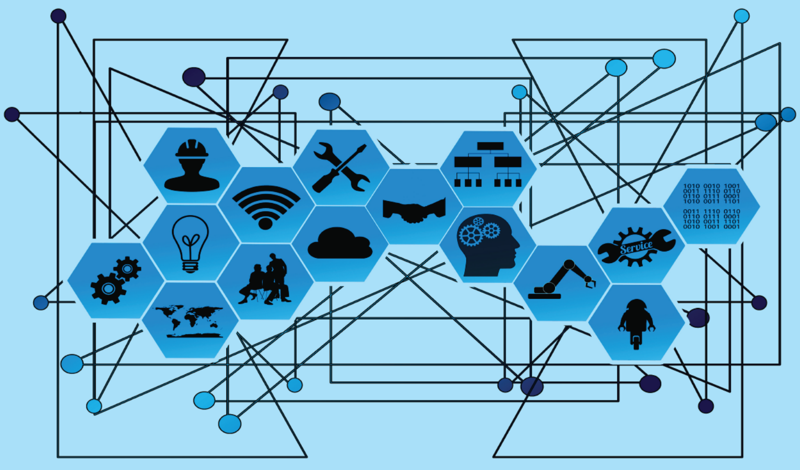
PLANNING COMMISSION

GOVERNMENT OF PAKISTAN

MANUAL FOR DEVELOPMENT PROJECTS



DECEMBER, 2021

MINISTRY OF PLANNING, DEVELOPMENT & SPECIAL INITIATIVES


MANUAL

MESSAGE

Prime Minister / Chairman, Planning Commission of Pakistan

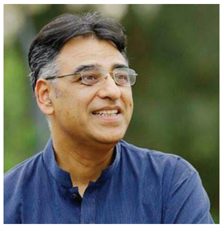
I am glad to see this updated 'Manual for Development Projects' and to know that Planning Commission of Pakistan is effectively fulfilling its obligations and additional responsibilities mandated to it through Public Finance Management Act, 2019. I expect that this initiative of business process re-engineering will improve efficiency and effectiveness of public sector development program and introduce automation in the project management.

It will be beginning of a new era in public sector project processing which will ensure that the projects are completed on time and within a budget in order to accrue full benefits from the project to its beneficiaries and end users. I would urge that the Manual for Development Projects should lead to meeting the targets of the Government in service delivery and expectations of the people of Pakistan.

I would like to appreciate and congratulate Asad Umar, Federal Minister for Planning, Development and Special Initiatives and his team in Planning Commission of Pakistan under stewardship of Muhammad Jehanzeb Khan, Deputy Chairman Planning Commission for this excellent work.

(Imran Khan)

MESSAGE



FEDERAL MINISTER FOR PLANNING, DEVELOPMENT AND SPECIAL INITIATIVES

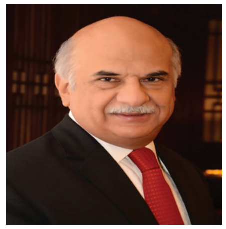
I am pleased that the 'Manual for Development Projects' has now been updated with new and simplified information to resolve issues faced by the sponsoring and executing agencies in the processing of development projects. It is envisaged that it will facilitate all the stakeholders involved in the planning and execution of development projects, in accordance with the provisions and requirements of Public Finance Management Act, 2019.

I would like to acknowledge the dedication and earnest efforts of my team members in the Planning Commission / Ministry of Planning, Development and Special Initiatives who were involved in the preparation of this Manual. The valuable support and input of the Asian Development Bank and UNDP also merit appreciation.

I must acknowledge the continued patronage and support of Honourable Prime Minister, Mr. Imran Khan, who is also the chairman of the Planning Commission in all the endeavours of the Ministry of Planning, Development and Special Initiatives to ensure efficient utilization of the development budget. This Manual for Development Projects will go a long way in achieving the objective of effective and efficient spending of public sector development funds in the greater benefit of the people of Pakistan.

(Asad Umar)

PREFACE



DEPUTY CHAIRMAN PLANNING COMMISSION

Over the last few years, planning process at the federal and provincial levels has undergone a transformation with new planning imperatives such as Public Private Partnership (PPP) and Results Based Management (RBM). The last Manual for Development Projects was issued by the Planning Commission of Pakistan in 1997. After a lapse of more than two decades and introduction of 18th Amendment in the Constitution of Pakistan, there was a clear need to revise the manual and develop a document that is up-to-date and provides hands-on guidance to the stakeholders.

The Planning Commission took up the ambitious task of revising the existing Manual for Development Projects. This has been updated as a guiding document for all the stakeholders in the overall management including identification, preparation, appraisal, approval, funding, implementation and monitoring & evaluation of their development projects.

One of the core objectives of the project reforms process is to achieve maximum efficiency, ultimately ensuring effectiveness and proper utilization of funds so that project outputs and outcomes are duly achieved. The Manual enables this by simplifying the processes. It is an all-inclusive document with comprehensive guidelines to help in improving understanding and efficacy for project implementation in the public sector. Planning Commission shall conduct a series of workshops to help the stakeholders adopt and implement the updated manual effectively and efficiently.

I would like to acknowledge the efforts of the team that worked for the updation of this important document, under the leadership of Mr. Abdul Aziz Uqaili, the incumbent Secretary and Mr. Hamed Yaqoob Sheikh, former Secretary, M/o Planning, Development & Special Initiatives.

Planning Commission is grateful to Mr. Asad Umar, Federal Minister for Planning, Development & Special Initiatives, for the patronage and guidance extended by him for this crucial exercise.

(Mohammad Jehanzeb Khan)

FOREWORD

SECRETARY MINISTRY OF PLANNING, DEVELOPMENT AND SPECIAL INITIATIVES

Planning Commission is continuously striving to improve the pace of development in the country. This updated 'Manual for Development Projects' is another endeavour in this direction. The last edition of the Manual was prepared in 1997, followed by the Guidelines for Project Management, which were published in 2008. During a span of over 12 years, numerous changes were introduced in the processes and procedures of development projects, and this warranted fresh documentation.

The Manual comprises of two volumes, the first volume gives the processes while the second one is a compendium of the rules, procedures, and instructions – issued by the Government of Pakistan, Planning Commission/Ministry of Planning, Development and Special Initiatives in different periods – for effectively managing development portfolios.

I sincerely appreciate all my colleagues, particularly the committee entrusted with this responsibility, for their hard work and efforts in completing this important national assignment. In particular, I would like to acknowledge Mr. Hamed Yaqoob Sheikh, former Secretary, Planning, Development and Special Initiatives, who was instrumental in resurrecting the publication of this Manual and significantly improving its text and format. Beside, the contribution of Mr. Naveed Iftikhar, consultant who played a vital role in compilation of the document.

This Manual has been designed as a live document, and the Planning Commission shall strive to update it regularly. Valuable feedback and suggestions from the Ministries, development partners and key stakeholders for improvement in this document are welcome.

(Abdul Aziz Uqaili)

ACKNOWLEDGEMENT

CHIEF EMPLOYMENT & RESEARCH

I am dearly obliged to Deputy Chairman, Planning Commission of Pakistan for trusting me and providing an opportunity to contribute to update and finalize Manual for Development Projects and to incorporate the provisions of the Public Finance Management Act, 2019 and the Simplification of Development Process. The last edition of the Development Manual was prepared in 1997, followed by the Guidelines for Project Management, which were published in 2008.

I express my special thanks and gratitude to all members of Planning Commission, officers and staff of Ministry of Planning, Development and Special Initiatives and appreciate their support and efforts for finalization of Development Manual. The input of the Committee, which initiated the task in 2017, comprising of Chiefs of PIA, PIP, Economic Appraisal, Governance Sections, DG, PPMI and Deputy Director, Project Wing under the convenorship of Advisor (DB) is acknowledged. I am thankful to all stakeholders for review, time and again, and providing valuable suggestions for its improvement. The efforts of the following Officers is acknowledged and admired without which it would have not been possible for me to finalize this Manual under the day to day guidance of the Secretary, Ministry of Planning, Development and Special Initiatives.

Mr. Mushtaq Ahmed Raja, JCE (OPS), Mr. Muhammad Anwar Ch., Sr. Chief (Tech), Sheikh Muhammad Asif, Advisor (DB), Dr. Muhammad Afzal, Advisor (DP), Mr. Saleem Khattak, Ex-Chief (EA), Mr. Javed Sikandar, Chief (Gov.), Mr. Sohail Hanif, Chief (PIP), Hafiz Shahid Abbas, Chief (PIA), Dr. Muhammad Ali Noor, DG (PPMI), Dr. Muhammad Saleem Mohsin, Deputy Chief (PC), Dr. Atiyab Sultan, Asstt. Director (CIRC), Ms. Sehar Mannoo, SO to Secretary, Mr. Zeeshan Inam, Asstt. Chief (E&R), Ms. Aiman Amjad, RO (MP&FP) and Dr. Farhan Ch. Designer.

I am also thankful to others development partners for their input especially, ADB and UNDP for their Technical Assistance. I am, in all my humbleness, grateful to all those who have helped to give different ideas to make this Manual for Development Projects simplified and user-friendly. Their input is hereby acknowledged from depths of my heart.

(Shahid Zia Cheema)
Islamabad, 29th December, 2021

TO BE PUBLISHED IN THE PART-I OF GAZETTE OF PAKISTAN

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
MINISTRY OF PLANNING, DEVELOPMENT & SPECIAL INITIATIVES
(EMPLOYMENT & RESEARCH SECTION)

Islamabad, the 29th December, 2021

Notification

To
The Manager,
Pakistan Printing Press,
University Road,
Karachi.

Subject: **UPDATED MANUAL FOR DEVELOPMENT PROJECTS**

No. 7(239) E&R/PD & SI/21. In accordance with Section 14 (1) of Public Finance Management Act, 2019, Planning Commission of Pakistan has defined and updated processes, procedures and templates for project management in Public sector after intensive consultation with Provinces, regions, ministries, divisions and other key stakeholders, to help improve overall project management of the development projects, as Manual for Development Projects.

2. The Manual for Development Projects is an all-inclusive document with comprehensive directions to help improve understanding, efficiency and efficacy of project management including identification, preparation, appraisal, approval, funding, implementation, and monitoring & evaluation etc. It is hereby notified for compliance with immediate effect. Its non-compliance shall be taken as audit objection. Provincial Governments, Regions, all Ministries, Divisions and attached Departments, Autonomous Bodies and Corporations are requested to follow the Processes, Procedures, instructions, guidelines and Templates, in letter and spirit.

3. The planning commission has approved Manual for Development Projects in its meeting held on 19th November, 2021. This issues with the approval of Deputy Chairman, Planning Commission of Pakistan. Soft copy is available at the website (www.pc.gov.pk) of M/o PD & SI.

Shahid

(Shahid Zia Cheema)
Chief (E & R)
Tel: 051-9245075

A. Copy for information and necessary action to:

1. Chairman, Planning & Development Board, Government of the Punjab, Lahore.

2. Chairman, Planning & Development Board, Government of Sindh, Karachi.
3. Additional Chief Secretary (Dev), Planning & Development Department, Government of Balochistan, Quetta.
4. Additional Chief Secretary (Dev), Planning & Development Department, Government of Khyber Pakhtunkhwa, Peshawar.
5. Additional Chief Secretary (Dev), Planning & Development Department, Government of AJ&K, Muzaffarabad.
6. Secretary, Planning & Development Department, Government of Gilgit-Baltistan, Gilgit.

B. Copy for information and necessary action to:

1. All Secretaries/Additional Secretaries (In charge) of Ministries/Divisions, Government of Pakistan.
2. All Heads of attached departments/autonomous Bodies /Corporations, of Government of Pakistan.
3. Auditor General of Pakistan, Islamabad
4. Accountant General of Pakistan Revenue, Islamabad
5. Controller General of Accounts of Pakistan, Islamabad

C. Copy also to:

1. Minister, PD & SI, Islamabad.
2. Deputy Chairman, Planning Commission, Islamabad.
3. Secretary to the President, President Secretariat (Public), Islamabad
4. Secretary to Prime Minister, Prime Minister's Office, Islamabad.
5. Secretary, M/o PD & SI, Islamabad.
6. Chief Economist, Planning Commission, Islamabad
7. All Members of Planning Commission, Islamabad
8. Additional Secretary A&O, M/o PD & SI, Islamabad.
9. Additional Secretary (Dev. & SI), M/o PD & SI, Islamabad.
10. Advisor (DP), M/o PD & SI, Islamabad.
11. JCE (EP), JCE Operation, Sr. Chief (Tech/PP&H), Planning Commission, Islamabad.
12. All Sr. Joint Secretaries, M/o PD & SI, Islamabad.
13. All Joint Secretaries, M/o PD & SI, Islamabad.
14. All Chiefs/Deputy Chief (In-charge) / Head of Technical & Economic Sections, Planning Commission, Islamabad.

ACRONYMS

ACRONYMS

ACS	Additional Chief Secretary
ADPs	Annual Development Programmes
AGPR	Accountant General Pakistan Revenue
AJ&K	Azad Jammu & Kashmir
AJKCDC	Azad Jammu and Kashmir Central Development Committee
AJKDWP	Azad Jammu and Kashmir Development Working Party
AP	Appraisal Paper
APCC	Annual Plan Coordination Committee
AS	Additional Secretary
B&R	Buildings & Roads
BCR or B/C Ratio	Benefit-Cost Ratio
BoQs	Bill of Quantities
C&W	Communication & Works
CCC	Concept Clearance Committee
CCI	Council of Common Interest
CDA	Capital Development Authority
CDM	Clean Development Mechanism
CDWP	Central Development Working Party
CF&AO	Chief Finance and Accounts Officer
CGA	Controller General of Accounts
CPEC	China-Pakistan Economic Corridor
CPM	Critical Path Method
CSR	Composite Schedule of Rates
DC	Deputy Commissioner
DC PC	Deputy Chairman Planning Commission
DDBs	Divisional Development Boards
DDC	District Development Committees
DDSC	Departmental Development Sub-Committee
DDWP	Departmental Development Working Party
DDWP	Divisional Development Working Party
DOs	District Officers
DPCs	Development Policy Credits
DRRA	Directorate of Revenue Receipt Audit
DWP	Development Working Party

EAD	Economic Affairs Division
ECA	External Capital Assistance
ECC	Economic Coordination Committee
ECNEC	Executive Committee of the National Economic Council
EDOs	Executive District Officers
EIRR	Economic Internal Rate of Return
EPA	Environment Protection Agency
FBR	Federal Bureau of Revenue
FEC	Federal Executive Council
FEC	Foreign Exchange Component
FIDIC	Fédération Internationale des Ingénieurs Conseils
FIPs	Financial Intermediation Programmes
FIRR	Financial Internal Rate of Return
FY	Fiscal Year
GB	Gilgit-Baltistan
GBDDWP	Gilgit-Baltistan Departmental Development Working Party
GBDWP	Gilgit-Baltistan Development Working Party
GFR	General Financial Rules
GIS	Geographic Information System
HEC	Higher Education Commission
HR	Human Resource
I&M	Implementation and Monitoring
IBC	Indicative Budget Ceiling
ICT	Information and Communications Technology
IFIs	International Financial Institutions
IRR	Internal Rate of Return
IRSA	Indus River System Authority
IT	Information Technology
JACC	Jawwad Azfar Computer Centre
JS	Joint Secretary
KP	Khyber Pakhtunkhwa
LFA	Logic Framework Analysis
M&E	Monitoring & Evaluation
MDGs	Millennium Development Goals
MIS	Management Information System
MP-III	Management Position III
MTDF	Medium-Term Development Framework

NA	National Assembly
NDMA	National Disaster Management Authority
NEC	National Economic Council
NESPAK	National Engineering Services Pakistan
NGOs	Non-Governmental Organizations
NHA	National Highway Authority
NOC	No Objection Certificate
NPV	Net Present Value
O&M	Operations and Management
P&D	Planning & Development
P&DD	Planning & Development Departments
PAD	Project Appraisal Document
PAEC	Pakistan Atomic Energy Commission
PAO	Principal Accounting Officer
PC	Planning Commission
PCATP	Pakistan Council of Architecture and Town Planning
PC-I	Planning Commission Proforma I
PC-II	Planning Commission Proforma II
PC-III	Planning Commission Proforma III
PC-IV	Planning Commission Proforma IV
PCN	Project Concept Note
PC-V	Planning Commission Proforma V
PD	Project Director
PD&SI	Planning, Development & Special Initiatives
PDWP	Provincial Development Working Party(ies)
PEC	Pakistan Engineering Council
PERT	Project Evaluation and Review Techniques
PFM	Public Finance Management
PforR	Programme for Results
PIA	Public Investment Authorization
PIDE	Pakistan Institute of Development Economics
PIP	Public Investment Programming
PKR	Pakistani Rupee
PLC	Project Life Cycle
PM	Prime Minister
PMES	Project Monitoring and Evaluation System
PMU	Project Management Unit

PNRA	Pakistan Nuclear Regulatory Authority
PP&DB	Punjab Planning and Development Board
PP&H	Physical Planning and Housing
PPB	Planning Programming and Budgeting
PPMI	Pakistan Planning and Management Institute
PPP	Public Private Partnerships
P3A	Public-Private Partnership Authority
P3WP	Public-Private Partnership Working Party
PPRA	Public Procurement Regulatory Authority
PRBs	Programme Requirements Baseline
PSC	Project Steering Committee
PSDP	Public Sector Development Programme
PSDP+	Private Sector Development Programme Plus
PWD	Pakistan Public Works Department
R&D	Research & Development
RBM	Results Based Management
S&GAD	Services and General Administration Department
SAP	Systems Applications and Products
SBP	State Bank of Pakistan
SDGs	Sustainable Development Goals
SP&DB	Sindh Planning and Development Board
SROs	Statutory Regulatory Orders
SRR	Schedule of Revised Rates
SSUs	Shared Services Units
SUPARCO	Pakistan Space & Upper Atmosphere Research Commission
TA	Technical Assistance
TORs	Terms of Reference
UN	United Nations
UNDP	United Nations Development Program
UNICEF	United Nations Children's Emergency Fund
VGF	Viability Gap Fund
WACC	Weighted Average Cost of Capital
WAPDA	Water & Power Development Authority
WB	World Bank
WBS	Work Breakdown Structures
YTD	Year to Date

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PUBLIC SECTOR INVESTMENT
PLANNING AND PROGRAMMING

CHAPTER 1

PUBLIC SECTOR INVESTMENT PLANNING AND PROGRAMMING

OVERVIEW

1.01 Development planning in Pakistan aspires to improve the quality of life of people through various policies, programmes, and projects in the areas of social sector development, infrastructure and connectivity, economic competitiveness, and climate change.

1.02 This manual enables the development of a sound economic planning system that is evidence-based, aligned with the ground realities, and cognizant of the requirement of the economy to better respond the collective priority needs of the citizens. At the primary level, an economic development plan is a package of the socio-economic policies and programs aimed to achieve predetermined and well-articulated objectives/goals (with quantifiable targets) over a specified period. An effective economic planning system aims to articulate a development vision, helps translate the vision into policy-driven goals and objectives, and then identifies and allocates scarce resources to programmes and projects to help achieve the development objectives.

1.03 The manual elaborates on key processes in the programme/project cycle such as project identification and financing, preparation including use of all PC proformas, appraisal, approval, implementation, monitoring, closure and transfer of assets, and evaluation. It guides the user on requirements on every stage of the programme/project lifecycle, with helpful examples wherever necessary. Further, a Compendium of Annexures: Supplement to the Manual for Development Projects by the Planning Commission has been developed to facilitate the user in accessing key notifications, rules, and other explanatory material. The compendium is available at the Planning Commission website. A list of all annexures in the compendium is given in Appendix B.

1.04 Projects and programmes (which typically encompass multiple projects) are the instruments to achieve plan objectives and are the building blocks that transform the development plan and the associated investments into physical outputs and tangible benefits. Public Finance Management Act of 2019 stipulates specific provisions on "Development Projects and Maintenance and Use of Public Assets". This manual has accordingly clarified and laid out guidelines on classification and preparation of projects, their quality assurance, technical approval and their monitoring and evaluation.

1.05 The key federal/national level [1] forums for approval of development projects and programmes are as follows:

[1] Each province has established its own forums for approval of development projects at departmental, divisional and district level in addition to PDWP.

Table 1: Key federal/national level forums for approval of development projects and programmes

Forum	Function
National Economic Council (NEC)	It is the apex economic and development policy forum mandated by the Constitution, responsible for approval the vision statements, long-term perspective plans, 5 years plans, annual plans, and the Public Sector Development Programme (PSDP). The NEC is chaired by the Prime Minister.
Executive Committee of the NEC (ECNEC)	The ECNEC sanctions development projects in PSDP (Federal/provincial) that cost more than Rs. 10 billion and are according to the sanctioning limits approved by the NEC and notified/issued by the M/o PD&SI. It allows changes, as deem appropriate, in the plans initiated by the Planning Commission / M/o PD&SI. Finally, it reviews policy issues relating to development projects/programs/plans before submission to the NEC.
Annual Plan Coordination Committee (APCC)	It is mandated to review the previous and current annual plans while recommending the annual plan for submission to the NEC. The APCC is chaired by the Minister PD&SI or the Deputy Chairman, Planning Commission.
Central Development Working Party (CDWP)	It is responsible for the scrutiny and approval of development projects beyond the sanctioned limit of DDWP and up to 10 billion, provincial projects having federal financing and/or foreign component, and federal projects having more than 25% of foreign component. The CDWP is chaired by the Deputy Chairman Planning Commission.
Federal Departmental Development Working Party (DDWP)	The DDWP has the power to approve PC-I or PCII of project with a cost up to Rs. 2,000 million and is chaired by the Secretary/Principal Accounting Officer of an administrative division.

Development Working Party (DWP)	DWP includes public sector autonomous organizations which have the capacity to sanction their development schemes via self-financing based on specific requirements elaborated in Appendix A.

1.06 The economic and development planning system in provinces and special areas (AJ&K and Gilgit-Baltistan) has been changed in accordance with the 18th Amendment in the Constitution of Pakistan. The Amendment transformed the process of provincial planning by including increase in inflow of resources, new planning imperatives like public private partnerships and more. The role of the provincial P&D boards and departments has since then been more proactive as they work in consultation with the provincial governments. This includes the drafting and approval of the Annual Development Programme and approval of other development projects.

1.07 The functions and sanctioning powers of national and provincial development forums along with their current composition of members can be found in Appendix A. This appendix also elaborates the constitutional and legal contexts of the economic development planning practices in Pakistan. Further, it elaborates on the purpose of the Planning Commission as well as details of its governance structure; the economic and technical sections, and its specialized cells including the project wing, and its attached departments. Detail of all provinces' Planning and Development Departments, their functions, tasks, and composition of members is also given in Appendix A.

SCHEMATIC FRAMEWORK OF PLANNING APPROACHES

1.08 A schematic framework of planning approaches and methodology is presented in Table 2 below:

Table 2: Schematic Framework for Planning

Periods of plans	Nature of planning	Budgetary instrument of planning
Medium- to Long-Term (5 or more than 5 years) or Perspective Plan	Aggregate economic framework and detailed plans for government investment and incentives for private sector investment	Fiscal policy management and directions for economic reforms
Medium-Term (3-5 years)	Compilation of public investment programmes	Development budget, External Finance Budget, Investment Budget, PPPs

Annual or Medium-Term	Sectoral planning	Market Incentives to stimulate private sector investment through the PPP and other modalities
	Programme and Project Planning	PSDP including Pre-identified projects

1.09 The ECNEC approved a proposal on the 1st October 2020 that main ministries and departments will develop sector development vision and policies consistent with the national priorities. Therefore, the overall simplification [2] of processes and procedures to improve project management is prepared after research and consultations with stakeholders (attached Annexure 1). The line ministries and departments will conceive a pipeline of potential projects with clear concept notes, cost estimates and timelines in the order of priority and sequencing. Such project pipelines will be regularly and periodically updated and shared with the Planning Commission/P&D departments.

ANNUAL PLAN

1.10 The principal instrument for adjusting the Five-Year Plan to current realities is the Annual Plan, which is considered as a practical and dependable method to translate the Five-Year Plan objectives and targets into an implementable operational programme. The Annual Plan reflects macro-economic policies, development priorities in the context of prevalent challenges, economic growth and other development targets, evaluation of the past performance, and an outline investment programme in the public and private sectors necessary to achieve the planned targets.

PUBLIC SECTOR DEVELOPMENT PROGRAM (ANNUAL)

1.11 The federal PSDP is an annual document, which lists all the public sector projects and programmes with specific expenditure allocations for the given fiscal year. It includes the approval status of the project, date of approval and the forum that approved the project, the total estimated cost of the project including foreign loan component, expenditure incurred up to the end of preceding fiscal year, throw-forward, and allocation for the fiscal year, in terms of rupee and foreign loan component. The estimated levels of the provincial ADPs are included in the summary of the PSDP, and details are compiled and presented in the individual ADP of the respective provinces.

Overriding Effects of Public Finance Management Act, 2019.

1.12 The PSDP formulation is now regulated by Sections 13 to 20 of the Public Finance Management Act, 2019 (amended up to 30th June 2020). The Act, as amended from time to time, stipulates the following conditions for a project to be eligible for inclusion in the PSDP or Demands for Grants:

i. Classification of projects as (a) core projects in the national infrastructure

[2] Simplification of Planning Commission, Planning Division Development Processes and Procedure to improve Project Management (Project Identification and Preparation of PC I, Processing and approval of PC I, Project Management and Staffing, Opening of Project Assignment Account, Procedure for release of funds, and Monitoring and Evaluation) approved by ECENC on 1 October 2020

requiring complex planning, design and implementation procedures, and (b) sectoral projects undertaken by respective sectors and the federal ministries,

ii. Issuance of the technical approval for the proposed project,

iii. Budget allocation for the coming fiscal year along with the full proposed project cost,

iv. All government expenditures, whether from a recurrent or development demand for a grant, shall be based on well-defined plans and the strategic priorities approved in the Budget Strategy Paper.

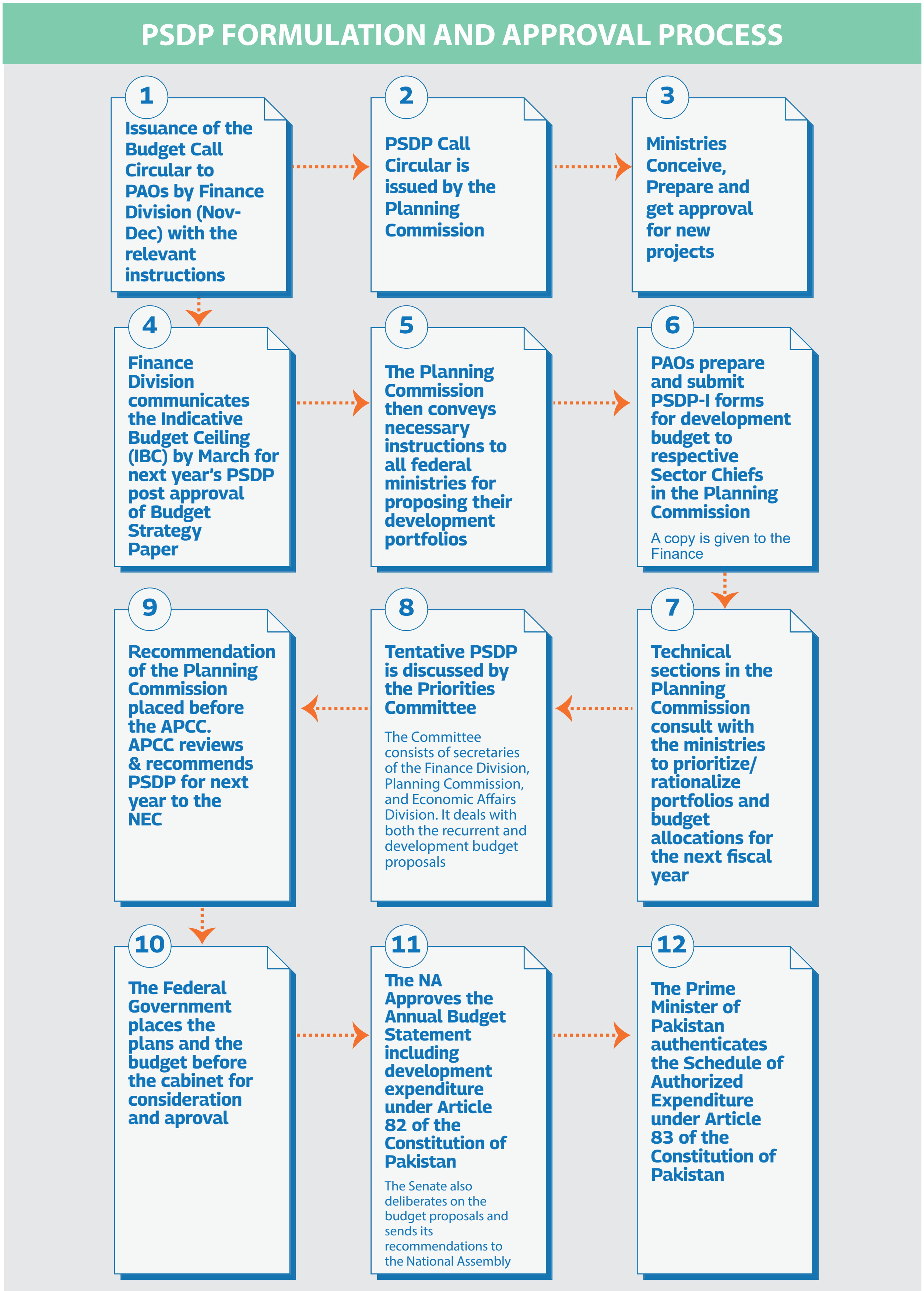
1.13 The chapter III of the PFM Act, 2019 titled "Development Projects and Maintenance and use of Public Assets", provides that Planning Commission will notify the procedures for classification of different development projects and their appraisal and approval.

Formulation of the PSDP

1.14 The formulation of the Annual Plan and the annual PSDP at the federal level is steered by the Planning Commission in collaboration with the Finance Division and Economic Affairs Division. The annual PSDP is expected to be aligned with the growth strategy, the Five-Year Plan or Long-Term Perspective Plan (if any) or vision document, provisions of the Public Finance Management Act, 2019, international economic and social landscape, current development challenges and priorities, economic growth targets, and country's commitments to the Sustainable Development Goals (SDGs) and Paris Climate Agreement 2016 among other priorities and commitments of the Government of Pakistan.

1.15 The final approval of the plans along with the federal budget lies with the National Assembly (NA). The budget incorporates proposals for development and non-development expenditure as well as resource availability. The Money Bill is not voted in the Senate. The Senate deliberates on the budget proposals and sends its recommendations to the NA. NA is the constitutional forum for the approval of the budget including the development budget. The NA finally approves the Annual Budget Statement including development expenditure under Article 82 of the Constitution of Pakistan. Following approval of the NA, the Prime Minister of Pakistan authenticates the Schedule of Authorized Expenditure under Article 83 of the Constitution. The process for PSDP formulation and approval is summarized in the figure below.

Figure 1: PSDP Formulation and Approval Process



1.16 While considering the portfolios and budgets for next year, the Planning Commission and respective ministries prioritize fast-moving, strategic, and important projects. Other considerations include recommendations from the NA Standing Committees of the respective ministries/ divisions, availability of resources and the Indicative Budget Ceiling.

1.17 The Priorities Committee considers policy priorities, outputs, past performance of the ministry, current year's budgetary allocation, the indicative ceiling for the budget year and forecast years, and overall resource availability for the development budget, both local and foreign funding.

1.18 While formulating the federal PSDP, now there is an increased emphasis on promoting innovative financing modes (Public-Private Partnerships) to reduce the burden on the limited public sector resources. The Public-Private Partnership Authority (P3A) has been made more functional to attract private sector investment in development activities. (Refer to Chapter 2 for more details on PPPs).

PROVINCIAL ANNUAL DEVELOPMENT PROGRAMME

1.19 The provincial ADP formulation [3] is steered by the P&D boards/departments of the provinces in close coordination with the provincial finance departments, while the later start the preparation with the issuance of the Budget Call Circular. The process is based on the national priorities, communicated by the Planning Commission, and resource availability in each of the provinces. The process for formulation of the provincial ADP is depicted in the figure below. In April of each year, the Draft ADP for the next fiscal year is submitted for a review of the Chief Minister and the minister concerned or the cabinet (as necessary) and is shared with the APCC and is reflected in the summary, which is finally presented to the National Economic Council (NEC). While approving the ADPs, the NEC may direct modifications in the national priorities and the overall magnitude of the development effort to ensure balanced sectoral and regional development in the country.

[3] A similar process applies to special areas- AJK and G-B.

Figure 2: Provincial Annual Development Planning Process

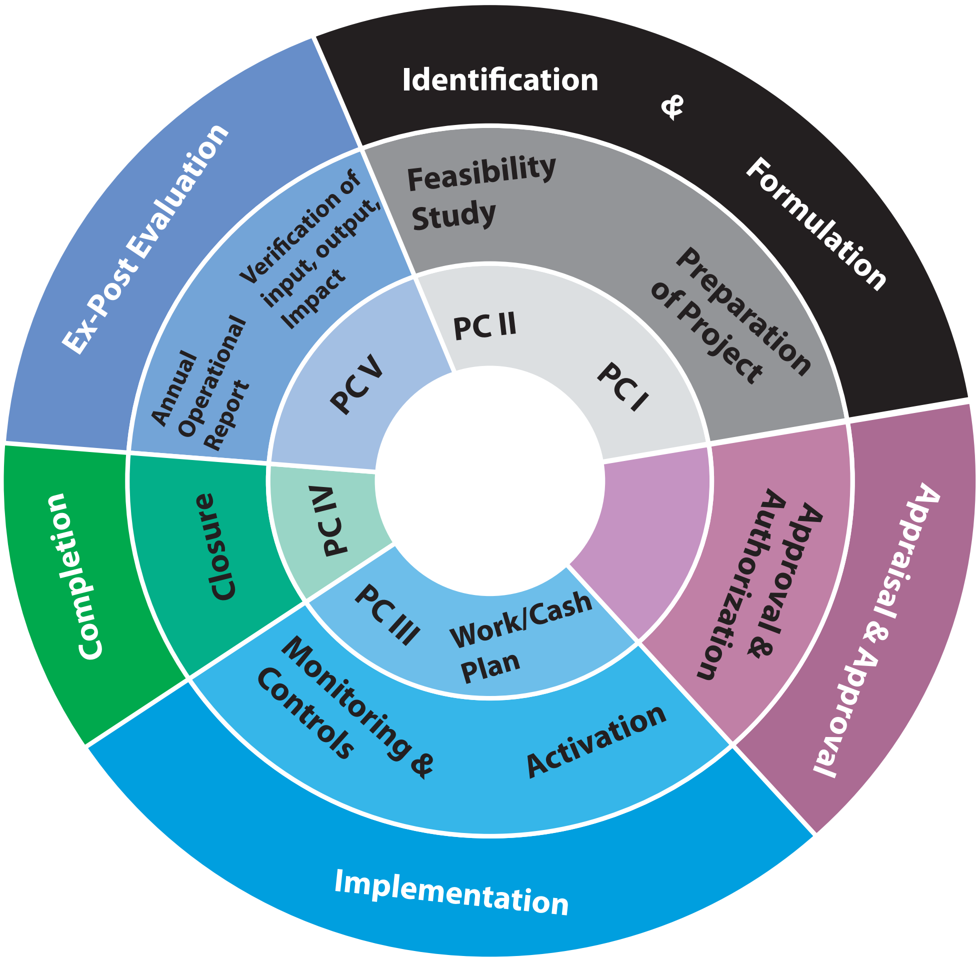
PROVINCIAL ANNUAL DEVELOPMENT PLANNING PROCESS		
	STEP IN THE PROCESS	RESPONSIBLE OFFICES
STAGE 1	1. Ascertaining resource availability and inter-sectoral priorities.	P&D Board/ Department
		Finance Department
	2. Determination of tentative ADP size, ADP formulation guidelines, and tentative sector-wise allocations.	
STAGE 2	3. Identification and formulation of schemes.	Line Departments
STAGE 3	4. Preliminary draft of departmental ADP is created.	Line Departments
STAGE 4	5. Meetings/Prioritization in P&DD or Planning Board.	P&D Board/ Department
		Finance Department
		Line Departments
	6. Draft ADP for next financial year.	P&D Board/ Department
		Line Departments
STAGE 5	7. Finalization of ADP by P&DD.	P&D Board/ Department
	8. Approval by the Cabinet.	Cabinet
	9. Approval by Provincial Assembly & Authentication.	Provincial Assembly

1.20 The provincial ADP is then formally submitted to the provincial cabinet for consideration and approval in June after which it is submitted to the provincial assembly for discussion and vote. As soon as the ADP along with the budget is approved by the provincial assembly, the Schedule of the Authorized Expenditure is authenticated by the Chief Minister under Article 123 of the Constitution of Pakistan.

