Inception Report

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List of Abbreviations

ADB ..... Asian Development Bank

AFA ..... Assistant Financial Analyst

AFI ..... Area for Improvement

AG ..... Accountant General

APUG ..... All Pakistan Unified Grades

AusAID ..... Australian Government's Overseas Aid Programme

BCC ..... Budget Call Circular

BoR ..... Board of Revenue

BPOs ..... Budget Preparation Officers

BPP ..... Budget Policy Paper

BPR ..... Business Process Reengineering

CAF ..... Common Assessment Framework

C&W ..... Communications & Works Department

CSR ..... Civil Service Reform

DDOs ..... Drawing and Disbursement Officers

DFID ..... UK Department for International Development

DoF ..... Department of Finance

E&TD ..... Excise and Taxation Department

ERRA ..... Earthquake Reconstruction and Rehabilitation Authority

FA ..... Financial Analyst

FD ..... Finance Department

FMA ..... Financial Management Application

GDP ..... Gross Domestic Product

GoPb ..... Government of Punjab

HD ..... Health Department

HED ..... Higher Education Department

HR/OD ..... Human Resource / Organisational Development

HRM ..... Human Resource Management

HUD ..... Housing & Urban Development Department

I&P ..... Irrigation & Power Department

KPI ..... Key Performance Indicator

L&DD ..... Livestock and Dairy Development Department

MBA ..... Masters Business Administration

MEF ..... Macro-Economic Framework

MIS ..... Management Information System

MTBF ..... Medium Term Budgetary Framework

MTFF ..... Medium Term Fiscal Framework

NAM ..... New Accounting Model

NPM ..... New Public Management

P&DD ..... Planning and Development Department

PFM ..... Public Financial Management

PGEIP ..... Punjab Government Efficiency Improvement Programme

PHED ..... Public Health & Engineering Department

PKR ..... Pakistani Rupees

PRMP TAMA ..... Punjab Resource Management Programme – Technical Assistance Management Agency

S&GAD ..... Services and General Administration Department

SWOT ..... Strengths, Weaknesses, Opportunities, Threats

UIPT ..... Urban Immovable Property Tax

UNDP ..... United National Development Programme

TA ..... Technical Assistance

ToR ..... Terms of Reference

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FS 33234

Executive Summary

Overview

This is the Inception Phase Report for the main technical assistance effort under the Punjab Government Efficiency Improvement Programme (PGEIP), which Crown Agents have been contracted to run from September 2010 to May 2012:

Conducting and Implementing, Functional Review, Business Process Reengineering and Human Resource Management Reforms in Two Departments

&

Developing Medium Term Budgetary Framework (MTBF) in Selected Departments of Government of the Punjab

It has been produced following 8 weeks of Inception activity (and early implementation in some areas). The purpose of Inception is to validate the original Terms of Reference and modify the project approach as appropriate. This report provides a summary of activities undertaken and outlines a suggested work plan for the project in this regard.

Inception Activities

During this Inception Phase we have engaged as extensively as possible with the seven pilot departments, PRMP and other stakeholder departments within GoPb (e.g. FD and P&DD). We have reviewed extensive amounts of literature, especially on the CSR side (see Appendix C:). And we have produced initial 'strategic snapshots' of each component, submitted at the same time as our first monthly report at the end of September.

One the MTBF side, substantial and meaningful discussions with FD and the pilot departments have enabled us to define and propose the four components described in this report. On the CSR side, we have held meetings with all the key departmental stakeholders and had substantial input from more than 40 senior and mid-level managers from both pilot departments at a 1.5 day 'capacity self-assessment' workshop. Engagement with Excise & Taxation Department has been limited but we have made practical progress where possible.

Implementation Activities

While concentrating primarily on Inception-related activities, we have also commenced a number of project implementation activities, particularly on the MTBF side where it has been imperative to 'catch-up' with the budget calendar following delays in procurement. More than 30 team members have mobilised and are now working from 9 different operational locations. The coordinating office at PRMP is now fully operational, and staffed with a full-time administrator recruited during Inception.

In the Departments where their presence has been approved, the 7 MTBF teams have been working closely with their counterparts since the first week of the project. We have already produced some of the outputs required under the Terms of Reference, in particular:

- Phases 1 & 2 review reports / Action Plans for Phases 1 & 2
- A draft MTBF Budget Call Circular 2011-12 (see **Error! Reference source not found.**)

On the 'top-down' side of budget preparation, we have produced draft outline structures for the Medium Term Fiscal Framework (MTFF) and what would be GoPb's first Budget Policy Paper (BPP). Completion of the first draft MTFF is currently scheduled for November 15. Given the late start of consulting services and the limited availability of data in the current uncertain macro-economic environment, this would be a significant achievement. FD's leadership, support and hard work towards this objective has been, and will continue to be, vital and much appreciated.

Findings & Recommendations – Medium Term Budget Framework

MTBF pilot reforms have been underway for the past two years, first in two, then five and now seven pilot departments. MTBF reforms are typically attempted as part of an effort to move away from incremental, line item budgeting focused on control and accountability to more policy-oriented, multi-year budgeting that would better enable economic management and planning. These reforms have progressed well in the sense that the understanding and practice of strategic

budget making has improved, especially in the line departments. However, there remain some significant limitations to the exercise, most of which have been identified in previous project reports. These include:

- The absence of an MTBF 'roadmap' or strategy that identifies the benefits GoPb intends to gain from the reform, the route it will take to achieve them and the means through which it will ensure sustainability
- A very strong focus on 'bottom-up' capacity building often at the expense of the equally vital 'top-down' macro-fiscal framework
- Unclear linkages with wider PFM reform needs, including PFM capacity development across government (starting with FD) and integration of current and development budgets

Consequently, while adhering to the requirements in the Terms of Reference, we propose to add further value to the project design by supporting additional 'top-down' efforts and helping to improve the presentation of budget documents. Thus we propose conceiving of MTBF efforts in the form of 4 components:

1. Development of 'top-down' budgeting
2. Implementation of medium term planning and budgeting in selected line departments
3. Updated rules and regulations
4. Assessment of Financial Management Application (FMA) and the design/implementation of a budget monitoring framework

These value-added changes would achieve maximum benefit with some team additions, in particular the deployment of FAs at FD and P&DD, for which we request approval in this report. The changes could also prepare the ground for the development of the MTBF 'road-map' that we have strongly recommended, which we would be more than prepared to support in the latter stages of the project.

Some further recommended additions to the team are proposed, which depend on scope clarifications required from PRMP, notably whether to add HUD as a pilot department, whether to add further pilot departments as discussed with FD in FY 2011-12 and whether to continue to provide support to Health & I&P throughout the remainder of the project.

We also request an extension of time inputs for the MTBF team through to July 2012. The current project end-date of 31 May 2012 is several weeks before completion of the MTBF preparation process for MTBF 2012-2015. An early exit from support at such a critical juncture would present a significant risk to the credible delivery of this output.

Findings & Recommendations – Civil Service Reform

Extensive analytical work on civil service reform in Pakistan has been conducted in recent years, both at the federal level and in Punjab. Further extensive analytical work has also been conducted on both the pilot departments (L&DD and E&TD). Despite this, the CSR component is in many ways 'starting from scratch' and as a result is largely 'supply-driven' at present. The challenge for this project (and the departments themselves) is shift from this supply-driven state to a demand-driven one; and to enable the translation of this body of analytical work into actual implementation of reforms.

The original Terms of Reference envisaged conducting functional/structural, HR, BPR and performance related reforms (incorporating close to 40 deliverables) over a period of 24 months. However, the project has now been presented with an accelerated timetable that envisages smaller number of outputs (primarily functional, HR and BPR reviews) being completed within 5 months of the end of Inception. Clearly this represents a significant change in scope, but it also represents an opportunity for the project to engage more fully with the departments themselves so that they can drive project objectives and priorities in the subsequent 14 months of the project.

Consequently, we propose conceiving of CSR reforms in the 2 pilot departments in the form of 6 components:

1. Change Management & Communications
2. Functional Review

3. Business Process Re-Engineering
4. Human Resource Management
5. Performance Management
6. Priority Reform Implementation

The sixth component, which would run from April 2011, is a critical addition since we propose that through this component we will:

- Focus on a limited number of selected, practical, high impact and high priority reform initiatives
- Identify these initiatives both through the preceding reviews but also, critically, by engaging with the departments and ensuring their commitment and leadership

For this to be successful, it is essential that the departments fully take the lead; that PRMP support the definition of the high-priority initiatives in the coming months (which will likely require changes to the team composition, depending on their nature and technical content); and that full consideration is given as to other resources or support the departments will need to implement reforms: e.g. financial resources, hardware/software, approval of PC1s, capacity/management development, etc.

Some further small adjustments have consequently been made to some outputs and timelines under the CSR component. These are described in detail in Section 4 and further recorded in Section 5.

Structure of Inception Report

This report is structured into 6 main sections for ease of reference:

1. A brief **introduction**
2. A summary of **observations and requests for approval** (mainly for PRMP)
3. Detailed description of **MTBF** context and proposed activities
4. Detailed description of **CSR** context and proposed activities
5. Presentation of project **deliverables, personnel inputs and work-plans**
6. Description of approach to **project management, governance and administration**

Section 1: Introduction and Background

1. Overview

This is the Inception Phase Report for the following Consultancy Services, commissioned in support of the Punjab Government Efficiency Improvement Programme (Loan PAK 2386):

Conducting and Implementing, Functional Review, Business Process Reengineering and Human Resource Management Reforms in Two Departments

&

Developing Medium Term Budgetary Framework (MTBF) in Selected Departments of Government of the Punjab

The Inception Phase began on 14 September 2010 and ran until 5 November 2010. The project itself has been in gestation for approximately 2 years, and combines two previously separate streams of work in the fields of public finance management and civil service reform.

2. Purpose of this Report

Our original Technical Proposal stated that "the objectives of inception are to:

- Mobilise and establish the management team at PGEIP PMU
- Examine, discuss and refine the Terms of Reference
- Review recent developments (especially those since the ToRs were written) and incorporate any relevant consequences into the project design
- Identify and engage with major project stakeholders to achieve agreement on the project scope, objectives, personnel and work plan
- Revalidate personnel requirements
- Agree project management and administration arrangements, including the development of project monitoring and reporting mechanisms and templates
- Draft, discuss and gain agreement on the Inception Phase report, which will build on this proposal and describe a detailed work plan for the assignment, including the rationale for any changes"

This report, therefore, records to the extent to which these objectives have been achieved.

3. Review of Inception Activities

The Inception Phase has lasted just under 8 weeks. On the MTBF side Inception has proceeded in parallel with implementation: project start was delayed by procurement processes, necessitating an early move into implementation in order to keep pace with the budget calendar. On the CSR more in depth project design has been required, as this component of the project is beginning for the first time (the MTBF project has been running for two years already).

During the Inception Phase we have:

Project Management:

- Mobilised the team, established office locations and set up project administrative procedures, including logistical arrangements (drivers etc.)
- Engaged extensively with PRMP and the client departments to introduce the project and seek support for its objectives
- Produced a first monthly report covering two weeks project activities in September 2010
- Produced 'strategic snapshots' of each component at the end of September as scheduled in our project workplan, which lay the major strategic issues facing each component
- Developed reporting templates

MTBF

- Deployed the FAs and AFAs to their respective pilot departments, refurnishing some of the equipment and furniture in these departments to make them operational
- Introduced the two new pilot departments (C&W and PHED) to the MTBF reform concept and secured their support for the project's objectives
- Begun the development of an MTFF and Budget Policy Paper, with FD's active support for a stronger top down element to the MTBF for 2011-2014
- Updated the Budget Call Circular for Budget 2011-2012 and MTBF 2011-2014
- Held coordination meetings with TAMA consultants to improve harmonisation of PFM reform efforts
- Begun preparations for MTBF capacity building workshops around the province throughout November and December
- Provided feedback for PRMP on requirements to improve gender responsive budgeting in Punjab
- Discussed with PRMP and FD plans to further develop the MTBF reform concept, the result of which have informed our findings and recommendations in this report

CSR

- Reviewed existing literature on civil service reform in Punjab, including the previous reports on L&DD and E&TD produced by PRMP and DFID TAMA
- Held introductory meetings with the senior management of each department (including Secretary L&DD) to introduce the project and seek support for its objectives
- Held a 1.5 day workshop with a cross-section of departmental staff to establish perceived requirements for organisational strengthening (following the 'CAF' self-assessment methodology)
- Reviewed standard HRM practices in GoPb to understand the constraints and challenges that will shape the 'art of the possible' in terms of HR reform in each of the departments
- Conducted an initial categorisation of business processes to underpin the future, in depth BPR review

More than 30 team members have been mobilised, as recorded in the update Personnel Input Schedule in Section 5: 16.

There have been a number of positive developments during the Inception Phase, most notably:

- Good engagement from all but one of the pilot departments, resulting in rapid operational effectiveness and laying the basis for a move from 'supply-driven TA' to 'demand-driven reform'
- Strong practical support from PRMP
- Strengthened leadership from FD in respect of top-down budget preparation, despite continued capacity constraints

There have also inevitably been some challenges, such as:

- An lack of 'buy-in' from one pilot department on the basis that sufficient TA had already been provided (discussed further below)
- A remaining uncertainty over the long term direction and benefit of the reforms to be supported by the project – i.e. no clear statement on the benefits GoPb intends to realise from either MTBF or CSR reform in the medium or long terms

Overall we are very grateful for the welcome and support provided by PGEIP, each of the pilot departments and our other counterpart departments (notably Finance Department, whose engagement has been particularly strong at this critical early juncture in the budget preparation process).

Section 2: Key Observations & Requests for Approval

4. Key Observations

The key observations we have made during the Inception Phase are as follows:

MTBF

- MTBF reform implementation to date has progressed well in the sense that the understanding and practice of strategic budget making has improved, especially in the line departments
- However it still remains unclear what benefits GoPb intends to realise from MTBF reform and when; a fully fledged reform roadmap does not yet exist and the TA effort tends to be viewed in isolation
- The ToRs allow for some extra focus on the top-down element of MTBF, but overall the emphasis remains on bottom-up capacity development
- A clear vision for how to expand and sustain the reforms implemented so far does not yet exist, either at the provincial level or when considering districts
- There is some uncertainty around which departments will receive support from how long, in particular:
  - Whether HUD should be supported this year (MTBF 2011-2014)
  - Whether all other departments should continue receiving support throughout the project or if some are to 'graduate' from support
  - Whether Local Government & Home Departments are to be added next year (MTBF 2012-2015)

CSR

- While substantial previous analytical work on civil service reform has been conducted in Punjab in recent years, the CSR component of this project is in many ways 'starting from scratch' and thus at present is largely supply-driven
- The project design currently focuses on the analytical outputs required in the first few months, but includes much less detail on what is to be achieved subsequently
- It is unclear in the ToRs whether the proscribed analytical outputs (functional, HR and BPR reviews) should be conducted simultaneously or sequentially
- Both pilot departments have been the subject of extensive externally-driven analytical work already, and have stressed the need for practical and useful support to 'implementation' (what this means in practice needs to be carefully considered)
- Levels of support and/or acceptance for the project currently vary significantly between the two pilot departments at senior levels; E&TD has made a legitimate argument that resources other than (just) further analytical TA are needed to implement reforms
- The duration of the project (19 months post-Inception) is likely to be a significant constraint on what out*comes* can be achieved by project completion, though this need not prompt a retreat into focussing only on out*puts*

4.1 Recommendations

In response to these observations, in this report we make the following recommendations:

MTBF

- Strengthen the focus on the top-down element of MTBF, including through the deployment of two additional Financial Analysts in FD and P&D
- Allow the team to conduct a review and assessment of existing documentation relating to the presentation of budget
- Allow the team to provide additional assistance to FD in development of an MTBF 'roadmap' or strategy
- Clarify the scope and duration of support to be provided to departments; and if intending to add further pilot departments for 2012-2015, consider Local Government and Home Departments in order to maximise budget coverage

- Consider carefully any decision to expand MTBF to the district level before it is entrenched as a stable system at the provincial level

CSR

- Support the transition of the project from 'supply-driven TA' to 'demand-driven reform' by approving the rationalisation of the CSR component into 6 phases of work, including a final phase of 'implementation/roll-out' to be designed in close partnership with the pilot departments themselves
- Consider what support, other than technical assistance, can be provided to the departments to support implementation (e.g. funds for IT, capacity/management development, approval of PC1s, etc.)
- Ensure the pilot departments have visible and meaningful support at the most senior levels within government to implement agreed reform objectives, both under the auspices of this project and more generally
- Support the team's proposal to treat the HR, BPR and performance management elements of the project as *consequential to* the functional reviews (i.e. targeted according to the final FR recommendations, not conducted in isolation)

5. Requests for Approval

In this report we ask that PRMP consider a number of specific requests for approval, which are justified in further detail in the main sections.

Approval is sought for:

- This report – in particular our intended approach, work-plan, deliverables schedule and personnel input schedule
- The replacement of 4 personnel: 3 sector experts, the Civil Service Reform Expert and the Human Resource Management Expert
- The addition of two Financial Analysts order to support MTBF in P&DD and FD
- Depending on the scope clarification required in MTBF Component 2:
  - The addition of one FA and one AFA to support HUD
  - The addition of two FA's and two AFA's from September 2011 to July 2012 to support Local Government Department and Home Departments
  - The extension of time inputs of all those FA's and AFA's whose contracts come to an end on 31 May 2011 from 1st June 2011 to 31 July 2012
- The extension of time inputs of the Deputy Team Leader, PFM Coordinator and all FA's and AFA's from 1st June 2012 to 31 July 2012, in line with budget calendar requirements
- The addition of a reimbursable expenditure line for Research Analysts (total USD 30k) to support econometric analysis and data collection in the CSR pilot departments
- A small increase in the budget allowance for equipment
- Some small changes in units (not total costs) to some reimbursable expenditure lines (particularly flights)

Further changes may be requested from PMRP during the course of the project, in particular following the approval of the Implementation Plan for Component 6, which is likely to identify new deliverables that will necessitate the addition different skill sets to the team. As in our original technical proposal, we believe that flexibility, not rigidity, in supporting reforms (especially in difficult political and bureaucratic environments) is vital (see Section 5: 15.1.4).

