quality of progress made on various elements of the Program.

7. **Second Tranche Actions.** The Mission Leader and Program Director agreed to develop a matrix for monitoring follow-up of post-first tranche actions and progress on second tranche actions, ahead of a Consultation Mission in September.

### IV. ISSUES

8. **PC-I.** Due to P&D's concern that the PC-II would not provide sufficient flexibility for procurement and hiring of consultants, SPG is now using the PC-I format for the TA Loan rather than the PC-II. The Mission agrees to use a PC-I on the understanding that irrespective of the project documentation format used, its content is meant to support the main objectives of the Loan, namely: (i) strengthening sector and program management and monitoring, (ii) developing Local Governments and Community Based Organization governance capacity in social services, and (iii) supporting sector work on specific policy reforms to improve sector performance. The Mission would like to record its appreciation for the role played by the P&D in its efforts to process the PC-I as a priority and would like to reiterate its view that the expeditious approval of the PC-I at various competent forums remains a critical intervention. In order to provide the PSU with some managerial latitude, the Mission strongly supports the PSU proposal of seeking anticipatory approval for the PC-I from the Finance Division, Government of Pakistan, as that would enable the PSU to initiate the processes of recruitment and procurement. The Mission will follow

up with SPG concerning the status of the PC-I during the upcoming Consultation Mission.

9. **Conditional Grant Formula.** As per the agreed Program framework, the SDSSP ADF funds are to be distributed to Local Governments according to a transparent formula, approved by the PFC, as an additionality over existing transfers and grants to the LGs from the SPG. The Mission observed that the PSC has proposed to amend the original formula of 70% population and 30% backwardness to 50% population, 30% backwardness and 20% equal share. While recording its concern over this proposed change after having agreed to the original distribution formula, the Mission accepts the new formula for the first year (FY04-05) with an understanding that in subsequent years, the PFC would approve/endorse the addition of more performance-based criteria to the formula so as to motivate and reward good performance by Local Governments. In this regard, the Mission suggests that SPG should explore ways of reducing the equalization share in the distribution formula. The Mission also suggests that the specific formula should be clearly stated in the Memorandum of Understanding between SPG and Districts/TMAs.

10. **Program Support Unit.** The Mission observed that SPG has revised the list of domestic consultants agreed during the previous mission in March. The number of person-months at the PSU and Sector Reform Units has been reduced in favour of an increase in person-months at the Local Support Units (LSUs). The Mission's principal concern with this change is that the reduction in person-months and elimination of certain positions, such as sector economists and regulation specialists, would seriously constrain the PSU's capacity to effect structural change through specific policy reforms regarding quality assurance, regulation, and economic and financial analysis. In consideration of these concerns, the Mission, Project Director, PSU and SPG have agreed on a revised list of consultants (Annex B), which is in keeping with the provisions and objectives set out in the RRP. The revised list will be presented before the competent forum for approval as part of the PC-I.

11. While the Mission appreciates the efforts of the existing skeleton PSU team to engage with the LGs in explaining the various aspects of the Program, it would also encourage the team to achieve the following: (i) finalize the MOU so that it can be signed with LGs; (ii) transfer the ADF funds to the LGs as a priority; (iii) identify Focal Persons in each LG; (iv) fully activate its website; (v) and prepare a quarterly work plan for approval by the PSC. In order to facilitate this work, the Mission would suggest that the EA look into early mobilization of Government counterpart staff, at least at the administrative and clerical level from within the SPG, who could be financed out of the PKR 3 million advance released by FD as part of its contribution towards the Government counterpart funds in the TA loan.

12. **Education Core Group Meeting.** The Mission Leader and the ADB Principal Education Specialist attended the first meeting of the Education Core Group, chaired by the new Minister of Education, Dr. Hameeda Khohro. The Mission supports the Core Group's focus of defining a Sindh Education Program and developing the financing framework. These developments are important for SDSSP's education sector objective of supporting the Department of Education (DoE) as it redefines its role vis-a-vis LGs and SMCs post devolution. It was agreed that the Core Group would reconvene in September to discuss the output of the respective working groups. In this regard, the

ADB Mission met with EC representatives to coordinate their respective roles of assistance to the DoE.


13. **Capacity Building TA.** The Mission was accompanied by a parallel Mission, led by Ms. Tatiana Gallego Lizon, Environmental Specialist, which proposed the Capacity Building TA for Environmental Management in Sindh. In support of DSSP, the TA is intended to enhance on-going institutional restructuring and formulate development policies, strategies and action plans for Water and Sanitation Supply and Solid Waste Management sectors in Sindh, leading to improved environmental and health conditions. In this respect, the TA will assist the SPG in meeting second and third tranche release requirements of DSSP. The Mission supports this TA initiative and anticipates its approval for further processing.

## V. CONCLUSION AND RECOMMENDATIONS

14. Ahead of a review mission in December/January, a brief Consultation Mission is planned for mid-September to discuss SPG's progress in establishing the PSU. A Recommended Plan of Action is attached as Annex C, in which timeframes are indicative and can be amended to the mutual agreement of ADB and the PSU.

## VI. ACKNOWLEDGEMENT

15. The Mission would like to extend its thanks to SPG, especially the Finance Department and P&D for their commitment and ongoing cooperation.