LIFECYCLE FRAMEWORK FOR MANAGING PROJECTS

Project Lifecycle (PLC) Framework and PC Proformas

Figure 3: Project Life Cycle Stages and Project Proformas



1.21 The Project Lifecycle (PLC) defines the phases from the beginning to the end of the project. It has five distinct stages: Project Identification and Formulation; Appraisal and Approval; Implementation and Monitoring; Closure; and Evaluation. Although the public sector projects in Pakistan vary significantly in size and complexity, all projects can be mapped to a common life cycle framework based on the current development planning, programming, and budgeting (PPB) practice in Pakistan. Project proformas developed by the Planning Commission are also commensurate with this project lifecycle framework. The stages of PLC along with corresponding proformas are given below [4].

i. **Project Identification and Formulation (PC-II):** At this stage one project

[4] The PC-I to PC-V proforma templates and other useful information is available at: https://www.pc.gov.pk/web/downloads

idea, out of several alternatives, is chosen and defined based on a need analysis. The PC-II proforma is required to conduct surveys and feasibility studies, with respect to larger projects, intending to obtain full technical justification for undertaking the project before resources are committed and invested. Further, the defined project idea is carefully developed, and a project plan is prepared in accordance with the PC-I proforma.

ii. **Project Appraisal and Approval:** Every aspect of the project idea is subjected to a systematic and comprehensive evaluation. The detailed proposal is submitted for approval and financing to the appropriate entities and relevant forum.

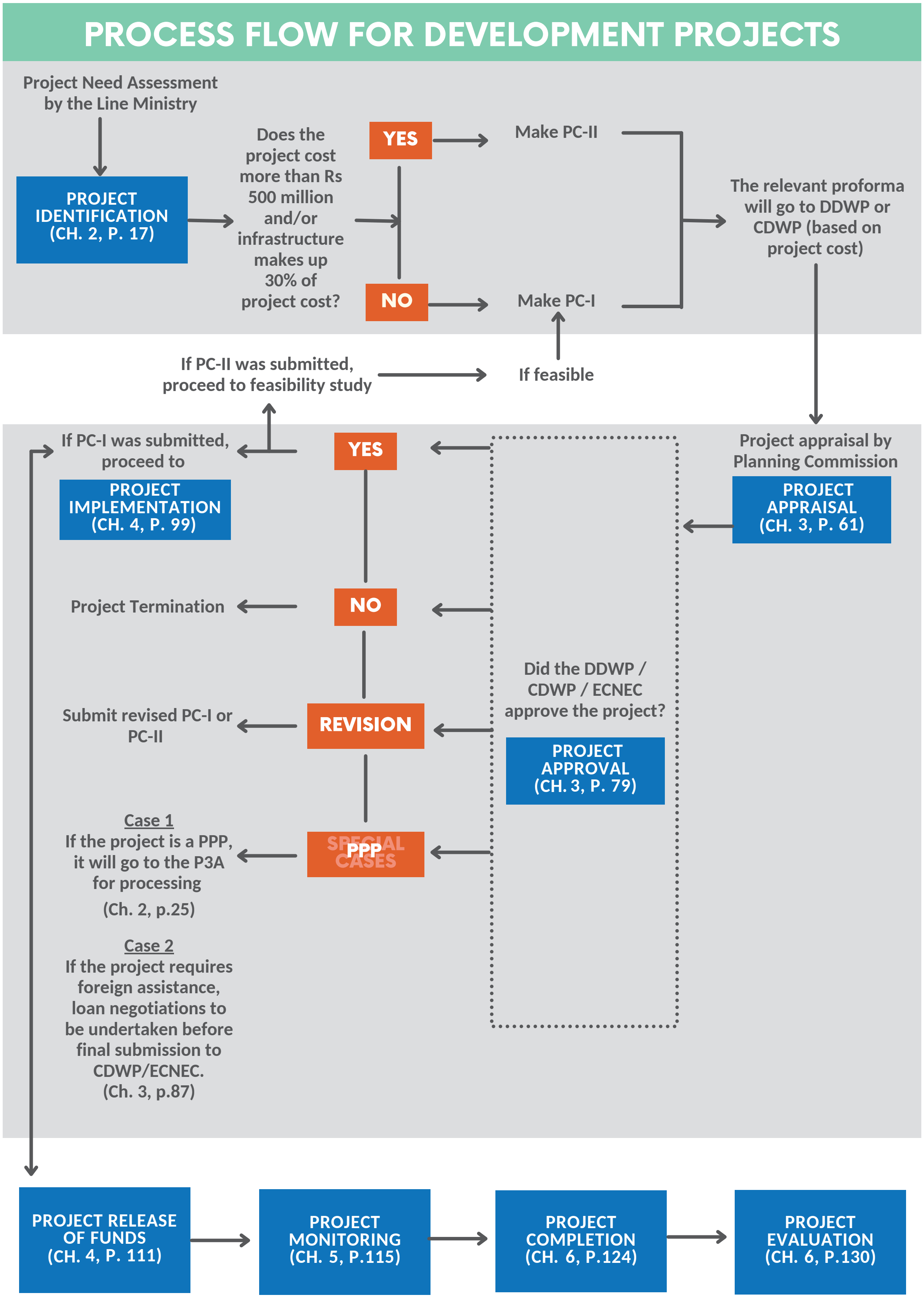
iii. **Project Implementation and Monitoring (PC-III):** With necessary approvals and financing in place, the project plan is implemented. At every execution stage, the progress of the project is assessed against the planned activities of the project. Course corrections are also done to ensure on time and within budget completion. This is the monitoring stage and requires PC-III proforma. This form is designed to furnish information regarding the financial as well as physical progress of the ongoing projects, including information on any bottlenecks experienced during project execution and staffing issues.

iv. **Project Closure (PC-IV):** The project closure brings project execution to a formal conclusion, informing all stakeholders about the completion of the project, and winding up technical, operational, and administrative actions. PC-IV form is required to be submitted at the time of project closure or the termination of the physical implementation of the project. At the stage of project closure, PC-IV is submitted.

v. **Project Evaluation (PC-V):** Upon completion, the project is reassessed in terms of its deliverables, performance (results), efficiency and effectiveness. This form is to be furnished to the Planning Commission on an annual basis, by the 31st of July of each year, for five years by the agencies responsible for the operation and maintenance of the project. It is aimed at carrying out impact evaluation of the project by reporting operational results during the previous fiscal year.

1.22 The following figure explains the process flow for development projects with references to chapters in the manual for further details:

Figure 4: Process Flow for Development Projects



Intelligent Project Automation System (iPAS)

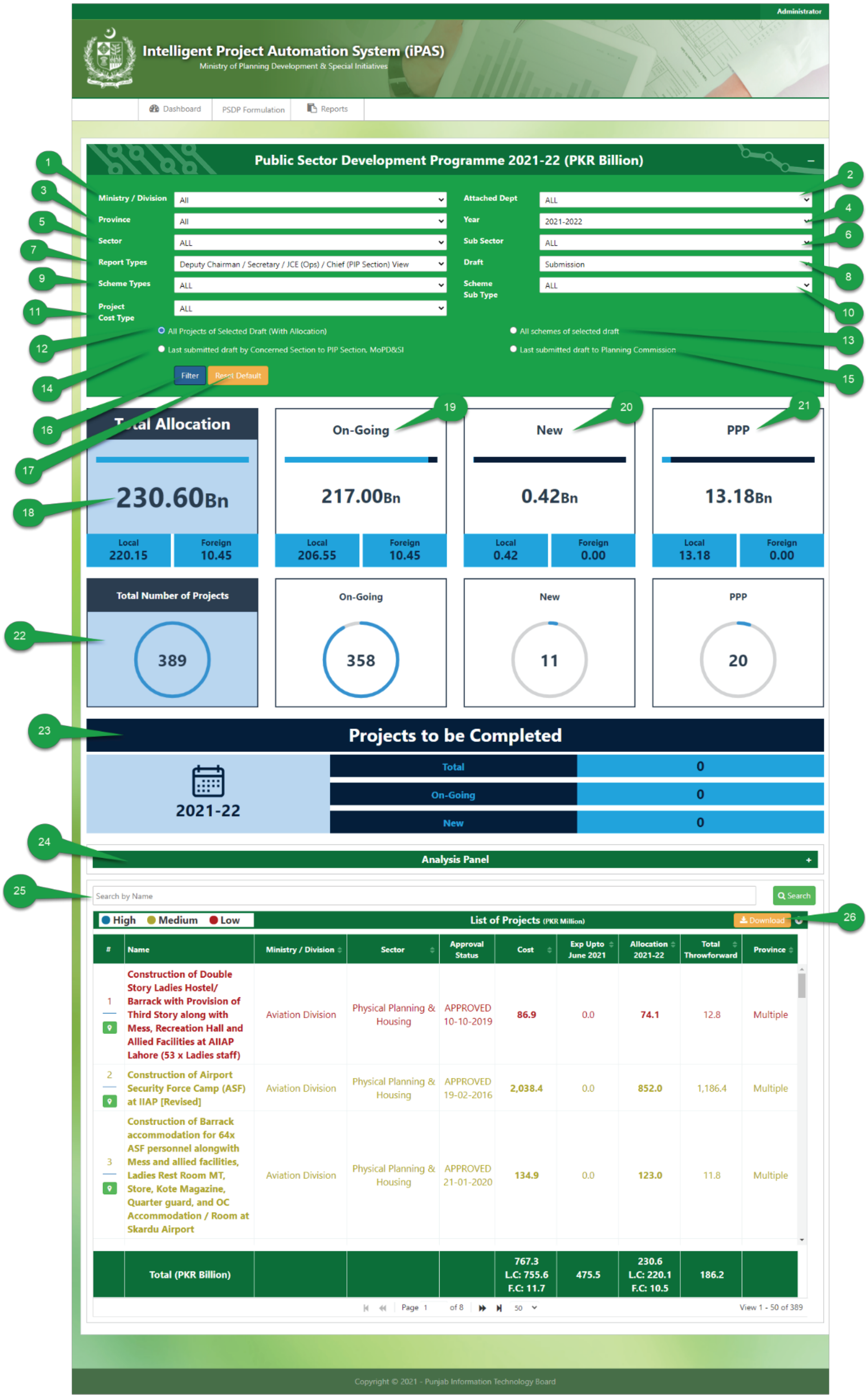
1.23 iPAS has been developed by the Planning Commission. It is a web-based tool for the process automation of PSDP formulation, recording and tracking, process automation of releases, online submission of progress and funds management (reappropriations, supplementary grants etc.) involving all stakeholders of development portfolio. This means that all proformas (PC-I to PC-V) can be submitted digitally. New projects/schemes can be initiated on the system, and it enables updating of on-going projects. A separate tab is created for Public Private Partnership (PPP) projects as well.

1.24 The system shows the total allocations to projects divided in the following categories: local, foreign, new, on-going, and PPPs. It also shows the total number of projects and projects under each category. A timeline of projects completion is also given. Finally, a dynamic table shows the list of projects along with their ministry/division, sector, approval status, cost, expenditure up to date, allocation, throw-forward, and the province.

1.25 The system enables the user to select the project (schemes) from the list of available schemes along with project type (new or on-going). Further, it efficiently categorizes the sectors, sub-sectors, relevant departments, and executing/sponsoring agency for the project. The user can view the list of accounts from which he/she would be authorized to record funds requests and utilizations for selected projects.

1.26 Through all the features mentioned above, the system aims to increase financial efficiency, automate, and digitize manual processes, and minimize information gaps between all stakeholders of development portfolio throughout the project life cycle.

Figure 5: **Interface of the Intelligent Project Automation System (iPAS)**



#	Name	Ministry / Division	Sector	Approval Status	Cost	Exp Upto June 2021	Allocation 2021-22	Total Throwforward	Province
1	Construction of Double Story Ladies Hostel/ Barrack with Provision of Third Story along with Mess, Recreation Hall and Allied Facilities at AIIAP Lahore (53 x Ladies staff)	Aviation Division	Physical Planning & Housing	APPROVED 10-10-2019	86.9	0.0	74.1	12.8	Multiple
2	Construction of Airport Security Force Camp (ASF) at IIAP [Revised]	Aviation Division	Physical Planning & Housing	APPROVED 19-02-2016	2,038.4	0.0	852.0	1,186.4	Multiple
3	Construction of Barrack accommodation for 64x ASF personnel alongwith Mess and allied facilities, Ladies Rest Room MT, Store, Kote Magazine, Quarter guard, and OC Accommodation / Room at Skardu Airport	Aviation Division	Physical Planning & Housing	APPROVED 21-01-2020	134.9	0.0	123.0	11.8	Multiple
	Total (PKR Billion)				767.3 L.C: 755.6 F.C: 11.7	475.5	230.6 L.C: 220.1 F.C: 10.5	186.2	

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Chapter: 2

PROJECT IDENTIFICATION AND PREPARATION

CHAPTER 2

PROJECT IDENTIFICATION AND PREPARATION

2.01 The project identification and conceptualization process ensures that the selected projects are fully aligned with the national development goals and public policy objectives. Thus, the project concept must be in sync with the Vision, the Five-Year Plan, and sectoral priorities. As sectoral priorities establish competing claims on the limited resources available, it is imperative that relevant ministries, divisions, and agencies put in place well-reasoned and consensus-based strategies. These strategies should flow from the national plans and priorities established by the NEC and other forums. The strategies also consider the sustainable development goals (SDGs), and country assistance and partnership strategies of development partners.

PROJECT IDENTIFICATION PROCESS

2.02 The project identification process constitutes the following steps [5].

Table 3: Checklist for Project Identification

#	Checklist for Project Identification	Mark ✓ if done
1	Conduct objective and logical analysis of documents using simple management tools such as problem tree analysis, log frame analysis, stakeholder consultations, etc. Documents such as vision, annual plans, five-year plans, sectoral strategies and priorities, policy directives must be utilized.	
2	Set clear project objectives and identify target groups benefiting from the project in the proposal.	
3	Establish the project concept (together with alternative plans for financing), which will effectively serve to achieve the project's development objectives.	
4	Assess the priority or urgency of the project in the context of economic and social development plans and sector investment programs.	
5	Examine consistency with the relevant sector policies and master plan and the regional/area development plan.	
6	Consider the adequacy of the executing agency and the possibility of private sector participation in the project.	
7	Estimate approximate project cost (together with the cost of alternatives) based on the conceptual design.	
8	Make a preliminary assessment of the feasibility of the project and its development impacts on the country, its specific region or sector.	
9	Assess project sustainability (economic/financial, environmental, and social). Also evaluate the project's contribution to the achievement of SDGs, and the impact on climate change.	

[5] Adapted from JICA Guidance of Project Identification and Preparation (undated)

2.03 During Project Identification/Preparation level, the following common mistakes are made and must be avoided:

Figure 6: Common Mistakes in the Project Identification Process

COMMON MISTAKES IN THE PROJECT IDENTIFICATION PROCESS

1. DATA AND ASSUMPTIONS

- Inadequacy of data to present factual position.
- An incorrect assumption of availability of inputs.

2. FINANCES

- Unrealistic cost estimates.
- Over-estimation of benefits.
- Ambiguity about availability of funding and financing for the project.
- Improper financial phasing incommensurate with the physical phasing.
- Lack of proper cost-benfit, risk assessment, sensitivity, stakeholder consultation, environmental and sustainability analyses.
- In the case of energy, water, and communication projects, a PC-I with a rough estimation of scope and cost hinders technical, economic, financial, and environmental appraisal.

3. PROCESS

- Lack of proper implementation schedule.
- Lack of coordination between the relevant agencies.
- Extensive time is taken by the sponsoring/executing agencies while responding to the observations of the Planning Commission and modification in the PC-I.

2.04 Projects are normally identified by the following:

i. Line ministries,

ii. Divisions,

iii. Public sector authorities and corporations (including the China-Pakistan Economic Corridor (CPEC) and PPP authorities, the National Disaster Management Authority (NDMA) for post-disaster relief, reconstruction, and disaster risk reduction),

iv. Pakistan's development partners (International Financial Institutions (IFIs), bilateral aid agencies, etc.),

v. Private-sector entities in consultation with the government departments, and

vi. Legislative and executive directives.

2.05 The Planning Commission, the provincial P&D boards/departments and other sub-national planning agencies play a critical role in guiding and supporting the project identification process.

Project Concept Note (PCN)

2.06 The project identification phase should conclude with the preparation of a PCN, which is a prerequisite for the initiation of project preparation. The PCN is cleared by the concerned Member of Planning Commission, as described in Appendix A. PCN must also include the estimated expenditure and source of funding for project preparation etc. The approved PCN should signal the start of project preparation and the authorization to incur Pre-project approval expenditures to that extent. All projects included in the PSDP/ADP should have an approved PCN, with the clearance/approval date of the PCN as the official commencement date of the project [6].

PROJECT FINANCING MODALITIES

2.07 The mode of project financing is considered and assessed as part of the project identification process. The government predominantly funds projects through the PSDP at the federal level, and through the ADPs at the provincial level. The private sector is integrated into the development process through the PPPs. For this purpose, the Public-Private Partnership Authority (P3A) has been set up at the federal government level, while a similar arrangement is also present at the provincial level.

PC-II PROFORMA

2.08 The PC-II approved by the relevant competent forum is required for the conduct of feasibility study, including technical investigations, market surveys and other studies (Annexure 2). The requirement of a PC-II shall be mandatory for infrastructure projects, each costing Rs. 500 million or above, and all other projects where the infrastructure component is equal to or more than 30 percent of the total project cost. Projects falling in these categories shall require feasibility study undertaken through the PC-II, which must include, at least, TORs, technical and reference design, assignments duly justified on man-month basis on gantt chart etc.

2.09 The above condition shall not be applicable for infrastructure projects, each costing less than Rs. 500 million, and all other projects where the infrastructure component is less than 30 percent of the total project cost.

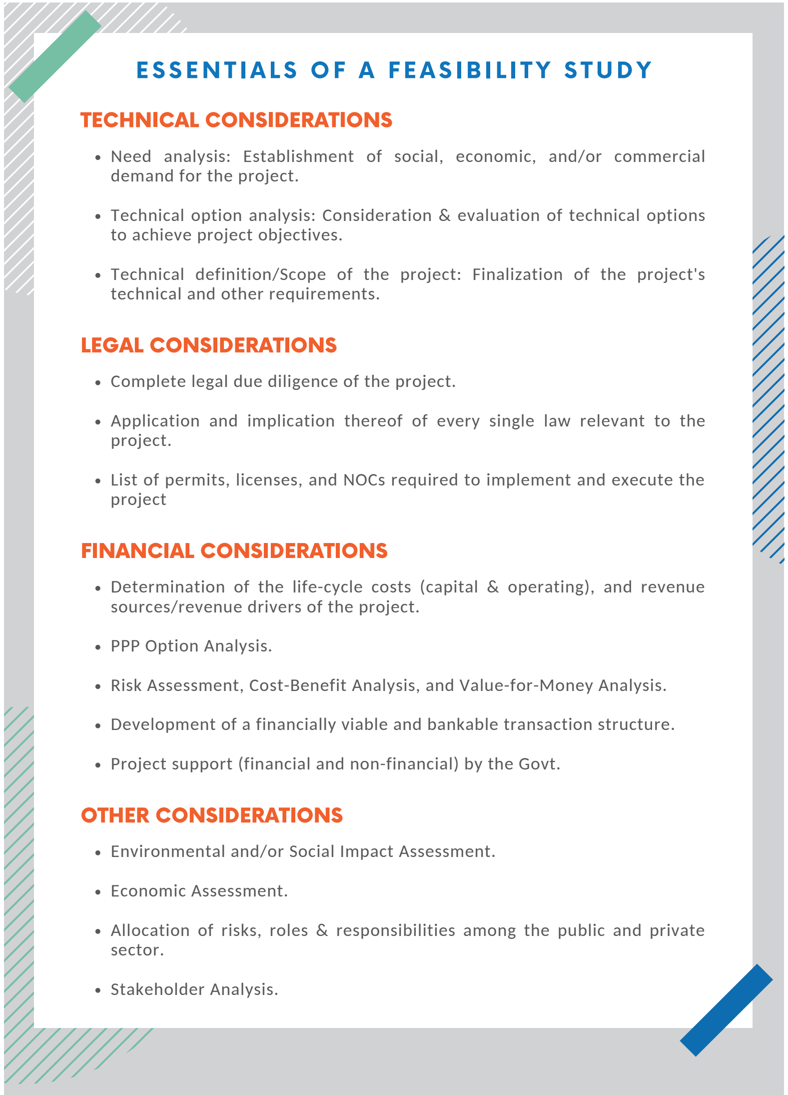
2.10 The requirement of the PC-II shall also not apply to projects declared as R&D oriented or innovative in nature, irrespective of their cost, by the forum having financial powers to approve the projects. However, such projects shall be accompanied by a proper need assessment and justification, which can be carried out in house.

2.11 The feasibility should be proper and based on the current data. Any study older than three years is not accepted by the Planning Commission [7] (Annexure 3). For more complex projects, technical assistance may be requested for a feasibility study from one of the development partners/donors.

2.12 Planning Commission may notify and clarify guidelines for the feasibility study, however following are the essentials of a feasibility study:

[6] This applies equally to a program, a fund or a line of credit covering several projects or series of project investments.
[7] Planning Commission, 'Preparation of Proper Feasibility Study/PC-II by the Sponsors for Development Projects', Notification No.24(4) PIA-I/PC/2016, Islamabad, dated 28 June 2016.

Figure 7: Essentials of a Feasibility Study



2.13 The PC-II, inter alia, needs to indicate studies and surveys already undertaken on the subject. In case of studies done already, it may be certified that the latest study/survey is necessary to add or validate and update the existing study/survey available with the sponsoring or other departments. The TORs for the consultants may include the following:

i. Possibility of prospective project financing and implementation through different modes, that is, private sector, PPP, etc.
ii. Environmental impact assessment, including CDM and DRRA.
iii. Financial analysis (FIRR, NPV and BCR)
iv. Economic analysis (EIRR, NPV and BCR)
v. Risk and sensitivity analyses and proposed mitigation measures
vi. Forward and backward linkages of the proposed study/survey
vii. Expected output of the proposed feasibility study/survey.

2.14 Appropriate provision for funding the feasibility study is made in the PSDP, and the sponsoring agency is required to appoint a Project Director at the initial stage of project preparation.

Checklist for PC-II

2.15 The checklist for PC-II is given as follows:

Table 4: Checklist for PC-II

#	Checklist items for PC-II	Tick as appropriate		
1	A general description of the aims, objectives and coverage of the survey/feasibility study is given.	N/A	Yes	No
2	Justification for undertaking the survey/ feasibility study is provided	N/A	Yes	No
3	Details of previous studies in the field have been provided.	N/A	Yes	No
4	Duration of the study and proposed months of commencement and completion of the study are indicated.	N/A	Yes	No
5	Item-wise/year-wise capital cost estimate of the study is broken down between local and foreign exchange.	N/A	Yes	No
6	Date on which cost estimates were prepared is indicated.	N/A	Yes	No
7	Basis of cost estimates are justified.	N/A	Yes	No
8	Sources of financing the capital cost are provided.	N/A	Yes	No
9	Requirements for local and foreign personnel i.e. professional, technical, administrative, clerical, skilled, unskilled, others along with their terms of reference are provided.	N/A	Yes	No
10	Period of contract of both the local and foreign consultants along with qualifications, experience and the terms of their appointment are given.	N/A	Yes	No
11	Expected outcome of the survey/feasibility study is given in quantifiable terms.	N/A	Yes	No
12	Indicate whether any project will be prepared after the survey.	N/A	Yes	No

Public-Private Partnership (PPP)

2.16 Given the resource constraints and untapped potential of efficiency gains through private investment it has become imperative to pursue public private partnerships for the core national socio-economic development process. For this purpose, specific policies, framework, laws, and regulations are in place for confidence-building of the private sector for venturing into this arena.

2.17 PPPs are beneficial because they help:

i. Bridge gaps in infrastructure and service delivery,
ii. Shift public resources towards social sectors,
iii. Enable the public sector to define requirements and the private sector to drive innovative and creative solutions,
iv. Gauge value for money by combining whole-life costs and quality,
v. Manage risk and allocation thereof to the party best able to manage, control and mitigate it,
vi. Link payment to performance and service quality, and where applicable, payment is linked to the users availing the services.

2.18 The federal government has enacted the PPP (Amendment) Act 2021 that extends to the entire country, applying to all Federal Government Entities with respect to all kinds of projects undertaken by a federal implementing agency under a PPP arrangement. The application of the PPP (Amendment) Act 2021 is extended to the provinces in case the project falls within the exclusive domain of the federal implementing agency. The PPP arrangements at the provincial level are guided by the PPP legislation of the respective province [8].

2.19 The PPP (Amendment) Act 2021 is "An Act to create an enabling environment for private sector participation in development projects and in the provision of public infrastructure and related services in Pakistan through public private partnership projects."

2.20 The functions of the P3A Board and responsibilities of the implementing agency are summarized in the figures below. It must be noted that the line ministry/sponsoring agency has the primary responsibility for monitoring and evaluating PPPs and ensuring that all project KPIs are being met by the private entity and interest of the public is safeguarded. Performance standards should be clearly reflected in the contract along with the line ministry/sponsoring agency that is responsible for monitoring and evaluation.

[8] The Punjab Public Private Partnership Act 2019 was notified on 13 December 2019 repealing 2014 Act; the Sindh Provincial Assembly passed Sindh Public Private Partnership Bill on 18 February 2010 and The Sindh Public Private Partnership Act 2010 was notified on 17 March 2010 http://sindhlaws.gov.pk/setup/publications_SindhCode/PUB-16-000200.pdf; and the Khyber Pakhtunkhwa Provincial Assembly has enacted the Public Private Partnership Act 2014, with an amendment in 2016 http://www.pakp.gov.pk/2013/acts/the-khyber-pakhtunkhwa-public-private-partnership-act2014/; Balochistan Assembly passed the Balochistan Public Private Partnership Act on 10 April 2018 and was notified on 19 April 2018http://pabalochistan.gov.pk/pab/pab/tables/alldocuments/actdocx/2019-11-15_12:20:50_477ab.pdf.

Figure 8: Functions of the P3A

FUNCTIONS OF THE P3A

1. Ensure value for money by conducting an analysis to evaluate projects. A PPP arrangement yields value for money if it results in a net positive gain to society.
2. Adhere to the principle of budget affordability in the context of medium term budgetary framework.
3. Advise and facilitate the implementing agency to identify, develop, structure, and procure the projects.
4. Assess fiscal risks associated with projects.
5. Standardize contractual provisions and develop sector-specific provisions of the model public-private partnership agreements; prescribe and receive fee ad charges.
6. Develop annuity, user-based and hybrid financial models for the projects; ensure that public-private partnership agreement is consistent with the provisions of the PPP Act 2017.
7. Interact, collaborate and liaise with international agencies.
8. Play the role of the gatekeeper at all stages of the project cycle such as planning, tendering, bidding, and contract.
9. Notify, from time to time, a limit on the size of PPP projects that an implementing agency may undertake in relation to its annual spending.
10. Ensure that the projects are consistent with national and sectoral strategies.

Figure 9: Responsibilities of an Implementing Agency

RESPONSIBILITIES OF AN IMPLEMENTING AGENCY

01 Identify, conceptualize, appraise and develop the project.

02 Undertake (or cause to be undertaken) the feasibility study.

03 Develop and issue (or cause to be developed and issuesd) a request for proposal with draft of the PPP agreement.

04 Procure a project only through a competitive bidding process as prescribed.

05 Monitor and implement the project in accordance with the public private partnership agreement.

06 Submit the bid documents and the project proposal for approval of the P3A.

07 Once the project is approved, the implementing agency will procure the project in accordance with the PPP Act 2017.

08 If the implementing agency requires support, it will submit relevant documents to the P3A.

09 P3A will review the project proposal and evaluate the need and amount of Government suppport and send recommendations to the Federal Government for provision of project support.

VIABILITY GAP FUND

2.21 The P3A will be establishing a non-lapsable Viability Gap Fund (VGF) through upfront grant-in-aid to be managed, controlled, and administered by the Authority. It will be utilized to provide support to those qualified projects which are economically and socially justified but are not viable financially according to the feasibility study.

RISK MANAGEMENT UNIT

2.22 A Risk Management Unit has been established at the Finance Division's Debt Policy Coordination Office. This unit will be responsible for providing guidance for managing risks of PPP projects, and assess fiscal risks of projects submitted to the P3A.

PROJECT DEVELOPMENT FUND

2.23 The P3A will establish a non-lapsable project development fund. The project development fund will be utilized, inter alia, to support the preparation of any proposals for qualified projects.

SALIENT MODES OF PPP

2.24 PPPs can happen under different modes; however, the salient modes are presented in the table below:

Table 5: Modes of PPP

Models	Description
Build-and-Transfer (BT)	A contractual arrangement in which the Private Party undertakes the financing and construction of an infrastructure project and after its completion hands it over to the Government Agency.
Build-Lease-and-Transfer (BLT)	A contractual arrangement in which the Private Party undertakes the financing and construction of an infrastructure project and upon its completion hands it over to the Government Agency on a lease arrangement for a fixed period, after the expiry of which ownership of the project is automatically transferred to the Government Agency.
Build-Operate-and-Transfer (BOT)	A contractual arrangement in which the Private Party undertakes the financing and construction of an infrastructure project, and the operation and maintenance thereof. The Private Party transfers the facility to the Government Agency at the end of the fixed term that shall be specified in the PPP agreement.

Build-Own-and-Operate (BOO)	A contractual arrangement whereby the Private Party is authorized to finance, construct, own, operate and maintain an infrastructure project, from which the Private Party can recover its investment and operating and maintenance expenses by collecting user levies from project users. The transfer of the project to the Government Agency is not envisaged in this arrangement. However, the Government Agency may terminate its obligations after the specified time.
Build-Own-Operate-Transfer (BOOT)	A contractual arrangement like the BOT agreement, except that the Private Party owns the infrastructure project during the fixed term before its transfer to the Government Agency.
Build-Transfer-and-Operate (BTO)	A contractual arrangement whereby the Government Agency contracts out an infrastructure project to the Private Party to construct it on a turn-key basis, assuming cost overruns, delays, and specified performance risks. Once the project is commissioned, the Private Party is given the right to operate the facility and collect user levies under the PPP agreement.
Contract-Add-and-Operate (CAO)	A contractual arrangement whereby the Private Party expands an existing infrastructure facility, which it leases from the Government Agency. The Private Party operates the expanded project and collects user levies, to recover the investment over an agreed period.
Develop-Operate-and-Transfer (DOT)	A contractual arrangement whereby favourable conditions external to an infrastructure project, which is to be built by the Private Party, are integrated into the PPP agreement by giving it the right to develop adjoining property and thus enjoy some of the benefits the investment creates such as higher property or rent values.
Rehabilitate-Operate-and-Transfer (ROT)	A contractual arrangement whereby an existing infrastructure facility is handed over to the Private Party to refurbish, operate and maintain it for a specified period, during which the Private Party collects user levies to recover its investment and operation and maintenance expenses. At the expiry of this period, the facility is returned to the Government Agency.

Rehabilitate-Own-and-Operate (ROO)	A contractual arrangement whereby an existing infrastructure facility is handed over to the Private Party to refurbish, operate and maintain with no time limitation imposed on ownership. The Private Party can collect user levies to recover its investment and operation and maintenance expenses in perpetuity.
Management-Contract (MC)	A contractual arrangement whereby the Government Agency entrusts the management of a project to the Private Party for an agreed period on payment of specified consideration.
Service-Contract (SC)	A contractual arrangement whereby the Private Party undertakes to provide services to the Government Agency for a specified period with respect to an infrastructure facility. The Government Agency will pay the Private Party an amount according to the agreed schedule.

PROCESS FOR PPP PROJECTS

2.25 The process for PPP projects is explained in the figures below. However, detailed process of submission and approval of PPP projects will be given through secondary legislation (prescribed) under PPP (Amendment) Act 2021.

Figure 10: Process for PPP Projects Part A

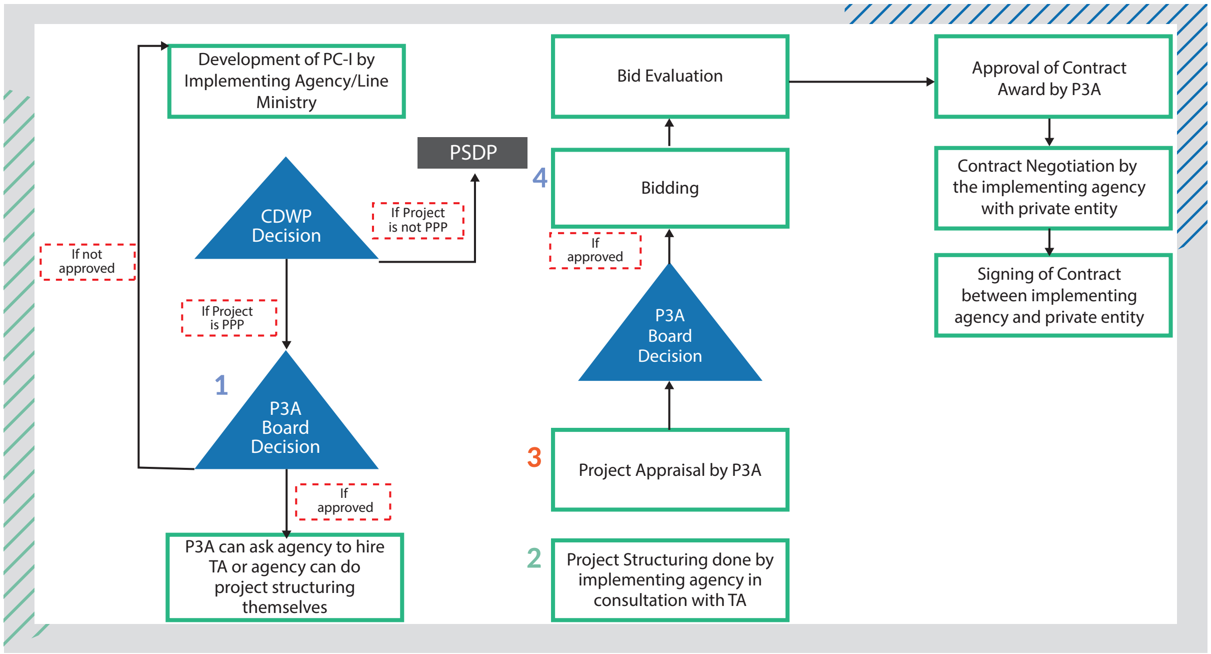


Figure 11: Process for PPP Projects Part B

1

Submission of formal application by the Implementing Agency to PPPA accompanied with:

- Project introduction/overview/background;
- Project needs and objectives;
- Project implementation strategies and tentative timelines;
- Project financial cost estimates;
- Project initial commercial and financial assessment;
- Project procurement methodology.