Full details on and justification for proposed team changes can be found in Section 15: Personnel.

Section 3: Component One: Medium Term Budget Framework Reforms

7. Situation Analysis

This section of the Inception Report lays down an assessment of the existing planning and budgeting function in Government. It helps readers to appreciate the situational context against which later sections have been developed. This analysis does not cover planning and budgeting procedures at the District Government level.

The foundations of public sector budgeting in the Provincial Governments are laid out in the 1973 Constitution of the Islamic Republic of Pakistan (Articles 118–127). The Articles prescribed in the Constitution for the two tiers of Government are very similar, differing only in references to the tier of the Government and financial responsibilities. The Constitution requires that "Annual Budget Statements" shall be laid before the Provincial Assembly of each financial year.

The Constitution clearly provides the over-arching framework for budgeting in the public sector. There are also detailed operational rules for preparing (and executing) the budget spread across various documents like Provincial Financial Rules of the Provincial Government, Budget Manual, New Accounting Model, etc. The instructions provided in these documents are used by the Departments to prepare and execute their budgets. There is no organic budget law in the Province.

The procedures and institutional arrangements for the preparation of current and development budgets are somewhat different. Current budgets are considered as regular day to day expenditure whereas the development budget is intended to consist of projects/programmes undertaken to acquire, build or improve physical assets or develop human resources.

7.1 Key issues:

GoPb uses 'traditional budgeting' which is annual (repeated yearly) and incremental (departing marginally from the year before). It is conducted on a cash basis and its content comes in the form of line items such as salary costs, maintenance, etc. This type of budget is intended to act primarily as an instrument of accountability and control, rather than as a tool for economic management and planning.

Absence of appropriate 'framework' for planning and budgeting: GoPb has no macro-economic framework and/or Medium Term Fiscal Framework that **forms the basis of the annual budgeting exercise**. MTFF for FY 2009-12 was developed and approved by Provincial Cabinet but wasn't really used as a 'starting-point' for annual or multi-year budgeting purposes. Before initiating budget preparation it is necessary to have an appropriate macro-economic framework that forms the basis of projecting revenues and expenditure (single / multi-year). These projections can then be used to set fiscal targets which help to achieve aggregate fiscal discipline. Having a sound macro-economic framework will help GoPb to create and improve linkages between the 'economic perspective' and 'fiscal targets' that form the basis of annual budgeting. Using MTFF as vehicle, GoPb can credibly commit to a targeted path of fiscal aggregates over the medium term in an uncertain world, and thereby anchor expectations.

Late involvement of political structure in budgeting process: The Provincial Cabinet/Assembly is involved at a very late stage in the budget preparation process. Budgeting in the public sector is ultimately a political exercise and thus the prerogative of public representatives (Cabinet/Provincial Assembly), who should have the final authority to approve the budget put forward by the executive. Early involvement of political set-up could be achieved through Finance Department (in collaboration with P&DD) preparing and presenting a Provincial Budget Policy Paper (discussed below) before detailed budgeting begins. This could help the executive to ensure provincial political priorities are used to guide the annual (multi-year) resource allocation process. Recent positive developments in the Province in this regard have included the introduction of pre-budget consultations at the Provincial Assembly; and the requirement for the Finance Minister to make a statement before the House on the implementation of the latest NFC (National Finance Commission) accord.

Lack of any resource indication to line departments: The existing annual budget call circular does not indicate any budget resource availability to line departments against which they can plan and prioritize their budget activities. This fiscally un-constrained and expenditure-driven

approach to budgeting is not necessarily a good practice to promote fiscal discipline and a sense of prioritization, either at the centre or at the level of line departments.

No formal forum in LD's to set budget priorities: Line Departments do not maintain core groups to determine departmental budget priorities for the financial year (or for the medium term). There is a case for establishing a formal budgetary committee headed by the Secretary/Additional Secretary which determines departmental / sectoral budget priorities before commencing detailed budgeting (at spending unit level).

Dichotomy between current and development budget: This is an acute problem in GoPb. The current and development budgets are dealt with separately, using different processes managed by two different institutions. FD is responsible for the preparation and finalisation of the current budget while P&DD is the custodian of the development budget. An integrated budgeting process in which all aspects of resource allocation are reviewed in a holistic fashion during the annual budget cycle is considered an essential feature of a sound budgeting practice; but this is very much absent in GoPb. The lack of such basic integration could result in serious problems, including a failure to account for the recurrent impact of development spending, the politicization of the development budget, in-adequate allocation of resource for operations and maintenance, non-sustainability of development spending, etc.

Sector / departmental strategies should guide budget preparation: There are no sector plans in Line Departments. It is unclear how departmental policies are translated into plans and later budgets. These are important linkages that help governments (line departments) translate their policy objectives into concrete budget allocations.

Lack of record on multi-year commitments: GoPb does not exercise commitment control (single or multi-year) in its expenditure management cycle. This has some serious implications and could also give rise to arrears. A Commitment Control System (CCS) is an integral part of an expenditure control framework in any budget execution process as it allows / restricts the ability of line departments / spending units to enter into transactions that would result in future liabilities. Adequate controls at this point of budget execution cycle are of extreme significance. The objective of a CCS regime is to require line departments to focus on controlling the initial incurrence of events that may lead to possible liabilities, rather than just the subsequent cash payment. A situation that leads to multi-year commitments imposes additional responsibilities, especially for FD, as it has future fiscal implications. Multi-year contracts/commitments should in principle be incurred only after obtaining the formal approval of the central authorising department. The spending agencies should be required to submit to the central department full details of multi-year contracts, including anticipated commitments and payments for each year of the contract. These can then further inform a credible medium-term budget framework.

Improving quality of budget documentation: GoPb's budget documentation at present provides extensive information about expenditure inputs that are required to run Line Departments / Spending Units. But it provides no information about what the Line Departments / Spending Units wish to achieve from this expenditure. This does not help the reader to understand and appreciate Line Departments / Spending Units operations and funding requirements and is not conducive to a constructive budget dialogue or to a regime of accountability. There are around 6,000 pages of budget documents presented to Provincial Assembly each year.

Supplementary budget spending: The existing statute in the Constitution (Clause 124 of Constitution of Pakistan) allows the executive to spend over and above the budget approved by Assembly and obtain approvals from in retrospect. This is not a good PFM practice and seriously undermines the authority of legislature.

Weak budget analysis capacity at FD: Budget preparation is one of FD's core functions; perhaps its most important function. The Budget Wing under the leadership of AFSB has the sole responsibility of preparing, finalizing and presenting (before the Provincial Assembly) GoPb's budget. Currently, budget submissions received from Line Departments/DDO's/Spending Units are being reviewed by Budget Officers who lack the capacity to properly analyse those submissions. It would be useful for Budget Wing to have dedicated officers (for each sector/line department) who are not only responsible for analyzing budget bids for the next financial year but

also for in-year budget monitoring. This would significantly improve working relatioships between FD and LD.

PFM capacity building: The general environment for, and approach to, PFM capacity building remains weak. Building capacity remains very much high on the agenda of GoPb and most donors but it seems not much concerted thought has been put into the 'how to' and 'institutionalization' aspects of capacity building. During MTBF workshops held for DDO's and budget preparing officers it was observed that a large number of them have had no training on planning and budgeting despite being in their positions for the last 5-10 years.

8. Scope and Terms of Reference

8.1 MTBF as an 'opportunity' and 'entry-point' for budget reforms

Since FY 2009-10, GoPb has begun to introduce medium term planning and budgeting in the Province as part of its commitment to meet the objectives set out in the PGEIP Policy Matrix agreed with Asian Development Bank. Pilot implementation began in the Departments of Irrigation & Power and Health, with some success. Impacts have included:

- Greater capacity and empowerment in the line departments, enabling improved budgetary submissions and presentations to FD on a sound technical footing
- Better communication between central and line departments with MTBF serving as a 'forum' for constructive budget dialogue
- Greater appreciation at the level of Finance Department and Line Departments of the fact that predictability in budgeting encourages prioritization
- Departments encouraged to develop budget estimates based on resource availability rather than wants and needs
- Realization that development of MTFF should precede detail budgeting exercise
- Appreciation of a wider set of PFM related issues that need to be addressed in order to reap the full benefits of MTBF
- Increased stress placed on the limited budget analysis capacity of Budget Wing in Finance Department (an un-intended consequence)
- Very limited PFM capacity in Line Departments exposed
- Recognition that the existing approach for MTBF remains largely 'bottom-up' and that this is likely to make this exercise fiscally un-sustainable unless it is coupled rapidly with improved 'top-down' budgeting.
- Appreciation that MTBF reforms need an appropriately sequenced vision and strategy which should be owned by FD and endorsed by the political establishment

From FY 2010-11, MTBF was extended to three more line departments, notably Excise and Taxation, Livestock and Dairy Development and Higher Education. During the second year, as in the previous year, the major thrust of implementation was on 'bottom-up' and not necessarily taking into account the experiences and lessons learnt during the first year of implementation. Efforts to introduce prioritization were successful in certain line departments, even though they lack the necessary institutional and regulatory structures to support such processes.

Clearly, there has been an impact of MTBF at the line departments but it has had limited success in creating an impression of utility in central departments. MTBF is being implemented as a 'project' rather than as a centre-piece of reforms. An MTBF Cell exists 'on paper' but not in practice. It has yet to be staffed though the hiring process has been in progress for past many months.

During the second year it was felt more clearly than ever that if MTBF is going to be the 'future medium' of planning and budgeting then there is an urgent need to develop a GoPb owned 'MTBF Implementation Strategy' which, among other things, would stress intensifying the 'top-down' aspects of budgeting, early political engagement, institutional strengthening and capacity building.

What MTBF, in itself, presents is an opportunity to carry out wider budget reforms which, among other things, require commitment from senior political and bureaucratic levels, clarity of approach and critical mass. It needs to be appreciated that reforms like MTBF takes time to implement. In an environment such as in Punjab it could take somewhere be between 5-10 years to achieve a full implementation. But for that to happen it is vital that a medium to long-term strategy be developed.

8.2 Terms of Reference (ToR)

The ToR's of this component of the Project were initially developed by PGEIP back in late 2008 but were subsequently revised and made part of an RFP issued in late 2009 after a series of deliberations with relevant line departments. The ToR's provide an interesting insight into the way MTBF reforms are conceived in GoPb.

This section of the Inception Report brings into light certain gaps and critical issues in the ToR's that have an important bearing on the design and effectiveness of this technical assistance.

Isolated view of MTBF reforms: The implementation of a complex PFM reform like MTBF has a number of dimensions which need to be appreciated at all levels in order to obtain the true benefits of this important planning and budgeting tool. Concept of MTBF needs to be 'un-bundled' to give due merits to its two important characteristics, namely: (a) 'programmatic' aka top down and (b) 'forecasting' aka bottom-up. The programmatic element involves a whole series of important activities such as the development of an MTFF within a macro economic framework in order to provide a better sense of 'resource availability' before embarking on resource allocation and the detailed budgeting exercise. The forecasting element of MTBF is much more focused at the line department (or spending unit) level and involves developing medium term projections of the economic composition of expenditure.

The approach being suggested in ToR's is very much bottom-up oriented without giving much appreciation to the top-down aspects. This inevitably has some serious consequences. Just merely bringing more line departments within MTBF's ambit is unlikely to yield the true benefits of this reform until it is coupled with the necessary 'top-down' aspects.

Need for an MTBF Reform Strategy: There is a lack of any vision or reform strategy for the implementation of MTBF across all line Departments. Both the 'how to' and 'when to' aspects seem to be absent. Much needed forward thinking is missing. For example key questions such as which Departments would be covered from which FY and how to sustain, institutionalize and capitalize on the progress being made to-date is absent. Developing an MTBF Reform Strategy and having it endorsed by the senior bureaucratic and political establishment should be one of the 'corner-stones' of this technical assistance. While the 'policy matrix' is important in terms of relationships between a donor and a host government, there is also a need to look beyond policy matrices and adapt reforms according to local needs and conditions.

'Implementation of MTBF in selected line departments'. This is the title that has been coined in ToR's for implementation of MTBF. The optics being used reflect a very narrow perspective that does not appreciate the need for sequencing. Interestingly, even the title seems to be advocating only a 'bottom-up' approach for introducing medium term planning and budgeting across Line Departments. FD and P&D seem to have been ignored from this equation. Overlooking the budget analysis and macro-fiscal forecasting capacity building of FD and P&D is yet again (as witnessed in FY 2010-11) going to lead to a situation which would impact credibility and predictability of budget ceilings (issued by FD) and undermine the MTBF budget submissions being received by FD from MTBF Departments.

Placement of necessary building blocks: MTBF can at best be described as a 'set of reforms' that would need to be undertaken in order to appreciate the full benefit of MTBF. In Punjab's context this would include other key changes such as the integration of the current and development budget; the reform of public investment programming; and the re-alignment of the budget's functional classification with policy objectives.

Taking into account lessons and experiences: The ToR's do not fully appreciate the lessons and experiences that were learnt during the MTBF implementation for FY 2009-10 in the pilot departments of Health and Irrigation & Power. Most notable amongst these experiences were the need to develop an MTBF reform strategy, strengthen the top-down aspects of budgeting,

expand MTBF coverage rapidly across all line departments and seek early political engagement. These are deemed necessary to improve the quality of implementation and enhance its effectiveness. At the very least, sufficient weight should have been given to them. They do not seem to be taking into account the necessary lessons and experiences that were learnt during the pilot implementation and amply documented in the Project Completion Report (July 2009).

'Institutionalization' and 'sustainability' of capacity building: While the ToR's require the Consultants to impart training to finance and accounts staff of the MTBF Departments on medium term planning and budgeting they fail to appreciate the wider issues facing any basic capacity effort in the Province, such as sustainability and institutionalization. For example during the consultancy period (20 months) the Consultant would be providing training to a very large number of finance and budget officers but then the key issue to consider is who would continue to support this professional development once the consultancy is over.

PIFRA and MTBF: PIFRA is an important PFM reform that the Government of Pakistan has been undertaking for many years. Once of the key features of this reform is the implementation of an SAP application which among other key features can be utilized for planning and budgeting purposes. There is a need to explore this functionality and integrate with MTBF initiative.

Linkages with federal gov't and other provinces: In a federal system of government it is difficult to imagine successful implementation of a reform like MTBF in Punjab in seclusion; especially as the Federal Government and other Provincial Governments are already undertaking similar reforms. PGEIP and FD should make efforts to proactively approach other national and sub-national governments and learn from their experiences.

HUD ignored: PHE & HUD are one department and come under the jurisdiction of a single administrative secretary. The ToR's prescribe implementing MTBF only in the Department of Public Health Engineering. It is not clear whether this reform effort should also cover the Housing and Urban Development Department.

10. Priorities, objectives and deliverables:

Based on the discussion in the preceding sections, building on and capitalizing from the lessons / experiences to-date and keeping in view how best to address the requirements of the ToR's while addressing its gaps, we propose the following implementation phase work-plan for consideration by PGEIP.

This work-plan is divided into following four components:

- **Component 1:** Development of 'top-down' budgeting
- **Component 2:** Implementation of medium term planning and budgeting in selected line departments
- **Component 3:** Updated rules and regulations
- **Component 4:** Assessment of Financial Management Application (FMA) and the design/implementation of a budget monitoring framework

Detailed discussions on these components have been held with key staff of Finance Department, Health Department, Higher Education Department, Irrigation and Power Department, Communication & Works Department and Public Health Engineering and Housing & Urban Development Department. During these discussions the rationale, benefits and approach to key activities were explained in depth, including the gaps identified in the ToR's. Preliminary feedback from the Departments has also been incorporated while developing these Components.

Besides meeting the objectives set out in Terms of Reference the work plan offers **three** clear and distinct value additions which were not originally envisaged in the ToR's. An attempt has also been made to cover some of the gaps that have been identified under the discussion on ToR's.

These are:

- Strengthening 'top-down budgeting'. This includes extra support to central departments (i.e. Finance Department and P&D Department) in developing and implementing procedures and

practices that would assist in moving to a system that strengthens fiscal discipline and helps in promoting planning and budgeting based on priorities and affordability rather than wants / needs. This is discussed in more detail under Component I.

- Review and assessment of existing documentation relating to presentation of budget and provide options and choices for improvements to central departments; and
- Assistance to FD in development of MTBF Road Map/Strategy

Every effort would be make to adopt a flexible and client service oriented approach. We will review the progress against and over-all composition of these Components during the 'Mid-term Project Report'.

10.1 Component 1: Strengthening 'top-down' budgeting

Duration: November 2010 to May 2012

10.1.1 Brief Description

The primary aim of this Component is to assist the Finance Department and Planning & Development Department in strengthening the processes relating to the 'top-down' aspects of budgeting – using it as an aid to better budget management. It aims to introduce the necessary shift in the 'balance of budgetary process' with the aim of ensuring that budget decisions at all stages appropriately reflect fiscal priorities. In essence, this consists of ensuring that the total level, and overall allocation, of expenditure are determined before detailed items in the budget are negotiated and finalized. Strengthening the 'top-down' character of the budget can be particularly effective in promoting sound and sustainable policies.

