

**Aide Memoire**  
**Loans 2047/48/49-PAK: Sindh Devolved Social Services Program**  
**Consultation Mission (9–14 December 2004)**

**I. INTRODUCTION**

1. The Sindh Provincial Government (SPG) has undertaken 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 assists local governments in 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 (TMAs) (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 9–14 December 2004 to (i) review loans 2047/48/49-PAK, and (ii) attend the second meeting of the Sindh Education Core Group. The Mission comprised of L. Arthur, Education Specialist/Mission Leader and F. Moriani, ADB Team Leader, DSSP Coordination. The Mission met with the Departments of Finance, Education, Health, Local Government, and the Local Government Commission. In addition, the Mission held several meetings with the European Commission Formulation Mission regarding the Sindh Education Program. A list of persons met is attached as Annex A. The Mission appreciates the ongoing efforts and cooperation of all departments.

**II. Review of Loans 2047/8/9**

**A. TA Loan 2049**

3. **PC-I.** The PC-I was approved at ECNEC in Islamabad on 7 December 2004. This will enable the EA to move forward with the establishment of the PSU and LSUs and with initiating the capacity development plans in the social sectors.

4. **PSU.** Although the existing PSU has made some progress with a skeletal staff, lack of a fully functioning unit has hindered implementation of SDSSP. Subsequent to ECNEC approval, the Mission stressed the urgency of proceeding with hiring and appointments for the various components of the PSU.

- (i) **Line Department Focal Points.** The EA informed the Mission that the sector program officers had been identified and that summary for their posting at PSU would be sent to the Minister of Finance at the earliest. It is expected that these Focal Points will be in place by mid-January.
- (ii) **Consultants.** During the September mission, it was agreed that the Procurement Specialist and Head Hunting Firm would be recruited as early as possible after ECNEC's approval of the PC-I. Advance TORs were drafted, discussed with

ADB, revised and approved. Since approval from ECNEC both positions have been advertised. The Mission expects that the Procurement Specialist, as an individual consultant, will be recruited ahead of the Head Hunting Firm, and will therefore undertake the process of recruiting key positions for the PSU and LSUs until such time as the HH Firm is on board and can assume the role. The PSU will seek the approval of the PSC on the positions that will be hired by the HHF.

- (iii) **Program Coordinator Position.** The Mission was informed that this position has been redesignated as Deputy Program Director and will be appointed as government counterpart staff instead of a domestic consultant. Having decided that technical support to PLDs and LGs can be provided by the consultants, SPG has limited the role of Deputy Program Director to managerial coordination. The Mission has requested submission of the new TOR for approval so that the position can be filled without further delay.
- (iv) **Focal Persons at District Level.** The September Mission expressed some concern about the nomination of the EDO Community Welfare Department because of anticipated difficulty in coordinating with other departments at the district level, particularly the Finance & Planning Office. The Mission has now been informed that the PSC reviewed its earlier decision and has instead decided to nominate the EDO Finance & Planning as focal person at the district level.

## **B. Loans 2047/8**

5. **Rate Contract System for Procurement of Medicines.** Previous SDSSP Missions have been informed about the decision to locate some aspects of approval of procurement of medicines at the Provincial Health Department rather than the district level, especially in relation to processing of indents. This issue has been raised consistently with the Health Department. In response, the Health Secretary informed the Mission that the role of the Department would be limited to rate setting and monitoring of procurements. The Mission views this as an important move towards granting greater opportunity for the District Governments to exercise their autonomy.

6. **Development of Sindh Health Plan.** The Mission held discussions with the Health Department regarding the possibility of developing a Sindh Health Plan, similar to the way in which the Education Department is developing the Sindh Education Plan (SEP). The Secretary Health was receptive to this idea and expressed interest in continuing consultation and observing the SEP process. The PD SDSSP and the Additional Secretary Health (Development) will meet shortly to discuss this issue as well as the draft paper on PPPs and setting of standards.