2

PPPA conducts feasibility analysis considering the factors below so implementing agency should restructure the project accordingly:

- Technical analysis;
- Commercial & Financial analysis;
- Legal analysis;
- Environmental analysis;
- Procurement strategies and methods;
- Evaluation of various P3 options and selection of P3 model;
- Value for money and bankability analysis of the Financial model;
- Project risks, mitigation, and control analysis;
- Project out-put specifications;
- Public sector comparator analysis;
- Analysis and evaluation of subsidies or guarantees, if any; and
- Evaluation, reviewing, and vetting of Bidding Packages, if included.

3

PPPA gives justification to the implementing agency on the following aspects after evaluation:

- Project viability and bankability;
- Affordability for Public sector and end-users;
- Debt impact of the investment from a public perspective in case of contingent liability exposure;
- Detailed Risk analysis and placement of risks to relevant party;
- Value for money;
- Based upon financial model prepared through Feasibility Study and in-house financial model, provision of data for potential cash-flows/out-flows, revenues, etc.;
- The financial impact on Government on project termination;
- Availability of Project Site; and
- Recommended PPP model for undertaking the project.

4

Bidding package must include:

- Request for Qualification, if desired;
- Request for Proposal; and
- Draft PPP Agreement.

DEVELOPING A PPP PROJECT

2.26 These are some important considerations for development of a PPP project:

Figure 12: Important Considerations for Developing a PPP Project

IMPORTANT CONSIDERATIONS FOR DEVELOPING A PPP PROJECT

Q1 Why is it preferable to do the project under PPP instead of PSDP?

Q2 Is the project bankable?

Q3 Can the cash flows repay the investment (debt and equity)

Q4 If not, can the project be eligible for VGF?

Q5 What are the key risks under PPPs?

Q6 Are the risks allocated to the party who is better able to manage risk or develop risk mitigation strategies?

Q7 Any previous lessons for similar projects in Pakistan or abroad?

2.27 Under the International Public Sector Accounting Standards (IPSAS) Board (IPSAS, 2002) contingent liabilities are "A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events, not wholly within the control of the entity."

2.28 As the federal government is moving towards fostering PPPs, it is pertinent to focus on risk management to maximize the potential benefits from PPPs. The Public sector often resorts to guarantees and fiscal support for PPP projects that is generally conditional to occurrence and/or non-occurrence of certain events in the future. Such support forms part of contingent liabilities. Contingent liabilities in this case may be considered as the hidden costs involved in introducing PPPs into the arenas traditionally dominated by the public sector, e.g., infrastructure and service delivery. For the success of PPP projects, it is important to adequately analyze and report potential risks emanating from PPP projects. Rules are being framed by Finance Division containing specific terms and modalities with respect to Risk Management Unit (RMU).

2.29 It is important to understand that countries in the world have faced severe fiscal crisis due to flaws in the design and structure of PPP projects. Many such instances occurred due to mismanagement of Fiscal Commitments and Contingent Liabilities (FCCL). In some PPP projects, government may commit fiscal resources, such as equity, VGF and subordinate debt under terms of agreement of the project. Risks emerging from fiscal commitments also need to be analyzed and reported by the government. FCCL become a fundamental issue to be addressed by the government while making efforts to promote fiscally responsible PPPs.

Table 6: Types of Fiscal Commitments in PPPs

Commitment	Description
"Guarantees" on particular risk variables	The government may commit to compensate the private party for loss in revenue should a particular risk variable deviate from a contractually specified level. The associated risk is thereby shared between the government and the private party. For example, this could include guarantees on the following: • Demand remaining above a specified level, or within a specified range • Exchange rates remaining within a specified range • Tariffs being allowed to follow a specified formula (where tariffs are set or approved by a government entity).
Force majeure compensation clauses	The government may commit to compensate the private party for damage or loss due to certain specified force majeure events. These are typically limited to those events for which insurance is not commercially available, which may include certain natural disasters.
Termination payment commitments	The government may commit to pay an agreed amount should the contract be terminated due to default either by the private party or by the government on their obligations under the contract, and to take control of the project assets. Typically, the defined payment is lower in case of private party default.
Credit guarantees	The government may guarantee repayment of some, or all the debt taken on by the project company if the project company itself defaults on the debt, regardless of the reason for the default.

2.30 Three types of guarantees are provided in PPP projects. They are summarized in the figure below:

Figure 13: Types of Guarantees in PPPs

Service Use Guarantee (or Revenue Guarantee)	•The direct beneficiary from this guarantee is the project company and not its creditors. If the company costs are not managed properly, the project company is likely to fail to pay its debts to the creditors.
Guarantee of Minimum Service Fees	•Under this guarantee, the state guarantees to the private partner, a minimum service fees paid regardless, of the performance of the project company is undertaking.
Guarantee of Law and Regulation Amendment	•The state provides the protection from any future regulatory policy, provided that the contract shall not be unilaterally changeable. All projects that are undertaken by the P3A are dealt through "Change in Law Provisions" without issuance of formal guarantee by the Government

2.31 Common reasons for failure of PPPs are presented in the figure below. It is important to understand such reasons for designing sound PPP projects.

Figure 14: Reasons for Failure of PPP Projects

REASONS FOR FAILURE OF PPP PROJECTS

01 Compliance Issues
Lack of compliance with applicable legal and regulatory frameworks.

02 Deferred Payments
PPP projects are carried out under a regime of deferred payments which often gives an illusion of developing infrastructure without any cost.

03 Costing
Unrealistic revenue and cost estimations add to the potential failure of a PPP project.

04 Public Resistence
Public resistance can be observed as one of the major failures of some PPP projects. A better communication strategy can help circumvent such risks.

05 Contingent Liabilities
The cases of Portugal and India explain that poor management of contingent liabilities may add to the failure of PPP projects.

06 Research Gaps
Lack of substantive research on PPP processes and projects that inhibit the capacity to incorporate lessons in future projects.

07 Training and Capacity
Lack of training and capacity to negotiate and draft legal contracts may hamper the performance of PPP projects. Training can help overcome this challenge.

PROJECT PREPARATION

2.32 The formulation of development schemes should be a continuous process and should not only be undertaken when required for the preparation of the project. Such project proposals should be prepared in the prescribed format of the PC-I by incorporating maximum information to justify public financing. The proposal should be prepared in consultation with the relevant stakeholders including beneficiaries of the schemes. In some of the projects relating to service delivery and operations of infrastructure, community and civil society organizations may also be given an appropriate role in the implementation and governance of the project. In pursuance of Section 14 (1) of PFM Act, 2019, all development projects shall be prepared in conformity with prescribed processes/ procedures and templates formulated by the Planning Commission and as amended from time to time.

UNDERSTANDING THE DIFFERENCE BETWEEN DEVELOPMENT AND NON-DEVELOPMENT EXPENDITURE

2.33 In general, expenditure on the establishment of new facilities (works, goods, and services) is regarded as developmental, while expenditure on ordinary maintenance and running of the existing facilities is treated as non-developmental and should be provided for in the non-developmental requirements of the respective government departments. For example, the existing level of expenditure on the agricultural extension services or research, etc., is treated as non-developmental; so is the ordinary expenditure for routine maintenance of roads, canals, buildings etc. All O&M expenditure on raw materials, spare parts and fuels is also to be treated as non-developmental.

2.34 The concept of development expenditure is based on the premise that a development project or programme supported by such expenditure will (i) enlarge and/or improve the physical resources of the country, (ii) improve the knowledge, skills, and productivity of the people, and (iii) promote efficiency in the use of available resources.

2.35 The distinction between development and non-development expenditures does not necessarily reflect on the similar character of various activities. Similarly, the concept of development expenditure should be kept separate from the question of project financing. The sectoral classification of development expenditure in Annexure 4 provides guidelines for project expenditures, which should be treated as developmental.

LINKING PROJECTS TO RESOURCES

2.36 All sponsoring ministries/divisions/agencies must structure their priorities according to available resources and avoid over-ambitious programmes beyond their absorptive and implementation capacity. Therefore, all sponsoring agencies before preparing a project and submitting it to the Planning Commission must ensure the availability of adequate resources in the Plan and PSDP. Concurrently, the ministries/divisions are advised to ensure that the available resources are not thinly spread over many projects, including low priority projects. The NEC, in its meeting held on 10th June 2013, directed that the ECNEC and CDWP must ensure availability of funds while approving development projects/schemes [9] (Annexure 5). Further, under clause (a) of Section 17 of the Public Finance Management

[9] Planning Commission, 'Assurance of Availability of Funds for Development Projects', Notification No.21(1) PIA/PC/2013, Islamabad, dated 26 June 2013.

Act, 2019, only technically approved projects from the relevant forum shall be considered for inclusion in the demands for grants.

PC-I PROFORMA

2.37 The Planning Commission proforma I (generally called PC-I) is the primary project document, and its preparation is a key step in project preparation and processing. The sponsoring agency is expected to spend adequate time and resources in preparing this document to avoid complications during project implementation resulting in delays in project completion and cost overruns. The PC-I is used both for new projects and revision of ongoing projects. The Proforma comprises of three parts:

i. Part A is the Project Digest, which requires basic project information, that is, project title, location, sponsoring and executing agencies, project description, justification and technical parameters, project cost and completion period, physical and financial phasing, the status of a feasibility study, and project objectives, plan, and sector strategy linkages.
ii. Part B is Project Requirement, which includes project scope, employment generation, management structure and manpower requirements, the status of surveying and mapping and land acquisition activities, and responsibility of operation and maintenance of project assets after project completion.
iii. Part C is Appraisal and Analysis, which needs information on project quantifiable benefits (financial, economic, social), revenue or income generation after project completion, financial and economic analysis and results, sensitivity and risk analysis, stakeholder consultation analysis, environmental and social impact assessment (including climate change and Clean Development Mechanism (CDM) assessment), and disaster reduction analysis. Only the Project Digest (with additional information) is required to be submitted for the revised projects.

2.38 There are additional proformas for preparing project summary for the ECNEC and working paper for the CDWP, for both new and revised projects.

2.39 The following attachments are required to be annexed to the PC-I:

i. Certificate regarding the conduct of feasibility study wherever applicable, which must include technical/reference design, bill of quantities, etc.
ii. Environment Impact Assessment.
iii. Questionnaire for an assessment of the CDM potential in public sector projects.
iv. CDM eligibility test for assessment and identification of a project in the public sector.
v. Checklist for disaster risk reduction.

2.40 After preparation of the PC-I, the PAO signs the PC-I/PC-II certifying that "the project proposal has been prepared on the basis of instructions provided by the Planning Commission for the preparation of the PC-I of the concerned sector projects". Thereafter, the PC-I or PC-II is to be submitted to the PIA Section of the planning commission, which circulates it to the members concerned of the CDWP, including the technical section concerned for their review and appraisal. (The appraisal process has been addressed in the following chapter.) The PC-I proforma, along with detailed instructions are available on the Planning Commission's website and placed in Annexure 6 [10].

KEY COMPONENTS OF PC-I

2.41 The PC-I preparation requires a large amount of data collection and analysis. It is important that the required information is prepared and entered in the PC-I proforma with due care and diligence to avoid repeated revisions during the project appraisal, review, and approval stages. The key components of the PC-I are discussed in the following sections.

Project Objective

2.42 Every project must have a project development objective along with inputs, outputs, and outcomes (the results chain), project components and activities to be implemented within a specific time and cost, along with a monitoring framework. While preparing a project, it is important that the project's objective(s) must be aligned with the objectives, goals and targets set out in the currently operative perspective growth strategy, Five-Year Plan or Annual Plan. The project must have a clear linkage with the economic development policies of the government, including the relevant sector policies, strategies, and master plans (as applicable). The project objectives should be linked to the SDGs indicating the specific Goals, being addressed by the project. A relationship of the proposed project and its specific contribution (in quantifiable terms) with other projects (completed or ongoing) in the same sector or sub-sector, must be highlighted in the project document.

Project Description

2.43 The description of a project should provide information about its key features, components (both hard and soft) and technical aspects. It should also include its justification and rationale, in addition to a brief account of similar interventions, any feasibility study, and relevant government policies, sector strategy, and plans of the past. The technology proposed to be adopted for the project and the source of supply of machinery and equipment should also be mentioned. It should also be stated whether the project output would be used for import substitution, for export promotion or for meeting the increased domestic demand or a combination of these.

Project Location

2.44 Regarding project location, due consideration should be given to the area and population to be served by the project, the economic, environmental, and social characteristics of the project area, and the income and other attributes of the beneficiary population. The location analysis should include the following:

i. The rationale for the selection of a proposed project
ii. Place and administrative district where the project is located.
iii. Geographic Information System-based map(s) of the project area with the

[10] www.pc.gov.pk

Global Positioning System coordinates.

iv. Reasons for selection of location [11].

v. Availability of land and other physical inputs needed for the project.

vi. In the case of mega projects and water sector projects, a separate PC-I for land acquisition should be prepared, if required.

vii. In case of projects involving the provision of buildings, plans (including architectural drawings) prepared by a licensed engineer/architect should be attached to the PC-I.

viii. The social and environmental impacts of the project, including climate change.

Project Scope

2.45 The sponsoring agency should ensure that the project scope includes only the project requirements necessary to achieve the envisaged objective. The scope of the project must be clearly mentioned. While presenting it, the sponsors should indicate, in quantitative terms, the proposed facilities and services, which would result from its implementation. In addition, the project sponsor should provide information on:

i. Demand for project output, with its basis.

ii. Existing position regarding capacity and actual supply of output.

iii. The gap that the project is going to fill between supply and demand.

CHANGE IN PROJECT SCOPE

2.46 Once approved, the executing agency is required to implement the project in accordance with the PC-I provisions. It has no authority to change or modify any approved parameter of the project. If the project executing agency determines (based on detailed justification) that the project cannot be implemented under the approved parameters and it requires revision of scope, physical components or financial allocation, a revised PC-I must be submitted to the competent forum for approval. No expenditure may be incurred beyond the approved scope and cost of the project, and if it is done, it will be considered as an inadmissible and illegal expenditure.

Inventory of Machinery and Equipment

2.47 All proposals for the procurement of machinery and equipment by the government departments or agencies should be accompanied by an inventory of the existing pool of the machinery and equipment held by them. For example, whenever a provision of a new vehicle is made in a development project, the ministry, department, or agency concerned should furnish a supporting document, a complete inventory of the existing vehicles both on the development and recurring side, along with their date of purchase, to justify the purchase of new vehicles.

[11] Many projects have suffered tremendously in the past due to improper site selection done in haste. It results in cost overruns and delays in project completion. Project implementation also suffers due to delay in land acquisition. Therefore, the availability of land needs to be assured as part of the site selection process. In selecting the location, area, and population to be served by the project, the income and social characteristics of the population need to be assessed. Similarly, the economic characteristics of the area i.e., present facilities and availability of inputs and regional development needs need to be considered.

Project Cost

2.48 The cost estimates of a project must be prepared with due care and diligence so that these only require revision on an exceptional basis and project implementation is not delayed due to the non-availability of funds. Besides, the cost debitable to the development budget must be distinguished from the cost debitable to the revenue budget. The Pakistani Rupee (PKR) equivalent of the Foreign Exchange Component (FEC) of projects should be worked out based on the 'Bank Floating Average Exchange Rate' of the relevant currency as shown on the website of the State Bank of Pakistan (SBP) for the month preceding the one in which the PC-I and PC-II were submitted to the Planning Commission [12] (Annexure 7).

2.49 The following guidelines for cost estimation will generally apply to all projects:

i. Total cost of the project with local component and FEC (loan/grant) [13]
ii. Item-wise breakup of the total cost (Rs. in million)
iii. Unit cost (attach specifications)
iv. Comparison of the unit cost of the project with other similar projects of the sector/area (in case of variations, detailed reasons/justification be given for cost estimation) using Composite Schedule of Rates (CSR), Schedule of Revised Rates (SRR).
v. Date of preparation of cost estimates (Indicate if these are still valid).
vi. The cost of imported items available in the local market must be reflected in the local component and not in the FEC component.
vii. Annual Operating and Maintenance (O&M) cost after completion of the project

2.50 The PC-I must also clearly show the component- and item-wise annual breakdown of the costs over the project period as shown in the table below.

Table 7: Item wise Breakdown of Project Cost by Year

Item	Year 1			Year 2			Year 3		
	Total	Local	FEC	Total	Local	FEC	Total	Local	FEC

REVISED PROJECT COST

2.51 The cost estimates must be prepared, which should be based on the current market survey, updated schedule of rates and pre-tender quotation rather than using across board premium. The Planning Commission will constitute a committee comprising of representation from Finance, Planning, and national building /executing departments to develop a uniform single standardized schedule of rates, updated quarterly like MRS Punjab, substituting existing several schedules or rates by Pak PWD, MES, NHA etc. for

[12] Planning Commission,' Conversion of Foreign Exchange Component of Development Projects in Pak Rupee', Notification No.4(1) PIP/PC/2013-14, Islamabad, dated 24 October 2013.
[13] Indicate source and rate of exchange -PKR vis-à-vis USD.

goods/works/services to be procured for development projects by all federal entities. The project cost may need a revision because of certain factors, which also include a change in scope during implementation and cost overruns. In case of revision of the project, detailed justification for changes in scope and cost must be provided separately. Instructions of the ECNEC about project cost revision are presented in Box 1.

PROJECT FINANCING

2.52 The sponsoring agency provides a detailed justification (for example, public good, market failure, social protection, etc.) why the project cannot be implemented in the private sector or on the PPP basis – in case the project is proposed to be financed through the public sector. The sponsoring agency then develops and presents a financial plan of the project in the PC-I. The sources of project funding need to be presented in clear and specific terms so that there remains no ambiguity or confusion regarding the financing plan. In case, a foreign agency is committed to financing the project either partly or fully, the name of the agency with the amount of foreign exchange and local currency committed, is to be mentioned in the PC-I. The source and amount of funding should be described as follows:

Table 8: Describing the Source and Amount of Funding in PC-I

Source of Funding	Description
Equity	Indicate the amount of equity to be financed from the applicable source/s: • Public Sector: Sponsor's own resources, Federal or Provincial Government • Private sector: Foreign, domestic • Public-Private Partnership • General public • Foreign equity (indicate partner agency) • NGOs/beneficiaries • Other Attach date and decision of the Concept Clearance Committee with a copy of minutes or decision annexed.
Debt	• Indicate the local and/or foreign loan. • Interest rate, grace period and repayment period for each loan separately • The loan repayment schedule must be also annexed. • Attach the Economic Affairs Confirmation in case of foreign loan.
Grants along with source	Attach the Economic Affairs Confirmation in case of foreign grant.
Weighted Average Cost of Capital (WACC)	WACC is calculated by multiplying the cost of each capital source (debt and equity) by its relevant weight, and then adding the products together to determine the value.

Box 1 – Revision of Project and Cost Estimates[1]

- As per ECNEC no expenditure should be made beyond the approved cost of the project. Instructions have separately been issued under Cabinet Division circular[2] d.o. letter No. 5/CF/75 dated 7 May 1975 requiring the executing agencies to start preparing the revised scheme immediately when it was known that the cost of the scheme is going to rise beyond the permissible limit of 15 percent. The ECNEC, at its meeting held on 29-12-1974, approved the following procedure for obtaining fresh approval of a development scheme in case its cost increased by more than 15 percent of the originally approved cost.

- "If the total estimated cost, as sanctioned increases by a margin of 15 percent or more, or if any significant variation in the nature or scope of the project has been made, irrespective of whether it involves an increased outlay, the approval of the ECNEC/competent authority shall be obtained in the same manner as in the case of the original scheme without delay. Permission of 15 percent given by the ECNEC is in respect of the original cost and not the revised cost of the scheme."[3]

- It is considered that no difficulty should be experienced in this regard, as PC-III forms (quarterly progress report) are prepared in respect of all such schemes.

- Columns 6 and 7 of the PC-III forms, which indicate the percentages of physical completion and financial expenditure are relevant. The two percentages have close relationship. If the percentages of financial expenditure exceed percentage of physical work by more than 15 percent, it is an enough indication to show that the cost of the project would go beyond the approved cost. As soon as this indication is visible the executing agency should immediately start work on revising the scheme without stopping the actual work. In exceptional cases, where the revised scheme cannot be prepared in time, recourse could be taken to obtaining anticipatory approval of the Chairman Executing Committee of the National Economic Council, following the procedure outlined in Cabinet Division circular letter.

- A preliminary stage when the possibility of revision of cost becomes clear is when the project is to be implemented through a few major contracts and the bids received in response to tenders make it obvious that the sanctioned cost will be exceeded.

[1] *Planning and Development Division, 'Submission of Revised Schemes when Cost Exceeds beyond 15 percent Permissible Limit for Original Approved Schemes', Notification No. 20(40) PIA/PC/2005, Islamabad, dated 26 May 2007.* |
[2] *Cabinet Division Notification No.5/CF/75 Rawalpindi, dated 16 July 1975 (Annexure 40)* |
[3] *Planning and Development Division Notification No. 20(1)DA/PC/79-Vol.XIV, Islamabad, dated 22 June 1980. Annexure 41*

2.53 The economic aspects of a proposed project or programme have a direct bearing on the development of the economy through the backward and forward linkages. The economic benefits of projects can enhance production, as well as employment, and increase the value of output due to quality improvement or other factors. The benefits can also be accrued from reductions in cost or gains with the mechanization of the production process, decreasing distribution costs and avoiding losses. In the social sector projects, benefits can be gathered by increasing productivity and earning capacity through improvements in health, education, and skills. In the infrastructure projects like transport, benefits can be accumulated with savings in travel time, vehicle operating costs, accident reduction and on account of new development activity. Projects also have some intangible benefits, like better income distribution, national integration, national defence or better quality of life of the rural population, especially in the far-flung and backward areas. The benefits because of the project and its interventions must be clearly spelt out and quantified as much as possible.

Project Scheduling

2.54 The project implementation schedule must be developed using an appropriate analytical tool such as Bar Charts, Project Evaluation and Review Techniques (PERT), Critical Path Method (CPM). These should be incorporated in the PC-I and other project documents. It may be prudent to use software applications available in the market for this purpose.

Financial Phasing

2.55 The financial phasing of a project is to be given for each fiscal year, related to the physical work proposed to be undertaken, keeping in view the implementation of similar projects in the past. It should be as realistic as far as possible. The fund's utilization capacity of the executing agency must be kept in view while determining the financial phasing of the project. Physical phasing/implementation plan of major items/deliverables may be provided, and financial phasing should be derived from it.

Table 9: Financial Phasing of Project Costs

Items	Units	Year-1	Year-2	Year-3

Physical Scheduling of Activities

2.56 The scheduling of activities and the availability of physical facilities are interlinked with the completion period. The availability of physical facilities, for example, access road, power supply, water, gas, telephone and other utilities, education facilities, housing, etc., must be ensured. The sponsoring agency has also to indicate separately what facilities would be available from the project itself and to what extent these would be available from the public utilities. The scope of work to be carried out should be investigated thoroughly to facilitate physical and financial phasing as well as supervision. The Work Breakdown Structures (WBS) and Logic Framework Analysis (LFA) and similar management tools must be used to conduct the physical scheduling of activities. It may be prudent to use software applications available in the market for this purpose.

Project Implementation Period

2.57 Time calculated for completion of the project must be realistic. The figure below represents factors that need to be considered in estimating the project implementation period:

Figure 15: Important Considerations for the Project Implementation Period

IMPORTANT CONSIDERATIONS FOR THE PROJECT IMPLEMENTATION PERIOD

1. Total allocation made in the Five-Year Plan.
2. Expected allocations in the PSDP, keeping in view past experience.
3. Time to be taken in preparing the detailed design(s), the invitation of tenders, and award of contract(s).
4. Availability of land, and time taken in its acquisition.
5. Time to be taken in land development keeping in view its topography and construction of an access road.
6. Availability of professional and technical manpower and plan for acquisition of human resources.
7. Availability of materials, supplies and equipment, efforts should be made to prepare a project procurement strategy/plan and supply chain management plan.
8. Risks in project implementation with a risk management plan.

EXTENSION IN IMPLEMENTATION PERIOD

2.58 The guidelines for extension in the execution period of development projects are given below, but these will be subject to 'no change in scope and cost of the project(s)' [14] (Annexure 8).

i. The PAO of the sponsoring/executing agency may grant time extension in the execution period of the project till the closing of the fiscal year, twice in a project's life, irrespective of the approving forums.

ii. In case of further extension, the provincial and special areas Development Working Party will be empowered to grant time extension based on reasons of delay in execution, irrespective of approving forums.

iii. In the case of the federally administered development projects, further extension in the execution period will be granted by the DDWP of the ministry/division concerned based on reasons of delay in execution, irrespective of the approving forums.

[14] Planning Commission, 'Extension in Execution of Development Projects', Notification No. 23(1-DDWP)/PIAI/PC/2017 dated 15 March 2019.

iv. In the case where there is no DDWP, the matter for further time extension will be presented to the division/chairman office concerned and a committee headed by the federal secretary/chairman comprising representatives from the Planning Commission and Finance Division, an officer not below the rank of BS-19, will review and grant time extension based on reasons for the delay in execution, irrespective of the approving forums, if required.

v. In the case of foreign-aided projects, consent of the donor/sponsor will be compulsory in coordination with the EAD before processing the case for a time extension.

INTER-AGENCY COORDINATION AND STAKEHOLDER CONSULTATION

2.59 To avoid duplication of efforts and ensure effective implementation of the proposed project, all the relevant data should be obtained, and the agencies concerned consulted. Box 2 below represents the case of a health scheme.

Box 2 – Example of Inter-agency Coordination in a Health Scheme

The following information should be obtained and reflected in the project:

i. Public and private sector institutions in the area, their staff, equipment, and the number of persons served by them,
ii. Population of the area,
iii. Economic characteristics of the persons who are being provided service,
iv. Morbidity and incidence of epidemics during the last five years or so,
v. Clearance from relevant authorities.

2.60 The inter-agency coordination is also necessary for the availability of utilities, such as water and power supply, education facilities and housing. For example, before an industrial scheme sponsored by the Production Division is undertaken, it is critically important that the clearance of the relevant agency concerned is obtained for the availability of water supply and other utilities. As decided by the NEC in its meeting held on the 4th of July 1988, the project document should clearly indicate the coordination required with the other agencies to facilitate project implementation.

PROJECT MANAGEMENT STRUCTURE

Figure 16: Project Management Structure- Part A

PROJECT MANAGEMENT STRUCTURE

1 The project management structure needs to be elaborated in detail in the relevant section of PC-I. ECNEC recommends updating the PMUs through the PC-I, where these exist and have already been working.

2 For a separate PMU, the staff requirement with the mode of appointment, salary package, detailed ToRs of each position, requirement of accommodation, office equipment and vehicles should be provided with cost and full justification.

3 As per the ToRs for consultants (local or foreign), the consultancy proposal must provide a realistic implementation schedule supported by a Bar Chart, CPM, PERT, WBS, LFA, etc.

4 As per ECNEC, all main ministries and departments will establish dedicated Project Planning and Development Units (PPDUs) with appropriate human resource capacity to develop project documents and facilitate project deliverables

RECOMMENDED MODEL OF PPDU STAFFING

Economist
Project appraisal specialist
M&E expert
Project management specialist
Financial management specialist
Legal expert
Environment specialist
Procurement expert
MIS specialist
Social sector specialist

ECNEC'S LIST OF IDENTIFIED MINISTRIES AND DEPARTMENTS THAT MUST HAVE A PPDU

FEDERAL LEVEL

- Ministry of Energy
- Ministry of Water Resources
- Ministry of Communication
- Ministry of Railways
- Federal Education and Professional Training
- National Health Services, Regulations and Coordination
- Higher Education Commission
- Housing and Works Division
- Ministry of Science and Technology
- Ministry of Interior
- Ministry of Information Technology and Telecommunication
- Ministry of Climate Change
- Ministry of National Food Security

PROVINCIAL LEVEL

- Agriculture Department
- Irrigation Department
- Rural and Urban Development Department
- Communication and Works Department
- Energy/Power Departments
- Health Department
- Livestock and Dairy Development Department
- Social Development Department

Figure 17: Project Management Structure- Part B

5 The establishment of the Shared Services Units (SSUs), particularly in the provincial P&D departments, can help to mitigate the risk of initial delays caused by staffing issues in new projects. An SSU will carry out procurements and expedite project implementation, as needed.

6 The ECNEC further approved the nomination of focal persons by the provincial P&D departments to coordinate with the Planning Commission to help expedite the provincial schemes

7 The Planning Commission will reactivate and strengthen PPMI, which will carry out capacity-building and play an advisory role in the project management and developing partnerships with the implementing agencies.

PMU ESTABLISHMENT PROCESS FOR MEGA PROJECTS (> RS. 3 BILLION; FOREIGN-FUNDED AND PSDP

1 Process for the establishment of a PMU and hiring of an independent Project Director (PD) should start soon after concept clearance

2 This should run parallel to the approval process of PC-I

3 The PD must be appointed no later than one month after approval of the PC-I

APPOINTMENT OF CONSULTANTS FOR PROJECT PREPARATION

2.61 In case local expertise is not available, foreign experts or consultants can be employed to prepare projects, which are technically and economically viable. Efforts are being made to develop local consultancy capacity, but in the case of large or sophisticated projects involving new technology, foreign consultants are usually needed. Most of the large projects in Pakistan are foreign-aided and foreign consultants may not be excluded from participation in providing the requisite services. However, the government, to give preference to the local consultants, has decided that the Pakistani consultants and engineers be given the full opportunity, and they should be the first to be hired for projects for consultancies in Pakistan before hiring any foreigners. The decision of the ECC for a minimum of 30 percent award of a consultancy contract to local consultants may be strictly enforced. (Prime Minister's Order dated 7 November 1993).

REQUIREMENTS FOR SUBMISSION OF PC-I IN PLANNING COMMISSION

2.62 The following are the specific requirements for submission of the PC-I.

i. All PC-Is must be signed by the chairmen P&D boards, additional chief secretaries (Development) in case of the provincial and special areas' projects, and federal secretaries/PAOs in case of the federal project.

ii. The provincial and special areas projects, requiring federal financing from the

PSDP (fully or partially) irrespective of the cost, will be sent to the Planning Commission for consideration of the CDWP, and if required, by the ECNEC.

iii. For the provincial and special areas projects, to be financed either fully or partially by the federal government, the land will be provided free-of-cost by the provincial or special areas' governments.

iv. The P&D boards/departments of the provincial and special areas, where necessary, will recommend a scheme for approval of the CDWP and ECNEC after approval from PDWP/special areas DWP. No schemes will be sent to the federal government directly by the provincial departments.

v. The provincial projects, funded from the provincial governments' resources, and where no federal assets are utilized, or federal liability generated are to be approved by respective PDWP. Projects where water distribution issues are involved, or the Indus River System Authority (IRSA) certificate is required are an exception to this.

vi. In the case of the provincial and special areas schemes submitted to the federal government and central schemes, copies thereof should be sent simultaneously to the central administrative ministry and the Planning Commission.

vii. For seeking foreign assistance for the federal or provincial projects (loan/grant), the requirement of concept clearance from the Concept Clearance Committee (CCC) will be strictly adhered to. After the firm commitment of availability of foreign assistance from a donor through the EAD, the PC-I (along with the feasibility study, PAD, and draft loan/grant agreement), will be forwarded to the Planning Commission for consideration of the CDWP/ECNEC. The EAD will verify the availability of foreign assistance.

viii. The objectives and outcomes of the project will be clearly mentioned in the PC-I and II. Without detailed designing of civil work and item-wise cost the PC-I will not be processed.

ix. To minimize and avoid payment of commitment charges, the loan agreement should only be signed after approval of the PC-I and completing all other code formalities.

x. For foreign-aided projects, land availability will be ensured by the sponsoring/executing agency before signing an agreement with donors.

xi. In the case of a foreign-funded project, the name of the agency and amount of foreign exchange and local currency committed is to be mentioned in the PC-I. Similarly, the source and amount of rupee component should be indicated as government sources, that is, grant, loan, equity, etc.

xii. The objectives of the project must be clearly indicated preferably in quantitative terms and linked with the five-year-plan targets and growth strategy of the sector.

xiii. Detailed designing of civil work, including BoQs and location map, will be mandatory in the PC-I.

xiv. The feasibility study should be based on historical as well as current data. Any study – older than three years – will not be accepted by the Planning Commission.

xv. Location analysis should be carried out scientifically.

xvi. Result Based Management (RBM) indicators, that is, input, output, outcome, and impact should be clearly indicated in the PC-Is.

xvii. Costing of the project should be based on realistic and justified market prices indicating quantities and unit values.

xviii. Escalation charges, maximum up to 6.5 percent per annum of the base cost, will be allowed based on justification from the 2nd year of the project.

xix. Contingencies charges, maximum up to three percent of the base cost, will be allowed based on justification. However, in the case of the revised PC-I, the number of contingencies will be capped at the originally approved amount.

xx. The sustainability aspect (O&M cost) of the project will be discussed and addressed with a proper mechanism in the PC-I.

xxi. The Project Management Unit (PMU) will be set up with well-defined roles, including TORs of the PD, consultants/experts, and appointment terms with salary structures.

xxii. The Project Implementation Plan, covering both yearly physical and financial plan, will be clearly indicated in the PC-I.

xxiii. In case of revised projects, original and revised scope of work completed and to be done should be stated with item-wise quantities and expenditures. Reasons for revision should also be given along with justification.

xxiv. In the case of the 2nd revised PC-I, an inquiry report by the head of sponsoring agency identifying the reason and responsibility for the inability to complete the project after the 1st revision will be attached with the 2nd revised PC-I.

xxv. Appraisal of submitted PC-I/II will be made simultaneously by all the members. The technical section will coordinate the compilation of comments from all concerned and incorporate these in the working paper, which will be discussed in the PDWP or CDWP meeting.

xxvi. While preparing projects and development portfolio ensure compliance to Sections 13 through 17 of the Public Finance Management Act, 2019. Project preparation commences with approval PCN.

Checklist for PC-I

2.63 Below is the checklist, which must be ensured before submission of the PC-I for processing at the Planning Commission.