10.1.2 Key Activities:

In order to achieve the above objectives we will carry out following activities while working in close partnership with FD and P&D:

Review and assess the existing macro-fiscal forecasting function in FD and P&D in terms of its processes, institutions and regulations. This assessment would analyze the existing strengths and weaknesses and identify possibility for reforms keeping in view its practicality, effectiveness and sustainability.

The above review would culminate in the form a 'Brief Report on Action Plan for improving macro-fiscal forecasting function'. We would hold workshops for key stakeholders laying down our key findings and inviting wider comments. Once the Action Plan has been approved we would actively support FD and P&D in implementation of this Action Plan. Duration and precise technical support would be dependent on the findings and recommendations (short, medium and long-term) contained in the Action Plan.

Assist FD in developing Medium Term Fiscal Framework (for FY 2010-13 and 2010-14) with in appropriate macro economic framework.

Introduce the concept of and actively support in implementation Budget Policy Paper (BPP). Drawing from macro-economic framework and MTFF, FD in collaboration with P&DD should around October prepare draft BPP and present it to Provincial Cabinet for deliberation and final approvals. Once finalized, BPP should form the basis of preparing annual / multi-year budget circular. A typical budget policy paper usually has following four main components:

- The government's strategic priorities
- The MTFF including economic and revenue outlook
- Establishes the fiscal targets for revenue, expenditure and the budget balance
- Establish expenditure ceilings and a provision for priorities.

During Inception Phase some early discussions have already been held with FD on BPP and there is clearly a resolve to introduce BPP. An outline of BPP was prepared that was approved by FD (see **Error! Reference source not found.**). However, in terms of implementation for FY 2011-12 timely completion and presentation of BPP is proving to be an arduous task due to late commissioning of technical assistance and certain extraordinary

circumstances facing the Province like floods, fiscal impact of 18th amendment, etc. These are of particular importance while developing MTFF since these would likely involve certain high level policy decisions like phasing of fiscal impact of damage in the outer years. However, every effort would be made to introduce BPP from FY 2012-13.

Support to FD in communicating credible budget ceilings which would essentially emanate from the Budget Policy Paper approved by the Cabinet. This resource indication would then assist senior management of LD's in determining their priorities and aligning them with available resources. Possibility of issuing single year budget ceilings to non-MTBF Departments would also be explored with FD.

Both regular and MTBF Budget Call Circular for FY's 2011-12 and 2012-13 would be continuously reviewed and refined in terms of improving quality and providing clarity and conciseness of their contents (text and forms). During Inception Phase we have already brought about noticeable improvements to the MTBF BCC FY 2011-12 by placing special emphasis on the planning and prioritization function with in the line departments. Elements of gender responsive budgeting would also be incorporated in the MTBF BCC. Please refer to Appendix – II for MTBF BCC 2011-12.

Capacity of FD to analyze budget submissions being developed under MTBF mode by MTBF Departments remains very limited. In order to address this we would carry out a TNA of the Budget Officers in FD based on which we will develop a training plan. Assistance to FD will be provided in implementation of the training plan.

Proposals to integrate current and development budgets analysed and explored to see how best these could be addressed through this component (provided it does not further stretch available resources).

Continued close coordination with TAMA who are in the process designing their technical assistance to FD in order to avoid gaps.

If time permits and FD shows interest we would be ready to work hand-in-hand with FD to **develop an MTBF Reform Strategy**. We recommend this strategy be developed in the latter part of the Project once there is clarity around sequencing of various elements of MTBF reforms

10.1.3 Deliverables and timelines:

Table 1 - MTBF Component 1 Deliverables

Deliverables	Due by
Draft MTFF 2010-13	15 November 2010
Draft BPP 2011-12	26 November 2010
Draft MTBF BCC 2011-12	*Completed*
Action Plan for improving macro-fiscal function	17 December 2010
Implementation of Action Plan to improve macro-fiscal function	January 2011 onwards
Implementation of training plan for BO's	December 2010 onwards
Draft MTFF 2011-14	7 October 2011
Draft BPP 2012-13	14 October 2011
Draft MTBF BCC 2012-13	14 October 2011

Please refer to Section 5: 17 for the complete MTBF work-plan

10.1.4 Project Resources:

Farooq Khan will provide overall technical leadership, quality assurance & and guidance and bring on board wide range of relevant international PFM experience. He will be assisted by:

- Aisha Ghaus Pasha: as the principal Economic Adviser Aisha will be take the technical lead on all macro-fiscal related matters (including capacity building) and support in development of Budget Policy Paper

- Dawood Ahmed: as PFM Coordinator Dawood will be responsible for refining the MTBF Budget Call Circular, coordination of MTFF & BPP and oversight of implementation of training plan for FD and P&D

The project at this point of time does not have adequate resources to support the budget analysis capacity building of FD and P&D. Through this Inception Phase we propose and seek PGEIP's approval for the addition of the following additional consulting resources:

- Financial Analyst to build the capacity of Budget Officers in FD
- Financial Analyst to build the capacity of relevant officers P&D

These consultants will be identified once their addition to the team have been authorised.

10.1.5 Counterparts:

We envisage following officials to be our key counterparts in implementing this Component:

Finance Department

- Finance Secretary
- Special Finance Secretary
- Additional Finance Secretary (Budget)
- Additional Finance Secretary (Expenditure)
- Director Budget
- Deputy Secretary – Budget Resources
- Deputy Secretaries (Expenditure Wing)
- Budget Officers (Budget Wing)
- Section Officers (Expenditure Wing)

Planning & Development Department

- Chairman P&D
- PIP Coordination
- Key Sector Chiefs / Assistant Chiefs
- Chief Economist
- Chief IT / MIS

10.1.6 Key Assumptions:

Key assumptions include:

- There exists high level political and bureaucratic commitment in improving the fiscal discipline and management arrangements in the Province.
- FD and P&D remain committed to implementation of MTBF reforms.
- FD and P&D remain committed in developing procedures and system to strengthen 'top-down' aspects of budgeting.
- Timely provision of data and other policy decision support to finalize MTFF and BPP.
- Cabinet takes timely decision to approve Budget Policy Paper.
- PGEIP approves activities suggested in Component I including funding of additional FA's to support capacity building of FD and P&D.
- Availability of concerned personnel of FD and P&D for training and capacity building

10.2 Component 2: Supporting implementation of medium term planning and budgeting in selected line departments

Duration: November 2010 to July 2012

10.2.1 Brief Description:

Component 3 is focused on further deepening technical implementation in existing MTBF Departments and bringing selected new Departments under the fold of medium term planning and budgeting. This would essentially involve providing hand-holding and capacity building support to implement the guidelines and instructions that will be issued under MTBF BCC. For FY 2011-12, besides the existing 5 MTBF Departments, the roll-out of MTBF has been further extended to Departments of Public Health Engineering & Housing and Urban Development (PHE & HUD) and Communication & Works (C&W).

For FY 2012-13 FD is currently proposing to further extend MTBF to Local Government and Home Departments (though this has yet to be finalised and has resource implications discussed further below).

10.2.2 Key Activities:

FY 2011-12

In order to achieve the above objectives we will carry out the following activities while working in close coordination and consultation with FD, P&D, HD, HED, I&P, L&DD, PHE&HUD and C&W. Principally, support would revolve around the implementation of activities that are going to be prescribed in MTBF BCC (2011-12):

1. **Establishment of MTBF Cell in C&W and PHE&HUD** and installation of dedicated MTBF Consultant Team.
2. **Appointment and notification of Core Teams in C&W and PHE&HUD** (including developing Terms of Reference). Conduct workshops and briefings for Core Teams.
3. **Advocate the establishment of and assist Budget and Priorities Committee (B&PC)** at the Head Quarters level (MTBF Departments) which would assist in determining Departmental budget priorities, identification of redundancies and distribution of budget ceilings across Spending Units.
4. **Conduct Departmental Strategic Review** of MTBF Departments. This would be performed by Sector Experts in close consultation with B&PC and Core Team established in MTBF Departments;
5. Establish (in case of new MTBF Departments) and **further refine of budget baselines and output indicators**;
6. **Update and refine MTBF capacity building material** that has already been developed during previous years;
7. **Conduct dedicated capacity building workshops** for the Spending Units on medium term planning and budgeting. These may be followed by mini-workshops or group capacity building sessions for a lesser number of staff as and when required
8. **As part of our exit strategy we would be requesting MTBF Departments to appoint 4-5 Master Trainers across Departments** who would then be expected to take-over the role of consultants in providing handholding and technical support. We would aim to actively support in building their capacity through one-to-one briefing and technical sessions;
9. **Assistance in refinements and finalization of MTBF budget submissions** for FY 2011-14;
10. **Developing MTBF statements** for FY 2011-14;
11. In terms of extent of support, for existing MTBF Departments (I&P, HD, HED, LDD and E&T), **we would continue providing hand-holding support though this support is going to be gradually reduced**, **more so, in the Departments who are in the third year of implementation namely I&P and HD**. From next year (FY 2011-12) onwards, which will be their fourth year of implementation, we think there should be only one resident FA in each of these departments. Over-all we would be carefully managing precious resources with the intention of shifting them to new and upcoming Departments.
12. Using the good offices of PGEIP and FD **reinvigorate the MTBF National Coordination Committee** that has been established under the auspices of Budget Wing (Ministry of Finance) to use it as a forum for sharing MTBF implementation experiences at the national and other sub-national levels

FY 2012-13

This year FD proposes to introduce two more line Departments, namely Local Government and Home Departments. The selection of additional MTBF Departments is an important decision for FD and PGEIP. We think the following two criteria, in order of priority, should be kept in mind:

- ***Budget coverage*:** Every possible effort should be made to expand the budget coverage from the present level of 21%. This has special significance because the process of prioritization (inter sectoral allocation) at the level of FD and P&D will not come into play unless the entire available 'resource-cake' is considered while determining the budget ceilings to sectors/line departments
- ***Sector coverage:*** GoPb might like to expand MTBF across a particular sector, for example social or infrastructure, and consolidate its gains before moving on to other areas like economic sector, security sector, etc.

Using the budgetary figures for FY 2010-11 with the inclusion of Local Government Department and Home Department the over-all budget coverage for MTBF would be around 69% of total provincial budget (current & development)

The inclusion of a District, as has been discussed between PGEIP and FD, should be approached carefully. There are two ways of viewing expansion:

- ***Vertical Integration***. Under this approach, MTBF would be expanded vertically downwards through a department already operating on an MTBF basis. For example, through the health office of a selected District.
- **Horizontal Integration**. Under this approach, all devolved functions (offices) being performed under a District (education, water and sanitation, etc.) would be brought under MTBF mode. The Office of Executive District Officer (Finance and Planning) would be play the role of FD and P&D. More or less, each District would serve as a 'mini-province'

Both approaches have to be considered with great care and they have their own merits and demerits. Our advice to GoPb would be to expand the provincial budget coverage first (to at least 80-90%) while moving in parallel with vertical integration before going on to Districts using horizontal integration

10.2.3 Deliverables and timelines:

Table 2 - MTBF Component 2 Deliverables

Deliverables	Due by	
	Year 1	Year 2
Draft Sector Review – I&P	15-Jan-11	15-Dec-11
Draft Sector Review – HD	15-Jan-11	15-Dec-11
Draft Sector Review – HED	15-Jan-11	15-Dec-11
Draft Sector Review – LDD	15-Jan-11	15-Dec-11
Draft Sector Review –E&TD	15-Jan-11	15-Dec-11
Draft Sector Review – C&W	15-Jan-11	15-Dec-11
Draft Sector Review – PHE & HUD	15-Jan-11	15-Dec-11
Report on MTBF training and capacity assessment	30-Jun-11	-
Final Sector Review – I&P	28-Feb-11	31-Jan-11
Final Sector Review – HD	28-Feb-11	31-Jan-11
Final Sector Review – HED	28-Feb-11	31-Jan-11
Final Sector Review – LDD	28-Feb-11	31-Jan-11
Final Sector Review –E&TD	28-Feb-11	31-Jan-11
Final Sector Review – C&W	28-Feb-11	31-Jan-11
Final Sector Review – PHE & HUD	28-Feb-11	31-Jan-11
MTBF Statements for I&P, HD, HED, LDD, E&TD, C&W and PHE &HUD	30-Jun-11	30-Jun-12

Please refer to Section 5: 17 for the complete MTBF work-plan

10.2.4 Project Resources:

Farooq Khan will provide overall technical leadership, advisory, quality assurance and guidance while bringing on board a wide range of relevant international PFM experience. He will be assisted by:

- Dawood Ahmed, as the Project Coordinator will be responsible for overseeing and managing the MTBF implementation, trouble shooting issues and team management;
- Asim Ashfaq, Mazhar Khan, Shafiqur Rahman, Abid Awan, Anam Hussain, Kashif Hashmi, Maood Akhtar, Muhammad Faisal, Muhammad Ibrahim, Faheem Shah, Ahmad Wajahat, Umar Abdul Aziz, Javed Liaqat (all Financial Analysts) who would be providing handholding and capacity building support to MTBF Departments
- Ehsan Elahi, Kaleem Ranjha, Haseebul Hassan, Umair Anwar, Umair Azhar, Muhammad Umar, Omar Siddiqui (all Assistant Financial Analysts) would also be providing handholding and capacity building support to MTBF Departments

Component II is perhaps the most resource intensive of this technical assistance. The project at this point of time does not have adequate resources to support the implementation of MTBF in HUD and additional MTBF Departments (Local Government and Home) from FY 2012-13.

Moreover, the proposed efforts for certain project resources (for example FAs's / AFAs) assume that their inputs would come to an end by the end of May 2011, which is typically the peak period of the budgeting cycle. It would not be technically feasible nor advisable to withdraw support at this critical stage of MTBF implementation.

Through this Inception Phase, therefore (and depending on the decisions made on the scope), we propose and seek PGEIP's approval of the following:

- Extend from 1 June 2012 to 31 July 2012 the time inputs of Deputy Team Leader, PFM Coordinator and all FAs and AFAs
- Extend from 1 June 2011 to 31 July 2012 the time inputs of all those FAs and AFAs whose contracts come to an end on 31 May 2011
- Support the addition of 1 additional FA and 1 additional AFA (from Nov 2010 to July 2012) to support MTBF implementation in HUD
- Support the addition of 4 further consultants (2 FAs and 2 AFAs) (from September 2011 to July 2012) to support MTBF implementation in Local Government Department and Home Department.

With regard to the latter request, our preliminary budget analysis (FY 2010-11) suggests that there are more than 1,600 individual budget submissions (current & development) in Local Government and Home Departments. Since existing / 'old' MTBF departments would be phased out gradually, therefore, the consulting resources would also require reshuffling. After ensuring minimal presence of consulting input (e.g. 1 FA each at departments in their fourth year of implementation and 2 FA's / AFA's in departments in their third year of implementation), at least 4 additional consultants (2 FAs and 2 AFAs) would need to be made available to be placed in Local Government and Home Departments so as to be able to develop MTBF estimates 2012-15.

10.2.5 Counterparts:

We envisage following officials to be our key counterparts in implementing this Component:

Line Departments

- Relevant Additional Secretaries
- Relevant Deputy Secretaries (B&A) / Deputy Directors
- Relevant Section Officers
- Relevant Planning Officers
- Relevant DDO's, Directors, Budget & Accounts officers, Excise & Taxation

Finance Department

- Additional Finance Secretary (Budget)
- Additional Finance Secretary (Expenditure)
- Director Budget
- Budget Officers (Budget Wing)
- Deputy Secretaries & Section Officers (Expenditure Wing)

Officers, Collecting Officers

Planning & Development Department

- Relevant Sector Chiefs / Assistant Chiefs

10.2.6 Key Assumptions:

Key assumptions include:

- FD, P&D and MTBF Departments remain committed in implementing MTBF reforms
- Credible budgetary ceilings to MTBF Departments are provided by FD
- MTBF Departments appoint Master Trainers for MTBF purposes
- Principles and practices of Budget and Priorities Committee are introduced in MTBF Departments
- Decision on extension of contracts is taken on a timely basis
- Selection of additional departments for FY 2012-13 is finalized / firmed up before start of the next budget cycle;
- PGEIP approves additional resources as indicated under 'Project Resources' in Component – II
- Work plan suggested in above Component II does not take into account implementation of MTBF in a selected District

10.3 Component 3: Updating rules and regulations

Duration: February to November 2011

10.3.1 Brief Description

The objective of this Component is to revise, update and upgrade relevant rules and regulations that deal with the planning and budgeting function in the Provincial Government, including the Budget Manual. In effect this would be performed at the later part of this technical assistance once approach to MTBF especially the 'top-down' aspects have been finalized and approved. This component would assist GoPb in firmly embedding the principles and practices of MTBF with in the provincial regulatory framework thus providing it a much needed legal cover / backing.