7. **Sindh Education Plan.** The third meeting of the Sindh Core Group on Education was held on 14 December. Minutes of the meeting will be circulated by the Core Group Secretary and made available later in the month. Several important decisions were taken during the meeting, including the following: (i) the Core Group will become a Provincial Steering Committee, with more focused membership and headed by the Minister of Education; (ii) the Working Groups on Improving Education Quality and the MTEF will continue in their current configuration; (iii) SPG is interested in developing a single fund for education and adopting a district budget support system; and (iv) SPG would like to move toward sector wide approaches and development of MTEFs at the district level.

8. **Coordination with the European Commission.** The Mission held meetings with the EC Project Formulation Mission regarding its upcoming support for the education sector in Sindh. The EC has indicated a willingness to coordinate its support with the existing DSSP framework, including financing modalities and implementation arrangements. The Mission welcomed the EC's interest in coordinating its funding with DSSP, as it reinforces SPG's priorities for the sector. EC and ADB will continue to discuss the specifics of coordinating their programs.

9. **Annual Sector Plans and Transfer of Funds.** The Mission held extensive discussions with the EA regarding the status of the Annual Sector Plans (ASPs) and arrangements for the eventual transfer of funds. Although 90 out of 118 local governments have become eligible for funds by entering into the MOU with SPG, few have prepared the required ASPs for approval by their respective District Councils. The key issue is that many LGs require support in preparing ASPs. In this regard, the PSU and PLDs have produced a set of guidelines to assist the LGs in sector planning. The Mission has reviewed the guidelines and suggested areas in which they should be strengthened. After revising the guidelines, the PSU will formally communicate them to the LGs. The PSU has already informed the DGs and TMAs of their respective shares from the conditional grants as per the PFC formula. It is anticipated that significant transfer of funds will commence by mid-February. It was agreed that for the first year, the funds will be transferred to eligible LGs as one tranche, however, subsequent tranches will be released bi-annually, subject to approval by the PFC.

### III. PROVINCIAL FINANCE COMMISSION AND LOCAL GOVERNMENT COMMISSION

10. **Support for PFC.** The Mission met with the Additional Secretary LF/PFC and the PD, DSP regarding the arrangements for supporting the PFC. The Mission suggested there was a need to have a dedicated technical resource within the PFC Secretariat to monitor the conditional grants. Since it would take some time to hire a consultant in the PSU, it was decided that the PD, DSSP and the Additional Secretary LF/PFC would contact either SPDC or AERC to enter into a temporary arrangement for initiating the process of preparing databases, etc. and would also continue discussions with the PD, DSP for examining the need for a second TIP under the DSP for supporting the PFC. Since the Annual Work Plan for DSP is under preparation, timelines for this exercise would adhere to those of the DSP AWP.

11. **Role of LGC.** The Mission also met the Director General, LGC, to brief him on the overall framework and to share its expectation for the LGC to assume a leadership role within the overall LG performance review mechanism to be developed by SPG as a second tranche action. It was agreed that a follow-up meeting will address specific areas where the LGC is expected to contribute. In addition, it was agreed that the LGC and the PSU will coordinate closely on co-arranging policy/awareness dialogues with LGs.

### IV. REVIEW MISSION

12. In view of the fact that delayed ECNEC approval of the PC-I has significantly hampered loan implementation, the EA has requested that the Review Mission, originally scheduled for mid-February, be postponed until mid-March. The Mission agreed that the EA could not be expected to achieve significant progress without adequate staff, and indicated its willingness to reschedule the Review. The EA will send a formal request to ADB.

## V. CONCLUSION AND RECOMMENDATIONS

13. Establishment of the PSU is critical for effective implementation of SDSSP, and in this regard the EA must make every effort to expedite the mobilization and postings of PLD Officers and support staff. As well, it is essential to recruit the Procurement Specialist and the Head Hunting Firm without delay so that they can assume the task of recruiting the domestic consultants.

14. In the absence of specialists at the LSUs, the PSU should intensify its interaction with the LGs in order to ensure they have adequate support to produce the required Annual Sector Plans. While the orientation meetings have provided the LGs with an important introduction to SDSSP, further interaction is required to move this critical element of the Program.

15. The Mission would like to thank the Sindh Government for its cooperation during the mission and its continued efforts with Program implementation.

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