Table 10: Checklist for PC-I

#	Checklist items for PC-I	Tick as appropriate		
1.	Confirmation regarding the preparation of the PC-Is and PC-IIs on the standard revised format for different sectors (social, infrastructure and production)	N/A	Yes	No
2.	Confirmation and self-explanatory nomenclature	N/A	Yes	No
3.	Geographical specific area	N/A	Yes	No

4.	Location map of the project	N/A	Yes	No
5.	Map and design of a building (if applicable)	N/A	Yes	No
6.	Clarification about the source of financing	N/A	Yes	No
7.	Plan Provisions for FY in PSDP/ADP Allocation	N/A	Yes	No
8.	Inclusion of tangible outcomes	N/A	Yes	No
9.	Proper addition of costs including FEC/foreign funded	N/A	Yes	No
10	Inclusion of responsible agencies for sponsoring	N/A	Yes	No
11	Execution	N/A	Yes	No
12	Operation and maintenance	N/A	Yes	No
13	Routed through proper channel from the ministry/ division/province/area concerned	N/A	Yes	No
14	Inclusion of effective cost estimation date (schedule of rates)	N/A	Yes	No
15	Inclusion of implementation schedule with the number of years of the project	N/A	Yes	No
16	Comparison of financial scope (in case of a revised project)	N/A	Yes	No
17	Comparison of physical scope (in case of a revised project)	N/A	Yes	No
18	Inclusion of RBM indicators	N/A	Yes	No
19	Confirmation of signatures of the responsible officer concerned at column 15 of the PC-I (federal PAO/ provincial ACS)	N/A	Yes	No
20	Digitally prepared PC-I/PC-II (received)	N/A	Yes	No
21	Annexure of PDWP/DDWP minutes, if applicable	N/A	Yes	No
22	Annexure or directives (President/PM), if applicable	N/A	Yes	No
23	Determination of the principal technical section of the Planning Commission	N/A	Yes	No
24	Circulation of copies of the PC-Is, PC-IIs to members of the CDWP and sections' chiefs of the Planning Commission for comments/scrutiny	N/A	Yes	No

ROLE OF DEVELOPMENT WINGS OF LINE MINISTRIES/DIVISIONS

2.64 Development Wings in Line Ministries are established in the line ministries of the federal government to facilitate interaction amongst Principal Accounting Officers (PAOs), Planning Commission (Technical Sections, CDWP, APCC and other meetings), Finance Division, AGPR, Project Directors, and other important stakeholders involved in the development process. These wings play an important role in all stages of the project cycle i.e. project identification, feasibility, implementation, closure and evaluation. They also perform role as a secretariat of DDWPs, where projects upto Rs. 2000 million are submitted for the approval. These development wings shall be strengthened and where the Project Management and Evaluation cells exists, those shall be raised to wing level by posting the professional staff from M/o PD&SI.

STANDARD FUNCTIONS OF THE DEVELOPMENT WINGS IN LINE MINISTRIES

1. Coordination with all the concerned Departments/ stakeholders for preparation of Annual Plan, Five Year Plan, Pakistan Economic Survey, and material for Yearbook.
2. Maintain the record of PC-IV and submission of the PC-IV and PC-V to M/o Planning Development & Special Initiatives.
3. Update the information of PSDP Projects on the website of line ministries if directed by PAOs.
4. Assist the Project Directors/PMU in the matters of Appropriation/Reappropriation of Accounts of PSDP funded Projects.
5. Monitoring of PSDP funded projects and verification of monthly reports on the Project Monitoring & Evaluation System (PMES).
6. Assist the Project Directors/PMU in preparation and submission of New Item Statements (NIS) / Budget Orders (BO) of PSDP projects in the Planning, Development & Special Initiatives and Finance Divisions.
7. Assistance in preparation of PC-Is for all proposed PSDP funded projects of Concerned Division and releases/authorization of funds.
8. Coordination in administration matters and implementation of all PSDP funded projects of Concerned Division.
9. Coordination with all the concerned line Ministries/ Departments/ stakeholders for approval of PC-Is by the approving fora i.e, DDWP/CDWP/ECNEC.
10. Technical input / preliminary appraisal in process of PC-Is preparation before submitting to relevant competent fora for consideration/approval.
11. Implementation in letter & Spirit the Project Management Policy and ECNEC Guidelines of Project Management notified by Planning Commission.
12. Preparation of briefs for the APCC, DDWP, CDWP, ECNEC meeting.

STANDARD WORK PROCEDURE AT DEVELOPMENT WING

1. Project is identified. Such identification can be done by a range of entities like:
    a. Development Wing under the guidance of Annual Plan, Five-year Plan Documents. These are plans made by the Planning Commission to give sectoral priorities and ideas for future projects.
    b. Executing Agencies
    c. Companies/ Attached Departments under Line Ministries
2. Project is submitted by either of the agencies mentioned above to the Development

Wing of concerned Ministries to be presented to the relevant forum.

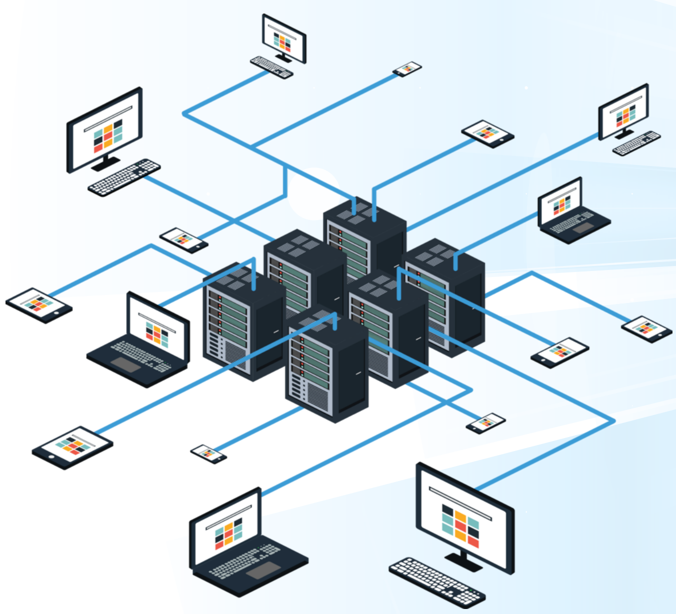
a. If project amount is less than or equal to Rs. 2,000 million, Development Wing will present the project to DDWP, chaired by PAO of line ministry.
b. If project amount is less than or equal to Rs. 10 billion, Development Wing will present the project to CDWP, chaired by Deputy Chairman Planning Commission.
c. If project amount is greater than Rs. 10 billion, Development Wing will present the project to CDWP which will then forward the case to ECNEC.

3. On receiving the project, the Development Wing peruses each component of the PC-I document and identifies any observations/issues/duplication/missing documents/ erroneous data etc. In case of any issues, the Development Wing sends the PC-I back to the agency for revision.
4. The PC-I documents with no issues are put up for approval of the Secretary to be presented to relevant forum.
5. On approval, focal person of the Ministry/Department uploads PC-I on iPAS for further processing. In case of DDWP level project PC-I circulated by the DDWP Secretariate to all members as per approved composition of DDWP. In case of project to be considered by CDWP the focal person of Ministry/Department will forward the PC-I to PIA section of M/o PD&SI through iPAS for further processing.

Chapter: 3

PROJECT APPRAISAL

AND APPROVAL



CHAPTER 3

PROJECT APPRAISAL AND APPROVAL

OVERVIEW OF PROJECT APPRAISAL

3.01 After submission of the project documents (PC-I and PC-II), technical sections of the Planning Commission must undertake project appraisal in collaboration with the sponsoring agency and concerned associated agencies, before submitting the project for consideration of CDWP/ECNEC for informed and prompt decision-making [15].

3.02 Appraisal of a project includes technical feasibility, commercial viability, institutional management capability, environmental sustainability, social acceptability, risk management and sensitivity analysis. Comprehensive estimates of project benefits and costs during the appraisal allow decision-makers to assess the project's economic and financial viability. An appraisal may also cause a project to be redesigned or restructured so that it is less likely to fail.

APPRAISAL STEPS

3.03 An appraisal involves the following steps:

i. A careful checking of the basic data, assumptions and methodology used in project preparation,

ii. An in-depth review of the work plan, cost estimates and proposed financing,

iii. An assessment of the project's organizational and management aspects, and finally,

iv. Validity of the financial, economic, and social benefits to be accrued from the project.

3.04 Based on such an assessment, a judgment is reached as to whether the project is technically sound, financially justified, and economically viable.

BEST PRACTICES AND COMMON MISTAKES IN APPRAISAL

3.05 The best practices and common mistakes made at each level are represented in the figure below:

[15] At the provincial/special area level, this function is performed by the technical sections of the P&D Boards/Departments.

Figure 18: Best Practices and Common Mistakes in an Appraisal

BEST PRACTICES & COMMON MISTAKES IN APPRAISALS AND APPROVALS

Best Practices | Common Mistakes

Value for money may be ensured by conducting an analysis to evaluate projects. A development project yields value for money if it results in a net positive gain to society.

- Poor feasibility reports and a lack of authentic data may affect the quality of appraisals.
- A project's rate of return or social benefit may not be given due importance.
- New projects may be prioritized while focus may shift from maintenance or rehabilitation of previous projects
- Projects are not aligned with overall sectoral and public policy objectives and have insufficient information at the time of appraisal.

Satisfactory arrangements should be made for procurement (works, goods and services) and financial management.

- Procurement process is not aligned with the applicable procurement rules as governed by PPRA and its rules, and the Procurement of Consultancy Services Regulation, 2010.

All the appropriate social and environmental safeguards should be in place.

- Negative environmental effects of a project are not given due consideration.

The sources and magnitude of project risks should be assessed and risk mitigation frameworks should be in place.

- No proper assessment of risks and inactivation of risk management framework may lead to cost overruns and time delays.

Job descriptions of all project posts should be developed to execute recruitment for smooth functioning of the project.

- Vague and unclear job description of the project steering committee and project implementation unit may lead to confusion and undue interference.

Validate and confirm the project financing arrangements.

- Lack of clarity of financing by development partners or the private sector in the case of a jointly funded project.

3.06 The process of appraisal and tentative duration for each step are presented in the figure below:

Figure 19: Steps in Appraisal Process (Breakdown of Timeline)

1. Circulation of PC-I by PIA Section
2. Chief of the relevant technical section will draft a working paper for the pre-CDWP meeting (in consultation with sponsors and Finance Division)
3. Submission of working paper to CDWP — **35 days**

a. Preliminary appraisal (technical and financial)	**21 days**
b. Reply to queries of the Planning Commission by the sponsoring agency	**7 days**
c. Technical consultative meeting to sort out technical and financial issues with regards to sponsors	**7 days**

4. Submission of summary to ECNEC — **45 days**

3.07 If required, modified PC-I/II (in the light of pre-CDWP discussion) shall be submitted by the sponsors to the technical section concerned before finalization of the working paper for consideration of the CDWP.

INSTITUTIONAL RESPONSIBILITY

3.08 According to Sections 14, 15, and 16 of the PFM Act, 2019 (as amended from time to time), the Planning Commission [16] is mandated to:

i. Ensure that all development projects are prepared in conformity with procedures, processes and templates defined by it,

ii. Undertake the cost and benefit analysis and risk assessment of all development project proposals, above a threshold size prescribed by it, and,

iii. Ensure quality assurance of all development project proposals, which exceed the total cost of the specified thresholds. Such quality assurance shall be undertaken by an individual/body, which is independent of the division/ ministry/ sector that has initiated the preparation of the development project proposal.

3.09 All development project proposals shall be subject to a technical approval process, which shall only be granted to projects which are compliant with the standards and procedures set by the Planning Commission. Findings and recommendations of the independent quality assurance reports, cost and benefit analysis and risk assessment (where required as per sub-section (2) section 14 of the PFM Act, 2019), shall be considered by the project approval forums while considering the development project proposals.

[16] The respective P&D Board/Department exercises this function with respect to projects in the provincial/special area ADPs.

ANALYTICAL ASPECTS OF PROJECT APPRAISAL

3.10 The project appraisal requires an examination of project soundness from diverse perspectives [17]. These are represented in the figure below: Technical Analysis.

Figure 20: Analytical Aspects of Project Appraisal

Technical	Economic	Financial (including commercial for revenue generating entities)
Institutional (including organization and management)	Social	Environmental

Technical Analysis

3.11 Analysis for determining the technical viability of the development project is based on the technical data and information given in the PC-I form as well as prior experience of carrying out similar projects. The technical tests and yardsticks to be used to determine the technical viability differ from project to project and sector to sector. In cases where high-level technology is involved and the country has little or no experience, foreign consultants may be engaged to prepare the feasibility studies.

3.12 This analysis concerns the project's input (supplies) and output (production) of real goods and services. For example, in an agricultural project, technical analysis will determine the potential yields in the project area, the co-efficient of production, potential cropping patterns, and the possibilities for multiple cropping. The technical analysis will also examine the marketing and storage facilities required for the successful operation of the project. Aspects like soil, groundwater or the collection of hydrological data may also be examined. Knowledge about farmers in the project area, their current farming practices, and their social values to ensure realistic choices about technology is also examined.

Institutional Analysis

3.13 A range of issues, addressed in project appraisal, pertain to the overlapping institutional, organizational, and managerial aspects of the project, which have a direct bearing on project implementation and sustainability. The project proposal should respond to questions in the checklist below:

[17] The detailed methodologies for project analysis and appraisal vary significantly from sector to sector (e.g.,infrastructure, social sectors, economic sectors etc.) and fall outside the scope of this manual.

Table 11: Project Appraisal Checklist

#	Checklist	Yes/No
1	Is the project institutionally sound and does adequate capacity exist for its successful implementation?	
2	Is the exercise of managerial authority balanced with accountability for results and does the organizational set-up encourage delegation of authority?	
3	Are the functional (and reporting) relationships between the project entity and its parent organization (ministry, division, agency) and other planning, regulatory, and oversight bodies clearly defined?	
4	Does the proposed project organization conform to the national laws, regulations, and operational procedures as well as the requirements of the external funding agencies?	
5	Is the proposed project staffing commensurate with the project requirements?	
6	Are training arrangements in place to ensure sustainable operation and maintenance of the project after the construction phase?	

3.14 Other questions may be added to the checklist above. The analysis includes an action plan to rectify the identified institutional and organizational deficiencies and proposes an appropriate management structure for the project.

Social Analysis

3.15 This analysis is a process that aims to identify social dimensions of projects, different stakeholders, and their perspectives and priorities. It considers social aspects such as involuntary resettlement, indigenous peoples, physical cultural resources, human health and safety and gender. It examines aspects like poverty reduction, income distribution and employment creation and impacts on special groups such as minorities, and less developed areas. Another aspect of a social analysis is how the project is contributing to the attainment of relevant SDGs [18] in national or sub-national contexts. Briefly, the objectives of a social analysis are to:

i. Contribute to project sustainability by ensuring that it responds to the needs of the individuals, communities, and areas served and affected by it,

ii. Ensure project effectiveness by tailoring institutional arrangements to the local culture and values,

iii. Make projects more inclusive by involving not only the immediate beneficiaries

[18] The Sustainable Development Goals (SDGs) are a call for action by all UN member countries to promote prosperity while protecting the planet. They recognize that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection. The 17 Goals are all interconnected and aim to leave no one behind by 2030. Pakistan was the first country to adopt SDGs 2030 agenda through a unanimous resolution of parliament. The seven pillars of Vision-2025 are fully aligned with the SDGs, providing a comprehensive long-term strategy for achieving inclusive growth and sustainable development. Additional information available at: https://www.un.org/sustainabledevelopment/sustainable-development-goals/

but a diverse community of stakeholders (especially the parties adversely affected by the project), and,

iv. Take into consideration the political economy of the project.

Environmental Analysis

3.16 The environmental analysis evaluates a project's potential environmental risks and impacts in its area of influence. The environmental analysis considers the natural environment (air, water, and land) and transboundary and global environmental aspects, with a special focus on climate change (both mitigation and adaptation aspects).

3.17 The main objective of this analysis is to identify the ways and means to prevent, minimize, mitigate, or compensate for adverse environmental impacts of a project and to enhance its positive impacts. This includes consideration of project alternatives as well as measures to improve project selection, siting, planning, design, and implementation. Wherever feasible, the preventive measures are preferable to mitigatory or compensatory measures.

3.18 This analysis should take full cognizance of the national environmental action plans, legislation and regulations, and obligations of the country under the relevant international environmental treaties and agreements. As with the social analysis, the environmental analysis should show how the project is contributing to the SDGs.

Financial and Commercial Analysis

3.19 This analysis involves assessment of financial impact, judgement of efficient resource use, assessment of incentives, provision of a sound financing plan, coordination of financial contribution, and assessment of the financial management competence. The main objective of this analysis is to determine the requirements of funds, timing, and the expected returns on investment as per various parties involved in the financing of the project.

3.20 Under this analysis, judgement is framed about the project's financial efficiency, incentives, creditworthiness, and liquidity. Costs and benefits are calculated using current market prices. Taxes in the form of excise and customs duties and sales taxes are included in the cost, while subsidies and loan receipts are considered benefits and are fully accounted for in the analysis [19].

3.21 The commercial aspects of a project (especially for revenue-generating entities) include the arrangements for marketing the output produced by the project and the supply of inputs needed to build and operate the project. On the output side, careful analysis of the proposed market for the project's production is essential to ensure that there will be an effective demand at set price. It needs to be ensured that adequate input supplies are available for the efficient operation of the project.

https://www.sdgpakistan.pk/

[19] In financial analysis, the discount rate (DR) is the commercial interest rate, that is, the rate at which capital is obtained (borrowed) for the project. For government-funded projects, the DR is fixed by the Budget Wing of the Finance Division for the development loans and advances on the yearly basis. The provisional rate of mark up,fixed by the Finance Division, for the fiscal year (2017-18) was 6.54 percent. In case, the project is funded by more than one source, the financial analysis is carried out on the Weighted Average Cost of Capital (WACC) for each project. If the project is financed by a foreign grant, the financial analysis is undertaken at zero DR.

Economic Analysis

3.22 This analysis aims to ensure that scarce resources are allocated efficiently, and the project investment brings net benefits to the country while contributing to the welfare of its citizenry. Not only should the proposed project investment contribute to the developmental goals of the country, but also be large enough to justify the use of scarce resources such as capital, skilled labour, managerial talents, etc., which are needed to implement and operate the project. All resource inputs used by a project have an opportunity cost because, without the project, they could create value elsewhere in the economy. An economically viable [20] public sector project should meet the following key requirements:

i. That it represents the least-cost or most efficient option among all the feasible alternatives to achieve the intended project outcomes.
ii. It generates an economic surplus above its opportunity cost [21].
iii. It will be sufficiently funded and have the necessary institutional structure for successful operation and maintenance.
iv. There is a strong rationale for the public sector to finance the project [22].

3.23 Moreover, the project should distribute benefits and costs consistent with its intended development objectives, and that it can internalize the environmental (including climate change) impacts. In the economic analysis, input and output prices are adjusted to reflect true social or economic values. These adjusted prices are often termed as shadow or accounting prices [23]. The taxes and duties are treated as transfer payments and are excluded from the capital and operating cost. The economic analysis also entails two key considerations, that is, the pricing of project inputs and outputs, and the identification of project costs and benefits.

PRICING OF PROJECT INPUTS AND OUTPUTS

3.24 In the economic analysis, the valuation of inputs and outputs can be made keeping in view the following three rules:

i. Most of the inputs in the economic analysis are valued at opportunity cost or on the principle of willingness to pay. It is assumed that all inputs to the project are diverted away from alternative uses and each input generally has value in alternative use. Every input to the project is valued at this opportunity cost, that is, the value of the input in its best alternative use.
ii. For some final goods and services, usually non-traded ones, the concept of opportunity cost is not applicable because it is a consumption value that sets the economic value. This criterion is called 'willingness to pay' or 'value in use'.
iii. The analysis is done at present, that is, constant prices. This is due to the reason

[20] The metrics used for assessing the economic viability can be divided into two groups based on: (i) discounted cash flows: Net Present Value (NPV); Internal Rate of Return (IRR); and Benefit-Cost Ratio (BCR), and (ii) undiscounted cash flows: Pay-back Analysis; Breakeven Analysis; and Unit Cost Analysis. In cases where project benefits are largely unquantifiable, analytical techniques like Cost-Effectiveness Analysis and Multi Criteria Analysis (MCA) are used.
[21] When benefit can be valued, the project it will generate a positive economic net present value (ENPV) using the minimum required economic internal rate of return (EIRR) as the discount rate, i.e., the project has an EIRR higher than the discount rate.
[22] The public sector may also be viewed as a project investor of last resort; public sector financing may only be considered in instances of market failure, provision of public goods, and where private sector finance is not available.
[23] The term conversion factor refers to the multiplier used to convert market values to values at shadow prices for general categories of expenditure - consumption, nontraded goods, and services, and so on.

that the current price analysis entails the prediction of the inflation rate, which is difficult and unreliable. [24]

iv. Identification of project costs and benefits

PRINCIPLE OF 'WITH AND WITHOUT' PROJECT ANALYSIS

3.25 An important principle followed for the correct quantification of costs and benefits is the 'with and without' project comparison of costs and benefits. The analysis tries to identify and value costs and benefits that arise with the proposed project, and to compare them with the situation as it would be without the project. The difference is the incremental net benefits arising from the project investment. This approach is not the same when comparing the situation 'before' and 'after' the project. The 'before and after' comparison fails to account for changes in production over the life of the project, which will occur without the project; thus, leading to an erroneous statement of benefits attributable to the project investment. A change in output can also occur without the project if production would fall in the absence of new investment. In some cases, an investment to avoid a loss might also lead to an increase in production so that the total benefits will arise partly from the loss avoided, and partly from increased production.

SHADOW PRICES

3.26 Market distortions result in market prices being different from the value of a product/service unit to the economy. A private entrepreneur does not take such deviations and market distortions into account, but the government must. Thus, the government must estimate a set of prices that reflect both opportunity costs as well as societal objectives and apply these to the projects' inputs and outputs, i.e., costs and benefits. These prices are called shadow prices or accounting prices. In economic analysis however, the shadow prices must be used instead of the market prices used in the financial appraisal. Just as in the Financial Analysis NPV, IRR and BCR are used for economic analysis as well.

NET PRESENT VALUE

3.27 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 discovering net cash flows at required rate of return and deducting initial investment.

3.28 When investments occur at various time intervals, they are accounted for in the cashflows as cashflows are calculated by subtracting payouts from deposits.

3.29 A project with positive net present value is accepted and with negative net present value is rejected. If NPV = 0, it means that there is no loss but also no benefit on investment. If NPV < 0, There is a loss on investment and the project is not feasible. If NPV > 0, There is a gain on investment and the project is feasible. A project should be chosen only if NPV is greater than 0. If a choice must be made from between competing projects, then the project with the Highest NPV must considered. These rules are also summarized below:

[24] In economic analysis, the time value of money is specified as the discount rate (which is effectively the same as an interest rate or the opportunity cost of capital). The DR is defined as the rate at which the value of the numeraire (net benefits) declines over time. The real rate of discount = (1+i)/(1+p), where 'I' is the nominal rate and 'p' is the annual average rate of increase in price and may be estimated (as first approximation) as the difference between the public long-term borrowing rate minus the rate of inflation. In general, real discount rates range between 10-20 percent. However, 15 percent is generally thought as the minimum target for most public-sector projects, though in the case of certain long-gestation projects (water resource, forestry) a lower discount rate may be appropriate.

Figure 21: NPV Key Rules

NPV KEY RULES

RULE 1 Development projects should have a positive NPV when discounted by a discount rate equal to the opportunity cost of funds.

RULE 2 It is preferable to choose a project with the highest NPV among the various projects or scenarios of projects.

RULE 3 If the investment is subject to a budget constraint, then the package of projects that maximizes the NPV of the fixed budget should be chosen.

3.30 NPV is calculated as under:

$$NPV = -Initial\ Investment + \sum_{t=1}^{n} \frac{Ct}{(1+i)^t}$$

Where,
t= time period
C= net cashflow
i = interest rate/discount rate
n= no. of periods

3.31 NPV Exercise- Scenario 1: Limited Access (Toll) Highway Project Assumptions:

i. Discount rate = 10%,
ii. Life of Project = 10 years
iii. Capital Cost = Rs. 100 billion
iv. O&M cost = Rs. 40 billion
v. Revenue = Rs. 245 billion

Table 12: NPV Exercise 1

Year	Capital Cost	O&M	Total Cost	Revenue	Net Benefit/Loss	NPV
1	30	0	30	0	-30	$18.78
2	30	0	30	0	-30	
3	40	0	40	0	-40	
4		4	4	20	16	
5		5	5	25	20	

6		5	5	30	25	
7		6	6	35	29	
8		6	6	40	34	
9		7	7	45	38	
10		7	7	50	43	
Total	100	40	140	245	105	

3.32 NPV Exercise- Scenario 2: Limited Access (Toll) Highway Project Assumptions:

i. Discount rate = Increased from 10% to 15%
ii. Life of Project = 10 years
iii. Capital Cost = Rs. 100 billion
iv. O&M cost = Rs. 40 billion
v. Revenue = Rs. 245 billion

Table 13: NPV Exercise 2

Year	Capital Cost	O&M	Total Cost	Revenue	Net Benefit/Loss	NPV
1	30	0	30	0	-30	($1.72)
2	30	0	30	0	-30	
3	40	0	40	0	-40	
4		4	4	20	16	
5		5	5	25	20	
6		5	5	30	25	
7		6	6	35	29	
8		6	6	40	34	
9		7	7	45	38	
10		7	7	50	43	
Total	100	40	140	245	105	

INTERNAL RATE OF RETURN

3.33 IRR is that discount rate which sets the NPV of a project to 0. IRR must be thus compared with the opportunity cost of funds (prevailing discount rate) to find if the project is feasible or not. If the discount rate and IRR are equal it would mean that the project is on breakeven point and the decision to implement the project would depend on other factors.

$$\left[\frac{CF1}{(1+r)^1}+\frac{CF2}{(1+r)^2}+\cdots\frac{CFn}{(1+r)^n}+\cdots\right]-Initial\ Investment=0$$

Where,
r = internal rate of return
CFn = net cashflow in period n

PAYBACK PERIOD

3.34 A project is accepted or rejected based on years that a project requires to recover the money invested in it. Payback period is the measure of project capital recovery. As per this technique the quicker the recovery of initial investment the more desirable a project. The formula of the payback period is as follows:

$$Payback\ Period = \frac{Initial\ Investment}{Net\ Annual\ Cashflow}$$

3.35 Further, there are two basic techniques for economic appraisal i.e., Cost Benefit Analysis (CBA) and Cost Effectiveness Analysis (CEA).

COST BENEFIT ANALYSIS

3.36 Through Cost-Benefit Analysis (CBA), different approaches to achieving the project's benefits are assessed and compared to determine which approach is the most beneficial.

3.37 For different approaches, the stream of economic benefits is identified, quantified, and monetized in net present value terms. These are then compared with the respective stream of economic costs (that include the accounting cost and the opportunity cost) in net present values. The net benefit is assessed and the option with the highest net benefit is selected as the approach to the project.

COST EFFECTIVENESS ANALYSIS

3.38 Cost effectiveness analysis is an analysis of the operational efficiency of a project. It is to determine the least expensive approach to achieving a result, from two or more alternatives.

3.39 This approach is most used when it is difficult to monetize the economic benefits from a project, e.g., number of lives saved from polio vaccinations. For such projects, different approaches are evaluated by comparing the cost-effectiveness ratio:

$$C\ Ratio = \frac{Cost\ of\ an\ Option}{Effectiveness\ of\ the\ Option\ (e.g.\ Number\ of\ Lives\ Saved)}$$

3.40 The option with the lowest CE ratio is the preferred option.

BENEFIT COST RATIO CRITERION

3.41 Also sometimes called the profitability index, the benefit-cost ratio, is the ratio of the NPV of the net cash inflows (or economic benefits) to the NPV of the net cash outflows (or economic costs):

$$Benefit\ Cost\ Ratio = \frac{NPV\ of\ Net\ Cash\ Inflows}{NPV\ of\ Net\ Cash\ Outflows}$$

i. If the ratio is less the one the project is not feasible,
ii. If the ratio is greater than one the project is feasible
iii. If the ratio is equal to 1, the project would breakeven.

3.42 The BCR however does not take in account the scale of the project or the magnitude of the returns and may mislead the decision maker in such cases.

RISK ASSESSMENT

3.43 This assessment is an important part of the project appraisal process as it helps to identify the strengths, weaknesses, opportunities, and threats likely to affect project execution. The risk assessment involves understanding potential project problems and how these might impede the achievement of the project objectives. Risks can be negative and positive. The negative risks include delays in completing work as scheduled, increases in the estimated costs, supply shortages, litigation, strikes, etc. The positive risks include completing work sooner and/or cheaper than planned, collaboration to produce better products, good publicity, etc. Risk identification is the process of understanding what potential events or conditions might impede or enhance a particular project. This is an ongoing process throughout the project lifecycle as things progress and change. The unidentified risks cannot be managed; therefore, risk identification is of paramount importance.

Risk Management Planning

3.44 This planning involves the following elements:

i. **Methodology:** How will risk management be applied to the project? What tools and data sources are available and applicable?
ii. **Roles and responsibilities:** Who are the individuals responsible for implementing specific tasks and providing deliverables related to risk management?
iii. **Budget and schedule:** What are the estimated costs and schedules for performing risk-related activities?
iv. **Risk categories:** What are the main categories of risks to be addressed by the project? Has a project risk register been prepared?
v. **Risk probability and impact:** How will the probabilities and impacts of risk items be assessed? What scoring and interpretation methods will be used for the qualitative and quantitative analysis of risks?
vi. **Risk documentation:** Which reporting formats and processes will be used for risk management activities?

Limitations of Project Appraisal

3.45 The shortcomings in project appraisal can adversely affect the investment decision-making process. Some of these limitations are:

i. Quality of analysis depends on the quality of data and forecasts made about costs and benefits. Over-estimation of benefits and underestimation of cost are quite common to get the project approved.
ii. Conventional project economic analysis is best used where benefits or major parts thereof are measurable and can be quantified. In cases where project benefits (for example, health, education, rural development, social protection, etc.) and externalities (for example job creation, skill development, technology transfer, pollution etc.) cannot be quantified, the cost-benefit analysis may not be applicable. In such cases, the Multi-Criteria Analysis or Cost-Effectiveness Analysis may be used for the justification of a project.
iii. Due to uncertainty about the future, it may not be possible to quantify the project risks. The sensitivity analysis is one way to examine the strengths of a project against potential risks.
iv. There are other ways for resource allocation, which are equally important and effective, such as price policies, tariff policies, exchange rate policy, and interest rate policy. These may be used to aid decision-making in project selection.

Project Approval Overview

3.46 The project approval follows the satisfactory completion of the project preparation and appraisal processes and marks the completion of the second stage of its lifecycle.

APPROVAL PROCESS REQUIREMENTS

3.47 Each sponsoring agency is required to submit digitally prepared PC-I or PC-II – duly signed by the PAO or provincial chairmen of the P&D boards or additional chief secretaries (Development) – to the Planning Commission for circulation to the members of the CDWP for examination and review. As soon as the PC-I or PC-II is received by a member of the CDWP, PDWP or DDWP, its examination is conducted as per guidelines of the ECNEC, approved in its meeting of the 24th April 2000 [25] (Annexure 9). The ECNEC guidelines provide for a six-week time limit for scrutiny of projects in the Planning Commission and submission to the CDWP. This duration has been reviewed and further reduced to 5 weeks in the light of ECNEC recommendation dated 1st October, 2020 with following breakup:

i. Three weeks for the preliminary appraisal,
ii. One weeks for replies to the queries to the Planning Commission by the sponsoring agency, and
iii. One week for holding a pre-CDWP meeting to resolve outstanding issues with the sponsoring agency.

[25] Planning Commission, 'Guidelines/Procedures for Preparation and Approval of Development Projects', Notification F.No.20(1) PIA/PC/2013, Islamabad, dated 10 December 2013.

3.48 The Planning Commission, on the directions of the ECNEC, as per its notification of 2013, has informed that it would consider the inclusion of a project in the agenda, which is of urgent nature provided that the PC-I has been received at least two weeks before the CDWP meeting.

3.49 The Planning Commission must ensure that the PC-I has been prepared correctly and according to the prescribed procedure. In case, the PC-I is found deficient, it is returned to the sponsors by the Planning Commission. If considered necessary, the Division may make a consolidated inquiry from the sponsors concerning deficiencies in the proforma and seek clarification or additional information in the pre-CDWP meeting.

APPROVAL OF PROJECTS

3.50 All development project proposals are subject to a technical approval process. The PC-Is' of all development projects shall be approved by the respective competent forum and will be termed as Technical Approval. This approval is only granted to projects found compliant to the standards and procedures of the Planning Commission. In pursuance of Section 16 (1) of PFM Act, 2019, Technical Approval (TA) shall be granted by the relevant fora i.e. DDWP, PDWP, Special Areas DWP, CDWP and ECNEC for implementation/execution of projects based on detailed design/estimates. The minutes of the meeting will be the TA followed by issuance of Authorization and Administrative Approval. The standards and procedures for TA shall be as under:

i. Project objectives aligned with country's development strategy/ plan/ sector strategy.
ii. Project addresses the sectoral issues properly.
iii. Need assessment carried out and incorporated in project document.
iv. Project activities fall under the category of development in nature.
v. Activities are aligned with project objectives.
vi. Options through PPP mode to finance/execute the project explored and preferred.
vii. Cost estimates prepared on the basis of feasibility study and quality of feasibility study endorsed by the sponsoring agency and verified by a 3rd party.
viii. Unit cost of project components provided, and cost estimates are competitive with prevailing markets rates/ departmental approved rates.
ix. No duplication / overlapping of project activities with other ongoing project (s) activities of the sector.
x. Stakeholders' consultation on the project carried out and input incorporated.
xi. Lesson learnt from previous sectoral interventions incorporated.
xii. Technical viability and efficacy endorsed and confirmed.
xiii. Specific, measurable, attainable and time bound KPIs provided.
xiv. Economic, financial, social and employment cost/benefits provided in project document and aligned with objectives.

xv. Sustainability mechanism after completion provided in PC-I.

xvi. Project assets management and procurement plan provided.

xvii. Project management and governance structure and responsibility chart provided in PC-I.

xviii. Financial and other risks mitigation measures covered in PC-I.

xix. Environmental risks mitigation measures covered in plan strategy.

xx. Activities chart/ implementation plan along with Financial Plan provided in PC-I.

xxi. Project employee's salary package conversant with Finance Division approved pay package or otherwise.

xxii. Specification of equipment along with cost estimates and TORs of consultants/ consulting firms provided.

xxiii. Supply-demand analysis for inputs and outputs of projects incorporated.

xxiv. Yearly financing demand of PC-I and availability of financing requirements by the Planning Commission and Finance Division.

3.51 In accordance with of Section 17 (1) of PFM Act, 2019, no development project shall be considered for inclusion in demands for grants that has not been granted TA (technical approval). TA shall be attached with the request for inclusion of project in the PSDP/ADP. Further, in accordance with Section 17 (2) of PFM Act, 2019, no development project shall be considered for inclusion in demands for grants unless it is provided with a budget allocation for all coming years which fully reflects the proposed project cost for each year of project life. Such yearly allocations will be protected every year. Each Ministry/Division will ensure appropriate provision for budget allocation for first year and for subsequent years as per approved phasing of PC-Is. New project will be proposed only if the indicative budget ceiling (IBC) permits cushion after providing budget allocation, minimum as per approved annual phasing, for ongoing projects. The draft PSDP proposal for each portfolio will be presented to CDWP before APCC in last quarter, for appropriate decision if IBC is insufficient to provide required allocation to all ongoing projects or to accommodate new projects to be selected/funded from portfolio / competing new Technically approved projects' list.

PROCEDURE FOR MEETINGS OF VARIOUS FORUMS

3.52 The Planning Commission is the Secretariat of the CDWP, which normally meets fortnightly or as and when required. The ECNEC, however, generally meets once every six weeks or as and when required. The agencies represented on the CDWP are required to circulate their comments to each other well before the CDWP meeting so that the discussions are informed, and schemes are cleared expeditiously. The ECNEC, in its meeting held on the 1st of October 2020, approved that the Planning Commission will define and enforce specific timelines for each stage of the PC-I processing and approval. The Commission and P&DDs will maintain an updated list of received PC-Is on their websites.

3.53 The minutes of the CDWP meeting are recorded by the relevant technical section of the Planning Commission. After approval by the chair, minutes are circulated to all concerned including the sponsoring agency. The agencies, represented on the CDWP, are expected to take the action required of them without waiting for the minutes. The decisions of the ECNEC, in respect of the public sector development projects, are unclassified unless especially made classified by the Cabinet Division.