10.3.2 Key Activities:

In order to achieve the above objectives we will carry out following activities while working in close coordination and consultation primarily with FD and P&D but at some point would also like to invite selected line departments for wider consultation and feedback:

- **Take stock of all existing rules, regulations, notification, instructions and manuals** that deal with planning and budgeting processes in the Province.
- **Perform diagnostic review of all above rules and regulations** which would analyze these rules in terms of its consistency, MTBF and good international practices.
- **'Summary of Diagnostic Assessment'** will be prepared identifying areas for reforms. It will be accompanied by a draft outline of revised rules, procedures and manual. Once the Report and draft outline has been finalized we will initiate work on revising rules, regulations and Budget Manual. We would make every effort to maintain a close liaison including avoiding duplication of work with the Consultant who is also co-tasked by PRMP on all above activities;
- **Draft revised rules, procedures and manual.** We would hold workshop(s) where we will present revised rules, procedures and regulations where comments would be invited from wider audience. Based on comments received we would be finalizing the revised, rules procedures and manual;
- **Review all the budget documentation (presented to legislature) prevailing in the Province** in light of international good practices like OECD best practice for budget transparency, IMF code of fiscal transparency and other good budget presentation examples from relative sub-national governments in countries like Australia and South Africa. This

review would provide 'options and recommendations' for FD to improve existing budget documentation

10.3.3 Deliverables and timelines

Table 3 - MTBF Component 3 Deliverables

Deliverables	Due by
Summary of Diagnostic Assessment and a draft outline	May 31 2011
Options and recommendations to improve budget presentation	May 31 2011
MTBF User Guidelines / Action Plan and SOPs for implementing MTBF*	August 31 2011
Revised draft of amended / new rules, regulations, manuals, documents, templates, guidelines, tools, etc.	November 30 2011

* It is assumed that MTBF User Guidelines and Action Plan /SOP for implementing are deemed to the same thing

Please refer to Section 5: 17 for the complete MTBF work-plan.

10.3.4 Project resources:

Farooq Khan will provide overall technical leadership, advisory, quality assurance and guidance while bringing on board wide range of relevant international PFM experience. He will be assisted by:

- Dawood Ahmed, as the Project Coordinator will be responsible for reviewing and drafting the rules, regulations and manual. He will be actively assisted by some selected FA's like Shafiqr Rahman, Abid Awan, Maood Akhtar, Asim Ashfaq, Mazhar Khan and Umar Abbul Aziz. Other AFA's may be requested to be called in for this Component as and when required

10.3.5 Counterparts:

We envisage following officials to be our key counterparts in implementing this Component:

Line Departments

- Relevant Additional Secretaries;
- Relevant Deputy Secretaries (B&A) / Deputy Directors
- Relevant Section Officers
- Relevant Planning Officers
- Relevant DDO's / Directors / budget & accounts officers at spending units

Finance Department

- Additional Finance Secretary (Budget)
- Additional Finance Secretary (Expenditure)
- Director Budget
- Budget Officers (Budget Wing) / Section Officers (Expenditure Wing)
- Regulations Wing
- Experts / consultants already working in FD on similar tasks (if any)

Planning & Development Department

- Sector Chiefs / Assistant Chiefs
- Chief / Assistant Chief (Coordination)

10.3.6 Key assumptions

Key assumptions include:

- FD, P&D and MTBF Departments remain committed in implementing MTBF reforms and in particular up-grading and revising existing rules, regulations and manuals;
- Access to existing rules, regulations and other manuals;
- Timely decisions and approvals from FD and P&D on critical points like approval of Summary of Diagnostic Assessment of rules and regulations including a revised outline;

10.4 Component 4: Review of FMA and design of budget monitoring framework

Duration: November 2010 to March 2012

10.4.1 Brief Description:

As the name indicates, there are primarily two key objectives of this Component. Firstly, to review the Financial Management Application (FMA) software that has been developed by Federal Government for planning and budgeting purposes at the level of line ministries with the view of exploring its adaptability and implementation in the GoPb. Secondly, to assist the GoPb in developing and implementing a framework that would be used for budget monitoring (execution) purposes

10.4.2 Key Activities:

In order to achieve the above objectives we will carry out following activities:

- **With the assistance of PGEIP and FD approach the Ministry of Finance in obtaining the FMA application** and seek guidance in terms of its relevant source code and user documentation
- **Request Ministry of Finance and their advisers in arranging a live demonstration of FMA** from user perspective. This might involve going to the Federal Capital with relevant officials from FD & PGEIP or inviting them over to Lahore
- **Review and assess the FMA application** in terms of its functionality, process flows, system architecture, hardware requirements, robustness in light of the IT requirements for MTBF purposes in FD, P&D, Line Departments and their respective Spending Units
- **Undertake a 'quick stock' of existing hardware and software environment** prevailing in FD, P&D and MTBF Departments
- Hold discussions with PIFRA and also assess the planning and budget functionality offered in its relevant module. Identify potential linkages and touch-points between PIFRA, FMA and the existing manual systems
- Based on above review analysis we will develop a **'Draft FMA Assessment Report'** which would provide a set of recommendations and policy options for consideration by GoPb authorities;
- Hold workshops based on our findings and also to invite wider discussions and comments
- Develop FMA software operation manual provided GoPb plans to implement FMA. This would be followed by training to selected staff on using FMA
- **Assess the existing budget execution & monitoring reporting framework in terms of existing rules, regulations, processes and report formats.** This assessment would be performed at following levels of administration:
  - Finance Department
  - P&D;
  - Head Quarters – Line Department
  - Spending Units - Line Department
- **Hold discussions with key officials of the above entities to better understand their needs** and also how the existing budget execution reporting would need to up-graded in light of MTBF.
- **Hold discussions with PIFRA, AG and Office of CGA** on exploring the flexibility available under the existing regulatory budget monitoring regulatory framework and the PIFRA (SAP system)
- During above assessment special emphasis would be laid on the Financial Reporting Package (developed under PIFRA) and the reporting formats developed under TAMA
- Assessment would conclude in the form of 'Draft Report on Design of Budget Execution Monitoring System'

- Hold workshop on 'Draft Report on Design of Budget Execution Monitoring System' to invite wider comments and discussions;
- Issue **'Final Report on Design of Budget Execution Monitoring System'**
- Assist FD, P&D and Line Departments in the implementation envisioned under the improved budget execution monitoring system

10.4.3 Deliverables and timelines

Table 4 - MTBF Component 4 Deliverables

Deliverables	Due by
FMA Needs Assessment Report	March 30, 2011
Draft Feasibility Report on Customization of FMA	July 1, 2011
Final Feasibility Report on Customization of FMA	July 31, 2011
Manuals / Toolkits for FMA Automation / FMA Software Operations Manual * (provided GoPb implements FMA)	January 31, 2012
Draft Report on Design of Budget Execution Monitoring System	October 15, 2011
Final Report on Design of Budget Execution Monitoring System	October 31, 2011

* Manual / tool kits for FMA Automation' and 'FMA Software operations manual' are deemed to be one and the same thing

Please refer to Section 5: 17 for the complete MTBF work-plan.

10.4.4 Project Resources:

Farooq Khan will provide overall technical leadership, advisory, quality assurance and guidance while bringing on board wide range of relevant international PFM experience.

- Dawood Ahmed, as the Project Coordinator will be responsible for supervision, monitoring and coordination of this activity including management of consulting resource
- Muhammad Sarwar and Khalid Sarwar (both IT Analysts) would be the main technical leads for assessment of FMA
- Abid Awan, Asim Ashfaq, Anam Hussain and Mazhar Khan and other selected FA's would be responsible for reviewing the existing budget execution monitoring system and based on findings designing the improve budget execution monitoring system

10.4.5 Counterparts:

We envisage following officials to be our key counterparts in implementing this Component:

Line Departments

- Relevant Additional Secretaries;
- Relevant Deputy Secretaries (B&A) / Deputy Directors
- Relevant Section Officers
- Relevant Planning Officers
- Relevant DDO's / Directors / budget & accounts officers at spending units

Planning & Development Department

- Chief IT / MIS

Finance Department

- Additional Finance Secretary (Budget)
- Director Budget
- System Analyst (Computer Section)

Federal Ministry of Finance

- Joint Secretary (Budget Wing)
- Computer / Programming Section

Accountant General Office & PIFRA

- PIFRA Competency Center

10.4.6 Key Assumptions

Key assumptions include:

- PGEIP / FD writes to MoF to obtain FMA application including other necessary information like source code, user guidelines, etc
- MoF is supportive to FD on FMA related matters
- Timely provision of hardware and software information by selected line departments
- PGEIP, FD and P&D remain interested in reviewing and adapting FMA for Punjab
- Provision of software / hardware remains outside the scope of this project
- FD, P&D and MTBF Departments remain committed for their support on designing budget execution monitoring system
- Key staff will be made available (when required) for training on budget monitoring system

Section 4: Component Two: Pilot Civil Service Reforms

11. Situation Analysis

The focus of the CSR component of the project is to pilot reforms in two departments of the government (Excise & Taxation and Livestock & Dairy Development) with the aim of developing 'model departments' whose success (or otherwise) can inform future civil service reform efforts. While a lot of work on CSR has carried out in recent years, much of this work has been focused on cross-departmental issues. The current project intends to try different approach by taking a deeper look inside the client departments and reforming the process and systems within them to improve the departmental performance. As part of the inception mission the CSR team reviewed the situation in these two client departments, with a special focus on earlier completed work as well as through concentrated engagement with departmental senior management (especially through a 1.5 day 'self-assessment' workshop).

11.1 Civil Service Reform in Punjab

Civil service reform in Pakistan and Punjab has been the subject of numerous studies, commissions, reviews and public debates in recent years. Often these have focussed on the key issues of pay and pensions (certainly at the federal level), but there has also been extensive discussion of wider CSR issues such as recruitment, performance, promotion and transfer, government mandate and structure, the overall size of the civil service and questions over specialisation and professionalization.

Despite this significant analysis (including analysis funded by PRMP), reform implementation has been patchy at best, with only minor changes being made since the devolution reforms of 2001 (e.g. to recruitment processes in the Punjab Public Service Commission). Therefore, the opportunity to focus and test reforms in pilot departments in theory should enable 'deeper' reforms to be achieved, allowing a consideration of whether those reforms should then be 'widened' across the provincial civil service. Areas of focus suggested by previous analyses include:

- Clarity over functions and mandates of departments
- More disciplined focus on the delivery of core public goods
- Re-engineered business processes, taking advantage of IT solutions where appropriate
- Strengthened management information systems, including in the HR domain
- Introduction of results-based management, starting with structured departmental plans and reports
- Longer tenure for senior management and greater specialisation and professionalization (enabled through flexibility within the pay and grading structure)

11.2 Rationale behind the Selection of Pilot Departments

GoPb has chosen two pilot departments to test some of the above aspects of civil service reform: the Livestock and Dairy Development Department (L&DD) and Excise and Taxation Department (E&TD).

Livestock and Dairy Development Department (L&DD) has been selected as a pilot for civil services reforms primarily because of the priority assigned to this sector by the government of the Punjab. It is a service delivery department and plays an important role in view of the fact that around 35 million people are involved livestock and dairy related economic activity. The sector contributes almost 52% of agricultural economic output and 11% of GDP, and so is considered crucial for economic growth and poverty alleviation. In order to respond to emerging challenges, the department plans to significantly re-align and upgrade its priority activities, human resources, business processes and management systems. PGEIP will support the department in these efforts.

Excise & Taxation Department (E&TD) has been selected as a pilot for civil service reforms because it has a large regulatory/enforcement function, particularly in terms of revenue collection which naturally is seen as a extremely important area for the Government. Currently, GoPb is facing some acute financial constraints, not least because the 18th amendment to the constitution

will result in additional financial burden for the provincial government as new subjects are transferred from federal responsibility to provincial responsibility. Therefore, GoPb needs to enhance the efficiency and effectiveness of its revenue collection efforts and E&TD is the most crucial department in that regard.

11.3 Previous Relevant Analysis

In previous years, a lot of analysis has been conducted, not only on the two client departments but also on the cross-cutting areas of civil service reforms and rationalizing public service delivery structures. These reports and studies have been reviewed to take stock of this work and capitalize on it to avoid redundancy and duplication of effort. Some of the reports reviewed during the inception phase are listed in the following table. More details on the scope of these studies and their relevance with the current project have been discussed in Appendix C:

Table 5 - Summary of Previous Analysis in CSR

No.	Date	Report Title	Undertaken by
1	November, 2007	*Civil Service Reforms in Pakistan* (PRMP II)	Kardar, Shahid
2	November, 2007	*International Civil Service Reform: Lessons for the Punjab* (PRMP II)	Laking, Rob
3	2009	*Calibrating the Civil Service Institutions for People's Wellbeing in Punjab - Analysis and Reform Options*	Rasool, Musharraf
4	August, 2010	Dairy Sector Management Benchmarking Study	Wynn, Peter (PRMP/ADB)
5	-	L&DD Employee Satisfaction Survey	Hassan Shah and Associates (PRMP)
6	-	Workforce Readiness to Change Assessment Report	Khawaja, FarhanAziz; (PRMP)
7	March, 2010	Livestock Sector Strategy	CrownAgents (DFID/TAMA)
8	May, 2010	Dairy Sector Management Rapid Sector Review MTBF	Wynn, Peter (PRMP/ADB)
9	-	LDD Farmer Survey – Benchmarking Service Delivery	Hassan Shah and Associates (PRMP)
10	July, 2010	Policy Reform Project in Property Tax Collection	Olken, Benjamin; Khawaja, Asim; Khan, Adnan
11	May, 2010	Excise and Taxation Department Benchmarking Exercise	PKD Consultancy Ltd, UK (ADB/PRMP)
12	March, 2010	Excise and Taxation Department Rapid Sector Review	PKD Consultancy Ltd, UK (ADB/PRMP)
13	April, 2010	High Level Government Review: Cross-Government Functional and Structural Review	Crown Agents (DFID/TAMA)
14	October, 2009	Fiscal and Financial Management Reform: Taxation Reform	GHK International (ADB/PRMP)
15	March, 2009	Property Tax Decentralization Program Scope Evaluation and Gap Analysis	Institute of Revenues Rating and Valuation (IRRV)
16	2004-05	Tax and Revenue Administration	A.F. Ferguson (ADB/PRMP)

11.4 Capacity Assessment Workshop

One of the CSR Team's primary means through which to understand the challenges facing the two pilot departments in this inception phase was two-day Self-Assessment Workshop on 21st and 22nd October. Approximately 20 delegates from each of the pilot departments participated in the workshop – an excellent response. The workshop used the Common Assessment Framework (CAF) to help the delegates to identify, assess and prioritize areas where they believe improvement is necessary.

This CAF approach covered all three aspects of the CSR component of PGEIP, namely institutional reform & change management, HRM and BPR. The first exercise was to conduct a SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis for each of the following dimensions of the current operating environment: *Political, Economic, Social (including Security and Stability), Technological and Legal / Legislative.* This aimed to ensure that the potential impacts of all aspects of both the external and internal environments were considered, even if some of these (e.g. political behaviours, unhelpful legislation or Rules of Business frameworks) were beyond the control or even influence of Departments. The second exercise brought the focus down to the level of each of the Departments with a SWOT analysis of the Enabling Criteria of the Common Assessment Framework (CAF), namely: *Leadership, Strategy and Planning, HR Management & Development, Resources Management (including Partnerships), and Processes.*

The last exercise was to identify a list of 'Areas for Improvement' (AFIs), achieved through delegates working together in four syndicate groups. Each group produced a flipchart indicating their priority areas. These priorities areas can now inform the prioritization of reform areas under PGEIP.

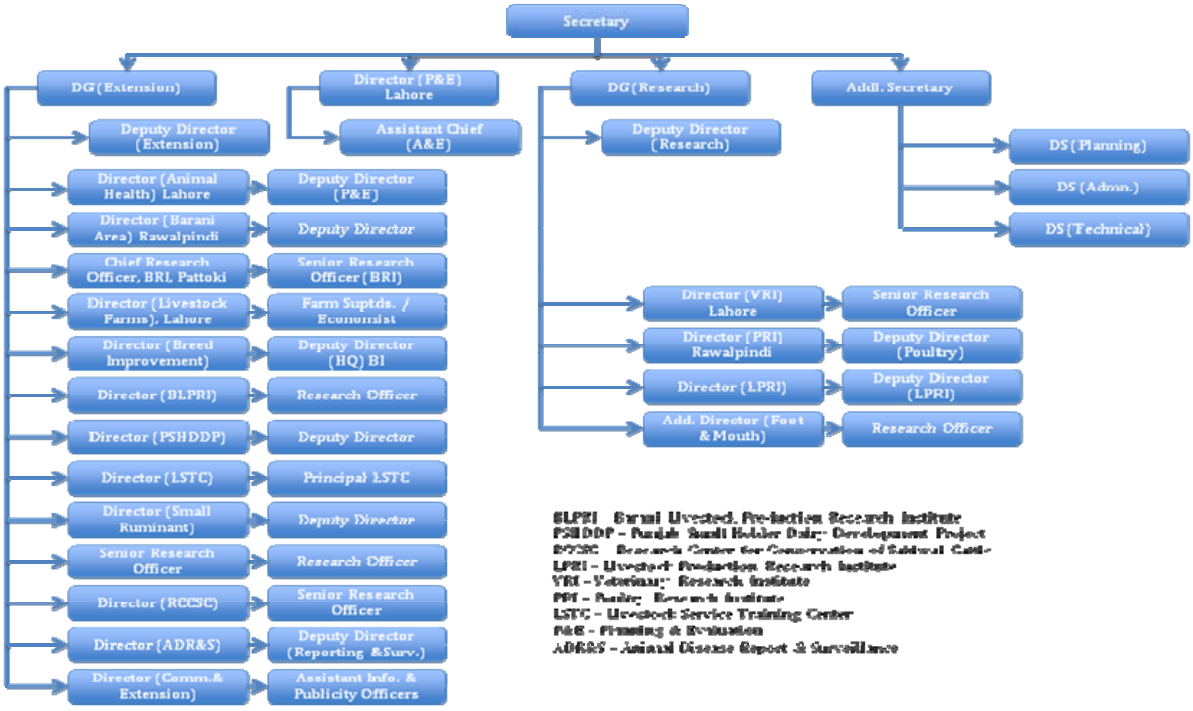
The workshop was both well attended and well received. Its immediate utility was limited by two factors: firstly that its duration was reduced from 3 days to 1.5 days; and secondly due to the non-attendance of the Secretaries from each Department. But it is important to recognise that the Workshop is not intended to be a stand-alone exercise. Rather, it is the first step in a process where the officers and staff identify and take ownership of the change process within their Department. Significant further dialogue is likely to be needed before the departments are able to identify a small number of achievable and high impact reforms; the workshop was an important beginning.