L. Arthur  
Education Specialist  
Social Sectors Division, South Asia Department  
Asian Development Bank

**LIST OF PERSONS MET  
LOAN INCEPTION MISSION  
11-17 July 2004**

**Finance & Cooperation Department, GOS**

Mr. Malik Asrar Hussain, Secretary Finance & Cooperation

Ms. Naheed Durrani, Additional Secretary (Resources) /Program Coordinator Sindh Reform Program (Finance & Cooperation Dept)

**Planning & Development Department (P&D), GOS**

Mr. Ghulam Sarwar Khero, Additional Chief Secretary, (Development) P&D Dept./Chairman PSC (DSSP)

Mr. A.G Pirzada, Chief Economist P&D

Mr. Hasan Aly Din Mohammad, Chief of Foreign Aid P&D

Mr. Fazal Nizamani, Chief Health, P&D Department

Ms. Rehana Ghulam Ali Memon, Chief PP&H, P&D Dept.

Mr. Siraj Kazi, Chief Environment P&D Dept

**Education Department**

Dr. Hameeda Khohro, Minister of Education

Mr. Ghulam Ali Pasha, Secretary Education

Mr. Sualeh Ahmed Farooqi, Additional Secretary (PDF), Education Department

**Health Department**

Muhammad Umar Abro, Additional Director, Health Department

**Women Development**

Ms. Farzana Saleem, Director Women Development

**City Nazim / Town Nazims**

Mr. Naimatullah Khan, Nazim, City District Government, Karachi

Mr. Mir Hussain District Coordination Officer, Karachi.

Brid: Ifthikhar Haider, EDO, Water & Sewerage

Prof. Muhammad Rais Alyi, EDO, Higher Education

Dr. Fazal Elahi, EDO, Health, Karachi.

Mr. Gul Muhammad Hajano, EDO, Education

Mr. Shahid, Town Nazim, Landhi

Mr. Amir Nawab, Nazim, SITE Town

Mr. Shafiqur Rehman Usmani, Nazim New Karachi, Town

Mr. Ahmed Paskeh, Town Nazim, Jamshed Town

Mr. Mushtaq Ahmed, Nazim

Mr. Abdul Khaliq Juman, Nazim, Lyari Town

Mr. Atique Baig

Mr. Naveed ul Islam, Town Nazim, Malir

**Program Support Unit (PSU)**

Mr. Abdul Kabir Kazi, Program Director, DSSP

Mr. Rafique Mustafa Shaikh, Program Officer, DSSP/SRP

Mr. Fazal Karim Khatri, Deputy Director (F&A), DSSP/SRP

Mr. Shahbir Hussain, Accounts Officer

**Decentralization Support Program**

Mr. Rizwan Ahmed, Program Director Decentralization Support Program

Mr. Naveed Rajput, Assistant Director

## Annex B

### DOMESTIC CONSULTANTS

No.	Description	Person Months	Remarks
<b>Domestic Consultants</b>			
<b>Program Support Unit</b>			
1	Program Coordinator	40	
2	Finance & Governance Specialist	40	
3	Procurement Specialist	40	
4	M&E Specialist	24	
5	Poverty and Gender Specialist	24	
6	Participatory Planning	24	
7	Head Hunting Firm	9	
<b>Sector Reform</b>			
8	Education Sector Reform Expert	24	
9	Education Economist	24	
10	Health Sector Reforms Expert	24	
11	Health Economist	24	
12	Water & Sanitation Reform Expert	24	
13	Water & Sanitation Economist	24	
14	Environmental & Solid Waste Management Expert	18	
<i>Subtotal</i>		363	
<b>Local Support Units</b>			
15	Finance & Governance Specialist (Junior level) (16)	608	38 PMs each for 16 Districts
16	Health Sector Specialist (Junior level)	288	18 PMs each for 16 Districts
17	Education Sector Specialist (Junior level)	288	18 PMs each for 16 Districts
18	Consulting Firm (Water & Sanitation)	36	
19	Consulting Firm (M & E)	36	
<i>Subtotal</i>		1256	
20	<b>Block allocation</b>	298	To be utilized for any domestic or international consultancy in response to emergent needs of PLDs and LGs during Program Implementation, with the approval of the PSC/PDWP
<b>Grand Total</b>		<b>1917</b>	Total PMs provided in RRP

## RECOMMENDED ACTION PLAN

No.	Action	Responsibility	Timeframe
<b>Program Administration</b>			
1.	Inception Report to be sent to ADB	EA	20 August 2004
2.	Interim Quarterly Report	EA	30 September 2004
3.	Final Quarterly Report	EA	15 November 2004
<b>Program Implementation</b>			
1.	Anticipatory approval of PCI by Finance Division, Government of Pakistan	EA	20 August 2004
2.	Development of a matrix for monitoring post-FTA follow up and progress of 2 <sup>nd</sup> Tranche Actions	PSU and ADB	30 August 2004
3.	PCI approval by ECNEC	EA	7 September 2004
4.	PFC endorsement of the proposed change in the DSS funds distribution formula	PSU	15 September 2004
5.	PSU quarterly workplan and its approval by PSC	PSU and PSC	20 September 2004
6.	Identification of Focal Persons in LGs	PSU	20 September 2004
7.	Finalization of MOU and organizing its signing with LGs	PSU	30 September 2004
8.	Activation of website	PSU	30 September 2004
9.	Transfer of ADF Funds to LGs	PSU and EA	15 November 2004
<b>Sindh Education Program: Core Group Actions</b>			
1.	Follow up on Core Group Meeting decisions	PSU and ADB	Ongoing
2.	Engagement with other donors, notably WB, EC, UNICEF and USAID on policy issues/frameworks	PSU and ADB	Ongoing
<b>Capacity Building TA</b>			
1.	Approval of the TA paper including its scope, objectives, framework	ADB, SPG and GoP	TBD
2.	Implementation of the TA	PSU	TBD