GENERAL INSTRUCTIONS/GUIDELINES FOR PROCESSING AND APPROVAL OF PC-I

3.54 The following are the general instructions and guidelines for the submission and processing of the PC-I:

i. If any project could not be placed on the agenda of the CDWP in six months, the PC-I/II will be reviewed by the technical section for updated cost and scope. No approval 'in principle or conditional' would be made to avoid delay in implementation.

ii. If the project does not start functioning within 12 months of its approval or does not achieve financial close, then it will be reconsidered by the approving forum.

iii. To avoid frequent revisions, no proposal for revision in cost or scope will be brought within two years of approval/execution of a project. Same will apply for every subsequent maximum three revisions. Strong justification would be needed, otherwise.

iv. Changes in the scope of work and cost beyond 15 percent of the original approved PC-I/PC-II will require revise approval by the competent forum.

v. As noticed by M/o PD&SI on the 7th of October 2021, no case of ex-post facto approval will be processed for consideration of any forum.

vi. A summary of the approved cost would be part of the authorization letter and administrative approval. A copy of the approved and signed PC-I/II, along with a copy of administrative approval, will also be sent to the AGPR and Auditor General for record and reference.

vii. After approval of the project from the CDWP or ECNEC, the concerned technical section of the Planning Commission will provide a copy of the approved PC-I (in soft form) to the PIA Section of the Planning Commission for its record. Issuance of authorization and placement will be done on the PC website through the Jawwad Azfar Computer Centre (JACC).

viii. A project, in parts or phases, will not be accepted. After completion of a project and submission of completion report on the PC-IV, a fresh PC-I for any new project would be submitted and processed based on evaluation and lessons learnt.

ix. A summary for the ECNEC will be prepared by the concerned technical section of the Planning Commission within two weeks after a recommendation by the CDWP.

x. Steering Committee, under any project, will not be authorized to approve subprojects or alter the scope of the project. For such changes, approval of a competent forum would be required.

xi. While approving projects the respective forum should also investigate the yearly financial phasing and if necessary, seek assurance by the sponsors.

xii. While approving projects, the relevant forum should also investigate the implementation capacity of the organization and seek assurance by the sponsors, if necessary.

xiii. Projects to meet operational/recurring expenses will not be approved by the development fora.

xiv. The administration will not be allowed cars in development projects. Only limited operational vehicles, according to the nature of the project, would be considered for approval while considering the existing resources.

xv. The concerned member of the Planning Commission will ensure that the scheme has been prepared on sound lines and the necessary economic, financial, and technical scrutiny has been carried out. It also must be ensured that all the information required in the proforma has been furnished, and the relevant documents, such as project reports, maps, and plans, have been made available.

xvi. Previously, the appointment of an independent PD was decided by the ECNEC on the 6th of May 2011 for ECNEC approved projects only. Now all development projects may initiate the appointment of independent and full-time PD by the sponsors in this regard planning commission will issue separate procedure.

xvii. The representation of other federal ministries in the CDWP (not below the Additional Secretary level) is required to ensure that the officers can represent their respective ministry/division well for the schemes under consideration.

xviii. Meetings of the CDWP should ordinarily be held frequently, in accordance with the agenda, to be circulated by the Planning Commission in advance.

xix. The time taken in the examination of a scheme by an agency should not exceed two weeks. Where an undue delay in examination occurs on the part of any agency, the concerned technical section of the Planning Commission may submit the working paper within five weeks indicating the position.

xx. It was noticed by the ECNEC on the 24th of April 2000 that sponsoring agencies submit the PC-I at the eleventh hour and by showing some urgency, they put pressure on the Planning Commission to include the project on the agenda of the CDWP. Resultantly, proper examination could not be done. It was, therefore, directed that no project will be included in the agenda if not received at least five weeks before the CDWP meeting.

xxi. Minutes of each meeting should be recorded by the concerned technical section of the Planning Commission/Planning Commission and after approval of the chair, circulated to all concerned. The agencies represented at the meeting should, however, be expected to take the action required without waiting for the minutes.

xxii. Effort should be made to clear a scheme at one meeting. Where this is not possible, the scheme should be considered at the successive meetings until it is disposed of. Steps for approval of projects from the DDWP/CDWP/ECNEC are explained and given in Annexure 10 to 12.

xxiii. After the recommendation of a scheme by the CDWP, the agency (ies) concerned should initiate compliance (if required) and submit a report within a week so that the technical section may prepare and submit a summary for the ECNEC consideration.

xxiv. The time taken for the submission of a summary for the ECNEC should not exceed two weeks. Where an undue delay in compliance occurs on the part of the agency, the concerned technical section may submit the scheme to the forum indicating the position.

xxv. Authorization of the project should be issued within three working days of issuance of the approved minutes.

xxvi. For the social sector, only those projects may be considered for approval which help in achieving plan objectives and SDGs.

Pre-CDWP Meeting

3.55 To avoid lengthy discussion on the detailed comments of various agencies represented in the CDWP, the pre-CDWP meetings are held to resolve the outstanding issues in the federal schemes under the respective member or senior chief or chief of the Planning Commission. Representation from the sponsors below a Grade-20 Officer or equivalent is normally not accepted [26].

Anticipatory Approval

3.56 The Chairman ECNEC has powers to allow execution of a scheme in anticipation of its formal approval by the ECNEC. The request for anticipatory approval has to be submitted to the Cabinet Division for consideration by the Chairman ECNEC on the respective prescribed proforma for new and ongoing projects [27] (Annexure 13). The request for an anticipatory approval should be signed by the secretary of the division concerned in the case of the federal schemes, and by the chairman P&D board or ACS (Development) in case of the provincial schemes.

3.57 The Chairman ECNEC may dispose of any anticipatory approval case or scheme at his discretion pending the formal submission of a summary to the Committee, provided that in such cases, the scheme will be processed through normal channels and submitted to the ECNEC after completing all the formalities within six months with the further provision that the total period of the anticipatory approval should not exceed 12 months.

3.58 The anticipatory approval and sanction for incurring expenditure shall in no case be allowed beyond the end of each fiscal year, that is, 30th June.

3.59 On the expiry of the date for which anticipatory approval has been granted, the case will have to be processed afresh in the same manner if a further extension for the anticipatory approval is required.

3.60 It may be noted that the grant of anticipatory approval falls in the category of 'extraordinary jurisdiction', and this power cannot be redelegated for reasons of uniformity of treatment, and to maintain financial discipline and control.

[26] Planning Commission, 'Holding of Pre-CDWP Meeting in Planning Commission', No.24(4) PIA-I/PC/2016 Islamabad, the 28 June 2016.
[27] Cabinet Division, 'Procedure/Instructions with Regard to Grant of Anticipatory Approval by The Chairman, ECNEC', Cab Div U.O.No.6/5/2010-Com, Islamabad, dated 28 July 2010.

3.61 All cases of the anticipatory approval, irrespective of the cost involved, must be submitted only to the Chairman ECNEC for approval.

ADMINISTRATIVE APPROVAL AND ACCOUNT OPENING

3.62 Administrative approval and account opening takes place as follows:

Figure 22: Administrative Approval and Account Opening Process [28]

ADMINISTRATIVE APPROVAL PROCESS

01 Project Approval

The project is approved by CDWP or other relevant forum.

02 Minutes Preparation

The relevant section of the Planning Commission prepares minutes of the meeting within three days of approval in which the decision to approve the project is taken, and sends them to the Public Investment Authorization (PIA) section.

03 Approval of Minutes by Chairman of the Approving Forum

PIA Section obtains approval from the Chairman CDWP or relevant approving forum within five days of receiving minutes.

04 Issuance of Authorization by PIA Section*

If approval is given, the PIA Section along with project cost breakup and relevant implementation details, issues authorization within two days to sponsoring agency.

*If a project is approved by the DDWP the authorization is issued by the Drawing and Disbursing Officer (DDO) of the relevant ministry.

05 Administrative Approval by Principal Accounting Officer (PAO)

The sponsoring agency must get administrative approval* from the PAO within one week of authorization. The PAO also decides if the financial management of the project will be done through AGPR or a separate assignment account.

06 Assignment Account

The procedure for opening an assignment account is given in *Asaan Assignment Account Procedure (Local Currency), 2020* document (See footnote 28)

*The administrative approval is a general sanction of the scheme in which the total cost, foreign exchange component, and any other conditions imposed by the approving body are incorporated. This sanction is distinct from the sanction for incurring expenditure on the scheme, which is to be issued on yearly basis subject to the budget provision.

CONCEPT CLEARANCE OF FOREIGN-ASSISTED PROJECTS BEFORE LOAN/AID NEGOTIATIONS

3.63 In many cases, proposals for seeking foreign assistance are sent by the sponsoring agencies for approval of the Concept Clearance Committee (CCC) without sufficient detail and proper examination. After careful review of the concept clearance procedure, the following guidelines were framed [29] (Annexure 15):

[28] The procedure for opening an assignment account is given in Asaan Assignment Account Procedure (Local Currency), 2020 document accessible here: https://www.finance.gov.pk/budget/Asaan_Account_Local_Currency_2020.pdf

[29] Planning Commission, 'Concept Clearance Proposals – Policy Guidelines' Notification No.23(1) PIA-I/PC/2018 dated 4 April 2018.

Figure 23: Guidelines for Proposals Seeking Foreign Assistance

GUIDELINES FOR PROPOSALS SEEKING FOREIGN-ASSISTANCE

SUBMISSION OF PC-I/PC-II TO CDWP

No aid agreement will be finalized and signed till the PC-I/PC-II has been approved by the CDWP or at least anticipatory approval of the competent authority has been obtained concerning scope and cost. The concept clearance can be allowed in case of urgency for exploring donor financing for specific projects, but a memorandum of understanding cannot be signed by the EAD before approval of the PC-I/PC-II.

CRITERIA FOR PROJECT CONCEPT CLEARANCE

Only those projects should be considered for concept clearance where a strong indication is available from the multilateral agencies or donors for making necessary funding available, and a formal request for donor financing cannot wait for the preparation of the PC-I/PC-II.

We have noticed instances where executing agencies negotiate and finalize foreign aid (loans and grants) much beyond the scope and size allowed under the concept clearance. In case the loan/grants negotiated are finalized over and above the size and scope of concept clearance, the proposal should be resubmitted for approval by the competent authority. It should be ensured that the PC-I/PC-II is submitted within three months of the approval of the concept clearance*. Furthermore, the clearance proposal of only those projects should be processed which fall under the economic framework, that is, Five-Year Plan or Annual Plans, and there is urgency due to limited time for the PC-I/PC-II preparation or approval.

BASIC INFORMATION REQUIREMENTS

The proposals should be accompanied by adequate information regarding the basic concept of the project, cost details and breakdown with the departmental feasibility, if the cost of the project is Rs10 million and above.

PREFERENCE FOR LOCAL RESOURCES VIS-À-VIS FRESH IMPORTS

Donor assistance should not be sought for the purchase of vehicles, air conditioners, and other consumer durable goods produced in the country. Similarly, projects should not be sponsored for outright import of road-making or earthmoving machinery and drilling rigs, etc., by the government departments or agencies without a project design fully justifying the additional acquisition after taking into account inventory of the existing machinery of all public sector departments or agencies. Efforts should always be made for pooling available resources rather than resorting to fresh imports under new projects.

ALTERATIONS IN INITIAL PROJECT DESIGN

Following the concept clearance of the project, if the project design is altered by donor agencies at any subsequent stage, the Planning Commission should be consulted, and clearance obtained by the executing agency before proceeding ahead with negotiation.

MATCHING LOCAL CURRENCY

It should be ensured that the matching local currency funds would be available in the PSDP and ADP to absorb the aid being sought.

*Planning Commission, 'Concept Clearance Proposals – Policy Guidelines' Notification No.23(1)PIA-I/PC/2018 dated 4 April 2018.

3.64 The ECNEC, in its meeting of the 1st of October 2020, approved that the concept clearance of priority projects provided by the Planning Commission will be an authorization for obtaining donor commitment and preparation of project documentation in consultation with donors, and an indication of its subsequent approval by the competent forums, subject to fulfilling required technical and financial conditions.

Procedure for Approval of Programme Loans and Budget Support Financing

3.65 The government of Pakistan receives foreign assistance from multilateral sources (World Bank and Asian Development Bank) and bilateral sources in two forms, that is, project financing through bilateral and multilateral sources and programme loans only from multilateral sources. In case of project financing, the PC-I is approved by the relevant competent forum and development funds are made available to finance these projects through the PSDP or ADP (in case of the provincial projects). The programme loans fall outside the PC-I purview as the financial assistance provided is for budgetary and balance of payment support.

3.66 The International Financial Institutions (IFIs), especially the World Bank (WB), has introduced hybrid financing instruments, which combine elements of both a project and a programme. These new financial instruments of the WB, include Programme for Results (PforR), Development Policy Credits (DPCs) and Financial Intermediation Programmes (FIPs). These instruments are designed mainly to target policy and institutional reforms, while a part of financing also goes for technical assistance. These instruments mainly contain performance indicators, which are based on disbursements for budgetary support, while only a small portion is allocated for expenditure on base-activities. It was noted that if the requirement of the PC-I were applied to PforR, FIPs and DPCs, disbursement of critically needed funds from the IFIs would be significantly delayed.

3.67 To address the above issue, the NEC approved the following guidelines [30] (Annexure 14):

Table 14: NEC Approved Guidelines for Foreign Projects

#	Checklist	Mark ✓ if done
1	The relevant executing agencies shall obtain concept clearance of the proposed programme(s) from the CCC housed in the Planning Commission and communicate the same to the EAD.	
2	On receipt of the concept clearance, the EAD will formally request the development partner to seek funding support.	
3	The development partner will prepare the Programme Appraisal Documents in consultation with the sponsoring and executing agencies and share these with the EAD for negotiations.	

[30] NEC, 'Procedure for Approval of PforR, FIP and DPC Mode of Financing', Case No. NEC-07/01/2019, Islamabad, dated 29 May 2019.

4	Before initiating loan negotiations, the EAD will seek clearance of the programme loan agreement from the Ministry of Law and Justice and the Finance Division.	
5	Loan negotiations shall be conducted with the development partner after the concept clearance by CDWP. The EAD, Finance Division, Planning Commission, Law and Justice Division and relevant sponsoring agency and executing agency will participate in the negotiations.	
6	The EAD may, on completion of negotiations, move a summary for approval of Chairman ECNEC, before signing the programme loan agreement.	
7	For TA parts of the PforR and FIPs, these shall subsequently follow the PC-I by the respective executing agencies before the release of funds into the assignment account/project account.	

FINANCIAL MANAGEMENT

PSDP Funds

3.68 The PSDP is funded through the annual budget. It includes specific allocations for the projects and programmes included in the PSDP, inclusive of government funds, foreign loans and grants, and any other sources as approved by the government. The operational framework and procedures for authorization and management of the PSDP funds are described in the following sections.

AUTHORIZATION OF PSDP FUNDS [31]

3.69 The Planning Commission has been entrusted with the responsibility to authorize the release of development funds to the PSDP-funded projects. For this purpose, comprehensive guidelines are prepared in consultation with all the stakeholders, ministries, divisions, including the Finance Division, Accountant General Pakistan Revenue (AGPR), the provincial and special area governments. These guidelines are regularly updated and issued from time to time by the Finance Division [32] (Annexure 16). The Planning Commission authorizes the release of development funds per release strategy issued by the Finance Division at the start of every fiscal year.

FINANCING MECHANISM

3.70 The financing mechanism is as follows:

i. The release of funds is made according to funds release strategy of the Finance Division.

ii. The federal government may not commit financing of the social sector and agriculture-related provincial projects as those are the constitutional

[31] Regarding the provincially executed projects, the Ministry of Finance will continue to release funds as per the existing rules.
[32] Finance Division, 'Revised Release Mechanism for Funds Allocated for The Public Sector Development Programme (PSDP) 2019-20', Islamabad, dated 17 September 2019.

responsibility of provinces after the 18th Constitutional amendment.

iii. Throw-forward of PSDP should ideally not exceed threefold of the current PSDP.

iv. Commercial oriented/industry related projects in the public sector should be considered on the PPP/PSDP+/private investment mode. For this purpose, the feasibility studies for the commercially oriented projects, above a certain threshold, should include PPP Option Analysis, PPP Risk Assessment and PPP Value for Money Analysis. The feasibilities should also feature themselves as 'bankable' feasibility studies.

v. Financing of all projects, which have commercial orientation, should be kept outside the PSDP for private sector intervention.

vi. No block allocation, except for the special areas (AJ&K and GB) may be kept under the demand of any ministry.

vii. No token allocation to any project should be allowed in the PSDP as it increases the overall throw-forward.

viii. The financial phasing (2 years for DDWP, 5 years for CDWP and 7 years for ECNEC maximum) will be considered during the approval of projects.

ix. Project-wise and sector-wise throw forward will be reviewed during the quarterly review of the PSDP.

x. Rules for disbursement of foreign loans/grants are to be framed in consultation with the EAD and Finance Division.

xi. Information will be provided on the PSDP proforma by the federal ministries/ divisions and provincial governments for allocation of funds.

xii. The strategy and procedure for the release of the PSDP funds are notified by the Finance Division and the Planning Commission on yearly basis with a prime focus on ensuring timely availability of funds and optimum utilization of the allocated amount.

xiii. The Planning Commission, in coordination with the Finance Division, has curtailed unnecessary steps and requirements involved in release to spur the flow of funds to the project authorities to avoid cost and time overrun of the project.

xiv. The Finance Division issues release strategy for development funds at the start of every fiscal year. Any relaxation to the release strategy shall be considered by the Budget Wing, Finance Division on the recommendations of the Planning Commission.

- The Planning Commission shall devise a project-wise/division-wise strategy for the release of funds for the PSDP within the appropriations approved by the National Assembly and included in the Schedule of Authorized Expenditure in terms of Article 83 of the Constitution.
- There shall be no requirement of ways and means clearance from the Budget Wing, and endorsement of sanction letters by the Expenditure Wing, Finance Division for the fund releases for the PSDP approved projects.

xv. For every line ministry, the budget set forth in the PSDP is determined by the project details and the funds are allocated accordingly. These funds are released by the Planning Commission in the form of quarterly releases. The AGPR's SAP system is updated with the details of transfer. The PAO then decides on the release of funds for each project.

3.71 The funds release procedure has been further simplified and streamlined during FY2020-21. Its main features are shown in the figure below:

Figure 24: Funds Release Procedure

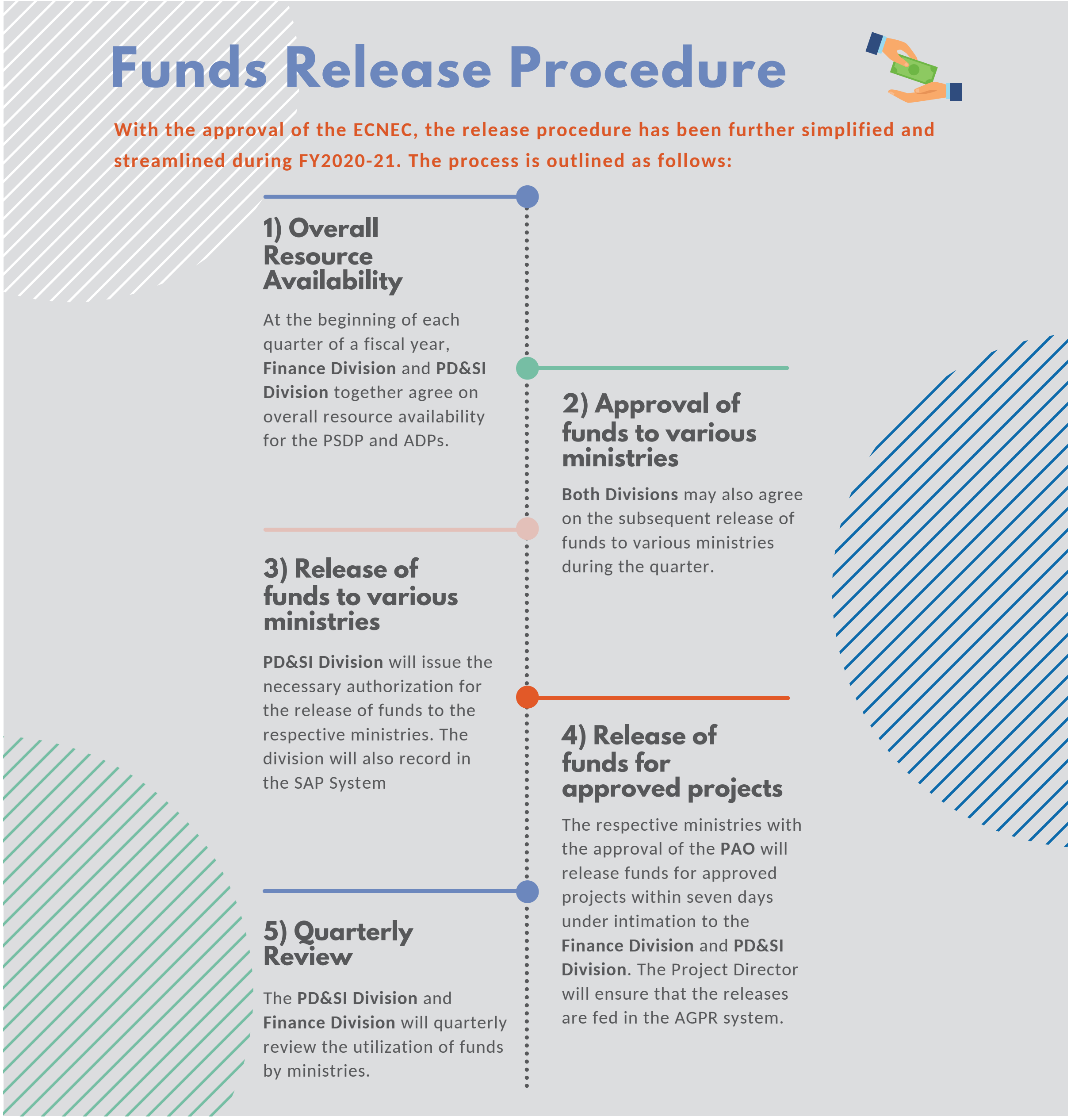


Figure 25: Funds Release for Federally Sponsored Provincial Projects, and Financing of NHA Projects

Funds Release for Provincial Projects Sponsored by Federal Government

Federal Line Ministry

Projects approved through the federal line ministry get their quarterly releases from the Planning Commission. The PC releases funds to the line ministry. The provincial departments then access the funds through the respective Planning and Development department.

Special Package

Provincial Projects are sometimes part of a special package. Under Asaan Assignment Procedure 2020, the release of funds for these projects are required to be directly transferred in assignment account of respective provincial executing department by Federal Ministries/Divisions concerned.

Projects by NHA and Other Agencies Financed Through Cash Development Loan

Sometimes the NHA and other federal government departments and agencies fund projects under cash development loan. These are reflected under the Finance Division demand "Development Loans and Advances". When these projects are approved, the funds releases are done by the Finance Division.

3.72 In line with the above-noted release strategy and procedure for FY 2020-21, the Planning Commission is authorizing upfront development funds to undertake development expenditure within permissible quarterly limits of rupee allocation of ministry/division/agency concerned.

3.73 The Planning Commission, in consultation with the Finance Division, have empowered respective ministries/divisions/agencies to issue release sanction as per the requirement of the project(s) while remaining within the overall quarterly rupee allocation ceiling of the respective ministries/divisions/agencies. In case any ministries/divisions/ agencies require more than permissible quarterly funds for any development project, the additional amount is being recommended for authorization in consultation with the Finance Division. The ministries/divisions will not release additional funds to any project over and above the allocated amount in the PSDP through internal adjustment. All re-appropriations will be referred to the Planning Commission as per procedures.

3.74 All ministries/divisions will be responsible for updating the Project Monitoring and Evaluation System (PMES) of each project by the 10th of the following month.

3.75 The PAO will ensure before issuing sanction letters for the release of funds to development projects that all codel formalities/pre-requisites should have been completed and adhere to the requirements of para 89 of GFR and para 13, VII of System of Financial Control and Budgeting 2006.

3.76 The obligation of authorizing the release of funds by the Planning Commission is only to the extent of the rupee component of the PSDP. The foreign exchange component is directly disbursed to the recipient projects and programmes by the respective development partners. The Economic Affairs Division (EAD) compiles this data. The Planning Commission regularly updates the foreign assistance disbursement status in accordance with the data issued by the EAD. To maintain transparency and provide user-friendly information for researchers, academia and the public, release data in respect of each project is uploaded weekly on the official website of the Planning Commission, http://www.pc.gov.pk

3.77 The provinces get their share of resources as per the NFC Award and after the 18th Amendment in the Constitution of Pakistan they are required to execute projects in the social sectors. As a result, the special packages by the federal government are generally announced in rare circumstances. Projects less than Rs. 2 billion, even if they are special packages, should be approved by the DDWP under the line ministry. CDWP only deals with projects more than Rs. 2 billion.

PSDP REVIEW MEETINGS

3.78 At the end of each quarter of the ongoing fiscal year, a progress review meeting of the PSDP is held. In the review meetings, the implementation status of the previous review meetings is reviewed along with the previous quarter physical and financial progress. For each ministry or executing agency, project-wise progress is analyzed. The necessary adjustments in the allocation of funds are allowed according to the pace of work and utilization where necessary with a view to steer the projects towards optimal and efficient utilization of the development funds. The project authorities are required to implement the decision of the review meetings in letter and spirit.

Chapter: 4

PROJECT
IMPLEMENTATION

CHAPTER 4

PROJECT IMPLEMENTATION

OVERVIEW OF PROJECT IMPLEMENTATION

4.01 The achievement of project objectives and actualization of benefits depends on effective project implementation according to the approved scope, cost, and time of the project. This crucial stage in the project cycle consists of a set of actions in parallel or sequence, whereby the project concept and design are implemented on ground. For achievement of the stipulated targets and tangible returns it is imperative to entrust the management of the project with staff who are competent and reliable with relevant qualifications and experience.

ROLE OF SPONSORING AND IMPLEMENTING AGENCIES

4.02 The project sponsors secure funding for projects from the development budget and choose an executing/implementing agency.

4.03 The executing/implementing agency is the entity charged with the responsibility of successful completion of the project's components which include:

i. Completion of all preparatory studies.
ii. Detailed engineering.
iii. Inclusion of surveys, testing, etc.
iv. Preparation of projects/schemes, design specifications, and cost estimates.
v. Securing of all the permits and easements.
vi. The acquisitions of land and right-of-way, site preparation etc.
vii. Procurement of goods and services, construction.
viii. Project management and risk management.

4.04 Common mistakes at implementation level are summarized in the figure below:

Figure 26: Frequent Mistakes at Implementation Level

COMMON MISTAKES AT IMPLEMENTATION LEVEL

1. Insufficient allocation of resources in the PSDP.
2. Inaccurate cost estimations due to a large gap between feasibility study and project implementation, leading to cost overruns.
3. Frequent transfers of senior officials and PDs creating work disruptions which lead to delays.
4. Understaffed and additional charge-based staff result in delays in project implementation.
5. Challenges in land acquisition such as litigation, right of way, and relocation of utilities.
6. Frequent changes in taxation and provincial tax laws create hurdles and increase the total cost of projects.
7. Misinterpretation of government directives in the form of the Statutory Regulatory Order (SROs) which cause time delays and confusion in policy matters.
8. Litigation issues in staffing and procurements.
9. Projects often lack a sense of ownership which is needed from the government or project management staff.
10. Problems identified by the Project Monitoring Team during the M&E phase are often overlooked.
11. PC-IV and PC-V are submitted infrequently to the concerned authorities specifically for mega projects.

4.05 For smooth implementation of projects, the following guidelines may be adhered to:

i. While making the decisions to include projects in the PSDP, the PAOs should prioritize existing projects instead of suggesting new projects.

ii. If the cost of the project exceeds 15% of the approved budget at the time the contract is being awarded, PC-I will be revised immediately and should be submitted for approval of the competent forum.

iii. If the project cannot be completed within the approved time frame, get the desired extension from the relevant forum following the laid down procedure already circulated by the Planning Commission, and such extension should invariably be sent to the Planning Commission, Finance Division and in case of the foreign-aided projects, to the EAD also.

iv. The PAO will ensure efficient allocation of funds under the project and their timely utilization to achieve the approved and desired objectives.

v. Separate accounts of each project should be opened with separate account books for each project.

vi. If expenditure in one head is expected to exceed the allocated amount, the appropriation of funds should be approved by the PAO prior to incurring the excess expenditure.

vii. An independent PD will be appointed in all projects with the maximum authority as per prescribed procedure and guidelines issued by the Planning Commission time to time.

viii. In the case of core projects, the project authorities will appoint a PD, along with skeleton staff at the concept stage to coordinate the design and consultation with key stakeholders in the preparation of project documents and PC-I, as per requirements.

ix. In the case of a foreign-aided project, a full-time PD will be appointed whose salary/remuneration will be met from the project account, and the PD will not be transferred without informing the DDWP/CDWP during the currency of the project.

x. The sponsors will ensure all appointments transparently. A representative of the Planning Commission and Finance Division will be included in the hiring committee for the selection of the PD.

xi. All the remaining appointments should be made by the PAO concerned, in consultation with the PD, through transparent and approved procedures.

xii. The PD and staff will not be entitled to use project vehicles if the monetization facility has been availed by the officer/s concerned.

xiii. The PAO of the sponsoring agency will notify and assign financial and administrative powers to the PD for implementation of the project as per the approved PC-I document.

xiv. The sponsoring agency will evaluate the performance of the PD on an annual basis, and in case of delay in the achievement of targets and objectives, necessary measures will be ensured under intimation to the approving forum.

xv. Remuneration on the Standard Pay Package for project staff recruited from the open market on a contract basis for the execution of projects funded from the PSDP will be paid in accordance with the notification issued by the Finance Division from time to time.

xvi. The Planning Commission will develop a framework for hiring of consultancy services for projects.

xvii. The project staff, as per the above arrangement, will be allowed by the PAO concerned, for six months after obtaining a concept clearance from the CDWP, and confirmation of the EAD that foreign assistance has been lined up. Any further requirement will be reviewed by the PAO after the termination of the initial period.

xviii. Work/cash plan will be prepared and implemented as per instructions of the Planning Commission.

xix. Monitoring of the project must be done as per the RBM indicators matrix in the approved PC-I to review on a monthly, quarterly, and annual basis.

xx. In case of any issues or problems faced in implementation, corrective measures must be taken by informing the authorities concerned, including the Planning Commission.

xxi. The monthly expenditure needs to be reconciled with the AGPR/banks.

xxii. Periodic checking of inventory and stocks for timely replenishment will be ensured.

xxiii. Logbooks of vehicles must be maintained.

xxiv. Specific duties of the project team should be assigned unambiguously.

xxv. Information and progress should be updated as per the PMES format of the Planning Commission.

xxvi. There are generally four types of procurements, namely procurement for goods, services, works or O&M. All the procurements under the project will be governed under the Public Procurement Rules 2004, and the relevant regulations and guidelines issued by the Public Procurement Regulatory Authority (PPRA) on a regular basis.

xxvii. The Project Purchase/Recruitment Committees will be formed, with the approval of the PAO.

xxviii. In the case of the Project Steering Committee (PSC), the PD will ensure regular meetings of the PSC and the circulation of minutes to all concerned.

xxix. The PD will be responsible for coordination among different stakeholders in case of implementation of the national programmes and submission of the periodic monitoring reports.

xxx. In case of depreciation of the PKR, an increase in demand of the FEC will not require revision of the project (if properly highlighted in the approved PC-I). However, in case of increase in incoming foreign currency revision of the project from the competent forum will be required.

xxxi. The PD will highlight problems and issues hindering the successful implementation of projects in the PC-III proforma.

xxxii. Dis/misinformation will be considered a crime under the project.

xxxiii. As per the existing mandate, Pakistan Public Works Department (PWD) is responsible for the construction and maintenance of public buildings for which funds are allocated on yearly basis. However, in case any ministry/division intends to hire any private party/contractor for construction and maintenance of its physical infrastructure, as per procedure a prior No Objection Certificate (NOC) from the Ministry of Housing & Works is required. In the case of delay in NOC, the construction and maintenance process will be delayed due to constraints with the PWD. The process of such NOCs should be expedited and resolved by the competent forums.

xxxiv. In the case of other physical assets like plant, machinery, vehicles, etc., each ministry/division will make its own arrangement for procurement and Operation and Maintenance (O&M) services to any third party at a competitive price for the sustainability purpose.

xxxv. The salary and recruitment of the project staff should be in line with the government rules.

ROLE AND APPOINTMENT OF PROJECT DIRECTOR

4.06 The activation of the project is achieved through an appointment of the PD. The ECNEC on the 6th May 2011, decided that an independent PD should be appointed only for projects, which are approved by the ECNEC. For projects below this limit, if an independent PD is required, he/she is to be appointed by the sponsors, and approval of the CDWP will be required to provide proper justification. The guidelines, governing the appointment of an independent PD, [33] are given in Annexure 17.

Selection and Appointment Committee

4.07 The terms of reference of the Selection and Appointment Committee for the PD are as follows:

i. The Committee will be headed by the secretary of the project sponsoring ministry or division and include representatives of the Planning Commission (chief or head of the section concerned), Finance (Development Wing) and Establishment divisions.
ii. In the case of a project jointly financed by the federal and provincial governments on a 50:50 cost-sharing basis, the Chairman P&D Board or ACS (Development) of the respective province, AJ&K and GB will chair the Committee with representatives of the Planning, Finance and Establishment divisions.
iii. In case of disagreement among members of the Committee, the matter will be referred to the Deputy Chairman Planning Commission for the final decision.

4.08 The Secretary of the ministry or division concerned may approve the appointment of a PD whose salary package is equivalent or up to the maximum of MP-III [34]. The cases of appointment of an independent PD carrying emolument beyond MP-III shall be submitted for approval to the Prime Minister of Pakistan.

Appointment Process

4.09 The following process should be adopted for an appointment of the PD:

i. The appointment of an independent PD, hired on a competitive basis, is mandatory for projects costing Rs. 3,000 million and above [35] (Annexure 18). As such provision for the post of a PD should invariably be included in the project PC-I worth over Rs. 3,000 million. An additional charge for the posts of large projects will not be allowed to the officers of line ministries and departments [36].
ii. For projects less than Rs. 3,000 million, an additional charge of project posts may be allowed to officers of the ministries and departments on a case-to-case basis, and the proposed set up may be included in the PC-I.
iii. The expenses of the PD will be met from the project account and the hired PD

[33] Planning Commission, 'Guidelines for Appointment of Independent Project Director in Development Projects', Notification No.20(3) PIA-I PC/2012, Islamabad, dated 5 April 2012.
[34] Management Pay Scales were introduced to attract private sector talent or professionals in the Ministries/State Owned Enterprises. It is now regulated by Management Pay Scales Policy 2020. Generally, MP-III is treated equivalent to BPS 20. http://www.establishment.gov.pk/SiteImage/Misc/files/Management%20Position%20Scales%20Policy%202020.pdf
[35] Planning Commission, 'Guidelines for Appointment of Independent Project Director in Development Projects', Notification No.20(3) PIA-I/PC/2012, Islamabad, dated 11 March 2016.
[36] PPP (Amendment) Act 2021

shall not be transferred during the duration of the project.

iv. The sponsoring or executing agency will try, as far as possible, to appoint an independent PD for the project. In case it is not possible, the PD may be appointed from the available in-house officers and in that case, reasons for transferring the services of such officer internally to the project may be spelt out and detailed justification may be given and approved by a committee headed by the PAO/secretary of the sponsoring agency comprising Member (I&M) Planning Commission, senior officers (not below the rank of Additional Secretary) of the executing agency and Finance Division.