11.5 Departmental Snapshots

11.5.1 Livestock & Dairy Development

The Livestock & Dairy Development Department (L&DD) was created in 1972, after being separated from the Agriculture Department. Historically, L&DD started as an Animal Health Department. However, as policy priorities in the sector evolved, new areas were added to its mandate. Consequently, it has become one of the government's largest departments with activities spanning on multiple different areas. It is headed by a Secretary, who is supported by an Additional Secretary and staff for the purpose of policy making and two DGs and number of Directors for the purpose of service delivery. Figure 1 shows the organization chart of the department.

Figure 1- Organisational Structure of L&DD



In terms of the Department's mandate and policy agenda, three main areas dominate departmental activities:

- Animal health
- Disease prevention, and
- Veterinary education.

The Department has recently conducted significant analysis into whether these three areas represent 'core public goods', or not. The department feels that disease prevention and veterinary education are core public goods and hence priority areas. In both of these areas, the Department considers that there is little attraction for the private sector to invest due to low profitability. However, in the area of animal health (e.g. slaughter-houses) the Department feels that the government's role should be one of regulation and/or stimulation, but not direct delivery, which can be more efficiently provided by the private sector.

During the inception mission, the department, in particular its senior management, was quite aware of organizational needs and articulated them succinctly. Some of the indentified priorities include:

- Promoting private sector participation in various livestock initiatives, such as livestock farm management, vaccine production, curative animal health, etc.
- Removing duplications and redundancies in various areas such as animal health and breed improvement
- Employing new modern management techniques for breed improvement and better semen production, vaccine production
- Developing a management disease surveillance system to improve animal health
- Improving citizen feedback system and improving departmental performance to result in better service delivery

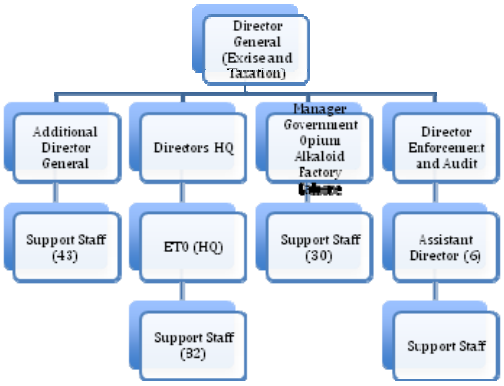
11.5.2 Excise & Taxation Department

The Excise and Taxation Department (E&TD) is headed by a Secretary, but is dominated by an operational wing headed by a Director General, which is an attached department of E&TD. Organizational charts of Secretariat and the office of Director General are given in Figure 2 below.

The office of Director General consists of nine divisions that cover 36 districts; there are around 350 tax circles (149 in Lahore and 201 in districts).[1] The department is unique in the sense that it is a revenue generating entity and contributes significantly in terms of provincial revenue collection, though the quantum of provincial own source revenues has remained stagnant for the past several years. E&TD's primary mission is the collection of Urban Immovable Property Tax (UIPT), Professional Tax, Motor Vehicle Tax, Excise, Cotton fee and some other taxes.

Figure 2 - Organisational Structure of the Excise & Taxation Department

Figure 3 - Organizational structure of Directorate General, Excise and Taxation Department



During the Inception Phase, interaction with the strategic leadership of E&TD has been limited; therefore our discussions with E&TD took place primarily through the CAF workshop (in which E&TD middle and seniors managers were highly active and constructive participants). We also reviewed the significant collection of previous analytical work related to E&TD. These reports identified a large number of potential areas for improvement, although as yet no prioritisation or sequencing of these reforms has been attempted.

- Since devolution, the department is facing institutional confusion in the sense that most of the structure of the department has been devolved though provincial secretariat through the office of Director General still plays a significant role in collection, coordination and implementation. The offices in the districts are operating with "dual masters" as the participants in the workshop explained and according to them this duality results in inefficiency.
- According to previous reports, the governance and institutional arrangements impact directly on efficiency and effectiveness and therefore, these must support effective and efficient process management throughout the department. There had been several models put forward for eliminating the reasons of institutional weakness; however, these maybe looked in detail during the review.
- Policy aspect: The development of policy and areas for revenue enhancement are selected in an ad hoc manner since there isn't much capacity developed in this regard. This problem is

[1] Fiscal and Financial Management Reforms: GHK Consulting

compounded by the fact that coordination with other stakeholders such as Finance and Board of Revenue are lacking; this situation reflects that development of requisite database and economic models might be required.

- Human resource: The institutional arrangements for incentive scheme and performance management structures are missing though there is an incentive program being implemented in limited circles; this program and its implications might be studied in detail for recommendations in this regard.
- Training and Capacity Development: There is no regular training program that might be installed and executed in consultations with the department on specific areas such as revenue, legislative, customer focused etc.
- Quality and access to services and department: Though there have been recent efforts on improving access to services, this is one area that could be improved significantly with the use of proper technology.
- Change management and consistency in strategic leadership: Senior leadership of E&TD has to stay for longer periods not only for managing change but also for consistency in this regard since the change at the top changes priorities and direction.
- Revenue collection: Detailed action plan for creating databases, revaluation tables, rating areas etc. is required for UIPT. A similar kind of exercise may be carried out for all revenue generating entities of the department.
- Leveraging technology: The system installed in E&TD lacks automated payment/processes, comprehensive audit function, built in help system/training mode and MIS facilities; the system that has been developed is based on paper based transactions and maybe reviewed based on international standards.
- Internal check and job descriptions: Diagnostic analysis of earlier reports reflects that there is little evidence of internal checks and separation of duties in which work is allocated. Development of job descriptions

12. Scope and Terms of Reference

While this Inception Report proposes adhering to the original Terms of Reference in both substance and spirit, one major change in scope is required under the CSR component. In the original Terms of Reference the Functional, HR and BPR aspects of the project were scheduled to run throughout the project period (then 24 months).

However, following delays in the procurement process, PRMP requested during negotiations an accelerated timetable. Notably:

- The project duration has been reduced to 21 months
- Reviews of functions, processes and HR systems in each pilot department are now required to be completed by end-March 2011, within less than 5 months, to meet objectives set out on the PGEIP Policy matrix

Clearly this requires us to change substantially how we propose to approach the component. Our response is essentially as follows:

- The functional, business process and HR reviews can be completed against this schedule, but they will only be analytical reports at that stage
- Therefore the challenge is to ensure these reports feed into a period of reform implementation, which will need to be designed in further detail *through and immediately subsequent to* the reviews

We see this as a positive opportunity, since this period of detailed further design allows the departments themselves to have stronger and more in depth input into the project – i.e. a full shift from ‘supply-driven TA’ to ‘demand driven reform’. It also enables the team sufficient time and engagement with the departments to ensure the objectives agreed following the reviews are practical, feasible and achievable.

This change requires a number of further, smaller changes to our work-plan and methodology. In particular we are proposing that:

- It be made clear that BPR and HR reviews will be *consequent to* the functional reviews, i.e. tailored to take into account the implications of the FR recommendations (previously they were to run in parallel, as isolated technical areas)
- A new component of 'Priority Reform Implementation' be identified starting April/May 2011, with the objectives of this phase being identified in a consolidated 'Implementation Plan' for each department which itself replaces the 3 previously separate Implementation Plans for each technical discipline (FR, HR, BPR)
- The Communications and Change Management plans be refined in further detail following the production of the consolidated departmental Implementation Plans (when produced at an early stage they will necessarily be generic in nature)
- Some small changes be made to the deliverable deadlines to enable high quality delivery given available resources (these are reflected in the Calendar of Outputs)
- Deployment of the International BPR Expert and Domestic Capacity Building Expert be delayed until the Implementation Plans have been agreed in more detail
- The production of the 'HRM Handbook' be paused, pending again further detail on the objectives of Component 6
- The holding of 'Civil Service Reform Sensitization Workshops' be delayed until June 2011, in order to coincide with the beginning of the detailed implementation phase

We have made some other minor changes to the timing and language of some outputs: these changes are recorded in the Schedule of Deliverables in Section 5: 14.

Note on Deliverables: The original Terms of Reference described a total of 39 reports or deliverables to be produced under the CSR component over the course of two years. During negotiations, PRMP produced an amended Deliverables Schedule in line with the accelerated timetable. This Schedule listed fewer specific reports, although the core work remained the same. This Inception Phase (as discussed in the team's first formal meeting with PRMP) has been based upon the most recent Deliverables Schedule, i.e. that provided during negotiations.

13. Priorities, Objectives and Deliverables

Following the inception phase, the proposed technical assistance under the CSR component of the project has been sub-divided into six distinct components. Earlier, in the technical proposal, we proposed five sub-components and based on the inception findings, we have proposed to add a sixth component on implementation support on high impact priority initiatives to synergize various parts of the proposed TA into a coherent action plan. The 6 components are as follows:

1. Change Management & Communications
2. Functional Review
3. Business Process Re-Engineering
4. Human Resource Management
5. Performance Management
6. Priority Reform Implementation

13.1 Component 1: Change Management & Communications

Duration: Nov 2011 to May 2012

13.1.1 Brief Description

A robust Change Management Strategy with due recognition of the critical importance of leadership of the process of transformational change, together with a pro-active Communications Strategy, are essential ingredients for successful reform implementation. Experience elsewhere (and indeed in Pakistan) shows that lack of due consideration of these issues – and in particular

the need thoroughly to prepare the ground before attempting to seed complex technocratic changes – risks failure to reap intended reform benefits.

As required by the Terms of Reference we would produce initial Change Management & Communications strategies during December 2011, within six weeks of the end of the Inception Phase. However we are also proposing that these strategies be refined in more detail at the beginning of the detailed reform implementation phase. This is because, at such an early stage, the Change Management & Communications Strategies will necessarily be generic. Change management is essentially about the challenges involved in moving from a 'current state' to an 'end-vision' state. Until it is clear what this 'end-vision' is, change management and communications strategies cannot be fully operationalised.

13.1.2 Key activities

In order to achieve the desired reform outcomes, we would carry out the following activities related to change management and communications:

Stakeholder analysis: A thorough stakeholder analysis will provide the foundation for developing a well-tailored change management and communications strategy, by taking cognizance of all the relevant stakeholders and their respective concerns and opinions. This stakeholder analysis will be built on the earlier completed Common Assessment Framework (CAF) workshop, which was held primarily to identify Areas for Improvement (AFIs) in the two client departments.

Development of change management strategy: A robust change management strategy will be developed to prepare the ground for meaningful reforms in the two client departments. The strategy would preclude sudden changes in roles and responsibilities and would rather emphasize on gradual change, while preparing the stakeholders for their shifted roles and responsibilities.

Notification of change agents: Change management is quite a complex task and therefore would require a string ownership from the department. The concept of change agents is therefore strongly proposed, so that internal stakeholders take charge of the change process and drive the organization towards achieving transformation.

Training of change agents: The change agents, who would be departmental officials, would be duly trained, so that they develop a clear understanding of the reform process as well as the vision for the two client departments. This would help them in performing their roles more efficiently, while bring their peers on board regarding the change management process.

Development of communications strategy: An effective communications strategy forms a critical part of any change management process, as it is of paramount importance to convey relevant changes to all stakeholders. In the case of the two client departments, these stakeholders would be both internal and external and the communication strategy would ensure that they develop a clear understanding of the changes affecting them.

CSR sensitization workshop: CSR sensitization workshops would be held in at least three departments during the course of the project to sensitize them of the ongoing reform process.

Executive coaching to senior managers: Senior managers of both the client departments would be provided due support, in the form of coaching by international experts as well as handholding support to effect the changes.

Ongoing support to change agents: We will remain in continuous dialogue with change agents and PRMP so that issues are communicated properly and so that there is requisite support available for change.

13.1.3 Deliverables and timelines

Table 6 - CSR Component 1 Deliverables

Deliverables	Due by
Initial Change Management Strategy	17 December 2010
Initial Communications Strategy	17 December 2010

Detailed & Operational Change Management Strategy	24 June 2011
Detailed & Operational Communications Strategy	24 June 2011

13.1.4 Project Resources

Peter Reed will provide overall technical leadership, advisory, quality assurance and guidance through his wide range of international experience. Hamid Yaqoob Sheikh, CSR Specialist, will support him. Zahid Zaman and Abdul Mueed Khan, CSR Coordinators, will assist them in collecting relevant information and analyzing that information in their respective departmental contexts.

13.1.5 Counterparts

We envisage following officials to be our key counterparts in implementing this Component:

Livestock & Dairy Development

- Additional Secretary (L&DD)
- DG Extension
- DG Research
- Deputy Secretary Administration
- Deputy Secretary Planning
- Deputy Secretary Technical

Excise & Taxation

- Additional Director General Excise
- Director HQ, Directorate General Excise
- Deputy Secretary (Admn) E&TD

13.1.6 Key Assumptions

Key assumptions include:

- The leadership of the department will provide clear strategic direction
- The departments will support the CSR team in collecting information and will participate in the stakeholder analysis
- The departments will facilitate in rolling out the communications strategy to inform the stakeholders about the reform process
- The Departments will hold interactive sessions with the CSR team to bring clarity in their future role and direction

13.2 Component 2: Functional Reviews

Duration: November 2010 to January 2011

13.2.1 Brief Description

After the Inception Phase the first task of the team will be to conduct Functional Reviews in both the client departments. These functional reviews will build on earlier analysis and revalidate earlier conclusions wherever possible rather than 'reinventing the wheel'. The result of the FR exercise will be a report, summarizing the findings, but also identifying priority areas that would then define the scope of the subsequent HRM review and BPR reviews. The Functional Reviews should be considered to be Functional *and Management* Reviews because they will begin to consider management systems and key processes as well as the structure and functions of the Departments.

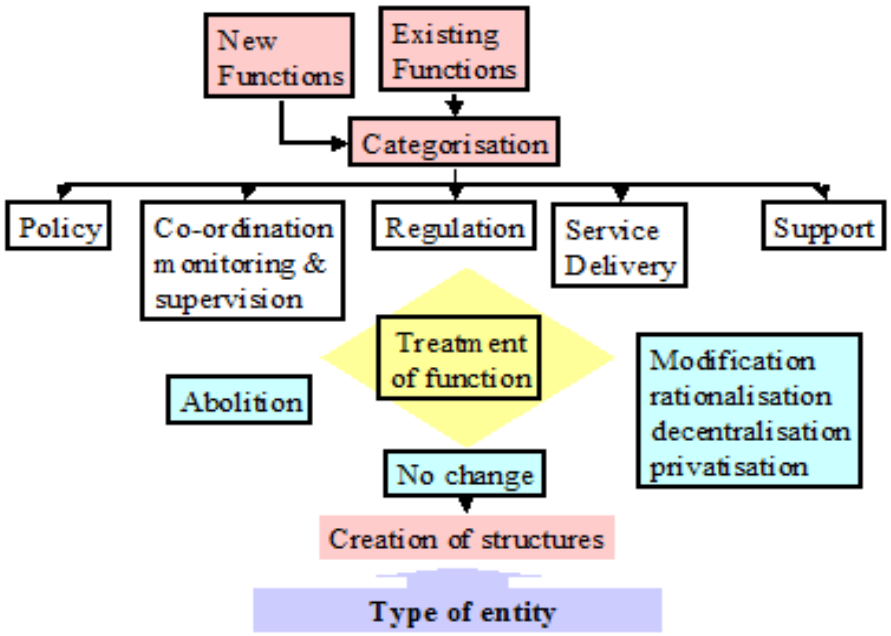
During the reviews, departmental functions would be classified as:

- **policy functions:** such as strategic planning, legal drafting, development of performance contracts, minimum standards, norms, policy analysis and evaluation, forecasting,
- **regulatory functions:** such as licensing, certification, permissions, accreditation, compliance, and financial audit,
- **revenue generating functions:** these are usually carried out by agencies such as Revenue Authorities, and institutions such as a national post office,

- **executive functions:** such as planning for service delivery and executing service delivery (providing materials and facilities; constructing and maintaining; managing national funds),
- **co-ordination functions:** such as co-ordinating relationships between bodies involved in policy making or service delivery,
- **supervisory functions:** such as monitoring the performance of subsidiary bodies and private or NGO service providers.
- **support functions:** such as financial, human resource and information management, infrastructure, staff training and secretarial services

Having applied this classification, we will then consider how each function should be treated as shown in the following diagram:

Figure 4 - Functional Review Categorisation and Treatment Flow Chart



Guiding principles for organising (re-organising) functions will be as follows:

- Group functions of the same type together for economies of scale and to maximise synergies
- Separate policy and executive (service delivery) functions
- Ensure that policy functions are performed by the central Department
- Executive functions by Districts and local government where possible
- Separate regulatory functions from executive functions to prevent conflicts of interest and corruption
- Separate support functions (such as financial management, ICT, HRM&D) from all other functions that enable the core functions of the ministry to be performed, and
- Provide equal responsibility for DGs / Directors, either in terms of volume of workload

The decision-making criteria for the destiny of functions will be as follows:

- **Identification of outputs** and key performance indicators (KPIs) for each Directorate General or Directorate;

- **Identification of divisions or current structure** of Directorates General or Directorates in each Department or subordinate body;
- **Identification of existing and new functions** of each Division or Directorate, and the categorisation by function type;
- **Analysis of functions** to avoid duplication or conflict;
- **Recommended 'destiny'** (possibly no change) for an existing or new function.