Mode of Appointment

4.10 The mode of appointment of a PD will be as follows:

i. A PD shall be appointed on a contract basis initially for two years, extendable on yearly basis subject to satisfactory performance.

ii. The appointment will be made transparently through open merit by an advertisement.

iii. As per the ECNEC meeting that took place on 1st October 2020 civil servants will be allowed to compete for the PD positions, and on appointment will apply for a three-year leave from service. An independent PD will be hired or appointed by the Secretary / PAO of the relevant ministry, based on the recommendations of the recruitment committee comprising Member (I&M), PC, senior representative (not below the rank of Additional Secretary) of the Finance Division, Establishment Division, and relevant ministry/division. In the case of provinces, the committee will be head by the Chairmen of P&D Boards or ACS P&D Departments. The hiring of other staff of the project is left to the PAOs, in consultation with the PD [37].

iv. Engagement of the retired officer(s) as a PD shall require prior permission of the government without any exception – for example, the Establishment Division in case of the retired civilian officers, the Defence Division in case of the retired Defence officers, and Law, Justice and Human Rights Division, Supreme Court or High Courts in case of the retired judiciary officers.

v. While making an offer of appointment, the following will be provided in the contract or agreement. Statement of objectives of the assignment should include:

- Responsibilities of the PD stating particulars of the deliverables required from him/her.
- Responsibilities of the client indicating the types of inputs to be provided to the PD.
- Duration of the contract indicating completion dates or termination of the contract.
- The financial provisions reflecting the manner of payment of remuneration, etc.
- General provisions regarding matters, like early termination of the contract by either party.
- Mode of the periodic performance appraisal of the PD.

[37] PPP (Amendment) Act 2021

TERMS OF REFERENCE OF THE PROJECT DIRECTOR

4.11 Details of the outputs required from the PD should be spelt out which, inter alia, may include the following:

i. Exercise a strong check on time and cost overruns by monitoring the inputs, processes, and outputs of the project.
ii. Ensure that proper procedures for reviewing and responding to progress reports are established and follow that indicate how, what, and when to monitor and evaluate.
iii. Identify risks based on ground realities and formulate a risk mitigation plan.
iv. Prepare and submit reports in the prescribed manner and format including recommended actions for the decision-making.
v. Work effectively and harmoniously with the project stakeholders (including external partners) as well as with the project staff.
vi. Develop and use indicators to focus on results and progress of implementation.
vii. Establish and maintain custody of all project documents and prepare and submit project status and completion reports (PC III/IV).
viii. Ensure timely provision of information on the PW-002 and PW-003 proformas to the Projects Wing.

4.12 The powers of PD are delegated under the Guidelines of Project Management issued by Project Wing Planning Commission 2008. The relevant paragraphs of these Guidelines are reproduced in Annexure 19.

4.13 The PD will be held accountable for any lapses in the exercise of his/her administrative, functional, and financial powers. As a team leader, he/she will be obligated to account for all actions, steps and decisions taken during his/her tenure. He/she will be responsible for the supervision of project activities, including troubleshooting and best efforts to resolve day-to-day implementation problems independently within the administrative and financial powers delegated to him/her. If necessary, he/she may seek help from the federal ministry, division or provincial government concerned for resolving the issue or problem.

4.14 It is advisable to establish the office of the PD as close to the worksite as possible, preferably onsite, to ensure their availability to making spot decisions on unforeseen issues and other ancillary matters.

Qualification and Experience Requirements

4.15 Qualification and experience for the post of a PD:

i. The educational qualification of the Project Director will be broad-based, that is, degree in Project Management, B.Sc. Engineering or MBA /MPA, MBBS/MPH, Master or BS (4 years) degree in economics or other relevant field from HEC recognized institutions, depending upon the nature of the project.

ii. Minimum five years' experience in project management or implementation, with sound knowledge of project management fundamentals, particularly the government of Pakistan's project planning and management processes and procedures.

iii. Maximum age of 63 years on the date of appointment.

PROJECT MANAGEMENT UNIT AND STAFFING

4.16 The requirements of public administration institutions are rising and projects becoming increasingly challenging. Managing a project is a complex activity, particularly when it involves many people working over a long period of time in collaboration with many stakeholders. This increasing complexity requires management practices and tools, which ensure efficient use of resources. In this context, a PMU can be of great value as it will be provided with infrastructure, resources, processes, and tools necessary for effective project management by leveraging standards, allocating resources, and establishing communication channels. The ECNEC has approved the Planning Commission proposal of the 1st of October 2020, that hiring of other staff of the project is left to PAOs with the support of the PD [38].

WAIVER OF FRAMING OF RECRUITMENT RULES FOR PROJECTS POSTS IN MINISTRIES/DIVISIONS

4.17 There is no need to frame recruitment rules for the hiring of project staff as the standard guidelines for their appointments have been already [39] issued by the Establishment Division (Annexure 20).

STANDARD PAY PACKAGE FOR PROJECT STAFF

4.18 The standard pay package for the project staff, directly recruited for the development projects [40] is given in Annexure 21. The said pay package is effective from the 1st of July 2017 for new as well as the ongoing PSDP projects and is admissible subject to the conditions mentioned in the above-referenced O.M. of the Finance Division.

Staff for Land Acquisition and Resettlement

4.19 In its meeting of the 1st of October 2020, the ECNEC approved the establishment of a separate unit comprising 3-5 officials fully trained in each provincial revenue board for land acquisition and resettlement to facilitate smooth implementation of infrastructure-related projects. [41]

[38] PPP (Amendment) Act 2021
[39] Establishment Division, 'Waiver of Framing of Recruitment Rules for Projects Posts in Ministries/Divisions', O.M. No. 9/4/91. R.S. Islamabad dated 28 January 2008.
[40] Finance Division, 'Standard Pay Package for the Project Staff Directly Recruited for Development Projects Funded from PSDP', O.M No. F. 4(9)R-14/2008, Islamabad, dated 19th July 2017, amended through O.M. No. F. 4(9)R-14/2008/562 dated 19 October 2017 and O.M. No. F. 4(9 R-14/2017/698 dated 27 December2017.
[41] PPP (Amendment) Act 2021

CONTRACT MANAGEMENT

4.20 A contract is an agreement between two or more parties creating mutual obligations, enforceable by law. The basic elements required for the agreement to be a legally enforceable contract are mutual assent, expressed by a valid offer and acceptance, adequate consideration, capacity, and legality.

i. They are commonly used by a PD, works manager, or owner to manage and control project delivery.
ii. They have added advantage of requiring project sponsors/owners to define their requirements while making an unequivocal commitment to the project.
iii. Contracts defines the scope of work, the responsibilities, and obligations of the parties to the contract, the assignment of financial incentives to complete the work, and the nature and extent of risk to various parties.
iv. The agreements formalize the contract and serves as a legal instrument for contract verification.

4.21 Contracts are used during all phases of project management.

i. In the first feasibility phase, contracts are formed between the project owner and a consultant or an engineering or architectural firm to conduct a feasibility and site selection study.
ii. In the execution phase, a contract is formed between an owner and a contractor. Effective contract management creates client and customer satisfaction as well as consolidates a longer-term win-win relationship among all parties involved.
iii. Contracts not only bind the parties to legal obligations and framework, but they are also instrumental in risk minimization or elimination and can be instrumental in achieving project success and a long-term relationship. The Fédération Internationale des Ingénieurs Conseils (FIDIC) – (the Federation of International Engineers and Consultants) – have provided a detailed list of contracts for various types of works and the same has been adopted and amended by the Pakistan Engineering Council (PEC). The best practices from across the world indicated relationship management and breaking the traditional client and contractor adversarial approach, which is the leading cause of litigations and delay in implementation.

4.22 The procurement, contract award and contract management go together. The procurement in the government is governed by the PPRA and its rules, Public Procurement Rules, 2004 and the Procurement of Consultancy Services Regulation 2010, which apply to all procurements of goods, services and works, made by all procuring agencies of the federal government whether within or outside Pakistan. For infrastructure and engineering works, contracts samples, guidelines and standard forms are provided by the PEC. For further guidance, the PPRA Rules 2004 and PEC website can be consulted.

RELEASE OF FUNDS.

4.23 The ECNEC, in its meeting of the 2nd October 2019, has simplified the procedure for authorization of release of the PSDP funds to ensure timely availability to the executing agencies/project authorities without originating demands by the ministries concerned. [42] In addition, the PAOs have been made more responsible in ensuring timely completion of all code formalities such as authorization and administrative approvals, valid execution period, extension in execution period, updating the PMES, approved cash/work plan monitoring, observations, cost overruns and effective utilization of funds that have been released to the project authorities before the issuance of the sanction letters for the release of funds to development projects and undertaking expenditure. All ministries/ divisions will be responsible for updating the PMES System of each project by the 10th of the following month. (Refer to Chapter 3 for details on release of funds and financing issues.)

PROVISIONS OF PUBLIC FINANCE MANAGEMENT ACT (2019) FOR SMOOTH IMPLEMENTATION OF PROJECTS AND MAINTENANCE OF PUBLIC ASSETS

4.24 In pursuance of Section 19 (1) of PFM Act, 2019, every Ministry and Division shall include in its demands for grants adequate funds dedicated for operation and maintenance of the physical infrastructure assets under its supervision. Every PAO will ensure yearly stock taking of its assets and their optimal utilization. They will intimate under their signature to PMO and PC, by 30 September, every year.

4.25 In pursuance of Section 19 (2) of PFM Act, 2019, for provision of adequate amount for O&M cost in current budget for maintenance of the assets, a committee shall be constituted by Finance Secretary and its recommendations shall be presented to CDWP within one month. As the country progresses, the size of the O&M budget should be progressively increased and the size of the PSDP gradually decreased on attaining the higher stages of development. The committee shall also define "adequacy requirements" for the following categories of infrastructure expressed as the ratio of annual provision for maintenance and current value of the asset. Categories of infrastructure:

i. Dams
ii. Roads
iii. Bridges
iv. Buildings (a) Office & (b) Residence
v. Electrical Installation
vi. Mechanical Installation
vii. Strategic assets/Installation
viii. Vehicles/Aero planes/vessels, etc.
ix. All others assets

4.26 In pursuance of sub-section 1 of Section 20 of PFM Act, 2019, the Principal Accounting Officer shall ensure maximum possible returns on each and every asset

[42] The respective P&D Board/Department exercises this function with respect to projects in the provincial/special area ADPs.

falling under the respective Ministry/ Division, Provincial Governments and Special Areas Departments. For the purpose, all PAOs shall ensure annual stock taking of all assets and make it compulsory part of their "Yearbook". A committee under the chairmanship of Secretary Finance with Secretary PD &SI, Secretary EAD, Chief Economist/Member (EP), Member (PSD&C) and CEO-PPPA shall be constituted to deliberate upon stocktaking of the assets by PAOs and optimal utilization for maximum returns thereof.

4.27 In pursuance of sub-section 2 of Section 20 of PFM Act, 2019, the returns on public asset will include utilization of the asset for delivery of one or more public services or a financial return accruing to the Government from utilization of the asset. Possibilities will be explored by PAOs for their Optimal utilization through PPP mode or collaboration for bearing/sharing O&M cost with "not for profit organizations" as well as profit organizations. All body corporates /authorities /autonomous bodies shall utilize their assets for self-reliance and sustainability.

4.28 In pursuance of sub-section 3 of Section 20 of PMF Act, 2019, with a view to achieving the maximization of returns on public assets, government shall establish sovereign wealth funds through an Act of Parliament. The objective of sovereign wealth fund is to act as a holding institution for public assets, which can bring to bear sound management and exploitation of opportunities for the maximization of returns from the public assets.

Chapter: 5

PROJECT MONITORING

CHAPTER 5

PROJECT MONITORING

PROJECT MONITORING

5.01 Monitoring, evaluation and reporting of development projects shall be carried out according to Section 18 (2) of PFM Act, 2019. Project monitoring assumes critical importance after the project launch and remains an essential activity during the project implementation period until the project completion. Monitoring implies checking and assessing the implementation status of a project, programme, or plan regularly. It is carried out with the active participation of the project management. The process of observing or monitoring the implementation progress of the project helps in the identification, analysis and removal of bottlenecks and expediting actions when the implementation has stalled or fallen behind schedule. This enables the project management team and the planners to complete the project within the approved cost, scope, and schedule. Monitoring has a cost so selective projects must be chosen for monitoring which have exceeded their approved cost, scope, and schedule, or are facing bottlenecks.

MONITORING AND EVALUATION

5.02 The monitoring of the development projects or programmes should be done internally by the PD and sponsoring/executing agency. The sponsoring/executing agency may also hire third-party consultants for monitoring of the project. Planning Commission's Monitoring Wing will do monitoring of selective projects. The PC-III proforma (see Annexure 22) along with PW-002 and PW-003 proformas is used for monitoring implementation progress. In pursuance of Section 18 (1) of PFM Act, 2019, the following mechanism shall be adopted for the monitoring of project during implementation:

i. Regular internal monitoring shall be made by the Project Directors and Consultants appointed by the Sponsors of Federal Ministries/Departments, Provincial Government and Special Areas in respect of their projects and will share monthly progress with Planning Commission through PMES.

ii. Quarterly monitoring shall be made by Sponsor of Federal Ministries/ Departments, Provincial Government and Special Areas in respect of their projects and will share the progress report with Planning Commission.

iii. Third Party Monitoring shall be undertaken by Projects Wing of Planning Commission along with Heads/ Reps of Technical Section by using latest monitoring tools, techniques, and analytics in the following manner:

- Desk & field Monitoring under yearly action plan.
- Quarterly progress stocktaking reviews at provincial headquarters/ clusters level and development of data sheet of issues and risks for course correction.
- Mid Term Monitoring of Core projects.
- Monitoring of specially assigned projects.

iv. Planning Commission shall undertake progress review of projects as per

following schedule:
- Monthly progress reviews by Member I&M based on PMES.
- Quarterly Progress reviews by respective Member and presentation to DCPC.
- Midyear Review by DCPC.
- Full Year reviews by DCPC.

v. Projects Wing will involve all provincial and Special Areas P&D Departments in periodic M&E of federal funded projects. The Provincial and Special Areas P&D Departments will share Monitoring Reports with Planning Commission for progress review of federal funded projects.

vi. Project Planning, Monitoring & Evaluation Cells in Ministries/Divisions will be strengthened for regular data sharing and feedback to Planning Commission.

vii. Capacity building through trainings will be planned and organized.

5.03 In its meeting of the 1st of October 2020, the ECNEC approved the following institutional arrangements for the project monitoring.[43]

i. The primary responsibility for the implementation of the project and coordination with relevant stakeholders rests with the PD, who will hold regular on-site review meetings on monthly basis to address operational issues and submit the minutes to the PAO to keep him informed on project activities.

ii. The PAO/head of department will regularly monitor the performance of ongoing projects under his control. The PAO will chair the monthly review meetings schedule of which to be issued in advance at the beginning of the year. He/She will share the minutes of the review meetings with the Planning Commission, P&DD concerned and EAD. The Planning Commission will collate the information and share it with the Prime Minister's Office.

iii. The PAO is authorized for financial decision making so the primary responsibility for project monitoring lies on the line ministry. The Planning Commission has a monitoring wing, but their responsibility is secondary in nature to the line ministry.

iv. As per the Rules of Business 1973, programming and mobilization of foreign economic assistance is the primary responsibility of the EAD. However, the EAD undertakes a portfolio review of the foreign-funded projects as a subactivity since the flow of foreign funds largely depends on the progress of project activities. To ensure regular project reviews, the following are envisaged:
- The concerned JS (EAD) to hold debriefing meetings with the missions and conducting a monthly desk review
- Holding of the biannual trilateral review by the AS/JS and Planning Commission at the provincial headquarters
- Conducting of the trilateral biannual portfolio review by the Secretary EAD
- Biannual review by the minister of mega projects, particularly of problematic projects

v. A national Coordination Committee on foreign funded projects, headed by Minister EAD, comprising of DCPC, Secretary PD&SI, Additional Secretary

[43] PPP (Amendment) Act 2021

FD, Representative of PMO, Minister and Secretary of concerned ministry, Sr. Member Board of Provincial Revenue, Chairman P&D board / ACS Dev. of provinces /special areas AJK/GB, Secretary and Additional Secretary EAD, has been constituted by PM to ensure smooth implementation of foreign funded projects, fast track disbursement of external Economic assistance, undertake portfolio review of problematic projects, track implementation delays and recommend measures to address impediments.

Checklist for PC-III

5.04 The checklist for PC-III is as follows:

Table 15: Checklist for PC-III

#	Checklist items for PC-III	Tick as appropriate		
1.	Approved capital cost by the competent forum is provided.	N/A	Yes	No
2.	The actual and accrued expenditures up to the end of the last fiscal year are provided.	N/A	Yes	No
3.	Allocations for the project as shown in the PSDP are provided.	N/A	Yes	No
4.	Scope of work as indicated in the PC-I by major items of work is given.	N/A	Yes	No
5.	Actual physical achievements up to the end of last financial year against the scope of work indicated in PC-I are listed.	N/A	Yes	No
6.	An annual activity chart/work plan is prepared based on PSDP allocations [44].	N/A	Yes	No
7.	Physical targets for the year are determined based on the annual activity chart/ work plan.	N/A	Yes	No
8.	A quarterly work plan is prepared based on the annual work plan.	N/A	Yes	No
9.	Indicate the finances required to achieve the quarterly work plan targets.	N/A	Yes	No
10	Quantifiable outcome of the projects for the current year is indicated.	N/A	Yes	No
11	Proforma along with activity chart/work plan is furnished by 1st July of each fiscal year.	N/A	Yes	No

MONITORING METHODOLOGY

5.05 The methods or techniques adopted for project monitoring should effectively measure the progress of a project, concerning its approved cost, scope, schedule, and

[44] Sample activity chart/work plan can be found on https://www.pc.gov.pk/web/downloads/pc.

objectives and be capable of producing the requisite data, information, and reports as needed by project management and other stakeholders. The Bar Charts are commonly used to show the implementation schedule of projects. However, for major projects, the project management must use modern network methods, that is, CPM, PERT, LFA, WBS, etc. to plan the time and resources required for the completion of individual project activities.

PROJECT MONITORING AND EVALUATION SYSTEM (PMES)

5.06 To introduce professional project management in the public sector and to make the projects monitoring and evaluation more effective, a web based PMES has been developed. It is facilitating the line ministries and divisions in projects' planning, progress tracking, monitoring and timely identification of corrective actions. The PMES performs the following three major functions:

i. Tools and systems for project management
ii. Systems for monitoring and evaluating projects
iii. Analytical tools for the overall PSDP and portfolio analysis

5.07 The PMES is the backbone of the PSDP projects monitoring activity, which comprises a data bank of the implementation information like cash or work plan, releases of funds through SAP, physical and financial progress etc., of the development projects. The PMES serves three informational requirements:

i. For the PDs or project implementing authorities:
    - Firmness and clarity of scope as per PC-I (project profile)
    - Provides tools for project planning and control (cash or work plan)
    - Track progress and report issues (PC-III)
ii. For controlling ministries:
    - Approve financial or physical requirements of projects as per the ministries' priorities (cash or work plan)
    - Have quick access to progress and issues in their project
iii. For the Planning Commission,
    - A platform for the professional monitoring (project scope, plans, progress, issues, etc.)
    - The overall progress of the PSDP projects
    - Repository for projects
    - Project's synopsis and PSDP projects performance analysis (executive dashboard)

5.08 The Planning Commission will soon enable the integration of PMES with MIS, iPAS, GIS, SAP, and E-Office.

5.09 Major information management assignments served through the PMES are:

i. Regular physical and financial progress of the PSDP projects reporting to the

PM office.

ii. Responses of queries and reports to the Public Accounts Committee.
iii. Different reports to the parliamentary bodies per their demands.
iv. The PSDP review support (mid-term or quarterly) to the Planning Commission.
v. Monitoring of projects by the Planning Commission as well as the line ministries.
vi. Project control or tracking by the project-sponsoring ministries.
vii. Provision of authentic data source for dashboard development.

PMES System Architecture and Users

5.10 The PMES is a 'Role' based software, which can only be accessed by the authorized users (given passwords) and each user is provided with a certain role and according to that role, the user gets access rights of a specific portion of the software. The 'Project Director User' initiates the cash and work plans at the beginning of each fiscal year in the PMES (for the ongoing projects) or whenever the project gets approved and becomes part of the PMES System. The 'Focal Person User' of the federal ministry or division concerned has the rights to verify the cash and work plans initiated and forwarded by the PD in the PMES. The 'Planning Commission User' (Monitoring Officer) has the rights to give the final approval to the cash and work plans initiated and forwarded by the PD and verified by the Focal Person of the ministry concerned in the PMES. The 'Project Director User' also has the responsibility of entering the project's financial and physical progress, and releases of funds to the project on a monthly or quarterly basis in the PMES, which is verified by the 'Focal Person User' of the federal ministry or division concerned in the PMES.

PMES Information Components

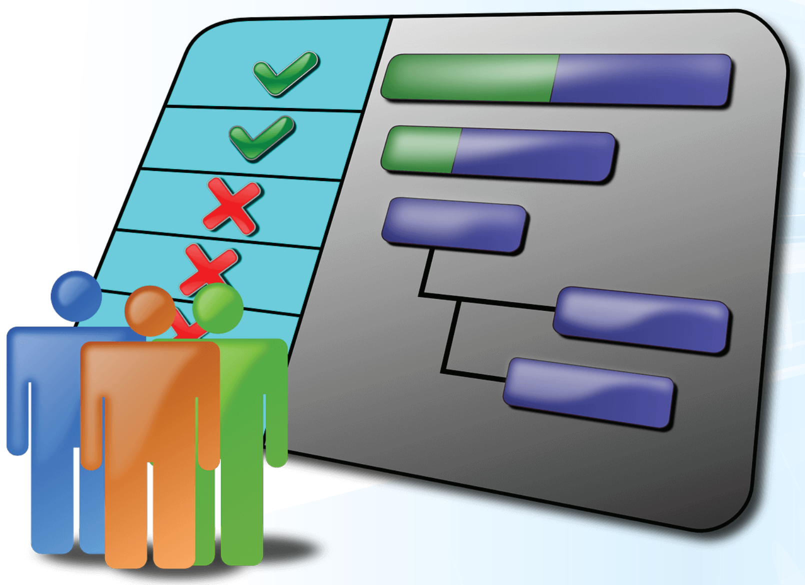
5.11 The main information modules and reports of PMES include:

i. Project's basic information (physical and financial)
ii. Work plans and cash plans
iii. Release of funds
iv. Progress (financial and physical)
v. Monitoring information
vi. Reports (project profile report, professional reports, custom reports, and executive reports)

Chapter: 6

PROJECT COMPLETION

AND EVALUATION



CHAPTER 6

PROJECT COMPLETION AND EVALUATION

PROJECT COMPLETION

6.01 The project completion aims to bring project execution to a formal and orderly conclusion, which includes informing all stakeholders about the completion of the project. It triggers the winding up of technical, operational, and administrative actions by the project-sponsoring public sector entity as determined in the last approved version of the PC-I.

6.02 The project is completed or closed when all the funds have been utilized and objectives achieved or abandoned for any reason. At this stage, the project must be closed formally, and reports prepared on its overall performance and results achieved using the PC-IV proforma (Annexure 23). This involves handing over the deliverables to the authorities concerned, closing of the supplier's contracts, closure of bank account, releasing security money, staff, and equipment as well as informing stakeholders about the closure of the project per the last approved PC-I.

6.03 Project closure can be best understood by dividing it into two parts: 1) Operational, and 2) Financial.

OPERATIONAL CLOSURE

6.04 The operational closure of the project indicates the stage when the last input has been provided, all activities including reconciliation of expenditure and statutory audit ended, assignments of all project personnel completed and disposal of or transfer of equipment purchased by the project has been carried out. It also marks the point in time beyond which no further financial obligations or commitments should be incurred. For regular operation and maintenance of projects after the closure stage, it should be handed over to the agency responsible for maintenance and operation. Timely efforts are required to be made for the handing over of the project and provision of maintenance cost to the authority concerned. This exercise should be initiated six months before the expected completion date. If any of the project staff is required to be retained for the operation of the project, a case for the shifting of the post in the budget may be initiated and get approval from the Finance Division well in time so that the continuity in project operation is not hindered and public assets created under the project are maintained.

FINANCIAL CLOSURE

6.05 The financial closure takes place right after the operational closure. Ideally, the operational and financial closures should be done simultaneously to avoid large gaps between the two. The financial closure marks the date after which no further transaction on that project account will be permitted. The sponsoring agency concludes that all financial transactions that it has authorized have been finalized and that there are no further financial commitments (hard or soft) or forecasts and there exists no cash deficit or a liability. The sponsors must also verify that the total expenditures are within the allocated budget. However, the closure of the project may not be delayed on account of the security money. It is recommended that the pay order of the security money is prepared by a bank and released after completion of the maintenance period or defects liability period as per rules. The financial closure should be achieved within six months of the operational closure.

RESPONSIBILITY FOR PROJECT CLOSURE

6.06 The project sponsoring agency is responsible for initiating, completing, monitoring, and executing the tasks necessary for completion and closure of the project. They have the final responsibility for ensuring the project closure tasks are undertaken as and when required. It is worth mentioning that liquidation of commitments is usually the most time demanding task and for this reason, it is advisable that the sponsoring agency prepares and regularly updates the liquidation of commitments including the final payments. The same applies to the disposal or transfer of the project assets.

PROCEDURE FOR PROJECT CLOSURE

6.07 At the project closure, submission of the PC-IV to the Planning Commission by the sponsoring agency is mandatory without any exception. Based on the PC-IV, the Projects Wing of the Planning Commission will present the Appraisal Paper (AP) for the consideration of the CDWP. In the case of the DDWP, PDWP and special areas DWP projects, the AP will be represented by the Planning and M&E Cells of the sponsoring agency, respectively. The respective forum will then consider the PC-I targets (physical as well as financial) versus achievements, timelines and lesson learnt before approval for project closure. The sponsoring agency will be responsible for replies and justification if required by the competent forum.

6.08 If the project is to be maintained after completion by another agency, then both the agencies shall coordinate in advance for the transfer of project assets and liabilities with a proper inventory of handing and taking over. If some staff of the project is to be retained for the operation of the project, then a case for the creation of posts under revenue budget may be initiated by the PD at least six months ahead of the planned closing date. The sponsors (PAO) will submit and certify closure of bank accounts and cash/accounts before consideration and approval of the PC-IV by the competent forum.

6.09 The sponsoring agency will ensure the required O&M budget allocation in consultation with the Finance Division for the sustainability of the public investment. The sponsors (PAO) will be responsible to submit an annual report on the operation and management of the project after completion in the PC-V for 3-5 consecutive years (3 years of the sectoral projects and 5 years of the core projects) to the Planning Commission.

6.10 The current market value of physical assets will be assessed and updated at the time of completion of the project. Appreciation of land cost will be assessed due to its location as per the B&R Code Act criteria and procedure. The cost of the physical assets will be registered in the inventory registered, both moveable and immoveable. Report of the annual stock-taking of the inventory will be maintained and will be submitted to the Cabinet as part of the Yearbook. Assets inventory addition/deletion should be an essential part of the Yearbook and the auditor should also audit the inventory and may submit a mandatory report. One percent of the current market value of the assets may be earmarked for maintenance in the current budget by the ministry concerned.

6.11 In case of other physical assets like plant, machinery, vehicles, etc. each ministry/division, provincial government and special areas will make its own arrangement for the O&M services including the option of any third party at a competitive price for the sustainability of public assets.

Checklist for Project Completion and Closure (PC-IV)

6.12 The following is a checklist for project closure (PC-IV):

Table 16: Checklist for Project Closure (PC-IV)

#	Checklist items for PC-IV	Tick as appropriate		
1.	The name and location of the project along with sector/sub-sector in which the project falls are mentioned.	N/A	Yes	No
2.	The responsible agencies during and after completion of the project are given.	N/A	Yes	No
3.	Date of approval of the competent forum such as DDWP, CDWP, ECNEC, etc. is provided with a copy of the decision/s enclosed.	N/A	Yes	No
4.	Planned, actual commencement & completion date and total duration (in months) is provided. Details of extension granted are given.	N/A	Yes	No
5.	Capital cost of the project as approved by the competent forum is given.	N/A	Yes	No
6.	Actual expenditure incurred on the project till preparation of the PC-IV with expected/actual completion cost is provided.	N/A	Yes	No
7.	Financing/funding requirement and agency (indicating exchange rate in case of foreign component provided in the PC-I) are given.	N/A	Yes	No
8.	Details of financial phasing and expenditure as per PC-I along with actual PSDP allocations and yearly releases for the project are included.	N/A	Yes	No
9.	Quantifiable physical targets achieved vs. planned (as given in PC-I) are provided.	N/A	Yes	No
10	Item-wise allocations for the project vs. actual expenditures are given.	N/A	Yes	No

11	Actual achievement of objectives and outcomes against those stipulated in PC-I are included.	N/A	Yes	No
12	Result Based Monitoring & Evaluation (RBM&E) indicators as stated in PC-I are indicated along with impact of the project on the target group/ area, etc.	N/A	Yes	No
13	Details of who is financially responsible for recurring costs and to whom assets of the project are transferred, after project completion is given.	N/A	Yes	No
14	Mechanism by which project activities will be continued in a sustainable manner are indicated.	N/A	Yes	No
15	Financial, unit cost and economic analysis based on actual capital and recurring cost is given. The benefits of the project may also be calculated on prevailing prices and output.	N/A	Yes	No
16	Whether project has been implemented as per approved cost, scope and time is indicated. In case of variation, reasons are provided.	N/A	Yes	No
17	Lessons learned during identification, preparation, approval, financing, and implementation of the project are stated.	N/A	Yes	No
18	Suggestions for planning & implementation of similar nature of projects are given.	N/A	Yes	No

PROJECT EVALUATION

6.13 The final phase of the project lifecycle is the evaluation of project performance and results. Project evaluation aims to determine the relevance, effectiveness, and impact of activities in the light of the objectives as systematically and objectively as possible [45]. It allows us to ascertain the net benefits of a project or programme and draw lessons for the future. It is a critical analysis of the factual achievements and results of a project, programme or policy vis-à-vis the intended objectives, underlying assumptions, strategy, and resource commitment. PC-V proforma corresponds to project evaluation and is reproduced in Annexure 24.

6.14 In specific terms, project evaluation tries to objectively assess:

i. The relevance and validity of the objectives and design of the project or programme in terms of broader issues of the development policy, sector or sub-sector priorities and strategies as well as other problems of a wider nature.

ii. The efficiency and adequacy of the pace of progress of the project or programme where the focus is mainly on the managerial performance and productivity.

iii. The effectiveness of the project or programme – a major part of an evaluation exercise is realizing the intended objectives from a variety of angles, and

[45] For definitions, see the UNICEF Guide for Monitoring and Evaluation (page 2); available at: https://silo.tips/download/a-unicef-guide-for-monitoring-and-evaluation

iv. The identification of reasons for the satisfactory or unsatisfactory accomplishment of the results of the project or programme and to deduce critical issues and lessons, which may be of relevance to other ongoing and future projects or programmes of a similar nature.

DIFFERENCE BETWEEN MONITORING AND EVALUATION

6.15 Evaluation is a learning management tool but differs materially from monitoring. The project monitoring is undertaken at the implementation stage, while evaluation is generally preferred when a project is complete. The monitoring reports provide the database for the evaluation, but evaluation cannot contribute directly to monitoring. The evaluation studies are more comprehensive, covering all aspects of the projects, whereas monitoring provides information mainly to assess and help maintain or accelerate the progress of implementation. The key differences between the M &E functions are summarized in the table below.

Table 17: Comparison of Monitoring and Evaluation

Monitoring	Evaluation
Keeps track of daily activities as a continuous function	Takes long-range view through in-depth study – one-time function
Accepts objectives, targets and norms stipulated in the project document	Questions' pertinence and validity of project objectives and targets
Checks progress towards output targets	Measures' performance in terms of objectives
Stresses conversion of inputs to outputs	Emphasizes achievement of overall objectives
Reports on the current progress at short intervals for immediate corrective actions	Provides an in-depth assessment of performance for future feedback

TYPES OF EVALUATION

6.16 Evaluation can be applied for different purposes as well as to a specific activity, project, or programme. It is not restricted to the completion stage only, but involves periodic investigations at many stages. Four different types of project evaluations are: ex-ante evaluation, ongoing evaluation, final evaluation, and ex-post evaluation.

Figure 27: Types of Evaluation

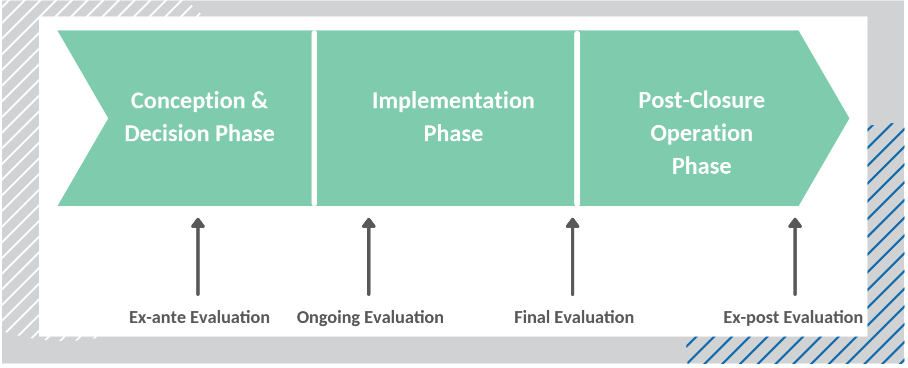


Table 18: Evaluation Type and Purpose

Evaluation Type	Purpose of Evaluation
Ex-Ante Evaluation	It is a broad initial assessment aimed at identifying which alternative will reap the greatest benefit from the investment.
On-going Evaluation	It assesses the intended outcomes, outputs, and the success indicators of the project half-way.
Final Evaluation	The main purpose is to facilitate a process which will document project outputs and impact.
Ex-post Evaluation	The aim is to derive lessons and recommendations to improve the project and plan more effective projects in the future.

6.17 The ex-ante evaluation or pre-approval appraisal has already been discussed with methods and techniques earlier in Chapter 5. The ongoing evaluation is carried out by the organization of its own to reassess the projected feasibility of the PC-I content, because of the time lag, while external evaluation is done by an agency other than the body involved in the implementation of a project. The main purpose of this evaluation is to assist the project management to make appropriate adjustments in the changed circumstances or to rectify any shortcomings in the original design to improve its efficiency and overall performance. Further, the midterm evaluation of the project, having an execution period of three years or more must be conducted by a third party, as per the 'Instructions on Evaluation and Appraisal of Project' issued by the CDWP [46]. This would help resolve any issues obstructing the project. For foreign-funded projects, annual rapid appraisal must be carried out and an annual report must be developed and shared. [47]

6.18 Final evaluation is done to assess results when a project concludes its implementation phase. It provides information that can be used to control for any negative consequences or breakdowns in the project to ensure smooth sailing in the future.

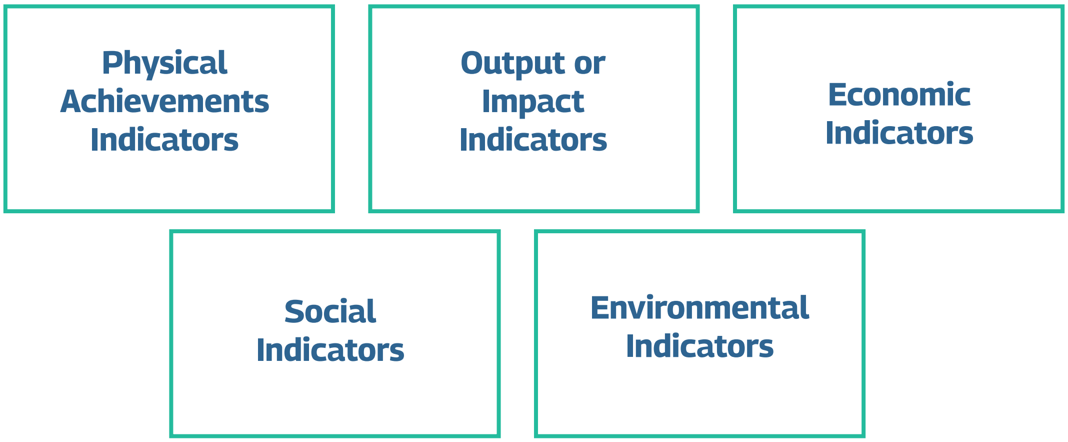
6.19 The purpose of an ex-post or post-hoc evaluation is to assess the actual as opposed to the estimated/projected results of implementing a project. The aim of the evaluation is primarily to compare the actual outcome of the project with the projections made at the appraisal stage. The examination of different aspects of the project can provide important lessons derived from the experience for the new projects. The overall impact of the project will result in several effects, which can be classified as costs and benefits, direct and indirect or tangible and intangible. The ex-post evaluation takes place after the completion of the project and is often more in-depth as it focuses on the analysis of impact. Besides, it is time-consuming, costly and calls for persons with special skills.

[46] Planning Commission Notification. No. 20(1-42)/PIA-I/PC/2021, Islamabad, 13th September 2021
[47] Ibid.

EVALUATION INDICATORS

6.20 These indicators are the yardsticks for the assessment of the overall performance of a project or programme regarding the stipulated targets and objectives. Typical performance indicators include:

Figure 28: Performance Indicators for Evaluation



i. Physical achievements indicators – These pertain to physical progress, and project cost and time over/underruns.

ii. Output or impact indicators – These are sector-specific—for an agriculture project, an increase in the agricultural production (whether crops, livestock, forest products, fish, etc.) in the project area could be used as an output indicator, and an increase in rural incomes as an outcome indicator. Other indicators could be agriculture credit applications processed or approved, agricultural extension workers trained, research and testing laboratories established, and so on.

iii. Economic indicators – These are indicators of economic and financial return on the project investment (for example, the financial rate of return, IRR, B/C ratio, etc.)

iv. Social indicators – These often pertain to basic needs and quality of life, for example, life expectancy, literacy, income distribution with equity, level of food consumption, access to health and education, shelter, clean drinking water, etc. Many of the UN SDGs fall under this category.

v. Environmental indicators – These have a direct bearing on the quality of life and sustainable development and include indicators related to air and water quality, land degradation, climate change, biodiversity etc.

REQUISITES FOR PROJECT EVALUATION

6.21 The approved PC-I, along with the related project documents, such as concept clearance paper, project appraisal report, loan/grant agreement and other documents for donor/IFI-assisted projects, and feasibility and other technical and sector studies, if any. The minimum requirements are:

i. Pre-approval appraisal notes/CDWP working papers

ii. Pre-approval technical scrutiny notes
iii. ECNEC summary and its decisions
iv. Sources of financial and other inputs
v. Annual/quarterly progress reports
vi. Project review/monitoring/mid-term evaluation reports
vii. Special reports
viii. Project completion report (including those prepared by external funding agencies)

6.22 The aforementioned documents form the basis of the assessment of different project components and activities. Project site visits also help in the on-ground assessment of project performance and results and its effect/impact on the target group/beneficiaries. The following key questions should be addressed in any evaluation exercise:

Table 19: Key Questions for Evaluation

#	Key Questions
1.	Was the project properly conceived?
2.	Has it fulfilled its basic objectives?
3.	Was there any flaw in project design?
4.	Was the project prepared in consultation with beneficiaries and other stakeholders?
5.	Were the forecasts of output or benefits correctly made to a reasonable extent?
6.	Was the technical preparation adequate?
7.	How good were the original cost estimates?
8.	If there were deficiencies in preparation, how were they addressed?
9.	Was the project implemented per the plan?
10.	If not, was this because of its haphazard preparation or because of delays in (a) the authorization procedure, (b) obtaining suitable funds, and (c) other reasons?
11.	Have you identified any lessons that could be learnt to improve the design and implementation of future projects?

Checklist for PC-V

6.23 The checklist for PC-V is as follows:

Table 20: Checklist for PC-V

#	Checklist items for PC-V	Tick as appropriate		
1.	Objectives and scope of the project as stated in the approved PC-I are indicated. It may also be indicated that up to what extent the objectives of the project have been met.	N/A	Yes	No

2	Planned (as per PC-I) and actual recurring cost of the project along with details for the financial year under report are provided.	N/A	Yes	No
3	Category-wise details of manpower actually employed for the operation of the project as compared to proposed in the PC-I is given.	N/A	Yes	No
4	Output of the project as given in the PC-I for the year under report vs. actual output of the project is given.	N/A	Yes	No
5	Income of the project as indicated in the PCI for the year under report along with assumptions vs. actual income for the year are provided.	N/A	Yes	No
6	Comparison of quantifiable actual benefits to the economy vs. anticipated benefits as listed in PC-I is given.	N/A	Yes	No
7	Social benefits to the target group as given in the PC-I are compared with the year under report and the extent to which social benefits have been achieved is stated.	N/A	Yes	No
8	Cost per unit produced and sold at the weighted cost of capital of the project is stated along with comparison to PC-I figures.	N/A	Yes	No
9	Mechanism of marketing the output of the project is stated. In case it differs from the PC-I, the details may be provided.	N/A	Yes	No
10	Arrangements made for the maintenance of building & equipment during the last financial year are provided. It may also be indicated whether annual maintenance of building & equipment is being carried out.	N/A	Yes	No
11	Are output targets as given in the PC-I for the year under report met? In case of variation, reasons are provided.	N/A	Yes	No
12	Lessons learned during the year under report related to operations, marketing, and management are stated.	N/A	Yes	No
13	In case of any change in the senior management of the project, the details along with justification are provided.	N/A	Yes	No
14	Based on the experiences gained during this project, measures are suggested to improve the performance of similar projects in the future.	N/A	Yes	No

MANDATORY EVALUATION REPORTS

6.24 The project evaluation report is prepared by the Project Implementation Unit or other designated staff using the PC-IV Proforma as part of the project closure activities. The PC-IV is evaluated by the Planning Commission's Projects Wing or technical section concerned. For regular operation and maintenance of projects after the completion stage, the project is transferred to the department/agency responsible for its maintenance and operation. After the project closure, annual operation reports must be submitted to the Planning Commission for the next five years on the PC-V proforma, which is to be furnished on annual basis, by the 31st of July of each year for five years, by the department/agency responsible for operation and maintenance of the project. It provides information about the project's operational results during the preceding fiscal year.

EVALUATION FEEDBACK AND LESSONS LEARNED

6.25 Feedback is the most important element of a systematic and integrated approach to project monitoring and evaluation. Essentially, it is the evaluation phase of the project cycle that provides the lessons learned from the project implementation experience. The evaluation phase compares the actual outcome of the project with the appraisal projections then examines the positive and negative effects of the project, providing important lessons for the future. The feedback from the evaluation is an essential input for effective project/portfolio management. But an evaluation without any direction or support from the management can hardly be meaningful.

6.26 Feedback from the evaluation is used for operational (mid-course corrections and follow-up action), analytical (improvement of project design, objectives, etc.) and policy purposes (finding out the validity of a given development strategy, etc.). To ensure that feedback is used systematically, there must be an adequate institutional mechanism for channeling the findings and recommendations to the relevant decision-makers and managers for the necessary follow-up action.

6.27 In pursuance to clause b of sub section 1 of Section 18 of PFM Act, 2019, following mechanism shall be adopted for evaluation of development projects:

i. Submission of PC-IV to the Planning Commission by all the Sponsors shall be mandatory for all projects.
ii. Based on PC-IV, the Projects Wing of Planning Commission will present Appraisal Paper (AP) for consideration of CDWP within four (04) weeks. In case of DDWP, PDWP and Special Areas projects, the AP will be presented by the Planning Cell and M&E Cells of the concerned sponsoring agency respectively.
iii. The respective forum will consider PC-I targets (physical as well as financial) vs achievements, timelines and lesson learnt before approval for closure of the project.
iv. In case of creation of posts on normal budget timelines will be decided in consultation with representative of Finance Division.
v. In case of assets created under the project O&M arrangements will be provided

by the executing agency for transfer of project assets/liabilities with proper handing/taking over.

vi. The Projects Wing will carry out an evaluation report of completed project in coordination with sponsoring agency and submit it report to the Member I&M. The Member I&M will present findings of the evaluation report before the CDWP at the time of final PC-IV (completion report received from the sponsoring agency) for consideration.

vii. On fulfillment of recommendations of the respective approving forum, sponsor shall submit final PC-IV, which will include a certificate from PAO that bank and cash accounts of the project have been closed.

viii. Projects Wing will recommend on the basis of forum's decision and after approval closure letter will be finally issued by the PAO and the project shall be deleted from active projects list of PSDP.

6.28 In pursuance to clause (c) of sub-section 1 of Section 18 of PFM Act, 2019, Sponsor shall be responsible to submit annual report on operation and maintenance, outcome, and impact of projects on PC-V format for five consecutive years to Planning Commission for review of impact evaluation. In case of core projects an independent impact assessment within five years after completion of the project shall also be submitted to Planning Commission by the sponsors.

6.29 Monitoring, evaluation and reporting of development projects shall be carried out according to Section 18 (2) of PFM Act, 2019.

APPENDIX - A

APPENDIX A

NATIONAL ECONOMIC AND DEVELOPMENT PLANNING SYSTEM

7.01 The following is the national economic and development system provided in the constitutional context. The chapter 3 of the PFM Act, 2019 provides in detail, the planning process which has been incorporated the relevant portion of this manual.

7.02 This section describes the constitutional and legal contexts of the economic development planning practices in Pakistan discussing how the planning system has evolved since the early 1950s, the functional and organizational set up of the Planning Commission and the forums responsible for the national economic planning, coordination and approval of development projects and programmes.

CONSTITUTIONAL AND LEGAL CONTEXT OF PLANNING IN PAKISTAN

7.03 Article 156 of the Constitution of the Islamic Republic of Pakistan [48] provides for constituting the National Economic Council (NEC) by the President of Pakistan. [49] The Council is responsible for advising the federal government and the provincial governments in formulating plans regarding the financial, commercial, social, and economic policies. In formulating such plans, it is to ensure balanced development and regional equity, which are to be guided by the Principles of Policy as articulated in Articles 29-40 (Chapter 2 of Part II) of the Constitution. The NEC is mandated to meet biannually.

NATIONAL PLANNING AND NATIONAL ECONOMIC COORDINATION

7.04 The national planning and national economic coordination, including planning and coordination of scientific and technological research, fall under part II of the Federal Legislative List (Entry No. 7). Hence, it is the domain of the Council of Common Interest (CCI), which shall formulate and regulate policies concerning matters in part II of the Federal Legislative List and shall exercise supervision and control over related institutions vide Article 154 of the Constitution.

PUBLIC FINANCE MANAGEMENT ACT, 2019 (AS AMENDED IN 2020)

7.05 The Federal Public Finance Management Act, 2019 was added through the Finance Act 2020 for the plan-based government expenditure. All government expenditures, whether from a recurrent or a development demand for the grant, shall be based on well defined plans and the strategic priorities approved in the budget strategy paper.

7.06 The Federal Public Finance Management Act, 2019 was enacted (became effective from July 1, 2019) and made to ensure compliance with Article 79 of the Constitution. To comply with Chapter III of the Act titled "Development Projects and Maintenance and Use of Public Assets (Sections 13-20)", the Planning Commission has made the following decisions:

[48] The Constitution of the Islamic Republic of Pakistan, Part V, Chapter 3, Art 156; available at http://www.na.gov.pk/uploads/documents/1333523681_951.pdf.
[49] The Constitution refers to the 1973 Constitution and its various amendments. The NEC comprises the Prime Minister as its Chairman, Chief Ministers of the provinces, one member from each province to be nominated by the Chief Ministers and four members to be nominated by the Prime Minister.

i. In pursuance of Section 13 (a) of PFM Act, 2019, the Core Projects in national infrastructure requiring complex planning, design and implementation procedures shall include:

- Projects Rs.100 billion and above.
- This threshold may require to be in case of Social Sector projects or Donor's funded projects costing less than Rs.100 billion. In such cases, the CDWP may consider and declare any project as core project. The Sponsoring Agency will indicate while submitting the project to the CDWP whether these are core or otherwise based on the following criteria:

    i. National priority projects located in more than one province or more than one province as beneficiary of the project.

    ii. Projects relating to national infrastructure (inter-provincial roads, bridges, railways, airports, seaports, dams, energy, housing, city & regional planning, water & sanitation, digital networks, research, nuclear, national health, social security and human resource development programs, etc.) any other project unique or transformational in nature.

    iii. The projects involving comprehensive planning, design and implementation procedures which are complicated in nature.

    iv. The projects to be undertaken through PPP mode with the approval of CDWP.

    v. Prevention and mitigation of climate and natural disasters.

    vi. The core projects will be assigned the following priorities:

    vii. The PC-I will be based on PC-II which will cover (a) comprehensive feasibility and (b) appraisal on techno economic basis with option, risk and sensitivity analysis; For the projects to be undertaken through PPP mode, Feasibility Study should also include PPP Option Analysis and address bank ability aspects of the project; PPP Risk Assessment; and PPP Value for Money Analysis.

    viii. The sponsoring agency will incorporate M&E mechanism including Gantt Chart/ Primavera/ Project Performance Monitoring in PC-I of the project.

    ix. Release of funds will be made as per financial phasing of approved PC-I.

    x. The sponsoring agency will ensure timely execution and completion of the project as per approved PC-I targets/ objectives.

    xi. Quality assurance mechanism will be included and undertaken at pre and post project.

    xii. In case of revision and delay, responsibility will be fixed on the basis of inquiry under the directions of PAO of the sponsoring agency.

    xiii. Submission of PC-IV & subsequently PC-V will be responsibility of PAO of the sponsoring agency.

    xiv. Internal Monitoring on periodic basis will be ensured by the sponsoring agency.

xv. Quarterly Monitoring reports through PMES will be submitted by the sponsors to Projects Wing of Planning Commission for consideration of the CDWP.

xvi. Annual External Monitoring and Mid Term Monitoring/ Review will be conducted by the Planning Commission and report will be presented to the ECNEC for consideration.

xvii. In case of land acquisition, land will be procured under a separate project at market rates with re-settlement plan to avoid litigation issues and delay in implementation.

ii. In pursuance of Section 13 (b) of PFM Act, 2019, all projects other than Core Projects undertaken in different Sectors by Ministries, Divisions, Provincial Government and Special Areas to enhance the development of that Sector in a Ministry, Division, Provincial Government and Special Areas will be considered as sectoral projects. The sponsors will incorporate clear objectives, scope, output, and outcomes in project document while ensuring compliance of all procedures in vogue.

- Section 14 – Preparation of development projects.
  - All development projects shall be prepared in conformity with procedures, processes and templates defined by the Planning Commission.
  - Cost and benefit analysis and risk assessment of all development project proposals in excess of a threshold size prescribed by the Planning Commission shall be undertaken.
- Section 15 – Quality assurance
  - Development project proposals, which exceed their total cost thresholds defined by the Planning Commission shall be subject to quality assurance. Such quality assurance shall be undertaken by an individual/body which is independent of the sector/ministry/division that has initiated the preparation of the development project proposal.
- Section 16 – Technical approval
  - All development project proposals shall be subject to a technical approval process. Technical approval shall only be granted to projects which are compliant with the standards and procedures set by the Planning Commission.
  - Findings and recommendations of the independent quality assurance reports, cost and benefit analysis and risk assessment where required per sub-section (2) Section 14 shall be considered by these forums while considering the development project proposals.
- Section 17 – Inclusion of development projects in demands for grants
  - No development project shall be considered for inclusion in demands for grants if it has not been granted technical approval.
  - No development project shall be considered for inclusion in demands for grants unless it is provided with a budget allocation for the coming year reflecting the proposed project cost for each year.

- Section18 – Monitoring and evaluation of development projects. Development projects shall be subject to the following forms of monitoring and evaluation, namely,
    - Monitoring of progress during implementation
    - Evaluation of the project on completion
    - Those projects with the total cost exceeding the threshold set by the Planning Commission, an independent impact assessment shall be devised within five years after completion of the projects.
    - Timelines, forms and formats and guidance on conducting monitoring and evaluation and reporting shall be completed as prescribed.
- Section 19 – Budgetary provision for maintenance of assets
    - Every ministry and division shall include in its demands for grants adequate funds dedicated for operation and maintenance of the physical infrastructure assets under its supervision.
    - The Planning Commission shall define adequacy requirements for different categories of the physical infrastructure expressed as the ratio of the annual provision for maintenance and the current market value of the asset.
- Section 20 – Utilization of public assets.
    - The principal accounting officers shall ensure that the maximum possible returns are achieved on every asset falling under the oversight of the ministry and division.
    - The returns on a public asset may include the utilization of the asset for delivery of one or more public services or a financial return accruing to the government from the utilization of the potential of the asset.
    - To achieve the maximization of returns on public assets, the government may establish sovereign wealth funds through an act of the Parliament. The objective of a sovereign wealth fund is to act as a holding institution for public assets which can bring to bear sound management and exploitation of opportunities for the maximization of returns from the public assets.

PLANNING COMMISSION

7.07 The Planning Commission is an apex planning and coordination body functioning under the Chairmanship of the Prime Minister, while the Planning, Development and Special Initiatives (PD&SI) Division is serving as the Secretariat of the Planning Commission. [50]

MISSION OF PLANNING COMMISSION

7.08 The Mission of the Planning Commission, as elucidated in the Cabinet Division Resolution of October 2013 [51] is to:

i. Act as the apex think-tank for the Government in the context of adjusting to the new realities and challenges, including recognition of the increased role of the private sector, impacts of globalization and National Finance Commission

[50] Entry No 13 under Item 30 of Schedule II of the Federal Government Rules of Business, 1973, as amended from time to time.
[51] Adapted from the mission statement and strategic objectives given at: https://www.pc.gov.pk/web/ministry

Award 2010 on the economic policy.

ii. Effectively plan for the economic and social development of the country.

iii. Moving to a new paradigm of Participatory and Collaborative Planning involving the Parliament, ministries/divisions, provinces, special areas, private sector, academia, civil society, and diaspora to play the role of facilitator and stewardship as well as an integrator in the areas of economic policy.

7.09 The Planning Commission is responsible for the performance of functions outlined in Schedule-II of the Rules of Business 1973 (as amended), under the heading of the Planning, Development and Special Initiatives Division. The PD&SI Division, as the secretariat of the Planning Commission, provides all necessary economic, technical, and administrative support to the Commission for the discharge of its assigned functions and responsibilities. The heads of economic and technical sections of the Planning Commission coordinate the Annual Plan and PSDP preparation for their respective sectors. The functional wings of the Planning Commission are shown in the table below.

Table 21: Functional Wings of Planning Commission

Technical Sections	Economic Sections	Project Wing	Attached Depts./ Authorities/ Cells
• Energy Wing (Fuel, Power, Energy Economic and Energy Information Sections) • Transport and Communication • Physical Planning and Housing • Food & Agriculture • Water Resources • Industries and Commerce • Health • Nutrition • Education • Population & Social Planning • Social Welfare • Manpower • Climate Change and Environment	• Economic Appraisal • Public Investment Programming • Public Investment Authorization • Sustainable Development Goals • Macroeconomics • International Trade and Finance • Money, Prices and Fiscal Policy • Employment and Research • Plan Coordination	• Infrastructure • Social Sectors • Other Sectors • Evaluation • Management Information System	• Pakistan Bureau of Statistics • China Pakistan Economic Corridor Authority • Public-Private Partnership Authority • Pakistan Planning and Management Institute • Pakistan Institute of Development Economics • National Logistic Cell • SDL

• Science and Technology • Governance • Mass Media & Culture, Sports, Tourism and Youth • Devolution & Area Development			

EVOLUTION OF THE PLANNING COMMISSION — A CHRONOLOGY

7.10 The evolution of the Planning Commission is summarized below, while the details are provided in the referenced annexures.

- 1948- Development Board was established in the Economic Affairs Division (EAD) under the Ministry of Finance and charged with economic development.
- 1950- The Six-Year Colombo Plan was mapped out.
- The Planning Board was established on 18th July 1953.

Box 1 – Terms of Reference of the Planning Board 18th July 1953

The main functions of the Planning Board were to:

- Review the development which has taken place since the independence.
- Assess the material and human resources which can be made available for development during the next five years beginning from April 1954 (later changed to April 1, 1955).
- Prepare a national plan of development based on the fullest possible utilization of these resources for implementation in a period of five years from the 1st April 1954 as a step towards the attainment of the economic and social objectives of governments' policy.
- Make proposals regarding the administrative machinery best suited to assure the successful implementation of the plan while the First Five-Year Plan (1955-60) was prepared and approved by the National Economic Council (NEC).
- Make any other recommendations which in the opinion of the Board will contribute towards the successful implementation of the Plan.

Source: Resolution No.2(24)-PG/5, Ministry of Economic Affairs, Government of Pakistan, Karachi, dated 18th July, 1953 (Annexure 42)

- 1957- A permanent National Planning Board was established on 20th April 1957 under the chairmanship of the Prime Minister with two members to achieve progress on Article 28 and 29 of the 1956 Constitution (now Article 37 and 38 of 1973 Constitution). The tasks assigned to the National Planning Board are given in Box 2.

Box 2- Tasks Assigned to National Planning Board
20Th April 1957

- To prepare future Five-Year Plans of economic and social development.
- To make additions and alterations in the existing Five-Year Plans consistent with the changing economic conditions of the country.
- To tender such technical advice and offer such comments on financial matters bearing on the development plans as may be requested by the ministries of the government.
- To stimulate and where necessary, initiate the preparation of schemes required to achieve national objectives in the economic and social fields.
- To examine development schemes, programmes, and proposals to include in the plan of development.
- To maintain a continuous and constant review of the progress of development, the benefits realized, and the difficulties experienced.
- To maintain a continuous review of the economic conditions of the country so far as they directly impact the development plans.
- To submit such periodic reports as the government may desire from time to time.
- To encourage the improvement and expansion of research (economic research), statistics, surveys, investigations, and evaluation needed to support effective planning and development in the country.
- Generally, to advise the government on economic policies and problems in various fields so far as these have a bearing on the development plans.

Source: Resolution, No.29(3)-PP/57, Ministry of Economic Affairs, Government of Pakistan, Karachi, dated 20th April 1957 (Annexure 43)

- 1958- The National Planning Board was redesignated as the Planning Commission on 22nd October 1958 (Annexures 25 and 26).
- 1961- The Project Division in the President's Secretariat was abolished, and its functions were amalgamated in the Planning Commission, and it was identified as a Division in the President's Secretariat. The President assumed the Chairmanship of the Planning Commission on 5th August 1961 with a Deputy Chairman (status of a minister), two members from the central government and one member each from West Pakistan and East Pakistan. The Planning Division remained with the President from 1961 to 1971. The new Planning Division had two separate technical wings: Planning and Progressing. The latter focused on monitoring of implementation and delivery of results. The non-technical sections of the Division (Coordination, Development, Authorization,

Administration, etc.) were reorganized on the pattern of the Section Officers' Scheme in the Central Secretariat (Annexure 27).

- 1988- The Chief Executive of Pakistan was the Chairman of the Planning Commission from October 1999 to November 2002 and subsequently, the Prime Minister assumed the role.
- 2006- The Planning Commission was revamped in April 2006 to ensure that it plays an effective role as an apex planning and coordination body of the country. The number of members increased to nine, while its chairmanship remained with the Prime Minister. A Policy Board was established to be chaired by the Prime Minister and included the Deputy Chairman, 10 federal ministers to be nominated by the Prime Minister and all members of the Planning Commission. The functions assigned to the Planning Commission in 2006 are given in Box 3.

Box 3-Functions of Planning Commission
April 2006

- The following functions of the Planning and Development Division under Schedule II of the Rules of Business were also assigned to the Planning Commission.
- Preparing the National Plan, reviewing and evaluating its implementation.
- Formulating the annual and Annual Development Plan.
- Monitoring and evaluating implementation of major development projects and programmes.
- Stimulating preparation of sound projects in regions and sectors lacking adequate portfolio.
- Continuously evaluating the economic situation and coordinating economic policies and decision-making.
- Assisting in defining the national vision and undertaking strategic planning.
- Assessing the material, capital and human resources of the country and formulating proposals for augmenting such resources.
- Facilitating the capacity-building of agencies involved in development.
- Any other function assigned by the Prime Minister.

Source: Cabinet Division Resolution No.4-6/2006-Min.I., Islamabad, dated 20th April 2006. (Annexure 44)

- 2013-The Planning Commission was reorganized by increasing the number of Members to 12 while the Prime Minister continued to be the Chairman of the Commission. The functions assigned to the Planning Commission are summarized in Box 4. An Advisory Committee of the Planning Commission/ Ministry of Planning, Development and Reform (MoPD&R) was also notified in October 2013, comprising 26 members, 12 federal secretaries, Chairman FBR, Chairman Board of Investment (BoI), Vice-chancellor Pakistan Institute of Development Economics (PIDE) University, Chairman Planning and Development (P&D) Board Punjab and Additional Chief Secretaries of Sindh and KPK. The Terms of Reference of the Advisory Committee are to:

i. Promote public and private sector interface and develop a participatory approach in decision making.

ii. Work as a strategic think-tank on policy issues of the Planning Commission/MoPD&R.

iii. Guide Planning Commission/MoPD&R in policy formulation, reform, and its implementation as per the vision of the present government and the national interest.

iv. Generate and build consensus on policies and strategies of the Planning Commission/MoPD&R, and provide input and feedback from non-government stakeholders to the policies/performance of the Planning Commission/MoPD&R.

- 2019- In June 2019, the Deputy Chairman of the Commission was directed to report to the Minister PD&SI in the following areas (Annexure 28).

i. All issues requiring approval/consideration of the Prime Minister, cabinet, NEC, ECC and ECNEC.
ii. Brief and seek approval of the Minister PD&SI of the CDWP agenda.
iii. Finalization of the PSDP in consultation with the Minister PD&SI.
iv. Close liaison with the Minister PD&SI on all matters of development policy formulation, etc.

FUNCTIONS OF THE PLANNING COMMISSION

7.11 The Rules of Business (Schedule II) as amended up to July 2020 indicate that the functions of the Planning Commission continue to be as given in the Cabinet Resolution No. 4-6/2006-Min-1 dated 30 October 2013 [52]. These functions are grouped in three broad categories as shown in Box 4) [53].

Box 4- Functions of Planning Commission since 2013

A. Core Development Functions

- Preparing the National Plan, reviewing and evaluating its implementation.
- Formulating Annual Plan and Annual Development Programme.
- Monitoring and evaluating implementation of major development projects and programmes.
- Stimulating preparation of sound projects in regions and sectors lacking

[52] This Cabinet Division Resolution Superseded Resolution No 4-6/2006- Min.1 dated 20 April 2006.
[53] Schedule II of the Rules of Business 1973 (as amended from time to time) enumerates the functions assigned to the Planning, Development and Special Initiatives Division and selected functions of the Division have been assigned to the Planning Commission. The Rules of Business has also designated the PD&SI Division as the Secretariat of the Planning Commission and Secretary of the Division has been nominated as Member Coordination.

adequate portfolio.

- Continuously evaluating the economic situation and coordinating economic policies and decision making.
- Organizing research and analytical studies for economic decision making.

B. Vision, Strategic Planning and Capacity-Building Functions

- Assisting in defining the national vision and undertaking strategic planning.
- Assessing the material, capital, and human resources of the country and formulating proposals for augmenting such resources.
- Assisting the government in providing a conducive macroeconomic and regulatory framework, improved resource mobilization, an institutional framework and efficient public investment.
- Promoting and developing the role of the private sector as an engine of growth by co-opting it as a partner in development process through institutionalized effective consultative process.
- Facilitating capacity-building of agencies involved in development.
- Promoting and coordinating reform and innovation in the government in partnership with relevant ministries/divisions and organizations.

C. Think-Tank including Research and Development Functions

- Promoting and developing social capital for development with stakeholders (MDGs, poverty alleviation, social harmony).
- Promoting and coordinating economic and infrastructure initiatives towards developing regional economic integration.
- Monitoring Pakistan's economic competitiveness and developing strategies for its enhancement with relevant ministries/divisions and organizations.
- Promoting development discourse in the country towards participatory and collaborative planning and development.
- Study trends and evaluate impact of globalization and develop appropriate national responses in coordination with relevant ministries/divisions and organizations.
- Study and evaluate impact of new technologies on development and develop appropriate national responses in coordination with relevant ministries/divisions and organizations.
- Any other function assigned by the Prime Minister.

Source: Cabinet Division Resolution No. 4-6/2006-Min-1, Islamabad, dated 30 October, 2013 (Annexure 45)

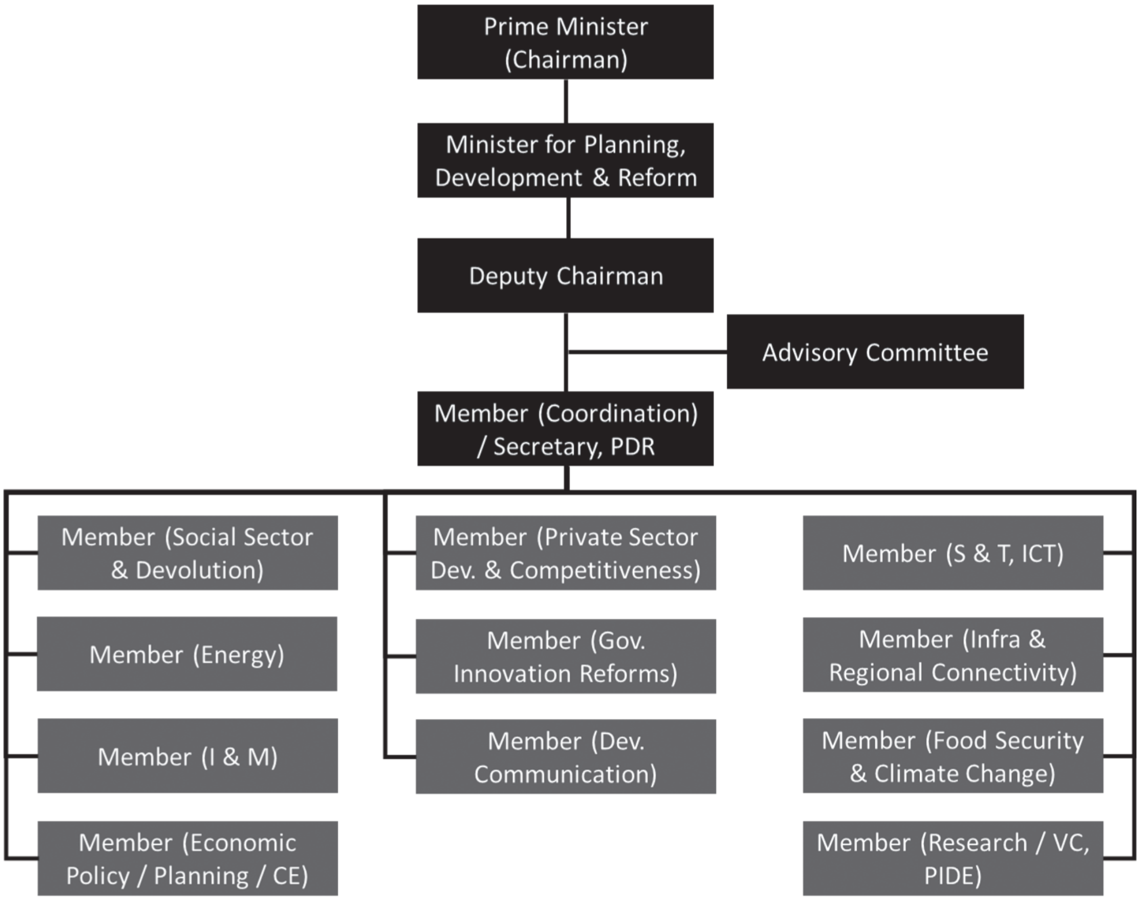
PRESENT STRUCTURE AND ORGANIZATION OF THE PLANNING COMMISSION

7.12 The Prime Minister is the Chairman of the Planning Commission which excluding the Minister PD&SI and Deputy Chairman has the following 12 members:

i. Secretary PD&SI Division/Member (Coordination)
ii. Chief Economist/Member (Economic Policy/Planning)
iii. Member (Energy)
iv. Member (Implementation and Monitoring)
v. Member (Private Sector Development and Competitiveness)
vi. Member (Development Communication)
vii. Member (Food Security and Climate Change)
viii. Member (Infrastructure and Regional Connectivity)
ix. Member (Social Sector and Devolution)
x. Member (Governance, Innovation and Reforms)
xi. Member (Science, Technology, and ICT)
xii. Vice-Chancellor Pakistan Institute of Development Economics (PIDE)/Member Research

7.13 The Planning Commission meets under the Chairmanship of the Prime Minister on a biannual basis to monitor the progress of economic policies and for future guidance. The Advisory Committee to the Planning Commission can be found in Annexure 29. An organogram of the Planning Commission is shown in Figure 2. Names of the Deputy Chairmen/Chairperson in chronological order are given in Annexure 30.

Figure 29: Organogram of Planning Commission



National economic planning and coordination forums

NATIONAL ECONOMIC COUNCIL (NEC)

7.14 The NEC is the apex economic and development policy forum mandated by the Constitution to approve vision statements, long-term perspective plans, five-year plans, annual plans, and the Public Sector Development Programme (PSDP). The current composition of the NEC [54] includes the Prime Minister (Chair), four Chief Ministers, four members nominated by the Prime Minister and four members nominated by the respective Chief Ministers. [55]

7.15 Those who attend the NEC meetings on special invitation are: Governor Khyber Pakhtunkhwa, Prime Minister Azad Jammu, and Kashmir (AJ&K), Chief Minister Gilgit -Baltistan (GB), Deputy Chairman Planning Commission, secretaries Finance Division, EAD and Planning Commission, whereas the Chief Secretaries of the provinces, Azad Jammu, and Kashmir (AJ&K) and GB are invited on need-basis.

7.16 The Council meetings are summoned by the Chairman or on request of one-half of the members of the Council who shall meet at least twice a year and the quorum for a meeting is one-half of its total membership. The Council is answerable to the Majlis-eShoora (Parliament) and submits its Annual Report to the National Assembly and the Senate.

ANNUAL PLAN COORDINATION COMMITTEE (APCC)

7.17 The APCC is mandated to review the Annual Plan of the previous and current years and recommends the proposed Annual Plan of the subsequent year for submission to the NEC. In addition, it reviews the PSDP of the previous and current year and recommends the proposed PSDP of the next year for submission to the NEC. The APCC is chaired by the Minister PD&SI or Deputy Chairman Planning Commission. Its members include:

i. Governor State Bank of Pakistan,
ii. Ministers for Finance Division
iii. P&D Departments of all provinces and AJ&K
iv. Deputy Chief Executive of Northern Areas
v. Chairmen P&D boards Punjab and Sindh
vi. Additional Chief Secretaries (Development) of Sindh, Balochistan, Khyber-Pakhtunkhwa, AJ&K and GB
vii. Provincial Finance Secretaries
viii. Secretaries of all Federal Ministries
ix. Chief Economist Planning Commission
x. Chairmen FBR, NHA, WAPDA, PAEC, PNRA, HEC and CDA
xi. Economic Adviser Finance Division
xii. Additional Secretary (Budget) Finance Division
xiii. Members of Planning Commission and officers of the Planning Commission.