This then enables decisions to be made concerning the functions as follows:

- **Abolished** because it is not required to protect public interests, or there is no demand for them from the public
- **Transferred** to other Departments because there are greater synergies with other sectors
- **Reduced** in quality or volume because they are not a priority function relative to the goals of the Department
- **Rationalised or merged** with other similar types of function to realise economies
- **Decentralised** to lower levels of government
- **Privatised** by tender to the market for service provision (e.g. gardening, catering, cleaning, cars etc.)
- **Incorporated into self-financing national enterprises** (e.g. a nationalised Production Company)
- **Undertaken by the core Department**; (in effect probably no change)
- **Devolved to independent bodies** – e.g. Commissions
- **Delegated** to supervised bodies
- **Delegated** to Executive Agencies (at arm's length - 'Eyes on but Hands off')

13.2.2 Key activities

Functional and management review analysis: This exercise would include identifying the key functions within each client department and then reviewing primary activities within each function.

Legal and regulatory reform assessment: This would include a quick assessment and horizon scanning of all the relevant legal and regulatory laws/regulations/rules, related to the key functions of the client departments.

Draft functional review report: This report would include the findings of the FR exercise and would cover the recommendations pertaining to each key function of the client departments and would also suggest the new structures/functions for these departments.

Final functional review report: The draft report would be shared with the client departments and other stakeholders to seek their views on the recommendations. This report would then be revised in the light of these recommendations.

Revision of Rules of Business (if required): Evolving out of the FR work, if need be, the recommendations would be given on revising the relevant rules of business for the two departments. The departments would steer the work for making necessary amendments in these rules, while the CSR team would provide necessary technical assistance to achieve this task.

Summary of priority areas: This would form the crux of the FR exercise and this summary would highlight the key areas, which in turn would further define the scope of the future work under the project.

Agreement on priority areas: The departmental approval would be sought on the summary of priority areas, before doing any further work on these areas. However, these areas would be agreed upon in close consultation with the client departments and the team therefore does not foresee any hurdles in this approval.

13.2.3 Deliverables and timelines

Table 7 - CSR Component 2 Deliverables

Deliverables	Due by
Draft Functional Review Report	17 December 2010
Final Functional Review Report	14 January 2011
Summary of Priority Areas	14 January 2011

13.2.4 Project Resources

Peter Reed will provide overall technical leadership, advisory, quality assurance and guidance through his wide range of international experience. He will also provide guidance on the FR framework, to carry out the whole exercise in a structured manner. Mr. Hamid Yaqoob Sheikh CSR Specialist and Mr. Hassan Khawar BPR specialist will support him. Zahid Zaman and Abdul Mueed Khan, CSR Coordinators, will assist them in collecting relevant information and analyzing that in departmental context.

13.2.5 Counterparts

We envisage following officials to be our key counterparts in implementing this Component:

Livestock & Dairy Development

- Additional Secretary (L&DD)
- DG Extension
- DG Research
- Deputy Secretary Administration
- Deputy Secretary Planning
- Deputy Secretary Technical

Excise & Taxation

- Additional Director General Excise
- Director HQ, Directorate General Excise
- Deputy Secretary (Admin) E&TD

13.2.6 Key Assumptions

Key assumptions include:

- The leadership of the department will provide clear strategic direction
- The E&TD in particular is supportive of the FR exercise
- The departments will support the CSR team in collecting data
- The departments will provide timely feedback through out the exercise to make this whole component more meaningful
- The Departments will hold interactive sessions with the CSR team to bring clarity in their future role and direction

13.3 Component 3: Business Process Re-Engineering

Duration: January 2011 to March 2011

13.3.1 Brief Description

Business process re-engineering forms an important part of the work to be carried out under the CSR component, as per the Terms of Reference. The BPR exercise is supposed to focus on clarifying span of control; smoothening business operations; eliminating duplication and overlap of efforts; enhancing efficiency, effectiveness, and economy; strengthening internal controls; eliminating redundant procedures; introducing simple client oriented processes and procedures, and last but not the least, optimum automation of processes to achieve swiftness in service delivery. The BPR work will not only include mapping existing processes, identifying room for improvement and suggesting new processes, but would also include amendments to the existing laws/rules/regulations, and procedures, and preparing new standard operating procedures

(SOPs), tools, instruments, forms, etc. needed for reengineering of the business processes and their implications.

Business process re-engineering (BPR) is a consulting approach that achieved peak popularity among western private sector consulting firms in the mid-1980s. Defined narrowly, it focuses on streamlining processes (often using IT solutions) to achieve efficiency gains. Such efficiency gains can be quite substantial, especially where the process concerned involves many actors, is used frequently and is identical each time, as such processes lend themselves to automation. Defined more widely, BPR can also be about adjusting processes to cope with changes in mandate, mission or objective. BPR in the context of this project may not focus so much on efficiency gains (or even automation) but more on the 'basics' of business management - relevance, clarity, responsibility and accountability. As suggested in the technical proposal, within the context of this project, the BPR will initially be very much about adapting business processes to focus on the departmental objectives agreed as part of the functional reviews.

The E&TD and L&DD, like other provincial departments, engage with a number of other government agencies as well as with citizens and general pubic through a number of processes. Besides these processes, for internal management, the departments follow a number of standard operating procedures. Therefore, for simplification, the business processes within these two target departments have been classified into three major categories: Internal Processes; Government-to-Government Processes (G2G) and Government-to-Citizen Processes (G2C). The first two categories (Internal and G2G processes) are predominantly common for all the departments, where as G2C processes differ for each department, depending upon the cope of its activities. Some of the key processes in the two client departments have already been identified during the Inception Phase and are presented in **Error! Reference source not found.**

13.3.2 Key activities

Definition of key business processes in priority areas: The key priority areas will be identified from the FR exercise and the next step would be to identify all the business processes within these priority areas. This will define the scope of the BPR exercise.

Mapping analysis of key business processes in priority areas: A complete mapping of these identified processes would be done. If some of these processes have been mapped earlier, the mapping would be re-validated. These processes will be mapped into process flow charts, through using Microsoft Visio.

Development of 'to-be' processes in priority areas: This would include developing new processes, removing redundancies and making these processes more efficient and effective. These 'to be processes' would define the new way of working in these areas and will then require approval by the department.

Draft BPR report: This report would include the findings of the BPR exercise and would also cover the new proposed 'to be processes' or the areas for improving these processes.

Final BPR report: The draft BPR report would be shared with the government and after consultations and incorporating clients' comments, this report would be finalized.

13.3.3 Deliverables and timelines

Table 8 - CSR Component 3 Deliverables

Deliverables	Due by
Draft BPR Report	25 February 2011
Final BPR Report	25 March 2011

13.3.4 Project Resources

Hasaan Khawar, the national BPR specialist, will take the lead on this work, with support from Zahid Zaman and Abdul Mueed Khan, CSR Coordinators. The international BPR Expert may be required at a later stage. Peter Reed, the international CSR Expert will provide overall technical direction and methodological advisory support.

13.3.5 Counterparts

We envisage following officials to be our key counterparts in implementing this Component:

Livestock & Dairy Development

- Additional Secretary (L&DD)
- DG Extension
- DG Research
- Deputy Secretary Administration
- Deputy Secretary Planning
- Deputy Secretary Technical

Excise & Taxation

- Additional Director General Excise
- Director HQ, Directorate General Excise
- Deputy Secretary (Admin) E&TD

13.3.6 Key Assumptions

Key assumptions include:

- The counterpart team will support in identifying key functions in priority areas and developing 'to be' processes
- The departments will support the CSR team in collecting data
- The counterpart team will ensure access to key offices and officials for timely collection of information
- The departments will provide timely feedback on critical areas of BPR work

13.4 Component 4: Human Resource Management

Duration: January 2011 to March 2011

13.4.1 Brief Description

A key sub-component of the CSR work includes reviewing existing human resource management policies and practices in the two client departments and undertaking an extensive exercise to map civil/government service cadres and occupational groups working in the departments to collect baseline data for human resource planning, suggest ways and means for career planning/progression, identifying training needs, and matching qualification/experience of staff with the functions assigned to them. The CSR team is also expected to assist in implementing the proposals in the client departments.

Human resource management (HRM) can cover a very broad spectrum of subjects, including recruitment, assessment, training, promotion, transfer, professional development, legal/regulatory compliance, pay and pensions, performance and workforce administration. Therefore, as explained in our technical proposal, a key factor for meaningful HRM reform in this project will be the extent to which the two client departments are (a) granted freedom to change their policies by the Services and General Administration Department, and (b) can achieve those changes within the framework of the civil service establishment code (ESTA Code).

Our initial diagnostic assessment of HRM in the two client departments has revealed that while the management cadres, including DMG and PMS, take the lead roles in managing the client departments, the scope of these services is cross-departmental and therefore any meaningful reform effort within the two target departments need to focus on the cadres and stream within these departments.

The challenges facing human resource management in the civil service in Punjab are many and have been analysed extensively previously. Figure 5 summarises these challenges.

Figure 5 - HRM Challenges in Punjab

HRM Challenges in Punjab
Professional HRM Capacity
• No well-trained dedicated HR Wings/Unit

- Rigid regulatory framework
- Little departmental autonomy
- No HRIS

Multiple Cadres and Streams

- Various provincial cadres and streams.
- Supplemented by civil servants from the federal cadre of District Management Group (DMG).
- Management cadres, including DMG and PMS, take the lead roles in managing the client departments
- Directorates are mostly headed by technical personnel
- Multifaceted institutional structure and cadres system complicates the reforms

Recruitment

- Recruitments in provincial government are made under various government rules, which are formulated under the Punjab Civil Servants Act, 1974
- PPSC is responsible for recruitment for all positions in BP-16 + and for selected positions between BPS-11 and 15.
- Other recruitments are made by the respective departments

Training and In-Service Capacity-Building

- MPDD - the focal point within the GoPb for in-service civil service training.
- All the existing in-service training efforts are focused on management cadres and little or no in-service capacity development is done for technical or secretarial cadres/streams

Staff Performance Management

- Absence of well-defined job descriptions
- Few of the positions or personnel sharing bulk of the workload
- Little or no accountability for sub-optimal performance
- Short tenures for most of the senior positions
- Technical personnel, mostly occupying the middle tier, generally have longer tenures but have little say in managing the overall direction of the department
- Much of the performance evaluation is carried out through the age PER system

Staff Compensation & Benefits

- Severe performance-reward misalignment
- Below market compensation and benefits
- In L&DD, the veterinarians often engage in private practice to supplement their income,
- In E&TD, the revenue collection staff has no compensation linked with their performance and therefore they do not have any incentive to put in extra efforts

13.4.2 Key activities

Review of HRM policies, procedures and practices in priority areas: The first step after the FR findings would be to define the scope of the HRM review exercise and indentify the key areas, where this work would be focused. Within the priority areas the HR experts will thoroughly review the HRM policies, procedures and practices and would identify the areas for improvement, including having more relevant and crisp job descriptions, possibly introduction of an HRMIS, etc.

Draft HRM Report on Priority Areas: The draft HRM review report would identify a comprehensive situation analysis of the HRM practices in the priority areas and would indentify the areas for improvement.

Final HRM Report on Priority Areas: The draft HRM report would be shared with the government and after consultations and incorporating clients' comments, this report would be finalized

13.4.3 Deliverables and timelines

Table 9 - CSR Component 4 Deliverables

Deliverables	Due by
Draft HRM Report	25 February 2011
Final HRM Report	25 March 2011

13.4.4 Project Resources

Alan Gilmore will provide overall technical leadership, advisory, quality assurance and guidance through his wide range of international experience, while the national HRM expert would assist him in carrying out this exercise.

13.4.5 Counterparts

We envisage following officials to be our key counterparts in implementing this Component:

Livestock & Dairy Development

- Additional Secretary (L&DD)
- DG Extension
- DG Research
- Deputy Secretary Administration
- Deputy Secretary Planning
- Deputy Secretary Technical

Excise & Taxation

- Additional Director General Excise
- Director HQ, Directorate General Excise
- Deputy Secretary (Admin) E&TD

13.4.6 Key Assumptions

Key assumptions include:

- The leadership of the department will provide clear strategic direction.
- The departmental leadership is committed to bring about a significant change in the existing HR policies and practices
- The departments will support the HR team in collecting data and will provide timely feedback
- The Departments will hold interactive sessions with the CSR team to bring clarity in their future role and direction.

13.5 Component 5: Performance Management

13.5.1 Brief Description

Performance management refers to a range of management practices and concepts designed to place ‘performance’ at the centre of an organisation’s operations. Under a performance-oriented management regime, policy goals or sector-specific objectives provide strategic direction for the whole organization. Individual employees are then incentivised to work accordingly so that the whole organization can move coherently for achieving those broader objectives.

The ToRs propose the development of a performance based management system in the light of best management practices, with a particular focus on preparing job descriptions, individual and unit work plans and staff performance evaluation and development plans. Such as system would require some broad strategic direction and therefore the ToRs also call for the collection of baseline data on quality of performance in the two client departments in order to develop a set of strategic, performance, functional and process benchmarks to enable comparison between pre and post intervention operations.

The two client departments and government agencies in Pakistan in general do not traditionally follow any periodically developed (and continually updated) strategic plans[2]. Departmental priorities therefore change frequently, often with the change of leadership. Recently, however, GoPb has begun preparing development budget estimates for three years as part of the Medium-Term Development Framework (MTDF), as opposed to earlier developed Annual Development Program (ADP), which was an annual compilation of project-wise allocation of development funds. However, both ADP and MTDF have a focus on brick-and-mortar projects and do not substitute for more broad strategic plans. More recently, in order to improve the performance of govt. departments, ADB has initiated the roll-out of a results-based management (RBM) framework in Punjab. The RBM initiative is geared towards transforming public sector in Punjab from ad hoc management to results-centred governance.

13.5.2 Key activities

The consultants will ensure to keep close tab on the work being carried out under RBM initiative and would align their work with it. Broadly speaking, however, as explained in the technical proposal, the introduction of performance management tools and techniques would comprise three phases. Firstly, the team would seek client departments' agreement on departmental objectives and targets. At the second stage, a system to capture data (metrics) on the agreed performance targets would be introduced in the two client departments and thirdly, the responsibility for achieving departmental targets would be disaggregated and assigned to individual departments and staff.

Departmental policy reviews: While the HRM review and BPR exercises would initiate changes at a micro level, these changes must be inspired by a broad level strategic direction by the client departments. Therefore, overall departmental performance would be a critical area to work on. As a first step, the CSR team will review the departmental or sector policies, if they exist. Our inception findings show that in case of L&DD, a sector strategy exists, while in case of E&TD some broad goals and visions are given in the departmental presentation. This review will basically include an assessment of whether these policies are being implemented and are quantifiable.

Definition of objectives, outcomes and outputs: The next step would be to bring about a structure in these departmental policies by clearly identifying the expected impact or outcome and the outputs and inputs necessary for achieving that expected outcome.

Review of data and statistics sources: Availability of relevant data and information pose a great challenge in public sector in Pakistan and therefore it would be critical to identify and review the sources of data and statistics that would be used to benchmark departmental performance against the set targets.

Development of baselines: Once the sources of data have been identified, a baseline study would be conducted for future benchmarking of departmental performance against the set goals and targets

Baseline report: The summary of the baseline exercise would be presented in the baseline report along with the framework of future monitoring and evaluation mechanisms against this baseline.

Allocation of performance targets to sub-units: A critical step would be to disaggregate the departmental indicators and allocating sub-targets to key units within the client departments, to coherently drive the departmental performance in a single desired direction.

Report on alignment of individual appraisal system with departmental performance: This allocation must be reflected in the individual appraisal system of the employees, so that they can be held accountable for producing the agreed outputs.

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[2] The Livestock & Dairy Development Department has come up with a sector strategy paper, through assistance from DFID-funded Technical Assistance Management Agency.

Support to MTBF Year 2 sector reviews: This whole exercise will then provide support to the MTBF sector reviews in year 2, so that the future budgeting needs can be evolved out of the broad strategic sector plan. (See paragraph 13.5.7 for an explanation of how this performance management component provides the key link between the MTBF and CSR components of the project).

13.5.3 Deliverables and timelines

Deliverables	Due by
Development of performance management baseline report	30 June 2011
Report on alignment of individual appraisal system with department performance	31 August 2011

13.5.4 Project Resources

Peter Reed will provide overall technical leadership, advisory, quality assurance and guidance through his wide range of international experience. Hamid Yaqoob Sheikh CSR Specialist will support him. Zahid Zaman and Abdul Mueed Khan, CSR Coordinators, will assist them in collecting relevant information and analyzing that in departmental context.

13.5.5 Counterparts

We envisage following officials to be our key counterparts in implementing this Component:

Livestock & Dairy Development

- Additional Secretary (L&DD)
- DG Extension
- DG Research
- Deputy Secretary Administration
- Deputy Secretary Planning
- Deputy Secretary Technical

Excise & Taxation

- Additional Director General Excise
- Director HQ, Directorate General Excise
- Deputy Secretary (Admin) E&TD

13.5.6 Key Assumptions

Key assumptions include:

- The leadership of the department will provide clear strategic direction.
- The departments will support the CSR team in collecting data.
- The departments will provide the relevant data.
- Counterparts will be help in the team in analysing the key results.
- The Departments will hold interactive sessions with the CSR team to bring clarity in their future role and direction.

13.5.7 Linking CSR with MTBF through Performance Management

The Civil Service Reform efforts under this project will reinforce and support ongoing MTBF reforms primarily in the context of improved planning, evaluation and reporting on a performance basis.

One of the primary objectives of MTBF reform is to improve the strategic orientation of the budget – i.e. the extent to which financial plans align with and support wider plans and goals. One of the problems typically met by MTBF reforms around the world, however, is an absence of clear policy or programmatic goals with which MTBF can align. This is certainly a problem in GoPb – evidenced notably by the absence of sector strategies to inform budget preparation.

The performance management component of the project, therefore, promises to address this issue by enabling the development of performance frameworks that clarify departmental goals and priority programmes. This should, primarily in the course of the preparation of MTBF 2012-2015, enable budget preparation to be much more closely informed by and aligned with departmental objectives.

13.6 Component 6: Implementation Support for High Priority Initiatives

13.6.1 Brief Description

As explained earlier, the functional review exercise, along with identified priorities of the two client departments through stakeholder consultations, will define the scope of subsequent activities, by identifying selected priority areas. These areas in turn would then drive the BPR and human resource review exercises. Some of the priorities identified by the departments, though, would possibly have a broader focus than merely changing the business processes or bringing about changes in human resource system. These priorities as well as other areas identified through the diagnostics (Secondary review, Stakeholder consultations, FR, BPR and HRM review) would be then need to be considered together to identify some 'high impact priority initiatives'. Such an approach would substitute the need for having stand-alone implementation plans for HRM and BPR and would thus prevent a silo-type implementation strategy. This integrated approach would not only facilitate taking a holistic view for improving departmental performance but would also closely align the technical assistance with departmental priorities.

These 'high impact priority initiatives' would also define the focus of the project (PGEIP) in the subsequent months and would target the technical assistance on most needed, demand-driven areas. It would, however, be critical at that stage to seek re-validation by the department on these selected initiatives. Once the agreement on this plan is formalized with the client departments and the PMU, these initiatives would be knitted into a detailed implementation plan. This implementation plan would in fact provide a clear road map for future interventions. However, it should be clear that with given resources, the project will only provide the technical assistance for the rollout of these initiatives, while the departments (through formulation of a development projects) or PMU (through ring-fencing some funding from ADB loan) would supplement this work with funding for other aspects, such as hardware and software, equipment, etc.

This 'reform implementation' component has specifically been added in the inception report to cater to client departments' identified priorities and to undertake more meaningful, cross-cutting and cross-functional interventions that can result in greater impact for policy making and service delivery in the two client departments and can thus provide a model approach for similar reforms in other departments, after the conclusion of this project.

13.6.2 Key activities

Identification of High Impact Priority Initiatives: Based on the priority areas identified through the FR exercise and following the BPR and HRM review exercise some cross-cutting and cross-functional high impact priority areas would be identified.

Draft Implementation Plan for Selected High Impact Priority Initiatives: Along with the identification, the CSR team would also lay out a draft implementation plan for the roll-out of these high impact priority areas.

Approval of Selected High Impact Priority Initiatives and Final Implementation Plan: The client departments need to formally approve the high impact priority initiatives and the draft implementation plan so that during the rest of the project, the technical assistance should be focused on the targeted areas.

Roll-out of Selected High Impact Priority Initiatives: Once the implementation plan is approved, these high impact priority initiatives would be rolled-out. As mentioned earlier, the project will only provide the technical assistance for the rollout of these initiatives, while the departments will provide funding for other aspects, such as hardware and software, equipment, etc.

Review of Implementation of High Impact Priority Initiatives: Although the roll-out of these high impact priority initiatives would start immediately, the team is cognizant of the fact that there would be a constant need to carefully review the progress of these initiatives and make adjustments, if required. The team would provide continuous feedback on the implementation of these initiatives through monthly reports as well as through a six-monthly detailed review.

Validation of Selected High Impact Priority Areas: If at the time of review, there is a shift in the departmental priorities, the scope of these initiatives may be altered, to the extent possible,

following this detailed review exercise. This would allow the client departments the flexibility to adjust their approach, while learning lessons on the way.

13.6.3 Deliverables and timelines

Deliverables	Due by
Draft Implementation Plan for High Impact Priority Initiatives	29 April 2011
Final Implementation Plan for High Impact Priority Initiatives	27 May 2011
Review of Implementation Plan	25 November 2011
Modified Implementation Plan (if required)	30 Dec 2011

13.6.4 Project Resources

Peter Reed will provide overall technical leadership, advisory, quality assurance and guidance through the roll-out phase. However, other expertise may be identified subsequently, which may be required evolving out of the scope of the high impact priority initiatives. Other team members will also support the roll-out phase through inputs in their respective areas.

13.6.5 Counterparts

We envisage following officials to be our key counterparts in implementing this Component:

Livestock & Dairy Development

- Additional Secretary (L&DD)
- DG Extension
- DG Research
- Deputy Secretary Administration
- Deputy Secretary Planning
- Deputy Secretary Technical

Excise & Taxation

- Additional Director General Excise
- Director HQ, Directorate General Excise
- Deputy Secretary (Admin) E&TD

13.6.6 Key Assumptions

Key assumptions include:

- The leadership of both departments remains committed to reforms
- The client departments (or PMU) provide necessary funding for the roll-out phase, to supplement the technical assistance provided by the CSR team
- The departments will support the CSR team in implementation, through deployment of counterpart resources

Section 5: Deliverables, Personnel & Work Plan

14. Deliverables

The tables below provide an easy-to-reference schedule for the delivery of outputs proposed for the project. Text in red indicates that the proposed dates for completion have been amended from the original ToRs (or, in the case of CSR, from the schedule of deliverables issued by PRMP during contract negotiations which is considered to have superseded the ToRs). Text in *blue italics* indicates the deliverable has already been achieved. The Schedules are ordered by Revised Due Date.

14.1 Schedule of Deliverables – MTBF

No.	Deliverable	MTBF Component	Original Due Date	Revised Due Date
1	*Phases 1 & 2 review reports / Action Plans for Phases 1 & 2***	*Inception*	*31-Oct-10*	*Completed*
2	Draft MTFF 2010-13	1	-	15-Nov-2010
3	Draft BPP 2011-12	1	-	26-Nov-2010
4	*Draft MTBF BCC 2011-12*	*1*	*-*	*Completed*
5	Action Plan for improving macro-fiscal function	1	-	17-Dec-2010
6	Implementation of training plan for BO's	1	-	Dec-2010 onwards
7	Implementation of Action Plan to improve macro-fiscal function	1	-	Jan-2011 onwards
8	Sectoral reviews for each pilot department (Year 1)	2	28-Feb-11	No change
9	FMA needs assessment	4	31-Jan-11	30 Mar-2011
10	Summary of Diagnostic Assessment of Rules & Guidelines and Draft Outlines	3	-	31-May-2011
11	Options and recommendations to improve budget presentation	3	-	31-May-2011
12	MTBF 2010-13 Statements for pilot departments	2	31-May-11	30-Jun-2011
13	Report on MTBF training / Capacity Assessment Report**	2	30-Jun-11	No change
14	Draft Feasibility Report on Customization of FMA	4	31-Jan-11	01-Jul-2011
15	Final Feasibility Report on Customization of FMA	4	31-Jan-11	31-Jul-2011
16	Draft MTFF 2011-14	1	-	07-Oct-2011
17	Draft BPP 2012-13	1	-	14–Oct-2011

No.	Deliverable	MTBF Component	Original Due Date	Revised Due Date
18	Draft MTBF BCC 2012-13	1	-	14–Oct-2011
19	Draft Report on Design of Budget Execution Monitoring System	4	-	15-Oct-2011
20	Final Report on Design of Budget Execution Monitoring System	4	31-Jan-11	31-Oct-2011
21	Revised draft of amended / new rules, regulations, manuals, documents, etc.	3	28-Feb-11	30-Nov-2011
22	Revised Budget Manual	3	31-Jul-11	30-Nov-2011
23	MTBF User Guidelines / Action Plan and SOPs for implementing MTBF**	3	31-Aug-11	No change
24	Manuals / Toolkits for FMA Automation / FMA Software Operations Manual **	4	31-Aug-11	31-Jan-2012
25	Sectoral reviews for each pilot department (Year 2)	2	31-Oct-11	31-Jan-2012
26	MTBF 2011- 2014 Statements for pilot departments	2	31-May-12	30-Jun-2012*

* Depending on proposed revision of project finish date

** Assumed to be the same thing

14.2 Schedule of Deliverables - CSR

No.	Deliverable	CSR Component	Original Due Date	Revised Due Date
1	Initial Change Management Strategy	1	30-Nov-2010	17-Dec-2010
2	Initial Communications Strategy	1	30-Nov-2010	17-Dec-2010
3	Draft FR report	2	30-Nov-2010	17-Dec-2010
4	Final FR Report	2	31-Dec-2010	14-Jan-2011
5	Summary of Priority Areas*	2	31-Jan-2011	14-Jan-2011
6	Draft BPR report	3	31-Jan-2011	25-Feb-2011
7	Final BPR report	3	28-Feb-2011	25-Mar-2011
-	BPR Implementation plan**	-	31-Mar-2011	-
8	Draft HRM report	4	31-Jan-2011	25-Feb-2011
9	Final HRM report	4	28-Feb-2011	25-Mar-2011

No.	Deliverable	CSR Component	Original Due Date	Revised Due Date
-	HRM Implementation plan**	-	31-Mar-2011	-
-	HRM hand book***	-	31-Mar-2011	-
10	Draft Implementation plan for High Impact Priority Initiatives	6	-	29-Apr-2011
11	Final Implementation plan for High Impact Priority Initiatives	6	-	27-May-2011
12	Detailed & Operational Change Management Strategy	1	-	24-Jun-2011
13	Detailed & Operational Communications Strategy	1	-	24-Jun-2011
14	Development of performance management baseline report	5	30-Jun-2011	No change
15	Report on alignment of individual appraisal system with departmental performance****	5	31-Aug-2011	No change
16	Review of Implementation plan	6	-	25-Nov-2011
17	Modified Implementation plan (if needed)	6	-	30-Dec-2011

*This deliverable substitutes the 'Reform Implementation Plan'.

**Merged with Draft Implementation Plan for High Impact Priority Initiatives.

***Pending, subject to Implementation Plan for High Impact Priority Initiatives

****The title of this deliverable has changed. Earlier it was mentioned as 'Incorporation of targets in JDs report'.

15. Personnel

15.1.1 Changes

In large part we are not proposing major changes to the team structure, or the identity of team members, at the current time. However, some changes are necessary and others may be required during implementation as the project evolves.

Five changes of personnel are required:

- The Civil Service Reform Expert
- The Communications and Works Sector Expert
- The Livestock & Dairy Development Sector Expert
- The Health Sector Expert
- The Human Resource Management Expert

The reasons for these changes will be presented in writing to PRMP, at the same time as the formal request for a contract variation. These changes are in addition to the one change already made at the start of the Inception Phase: the replacement of the originally proposed Business Process Re-Engineering Expert with Hasaan Khawar.

15.1.2 Additions and Extensions to Inputs

In response to issues identified during Inception, as well as in response to some proposed changes in scope, we are proposing a series of additions to the team or extensions to current scheduled inputs. These are for the consideration of PRMP and we are more than happy to discuss the merits of these changes following submission of this report.

The proposed additions or extensions are described individually, then summarised in a table for ease of reference at the end of this section.

15.1.2.1 Additional Resource for Top-Down Implementation

As discussed in Section 3: 8.2, merely bringing more line departments within MTBF's ambit may not yield true benefits until it is coupled with the necessary 'top-down' aspects. Even if the pilot departments produce the highest quality budget submissions, this progress could be lost if FD and P&DD lack the capacity to analyse, understand and fully engage on this basis.

Consequently we are proposing the addition of two extra Financial Analysts to the team to work with FD and P&DD respectively. These FAs will be required to begin work as soon as possible (preferably at the early stages of the budget cycle), full-time for the remainder of the project. Their role will be to:

FA for FD

- Develop budget review framework (including related tools and techniques) in consultation with FD
- Design and develop training material for training of FD's personnel (in Budget and Expenditure Wings)
- Build capacity of FD's personnel (particularly Budget Officers / Section Officers in Budget and Expenditure Wings) on budget review, analysis, consolidation and finalization on an ongoing basis
- Assist FD on developing / establishing mechanism for monitoring of key 'outputs' of MTBF Departments
- Assist various budget review committees (i.e. Budget Ceilings Committee, Management Committee, etc.) on effective review and analysis of budgets
- Assist FD on carrying out other budget & expenditure analysis as and when required
- Assist FD on improving presentation of budget books (including suggesting alternative formats)
- Coordinate with IT Consultant on customizing FMA software for implementation at FD

- Build capacity of FD's MTBF Cell on an ongoing basis

FA for P&DD

- Develop budget review framework (including related tools and techniques) in consultation with P&D
- Design, develop and deliver training for training of P&D's personnel (Sector Chiefs/Assistant Sector Chiefs)
- Build capacity of P&D's personnel on budget review, analysis, consolidation and finalization on an ongoing basis
- Assist P&D on developing / establishing mechanism for monitoring of key 'outputs' of MTBF Departments
- Analyse development portfolio and compile recurrent costs of all development schemes
- Undertake detailed review of MTDF / ADP publication and suggest improvements in presentation
- Work in close collaboration with Chief (IT) and assist on carrying out budget & expenditure analysis as and when required
- Coordinate with IT Consultant on customizing FMA software for implementation at P&D

15.1.2.2 Additional Resource for HUD

During Inception it became clear that further clarity was required around the inclusion of Housing and Urban Development Department (HUD) as an MTBF pilot department. HUD is administratively separate from Public Health and Engineering Department (PHED) and has separate field formations with DDO's spread all across the province. However, both HUD and PHED are directed by the same Secretary and other senior staff.

Nonetheless the addition of HUD does represent a significant change in scope and increase in workload, in particular requiring additional assessment of extra budget submissions. According to an analysis of HUD's budget, there are around 200 budget submissions from the DDO's and in terms of this number, HUD is almost of the same size as L&DD. HUD's DDO's would thus require full time dedicated hand holding support for developing MTBF estimates. Therefore to meet this potential requirement, the project team would need to be augmented by one further FA and one further AFA.

15.1.2.3 Addition of Resource to Support Local Government & Home Departments

During the Inception Phase the team held a number of discussions with FD over its proposed vision for MTBF reform, both in terms of depth and breadth. FD indicated that if MTBF were to be further rolled out, then the addition of Home and Local Government Departments would be most logical, since this would maximise the portion of the budget covered by MTBF. The addition of these two departments would increase the coverage of MTBF from 21% of the total provincial budget to 69% (both development and recurrent).

Should GoPb decide to increase the breadth of MTBF coverage during 2011 for the 2012-2015 MTBF period, this would require additional resources (FA's / AFA's) to assist on MTBF implementation. It is estimated that 4 additional consultants (2 FA's and 2 AFA's) would be required for this purpose (along with a re-shuffling of resources).

Since the two departments differ in size, the number of consultants required for each of the department would also be different. In particular, Home Department has more than 1600 budget submissions and would thus require a larger team (compared to existing departments). Our analysis suggests that a minimum of 8 consultants (4 FA's and 4 AFA's) should be deployed to Home Department.

Since we would also be helping the existing departments (particularly those in their second and third year of implementation) on developing an 'exit strategy' and ensuring that their dependence on consultants is minimized in a systematic manner (leaving only minimal presence of consultants there), it is estimated that up to 6 consultants (4 FA's and 2 AFA's) would be 'freed' from these departments and would thus be assigned to the two additional departments. Of these, 2 FA's and 2 AFA's would be assigned to Home Department while 2 FA's to the Local

Government Department. All net additional consultants required (2 FA's and 2 AFA's) would be deployed at the Home Department.

(This above reshuffling is based on the assumption that consultants whose contracts are expiring in May 2011 continue to be available in 2011-12 budget cycle also. Please see Paragraph 15.1.2.4 below)

15.1.2.4 Extension of resource for Health and I&P in 2011/2012

While not explicitly discussed in the Terms of Reference, the man-days schedule in the ToRs proposes that 4 FAs and 2 AFAs finish their inputs mid-way through May 2011.

While we have emphasised the importance of the development of an exit strategy from consultant support, in particular for Health & I&P, such strategies are not yet in place. Consequently this planned cessation of consultant support after the preparation of MTBF 2011-2014 could present a risk to sustainability of reforms.

We therefore recommend the extension of all 4 FAs and both AFAs currently scheduled to finish in May 2011 through to July 2012.

15.1.2.5 Extension of Resource for Completion of MTBF Preparation in June & July 2012

The Terms of Reference currently propose a project end-date of 31 May 2012. The presents a problem for MTBF implementation since this would require the cessation of consultant support several weeks before the completion of the MTBF 2012-2015 preparation cycle.

May and June are, in fact, two of the busiest months in the budget calendar. During this time budget bids are typically debated and finalized, right up until the day the budget is presented to the Assembly (i.e. around mid-June). Plus, once the Assembly approves the budget, at least 2-3 further weeks are required to finalise the budget statements.

Therefore we are proposing the extension of time inputs of the full MTBF team (Deputy TL, PFM Coordinator and all FAs and AFAs) from end-May 2012 through to the end of July 2012. This is to ensure satisfactory completion of the MTBF preparation process for the period 2012-2015.

15.1.2.6 Addition of Intermittent Research Analyst Support

We also request the addition of a *reimbursable expenditure line* for Research Analysts to support both components of the project. Rather than being identified consultants with specific fee rates, we propose contracting and charging for this resource at cost to PRMP, evidenced by receipts as with all reimbursable expenditure. We propose a total budget allowance of USD 30k for this purpose.

These Research Analysts (most of whom will be graduate level personnel contracted through local Universities) have already been required in the Inception Phase and will be further required during Implementation to:

- Conduct data collection and analysis to develop an economic evidence base for MTFF and MTBF
- Conduct econometric analysis to enable revenue forecasting to support MTFF
- Support data collection within pilot CSR departments to support functional reviews and analysis of business processes and systems

These data collection efforts can be provided at minimum cost and have the advantage of freeing up the time of the primary consultants to work more closely with the client departments.