[54] Cabinet Division Notification No. F.5/1/2018-Com., Islamabad, dated 15 May 2019.
[55] CM can nominate one member on his behalf.

Development Project/Programme Approval Forums

EXECUTIVE COMMITTEE OF THE NEC (ECNEC)

7.18 The composition of the Executive Committee of NEC (ECNEC) changes from time to time. Currently, the ECNEC [56] includes six federal ministers and one minister from each of the four provinces, whereas Deputy Chairman Planning Commission, secretaries EAD, Finance Division and Planning Commission, Chairmen P&D boards of Punjab and Sindh, Additional Chief secretaries P&D departments Khyber Pakhtunkhwa (KP) and Balochistan are invited to the meetings on special invitations (Annexure 31). Moreover, other officers of the federal and provincial governments as well as governments of AJ&K and GB are invited to the ECNEC meetings on a need-basis.

7.19 The functions and powers of the ECNEC are to:

i. Sanction development projects (both in public and private sectors) each costing more than Rs. 10 billion or according to the sanctioning limits approved by the NEC and notified/issued by the MoPD&SI. [57, 58]
ii. Allow moderate changes in the Annual Plan and sectoral adjustments within the overall Plan allocation.
iii. Allow changes, as deemed appropriate in plans initiated by the Planning Commission/MoPD&SI. [59]
iv. Review policy issues relating to development projects/programs/plans before submission to the NEC. [60]
v. Supervise the implementation of the economic policies laid down by the Cabinet and the National Economic Council.
vi. Pronounce on cases for the grant of protection of indigenous industry.
vii. Pronounce on cases involving the grant of licenses for exploration or exploitation of oil and other mineral resources or extension in the area of operation.
viii. Issue reports asked requested by the Committee in pursuance of its earlier decisions.
ix. Act on any other matter referred to the Committee by the Prime Minister, the NEC, the Council of Common Interests (CCI) and the Cabinet or raised by any member in the Committee with the permission of the Chair.

CENTRAL DEVELOPMENT WORKING PARTY (CDWP)

7.20 The CDWP is responsible for the scrutiny and approval of the development projects. Its current composition is [61] (Annexure 32):

i. Deputy Chairman Planning Commission (as Chairman)
ii. Chairman P&D Board, Government of Punjab

[56] Cabinet Division Notification No. F.5/2/2018-Com., Islamabad, dated 28 April 2020.
[57] Planning Commission Notification No. 20(1)/PIA-I/PC/2019, dated 23 September 2019.
[58] Cabinet Division Notification No. F.5/2/2018Com., Islamabad, dated 22nd September 2021.
[59] Cabinet Division Notification No. F.5/2/2018Com., Islamabad, dated 22nd September 2021.
[60] Ibid.
[61] Planning Commission Notification No.23(1-2) PIA/PC/2014, Islamabad, 23 January 2015.

iii. Chairman P&D Board, Government of Sindh
iv. Additional Chief Secretary (Development) P&D departments, governments of KP, Balochistan, AJ&K and GB
v. Secretary Development GB
vi. Representatives of the Finance Division, EAD, Climate Change Division, relevant federal administrative divisions
vii. Chairman Pakistan Council of Science and Technology
viii. Planning Commission/PD&SI Division – Secretary, Chief Economist, all Members of the Planning Commission, Additional Secretary, Joint Chief Economists (Operation) and (Macro), Advisor (Development Budget), Advisor (Development Projects), chiefs of sections including the Public Investment Programming (PIP), Public Investment Authorization (PIA), Physical Planning and Housing (PP&H), Employment and Research, Economic Appraisal, Chief of the section concerned, Director-General Project Wing, DG PPMI, Energy Coordinator/official spokesman, and
ix. by special invitation – Housing and Works Division, Pakistan Engineering Council (PEC), BoI, NESPAK, Environment Protection Agency, and a representative of Pakistan Council of Architecture and Town Planning (PCATP).

7.21 CDWP is authorized to approve development schemes up to Rs. 10,000 million. [62] (Annexure 33). Beyond this cost threshold, the CDWP recommends projects to the ECNEC for consideration and approval. The Deputy Chairman Planning Commission (DC PC) or Secretary, PD&SI Division in the DC's absence can chair the CDWP meeting.

FEDERAL DEPARTMENTAL DEVELOPMENT WORKING PARTY (DDWP)

7.22 The sanctioning power of the DDWP to approve the PC-I or PC-II of a project is up to Rs. 2,000 million [63] provided foreign assistance is less than 25 percent of the total cost of the project.

7.23 The composition of the federal DDWP includes:

i. Secretary/Principal Accounting Officer of an administrative division (chairman).
ii. Chief (in person) of the section concerned of the Planning Commission.
iii. Joint Secretary Finance Division.
iv. Chief Finance and Accounts Officer (CF&AO) of the division concerned.
v. Representatives of the Appraisal Wing of Planning Commission, EAD (if the project involves foreign assistance).
vi. Environment Protection Agency (EPA).
vii. National Engineering Services Pakistan (NESPAK).
viii. PEC by invitation.

[62] These sanctioning powers for development projects are only for local funded projects. In cases where foreign exchange or foreign assistances is more than 25 percent of the total cost of the project, the approving forum will be CDWP/ECNEC irrespective of the cost of the project vide Planning Commission Notification No.20(1) PIA-I/PC/2019 Islamabad, dated 23 September 2019.
[63] These sanctioning powers for development projects are only for local funded projects. In cases where foreign exchange or foreign assistances is more than 25 percent of the total cost of the project, the approving forum will be CDWP/ECNEC irrespective of the cost of the project.

ix. A representative of the provincial government concerned if the proposed projects impact it.

7.24 The functions of DDWP are given in Annexure 34. The procedure for approval of schemes by the federal DDWP is given in Annexure 10.

DEVELOPMENT WORKING PARTY (DWP – AUTONOMOUS ORGANIZATIONS)

7.25 The Public sector autonomous organizations whether commercial or non-commercial (with a functional board by any name) are competent to sanction their development schemes based on 100 percent self-financing having no government guarantee and involving less than 25 percent foreign exchange assistance. These are subject to the following requirements (Annexure 35):

i. The DWP should be constituted by each organization and notified to consider and approve its self-financed projects.

ii. The DWP should be headed by the chairman/head of the organization and, among others, should include representatives of the Planning Commission, Finance Division, and the ministry/division concerned, each not below the rank of a Joint Secretary.

iii. Organization and, among others, should include representatives of the Planning Commission, Finance Division, and the ministry/division concerned, each not below the rank of a Joint Secretary.

iv. The quorum of the DWP will be incomplete without the presence of either representative of the Finance Division or the Planning Commission.

v. In case either of these divisions does not agree to the project/proposal/PC-I or any aspect thereof, it will be referred to the CDWP for its consideration.

vi. The decision of the DWP will be subject to the endorsement of the board of the organization.

ECONOMIC AND DEVELOPMENT PLANNING SYSTEM IN PROVINCES AND SPECIAL AREAS

7.26 After the 18th Constitutional Amendment, the provincial planning has transformed with the introduction of a medium-term perspective, increased inflow of resources, and new planning imperatives such as public-private partnerships and RBM.

7.27 The formulation of the Annual Development Programme (ADP) and approval of development projects are important exercises carried out by the P&D boards/departments at the provincial and special area levels in consultation with the provincial departments and agencies concerned. This exercise is based on the guidelines provided by the federal government in accordance with the national priorities and resource availability. The ADP formulation exercise determines the size and the direction of the public sector programme in the provinces.

Planning and Development (P&D) Boards and Departments

7.28 The P&D Boards of Punjab and Sindh – head by their respective Chairmen and P&D Departments of KP, Balochistan, AJ&K and GB led by Additional Chief Secretaries (Development) are responsible for the formulation of the development vision and economic planning policies of the provincial and special area governments, in consultation with their all stakeholders by following NEC guidelines. These are also responsible for the preparation of the Medium-Term Development Framework (MTDF) and ADP as well as appraisal of development projects and programmes, local funding and external financing, and monitoring of their implementation.

7.29 Further to the NEC decision of 24 May 2012 (Annexure 36), the Provincial Development Working Party(ies) PDWP(s) in Punjab, Sindh, KP and Balochistan are competent to approve development projects each costing up to Rs. 10,000 million provided that no external funding is involved. The PDWPs are also authorized to approve feasibility studies costing up to Rs. 500 million.

PUNJAB

PLANNING AND DEVELOPMENT BOARD

7.30 The P&D Department of Punjab was established on the 1st July 1970, which subsequently evolved into the Punjab Planning and Development Board (PP&DB) in 1977.

7.31 The PPDB comprises the following:

i. Chairman of the Board,
ii. Chief Economist,
iii. Secretary P&D Department, and
iv. Members Water, Private Sector Development, Production Sector, Energy, Health and Nutrition, Governance, Information Technology (IT) and External Capital Assistance (ECA), and Environment and Climate Change.

7.32 The Board is organizationally divided into functional sections, head by a senior chief/chief/joint chief economist. The economic sections deal with matters relating to coordination with the federal government on economic issues and development plans, macroeconomics and policy analysis, project economic appraisal, and monitoring and evaluation (M&E). The technical sections are responsible for the technical appraisal of development projects of different sectors, that is, water and power, roads and bridges, urban development, development authorities, regional planning, agriculture, livestock and dairy development, forests and fisheries, industries and manpower health, population welfare and nutrition, education and training, information, culture, tourism, social welfare, housing and physical planning, urban and rural water supply and sewerage. Other sections include governance, IT, and ECA, Environment and Climate Change, and the Projects Training Institute.

FUNCTIONS

7.33 While performing its functions, the P&D Board closely coordinates with the Finance Department regarding the formulation and determination of the ADP and the approval of individual development schemes during the ADP implementation. At all levels, efforts have been accelerated to involve non-governmental organizations (NGOs) and communities in development works. For the social sectors, the involvement of the NGOs in development works through health and education foundations is being promoted. Lately, the private sector has also been involved in project financing and implementation.

7.34 The functions assigned to PP&DB include:

i. Formulation of the provincial government vision, policies and strategies for economic planning and development in consultation with all stakeholders, in the light of the NEC guidelines.

ii. ADP and MTDF including:
   - Preparation in coordination with all departments of the provincial government
   - Monitoring implementation, and
   - Evaluation of development projects and programmes

iii. Analytical work on economic issues, including conduct research, surveys, reviews, and analyses of the socio-economic data.

iv. PSDP including preparation of the short- and long-term provincial development plans and coordination with the federal government.

v. Policy for the approval of development schemes as a catalyst for different departments and sectors to improve the pace and quality of economic development.

vi. Resource allocation, reappropriation of development funds, appropriations from block allocations and disbursement of the supplementary grants.

vii. Secretariat of the PDWP and clearinghouse for the development projects and programmes requiring approval of the CDWP and ECNEC.

viii. Foreign assistance, including determination of key areas for such assistance and preparation of the sector-wise portfolios, loan negotiations and securing federal financial guarantees, wherever required, and review of foreign aided projects.

ix. Coordination of nominations for foreign training, seminars, conferences, and workshops for all officials serving in the provincial government.

x. Capacity-building of the government departments, agencies, and functionaries for good governance.

xi. Accelerated development of the rain-fed (barani) and less developed areas.

xii. Framing guidelines for the procurement of consultancy services, policy formulation concerning private sector development and promotion and public private partnerships (PPPs).

xiii. Implementation, development, and administration in respect to the foreign assisted/funded and mega ADP projects.

xiv. Matters relating to attached departments, autonomous bodies, and special institutions of the P&D Department.

xv. IT including:
- IT policy
- Electronic data management
- Control of and liaison with district IT departments
- E-governance and E-service delivery
- Web content management
- Pre-qualification of firms to provide IT consultancy, software development, and IT products to the government
- Coordination with both the public sector departments and private sector agencies in the field of IT
- Service matters of the IT cadres, both at the provincial and district levels

xvi. Administration of the following laws and the rules framed thereunder:
- The Cholistan Development Authority Act 1976.
- The Punjab Economic Research Institute Ordinance 1980.
- The Punjab Public-Private Partnership for Infrastructure Act 2010.

Development Project Approval Forums in Punjab

PROVINCIAL DEVELOPMENT WORKING PARTY

7.35 The PDWP is the highest body in the Punjab province to approve the provincial development projects. The composition of the PDWP is:

i. Chairman P&D Board
ii. Provincial secretaries P&D
iii. Finance, Environment, and the Project Sponsoring departments
iv. All members of the PP&DB
v. Director Punjab Economic Research Institute
vi. Director-General M&E of the P&D Board and any co-opted member/s.

DEPARTMENTAL DEVELOPMENT SUB-COMMITTEE

7.36 The DDSC in Punjab is authorized to sanction development schemes from Rs. 200 million to Rs. 400 million. The DDSC comprises of:

i. Secretary of the administrative department concerned (as chairman)
ii. Representatives of the Finance Department (not below the rank of Deputy

Secretary), PP&DB (not below the rank of the Chief of a section), Communication and Works (C&W) /Engineering Department (not below the rank of Chief Engineer) and any co-opted member/s.

DIVISIONAL DEVELOPMENT WORKING PARTY (DDWP)

7.37 The DDWP is competent to approve development projects up to Rs. 200 million. The DDWP comprises of:

i. Divisional Commissioner (as chairman)
ii. Deputy Commissioners (DCs) of the division
iii. Superintending Engineers of Irrigation, and C&W departments
iv. Divisional heads of the sponsoring departments
v. Director (development/finance) as a member/secretary.

DISTRICT DEVELOPMENT COMMITTEES (DDC)

7.38 The DDC is authorized to approve development projects costing up to Rs. 50 million in a district. The Committee is composed of:

i. DC (Chairman)
ii. Additional Deputy Commissioners (Finance & Planning and Revenue)
iii. Chief Engineer/SE/XEN concerned
iv. Head of the office concerned and Deputy Director (Planning) as a member/secretary.

7.39 The DDSC, DDWP and DDC are not competent to approve any scheme having a foreign exchange or foreign assistance component and/or subsidy, irrespective of the project cost. These must be placed before the PDWP for consideration and approval. Similarly, any survey and feasibility study (PC-II) is submitted to the PDWP for consideration and approval, irrespective of the cost.

SINDH

SINDH PLANNING AND DEVELOPMENT BOARD

7.40 The government of Sindh established the P&D Department on the 1st July 1970 to formulate development policies, plans and projects. Following 18th Constitutional amendment which significantly enhanced the planning and service delivery functions of the provincial governments, it became imperative to transform and restructure the P&D Department into a P&D Board. The Sindh Planning and Development Board (SP&DB) came into existence on 21st February 2017. The Board comprises a chairman and seven members:

i. Secretary P&D Department (as a member/secretary of the Board),
ii. Chief Economist
iii. Members Development, Energy and Infrastructure, Services, Natural Resources, and Social Sectors.

7.41 The Board is authorized to approve development projects.

7.42 The SP&DB has the following functions:

i. Coordination of technical assistance from abroad.
ii. Coordination of statistics in general, and all matters relating to Bureau of Statistics.
iii. Coordination and training of officers in foreign countries.
iv. Economic research and matters relating to the Board of Economic Inquiry.
v. Evaluation of the progress of development schemes and writing their critical appraisal.
vi. Foreign aid and technical assistance.
vii. Initiation of measures for giving suitable publicity to the development plan and educating the public on the results achieved from time to time.
viii. Maintaining liaison with the national planning agencies.
ix. Planning including policy and development.
x. Processing of all development schemes, programmes and proposals submitted by other department and making recommendations to the government thereon.
xi. Bureau of Statistics.
xii. Research and Training Wing.
xiii. Assessment, planning, coordination, promotion and development of science and technology with the following methodology:
    - Formulation requirement of science and technology studies, terms of reference for selection of consulting firms and arranging technology studies on contract.
    - Dissemination of IT to the public and private sector.
    - Implementation of approved science and technology programmes based on such studies in consultation with the relevant agency, that is, the Department of Education, universities, boards etc.
    - Contractual research (funding, contracting, and monitoring) in the public and private sectors in all fields of science and technology to meet the assessed needs of industry and agriculture.
    - Setting up of institutions, laboratories or organization for research and development.
xiv. Promotion of applied research and utilization of research results in the scientific and technological fields carried out at home or aboard.

xv. Guidance to the research institutions in the field of scientific and technological research.

xvi. Development of human resources and their optimal utilization in science and technology.

xvii. M&E work done by the provincial research and development (R&D) institutes through a system of peer review and performance audit.

xviii. Recognition of research achievement through prizes and awards based on a system of peer review.

xix. Establishment of scientific and industrial research advisory council at the provincial level.

xx. Liaison and interaction with the Ministry of Science and Technology and Research and Development.

xxi. Implementation of programmes under the national technology policy as applicable to Sindh.

xxii. Sindh Land Bank.

xxiii. Adopt modern techniques and tools of planning and development to meet increasing development challenges confronted to the province amidst persistent catastrophes (floods, devastating rainfalls, droughts, etc.) and bring the province to the trajectory of sustainable economic growth and prosperity.

xxiv. Serve as an engine of growth for robust economic development in different sectors of the economy.

xxv. Matters relating to the Bureau of Statistics.

xxvi. Service matters, except those entrusted to the Services, General Administration and Coordination Department.

Development Project Approval Forums in Sindh

PROVINCIAL DEVELOPMENT WORKING PARTY (PDWP)

7.43 The Party is the highest body in Sindh Province to approve the provincial development projects. Its composition is:

i. Chairman P&D Board

ii. Provincial secretaries of the Finance

iii. P&D Department and Project Sponsoring Department

iv. Members P&D Board for Energy, Infrastructure and Services

v. Chief Economist

vi. Senior Chief/Chief of the section concerned of the P&D Department (Annexure 37).

7.44 A technical committee under the Secretary P&D Department has also been constituted for scrutiny of development schemes before placing them on the agenda of the PDWP.

DEPARTMENTAL DEVELOPMENT WORKING PARTY (DDWP)

7.45 The DDWP is responsible for approving projects costing up to Rs. 100 million at the departmental level. It is head by the Secretary of the administrative department concerned, a representative each from the Finance Department (not below the rank of Deputy Secretary) and P&D Department (not below the rank of Chief of the section), C&W/Engineering Department (not below the rank of a Chief Engineer) as members, and any co-opted member/s.

DIVISIONAL DEVELOPMENT BOARDS (DDBS)

7.46 These Boards are responsible for approving development projects costing up to Rs.60 million at the divisional level. The Board includes:

i. Divisional Commissioner (Chairman)
ii. Deputy Commissioners of the division
iii. Superintending Engineers of Irrigation and Power
iv. C&W Departments,
v. Divisional head of the sponsoring department
vi. Director (Development/Finance) as a member/secretary.

DISTRICT DEVELOPMENT COMMITTEES (DDC)

7.47 This Committee, responsible to approve projects each costing up to Rs. 40 million, is composed of:

i. Deputy Commissioner (as Chairman).
ii. Executive District Officers (EDOs) Finance and Planning, Works and Services, and department concerned.
iii. District Officers (DOs) Planning (member/secretary) and department concerned.

KHYBER PAKHTUNKHWA

PLANNING AND DEVELOPMENT DEPARTMENT

7.48 This Department in KP, established on the 1st July 1970, is headed by the Additional Chief Secretary (Development). The Department is responsible for the following functions:

i. Formulation of government vision, policies, strategies and development plans for economic planning and inclusive/sustainable development.
ii. Initiate reforms to accelerate the pace of economic and social development.
iii. Appraisal, monitoring and evaluation of development projects and programmes.
iv. Processing of development schemes, programmes and proposals submitted by other departments including autonomous bodies and making

recommendations to the government thereupon.

v. Secretariat functions of the Provincial Development Working Party.
vi. Act as the clearinghouse for development schemes within the competence of the federal government, that is, CDWP/ECNEC, including representation in the DDWP.
vii. Focusing accelerated development of the less developed and vulnerable areas.
viii. Periodically review the progress of development projects including PSDP and foreign-assistance projects.
ix. Determining policies for approval, review, and monitoring of development schemes for the government.
x. Appropriation and reappropriation of development grants provided in the budget.
xi. Protocol functions in connection with visits of the foreign economic missions and delegations, etc.
xii. Coordination of the provincial statistics in general and all matters relating to the Bureau of Statistics.
xiii. Economic research, analysis, and surveys.
xiv. Coordination of technical assistance from abroad including training facilities for government employees, expert advisory services, and equipment.
xv. Policy formulation concerning private sector development and promotion and public-private partnership (PPP).
xvi. Ensure compliance to the international commitments in the development process.
xvii. Capacity-building of the government departments, agencies, and functionaries for good governance.
xviii. Matters relating to attached departments, autonomous bodies, and special institutions of the P&D Department.
xix. Electronic data management and liaison with the line departments at the provincial and district levels regarding planning and development.
xx. Mattes ancillary to the above subjects.

Development Project Approval Forums in Khyber Pakhtunkhwa

PROVINCIAL DEVELOPMENT WORKING PARTY (PDWP)

7.49 The composition of the PDWP in KP includes:

i. Additional Chief Secretary (as chairman)
ii. Provincial secretaries of the Finance, Forestry, Environment and Wildlife departments, and the department concerned
iii. Secretaries of the C&W and Local Government Department (co-opted).

DEPARTMENTAL DEVELOPMENT WORKING PARTY (DDWP)

7.50 The DDWP forum is chaired by the administrative secretary of the department concerned and competent to approve projects each costing up to Rs. 200 million. Other members include:

i. Secretaries P&D and Finance departments
ii. Representatives of the Local Government, C&W, and Forestry, Environment and Wildlife departments.

DISTRICT DEVELOPMENT COMMITTEE (DDC)

7.51 The DDC is a district level forum for approving development schemes and is chaired by the Deputy Commissioner of the district concerned. Other members are:

i. EDOs (Finance and Planning) and C&W,
ii. District Planning Officer, EDO and DO (department concerned).

7.52 The sanctioning power of the DDC is Rs. 40 million. All the non-ADP schemes regardless of the cost will be presented to the PDWP forum for approval.

BALOCHISTAN

PLANNING AND DEVELOPMENT DEPARTMENT

7.53 This Department in Balochistan was established with the dissolution of One-Unit on the 1st July 1970. It is head by the Additional Chief Secretary (Development) and comprises operational sections, that is, Programming, Communication and Transport, Water and Power, Education and Local Government, Agriculture, Food and Fisheries, Health and Social Welfare, Natural Resources, Development Packages, Development Authorities, Forest, Livestock, Foreign Aid, and Information Technology. Each section is headed by a Chief and is responsible for examining all development matters about its assigned sectors, sub-sectors, and related development packages.

7.54 Under Rule 16 of the Balochistan Rules of Business, the P&D Department is responsible for all matters related to economic policy, planning, coordination, and development and for coordinating the activities of the various provincial departments in the economic field. The cases shall be referred to and processed by the P&D Department particularly about matters affecting or involving economic policy or any change or modification therein, development schemes and major capital outlays, all schemes and projects included in the Five-Year Plans, any matter affecting more than one sector of the economy of the province, and all new expenditures of development nature.

7.55 The functions assigned to the P&D Department under the Balochistan Rules of Business 2012, include:

i. Scrutinizing development schemes prepared and forwarded by the administrative departments.
ii. Preparation of the ADP with the coordination of all departments of the government of Balochistan.
iii. Preparation of long-term development plans and coordination in the preparation of 5-year/rolling plans and any other national development plan.
iv. Researching economic issues of interest to the provincial government, socioeconomic impacts analysis and helping in the formulation of views on economic policy issues.
v. Compilation of the provincial statistical data with the help of the Bureau of Statistics.
vi. Acting as a catalyst between different development departments to improve the pace and quality of the economic development.
vii. Determining policy for the approval of development schemes of the provincial government.
viii. Revising strategy for investment priorities based on the availability of internal and external resources.
ix. Helping in the formulation of policy regarding planning and devising guidelines in the development programmes.
x. Approval, monitoring, implementation, and allocation of development outlay for development programmes and projects.
xi. Acting as a clearinghouse for development schemes within the competence of the federal government, that is, CDWP and ECNEC.
xii. Implementation relating to development and administration in respect of foreign assisted/funded projects in the province, lead steering committees in the Programme Requirements Baseline (PRBs) of various foreign-funded mega projects.
xiii. Coordination of external capital development assistance including foreign training for the provincial government employees.
xiv. Evaluating the progress of development schemes and their critical appraisal
xv. Representation in the Departmental Development Committees.
xvi. Review of various development plans/projects to be implemented through the PSDPs by conducting Quarterly Review Meetings.
xvii. Giving suitable publicity to development plans for the education of the public for better utilization of facilities development and the results achieved periodically.
xviii. Looking after affairs of the autonomous bodies, such as Quetta Development Authority, Balochistan Development Authority, Gwadar Development Authority, Balochistan Coastal Development Authority, and Balochistan Water and Sanitation Authority.
xix. Selection of the Project Directors (PDs) through the Project Director Selection Committees.

xx. Establishment of the Management Information System (MIS) for the provincial line departments for planning and monitoring.

xxi. All service matters of the employees of the attached departments, excluding employees of the secretariat, and those matters entrusted to the Services and General Administration Department (S&GAD) or any other department.

Development Project Approval Forums in Balochistan

PROVINCIAL DEVELOPMENT WORKING PARTY (PDWP)

7.56 The Party in Balochistan is head by the Additional Chief Secretary (Development), while the rest of the members include:

i. Secretary Finance Department
ii. Secretaries of the administrative department concerned,
iii. Joint Chief Economist (P&D Department) as a member
iv. Chief of the section concerned of the P&D Department as a member/secretary.

7.57 The PDWP is also authorized to co-opt any member(s).

7.58 The PDWP is the highest body at the provincial level to approve provincial development projects. There is no restriction on the PDWP, if it deems necessary, to call for or to consider any scheme referred to it by the DDSC or any department or agency (even if it falls below its normative approval threshold). The PDWP also considers approval of schemes that do not fall solely within the jurisdiction of any department but pertain to the whole of Balochistan. The province-specific schemes, reflected in the federal PSDP and proposed to be executed by the provincial department or agency, are approved by the PDWP first, and later submitted to the Planning Commission for further processing.

DEPARTMENTAL DEVELOPMENT SUB-COMMITTEE (DDSC)

7.59 The Balochistan DDSC is headed by the secretary of the department concerned comprising one representative each from the provincial Finance and P&D departments, and co-opted member(s), and head of P&D section concerned as a member/secretary.

7.60 The DDSC is empowered to recommend and approve schemes or projects each costing up to Rs. 200 million related to the provincial ADP, whereas the technical members of the relevant or respective departments constituting the DDSC, are assigned to provide appropriate necessary technical input to enable the DDSC to timely consider and expeditiously dispose of the cases referred to it.

DIVISIONAL DEVELOPMENT WORKING PARTY (DDWP)

7.61 The DDWP is competent to approve development projects at the divisional level each costing up to Rs. 40 million. The DDWP is head by the Divisional Commissioner, Deputy Commissioner concerned, divisional head of the department concerned as a member, and

Director (Development) of the P&D Department as a member/secretary.

7.62 The schemes approved by the PDWP, DDSC, and DDWP should be in line with the objectives of the national, provincial, and sectoral plans, with no deviation from the principles and policies encompassing the plans. The schemes shall fall within the territorial limits of Balochistan.

SPECIAL AREA GOVERNMENTS

AZAD JAMMU AND KASHMIR

7.63 A Planning Cell was established in the early 1960s to institutionalize a sound basis for the economic planning and development in the AJ&K. The cell was upgraded to the Planning and Development Department in 1972 with the following functions (almost similar to those of the provincial governments):

i. Formulation of planning and development policies and procedures.
ii. Coordination work related to the preparation of the ADP and its review.
iii. Processing of all development schemes, programmes and proposals submitted by other departments including autonomous bodies, making recommendations to the government thereupon, and facilitating the functions of the Development Working Party.
iv. Maintaining liaison with the national planning agencies.
v. Oversight of the autonomous and semi-autonomous bodies about development planning, programmes, and projects in the AJ&K.
vi. Coordination of economic assistance.
vii. Monitoring and evaluation of the progress of development schemes and their critical appraisal.
viii. Coordination of technical assistance from abroad including training facilities.

7.64 There are two development project approval forums. The Azad Jammu and Kashmir Central Development Committee (AJKCDC), head by the Prime Minister AJ&K, is empowered to sanction development schemes from Rs. 400 million to Rs. 1,000 million. The Azad Jammu and Kashmir Development Working Party (AJKDWP), headed by the Additional Chief Secretary (Development), is competent to sanction development schemes up to Rs. 400 million (Annexure 38). The procedure of submitting schemes to approving forums in the AJ&K includes prescribed time limits for various project processing and approval stages (Annexure 39).

GILGIT-BALTISTAN

7.65 The P&D (P&D) Department is the premier agency of the government of Gilgit-Baltistan, which is responsible for planning, implementation, monitoring and evaluation of all development activities in GB. The P&D Department is headed by Secretary P&D. Its main functions as per Rule of Business 2009 are:

i. Preparation of the ADP in coordination with all departments of the GB government.
ii. Monitoring the utilization of the ADP funds.
iii. Approval of development schemes.
iv. Coordination training in the economic development of all officers serving with the GB government.
v. Preparing the Five-Year and other area development plans.
vi. Processing proposals for foreign assistance/aid projects.
vii. Data collection, tabulation, and statistical matters.
viii. Coordination and supervision of development activities with line departments and federal ministries.
ix. Focal department for all national and international training programmes.
x. Liaison with the UNDP, UNICEF and other international agencies and donors
xi. Attending seminars, conferences and meetings related to the PSDP.
xii. Service matters, except those entrusted to the S&GAD Department.

7.66 There are two development project approval forums in GB. The Gilgit-Baltistan Development Working Party (GBDWP), head by the Chief Minister, is empowered to sanction development schemes from Rs. 400 million to Rs. 1000 million. The Gilgit-Baltistan Departmental Development Working Party (GBDDWP), head by the Chief Secretary, is competent to sanction development schemes up to Rs. 400 million.

7.67 All funds for development programmes in the AJ&K and GB are provided by the federal government. The sanctioning powers of the foregoing development forums are only for locally funded projects. In cases, where foreign exchange or assistances is more than 25 percent of the total cost of the project, the approving forum is the CDWP and ECNEC irrespective of the cost of the project.

APPENDIX - B

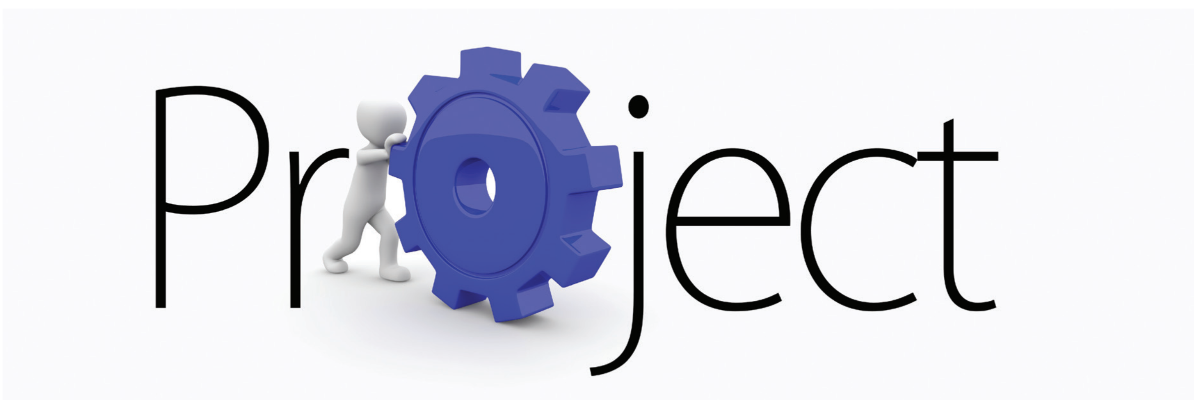
APPENDIX B

LIST OF ANNEXURES IN THE COMPENDIUM OF ANNEXURES: SUPPLEMENT TO THE MANUAL FOR DEVELOPMENT PROJECTS BY THE PLANNING COMMISSION

Table 22: List of Annexures in the Compendium of Annexures: Supplement to the Manual for Development Projects by the Planning Commission

Annexure No.	Title
1	Processes and Procedures to Improve Project Management
2	PC-II Proforma
3	Planning Commission Feasibility Study Requirements
4	Sectoral Classification of Development Expenditure
5	NEC Meeting (10th June, 2013)
6	PC-I Proforma
7	Planning Commission Guidelines on Calculating Pakistani Rupee (PKR) Equivalent of the Foreign Exchange Component (FEC) of Projects
8	Extension in Execution of Development Projects
9	Guidelines/Procedures for Preparation and Approval of Development Projects
10	Procedure for Approval of Schemes by Federal Level DDWP
11	Procedure for Preparation and Approval of Development Projects
12	Guidelines/Procedures for Preparation and Approval of Development Projects
13	Procedure/Instructions Regarding Grant of Anticipatory Approval by the Chairman, ECNEC
14	Concept Clearance Proposals – Policy Guidelines
15	Procedure for Approval of PforR, FIP and DPC Mode of Financing
16	Guidelines by Finance Division for Release of Development Funds to the PSDP-Funded Projects
17	Guidelines for the Appointment of an Independent PD (5th April, 2012)
18	Guidelines for the Appointment of an Independent PD (11th March, 2016)
19	Guidelines of Project Management Issued by Project Wing Planning Commission
20	Waiver of Framing of Recruitment Rules for Projects Posts in Ministries/ Divisions

21	Standard Pay Package for the Project Staff
22	PC-III Proforma
23	PC-IV Proforma
24	PC-V Proforma
25	Redesignation of National Planning Board (Notification)
26	Redesignation of National Planning Board (Resolution)
27	Reorganization of the Non-Technical Sections of the Project Division
28	Report of Deputy Chairman of the Commission to the Minister PD&SI in June, 2019
29	Constitution of Advisory Committee of Planning Commission/Ministry of Planning & Development
30	Names of the Deputy Chairmen/Chairperson in Chronological Order
31	Reconstitution of ECNEC
32	Composition of Central Development Working Party (CDWP)
33	Enhancement of Sanctioning Powers of Federal Projects Approving Fora
34	Functions of Federal Level DDWP
35	Procedure for Approval of Self-Financing Development Schemes of Autonomous Organizations
36	Enhancement of Sanctioning Powers of the PDWPs
37	Constitution of the Sindh Provincial Development Working Party (PDWP)
38	Enhancement of Sanctioning Limits of Development Fora Of Special Areas (AJ&K, GB, and FATA)
39	AJ&K P&D Department Guidelines/Time Limits, for Streamlining the Process of Development Projects
40	Notice Regarding Financial Discipline in Execution of Projects/Schemes
41	Procedure for Fresh Approval of a Development Scheme in Case of More Than 15% Increase from Originally Approved Cost
42	Resolution of the Ministry of Economic Affairs (July, 1953)
43	Resolution Regarding the Functions of the Planning Board (April, 1957)
44	Resolution of Cabinet Division (April, 2006)
45	Re-Naming of the Ministry of Planning and Development, and Restructuring of the Planning Commission
46	Instructions on Evaluation and Appraisal of Project
47	Prohibition to Propose Ex-Post-Facto Approval of Projects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GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

MINISTRY OF PLANNING, DEVELOPMENT AND SPECIAL INITIATIVES