15.1.2.7 Summary of Potential Additions& Extensions

Table 10 - Summary of Potential Additions & Extensions to Team

Addition or Extension	Focus	Source
Additional FA for FD Additional FA for P&DD	Extra support to 'top-down' implementation	Consultant recommendation
Additional FA for HUD Additional AFA for HUD	MTBF pilot support to HUD for 2011-2014 & 2012-2015	PRMP proposed change in scope

Additional FAs and AFAs for Home & Local Gov't	MTBF pilot support for MTBF 2012-2015	FD proposed change in scope
Extension of FAs and AFAs in Health & I&P thru 2012	Continued support to Health & I&P for MTBF 2012-2015	Consultant recommendation
Extension of MTBF team thru July 2012	Completion of MTBF 2012-2015	Consultant recommendation
Additional Research Analyst Support	Data collection and analysis in MTBF and CSR components	Consultant recommendation

15.1.3 Authorisation

A request for the authorisation of these changes and additions will be made in the form of a single, consolidated contract variation (as requested by PRMP) immediately following the submission of this report.

15.1.4 The Need for Flexibility

In our original Technical Proposal we made the following comment in the section 'Comments on ToRs' and repeated it throughout the remainder of that proposal, as well as during negotiations.

"Throughout this proposal we highlight the need for flexibility. While this should not be seen as detracting from our commitment to deliver the objectives according to the means proposed in the Terms of Reference, we nonetheless do consider it will be important to allow some flexibility in project implementation. This is especially in order to take account of:

- *The fluid and changing reform environment*
- *The 'pilot' nature of the project (which, by design, seeks to learn by doing)*
- *The likelihood that alternative requirements and approaches will be raised and discussed during the Inception Phase*

Such flexibility may involve, for example, re-programming any person months not utilised during the Inception Phase (as discussed above) to new requirements where demand has not been foreseen in advance (e.g. the Year 2 MTBF requirements that have not yet been explicitly confirmed)."

We repeat this point here to emphasise its importance and be re-state that, without flexibility, the project's ability to meet its objectives will be constrained. We will minimize changes to the team and contract as far as possible but if we feel the project would benefit from changes, we will recommend them and ask for the client's support in approving and processing them.

16. Personnel Input Schedule

The Personnel Input Schedule shows the planned and to-date inputs of all team members. The numbers within each month represent days-input (up to 22 per month). These days are recorded either as 'Used' (historical, shaded in yellow) or 'Remaining' (planned, shaded in blue).

This Schedule does ***not*** incorporate any of the additions or extensions discussed in Section 15 above.

Table 11 - Personnel Input Schedule

No.	Name of Expert/Position		2010				2011												2012					Total Person Days Input	
			Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Used	Remaining
1	Pallu Modi	*Used*	6																					6	
	Project Director	*Rem*			6			6				5				5							5		27
2	Gareth Rannamets	*Used*	10	2																				12	
	Project Manager	*Rem*			12	11	16	16	8	11	9		15		11	3	11		19		11		11		164
3	Team Leader	*Used*	10	5																				15	
	Tass Thassim	*Rem*			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
4	PFM Expert & Deputy TL	*Used*	14.0	20.0																				34	
	Farooq Khan	*Rem*			15.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5	16.5		312.5
5	CSR Expert	*Used*	11	10																				21	
	Peter Reed	*Rem*			7	13	22		14	11		22	11			11	22				22				155
6	BPR Expert	*Used*																						0	
	xxx	*Rem*			22		22	11		22	11				22	11	11			22	22				176
7	HR Expert	*Used*	3	21																				24	
	Alan Gilmour	*Rem*			5		22		22	15		11	22	22	11		22	22	11		22	22	11		240
8	Economic Advisor	*Rem*	13	22																				35	
	Aisha Ghaus-Pasha	*Used*			22	10		11	11	11		11	21		22		22		22			22			185
9	Financial Analyst	*Rem*	14	22																				36	
	Dawood Ahmad	*Used*			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
10	Financial Analyst	*Rem*	14	22																				36	
	Javed Liaqat	*Used*			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
11	Financial Analyst	*Rem*	14	22																				36	
	Asim Ashfaq	*Used*			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
12	Financial Analyst	*Rem*	14	22																				36	
	Mazhar Khan	*Used*			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
13	Financial Analyst	*Rem*	14	22																				36	
	Abid Awan	*Used*			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418

No.	Name of Expert/Position		2010				2011												2012					otal Person Days Inpu	
			Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Used	Remaining
14	Financial Analyst	Rem	14	22																				36	
	Maood Akhtar	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
15	Financial Analyst	Rem	14	22																				36	
	Anam Hussain	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
16	Financial Analyst	Rem	14	22																				36	
	Kashif Hashmi	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
17	Financial Analyst	Rem	14	22																				36	
	Shafique Rehman	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
18	Financial Analyst	Rem	14	22																				36	
	Muhammad Ibrahim	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
19	Financial Analyst	Rem	14	22																				36	
	Ahmad Wajahat	Used			22	22	22	22	22	22	22	8													162
20	Financial Analyst	Rem	14	22																				36	
	Faheem Shah	Used			22	22	22	22	22	22	22	8													162
21	Financial Analyst	Rem	14	22																				36	
	Umar Abdul Aziz	Used			22	22	22	22	22	22	22	8													162
22	Financial Analyst	Rem	14	22																				36	
	Muhammad Faisal	Used			22	22	22	22	22	22	22	8													162
23	Assistant Financial Analyst	Rem	14	22																				36	
	Haseebul Hassan	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
24	Assistant Financial Analyst	Rem	14	22																				36	
	Umair Anwar	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
25	Assistant Financial Analyst	Rem	14	22																				36	
	Umair Azhar	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
26	Assistant Financial Analyst	Rem	14	22																				36	
	Umer Siddiqui	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
27	Assistant Financial Analyst	Rem	14	22																				36	
	Ehsan Elahi Zaheer	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
28	Assistant Financial Analyst	Rem	14	22																				36	
	Kaleem Ranjha	Used			22	22	22	22	22	22	22	8													162
29	Assistant Financial Analyst	Rem	14	22																				36	
	Muhammad Omar Saqib	Used			22	22	22	22	22	22	22	8													162
30	Sector Specialist - Health	Rem																						0	
	xxx	Used			22	22	22	22								22	22		22	22					176

No.	Name of Expert/Position		2010				2011												2012					Total Person Days Input	
			Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Used	Remaining
31	Sector Specialist - I&P	Rem																						0	
	Dr Bagh Ali Shahid	Used			22	22	22	22								22	22		22	22					176
32	Sector Specialist - Livestock	Rem																						0	
	xxx	Used			22	22	22	22								22	22		22	22					176
33	Sector Specialist - E&T	Rem																						0	
	Mohsin Asad	Used			22	22	22	22								22	22		22	22					176
34	Sector Specialist - Higher Ed	Rem																						0	
	Dr Salman Humayan	Used			22	22	22	22								22	22		22	22					176
35	Sector Specialist - PHED	Rem																						0	
	Shabir Qureshi	Used			22	22	22	22								22	22		22	22					176
36	Sector Specialist - C&W	Rem																						0	
	xxx	Used			22	22	22	22								22	22		22	22					176
37	IT Specialist	Rem																						0	
	Muhammad Sarwar	Used				22	22		22	22		22			22				22	22					176
38	IT Specialist	Rem																						0	
	Muhammad Khalid Sarwar	Used				22	22		22	22		22			22				22	22					176
39	IT Specialist	Rem																						0	
	Nayyar Iqbal	Used				22	22		22	22		22			22				22	22					176
40	CSR Specialist	Rem																						0	
	xxx	Used			22	22	22	22	22	22		22		22		22		22		22	22					264
41	BPR Specialist	Rem	5	22																				27	
	Hasaan Khawar	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
42	HRM Specialist	Rem																						0	
	xxx	Used			11	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		407
43	LDD Co-ordinator	Rem	14	22																				36	
	Zahid Zaman	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
44	ETD Co-ordinator	Rem	14	22																				36	
	Abdul Mueed Khan	Used			22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22		418
45	Capacity Building Specialist	Rem																						0	
	Tehmina Kazmi	Used					22		22			22		22				22	22						132
46	Legal Expert	Rem																						0	
	Syed Ali Murtaza	Used			11	11		22		22		22			22			22							132

17. Work-Plan

These two work-plans show how the Schedule of Deliverables and the Personnel Input Schedule relate to each other, through the timing and sequence of project activities. These plans show the deliverables shaded in dark grey and planned activities highlighted in light grey. The work-plans ***do*** currently incorporate the proposed project extension discussed in Section 15 above, since it is not possible to schedule the final MTBF deliverable any earlier than June/July 2012.

Figure 6 - MTBF Work-Plan

	Components	2010		2011												2012						
		Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
I	**Strengthening 'top-down' budgeting**																					
	a Review / asses existing macro-fiscal fuction																					
	b Draft Action Plan for improving macro-fiscal forecasting function																					
	c Assistance in implementation of macro-fiscal forecasting function																					
	d Assist FD/P&D in development of MTFF 2010-13 and 2011-14																					
	e Development of Budget Policy Paper (2011-12 & 2012-13)																					
	f Refine and improve annual BCC and MTBF BCC																					
	g Formal issuance of MTBF BCC and Guidelines																					
	h TNA of Budget Offiers in Budget Wing, FD																					
	i Develop training plan for Budget Officers in Budget Wing, FD																					
	j Implement training plan for Budget Officers in Bdget Wing, FD																					
	l Assistance to FD in development of MTBF Reform Strategy																					
II	**Supporting medium term planning & budgeting in line departments**																					
	a Set-up and running of MTBF Cell in C&W and PHE&HUD																					
	b Briefing of Core teams in C&W and PHE&HUD																					
	c Support to Budget & Priorities Committees FY 2011-12																					
	d Draft Report(s) on Departmental Strategic Review - FY 2011-12																					
	e **Final Report(s) on Departmental Strategic Review - FY 2011-12**																					
	f MTBF Capacity building workshops - FY 2011-12																					
	g **Report on training seminars on MTBF and capacity assessment**																					
	h Hand-holding support to MTBF Departments - FY 2011-12																					
	i Development of MTBF estimates FY 2011-14																					
	j **Development and finalization of MTBF statements FY 2011-14**																					
	k Set-up and running of MTBF Cell in																					
	m Support to Budget & Priorities Committees FY 2012-13																					
	n Draft Report(s) on Departmental Strategic Review - FY 2012-13																					
	o **Final Report(s) on Departmental Strategic Review - FY 2012-13**																					
	p MTBF Capacity building workshops - FY 2012-13																					
	q Hand-holding support to MTBF Departments - FY 2012-15																					
	r Development of MTBF estimates FY 2012-15																					
	s **Development and finalization of MTBF statements FY 2012-15**																					

	Components		2010		2011												2012						
			Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
III	**Update, revise rules and regulations**																						
	a	Take stock of rules, regulations, instructions and manuals																					
	b	Diagnostic review of relevant rules, regulations, instructions and manuals																					
	c	Draft outline of improved / amended / new rules, regulations, manuals, etc																					
	d	**Revised draft of amended / new rules, regulations, etc.**																					
	e	**Revised Budget Manual**																					
	f	**MTBF User Guidelines / Action Plan for implementing MTBF**																					
	g	Review of budget documentation presented to assembly																					
	h	Options and recommendations to improve budget presentation																					
IV	**Review of FMA and design of budget monitoring framework**																						
	a	**FMA Needs Assessment Report**																					
	b	Obtain, review and assess FMA and its user documentation																					
	c	Undertake quick stock of existing h/w and s/w in central departments																					
	d	Draft FMA Assessment Feasibility Report on Customization of FMA																					
	e	**Final Feasibility Report on Customization of FMA**																					
	f	**Manuals / Toolkits for FMA Automation**																					
	h	Hold discussions with PIFRA/AG on SAP																					
	i	Review of Bugdet Execution Monitoring System																					
	j	Hold discussions with PIFRA/AG on reporting under NAM																					
	k	Draft Report on Design of Bugdet Execution Monitoring System																					
	l	**Final Report on Design of Bugdet Execution Monitoring System**																					
	m	Support Implementation of Budget Execution Monitoring System																					

	Deliverable
	Activities

Figure 7 - CSR Work-Plan

	Components		2010		2011												2012						
			Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
I	**Change Management**																						
	a	Stakeholder analysis																					
	b	Development of change management strategy																					
	c	Change management strategy																					
	d	Notification of change agents																					
	e	Training of change agents																					
	f	Development of communication strategy																					
	g	Communications strategy																					
	h	CSR sensitisation workshop																					
	i	Executive coaching to senior managers																					
	j	Ongoing support to change agents																					
II	**Functional Review**																						
	a	Functional and management review analysis																					
	b	Legal and regulatory reform assessment																					
	c	Draft functional review report																					
	d	Stakeholder engagement on functional recommendations																					
	e	Final functional review report																					
	f	Revision of Rules of Business (if required)																					
	g	Summary of priority areas																					
	h	Agreement on priority areas																					
III	**Business Process Review**																						
	a	Definition of key business processes in priority areas																					
	b	Mapping analysis of key business processes in priority areas																					
	c	Development of 'to-be' processes in priority areas																					
	d	Draft BPR report																					
	e	Final BPR report																					

	Components		2010		2011												2012						
			Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
IV	**Human Resource Management**																						
	a	Review of HRM policies, procedures and practices in priority areas																					
	b	Draft recommendations on HRM modernisation in priority areas																					
	c	Draft HRM Report on Priority Areas																					
	d	Final HRM Report on Priority Areas																					
V	**Performance Management**																						
	a	Departmental policy reviews																					
	b	Definition of objectives, outcomes and outputs																					
	c	Review of data and statistics sources																					
	d	Development of baselines																					
	e	Baseline report																					
	f	Allocation of performance targets to sub-units																					
	g	Alignment of individual appraisal system with departmental																					
	h	Support to MTBF Year 2 sector reviews																					
VI	**Reform Implementation**																						
	a	Identification of High Impact Priority Initiatives																					
	b	Draft Implementation Plan for High Impact Priority Initiatives																					
	c	Approval of Selected High Impact Priority Initiatives																					
	d	Final Implementation Plan for High Impact Priority Initiatives																					
	e	Roll-out of Selected High Impact Priority Initiatives																					
	f	Review of Implementation of High Impact Priority Initiatives																					
	g	Validation of Selected High Impact Priority Areas																					

Deliverable
Activities

Section 6: Project Management, Administration & Governance

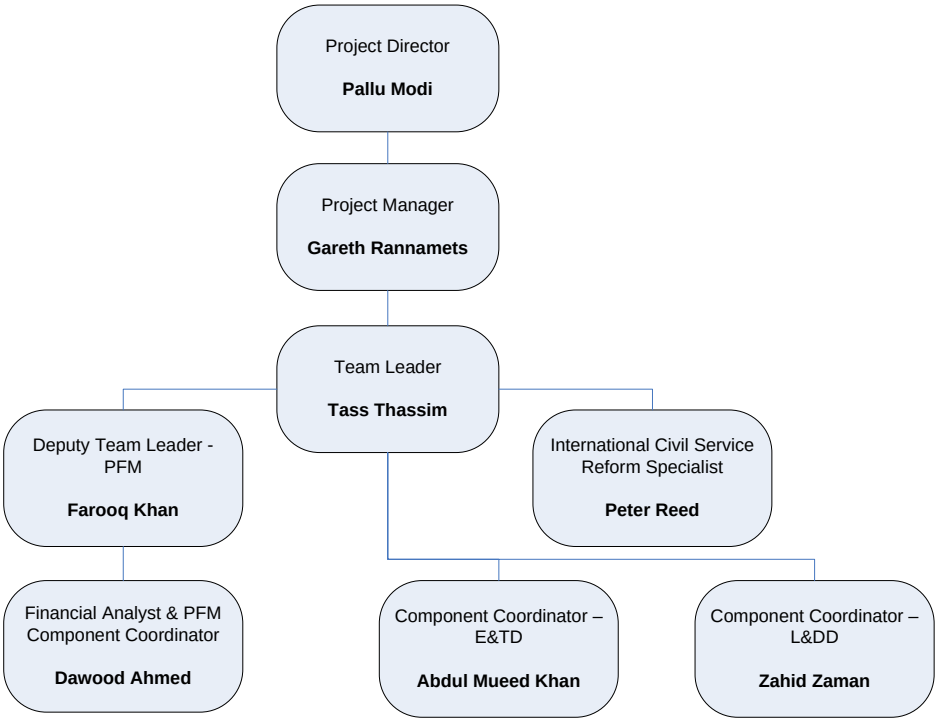
18. Project Management

In our original Technical Proposal we stated we would create a Management Team, which would "take overall responsibility for the project, managing and leading the delivery teams in each component." This Management Team remains exactly as proposed, and its role is still envisaged as that described in the Technical Proposal. I.e. the Management Team will:

- Provide overall technical direction for the project, setting project strategy and making major strategic decisions
- Be responsible for quality assurance, reviewing major outputs and reports
- Manage the personnel in the delivery teams, assessing their performance, coaching, advising and overseeing recruitment and replacement of team members if required
- Set project action plans and monitor progress towards their achievement
- Be responsible for client and counterpart relationship management at the senior level

The structure of the management team is given in Figure 8. Once more, this remains exactly as originally proposed.

Figure 8 - The Management Team



Our experience in the Inception Phase thus far has confirmed for us the validity of this structure, in particular the need for both a Project Manager and Project Director, given the varied and extensive management challenges created through the deployment of a large and multi-disciplined team.

19. Project Governance

Project governance arrangements (as distinct from project management arrangements) seek to ensure that the overall sponsors of the project, while not involved in day-to-day management, are still able to retain control over the direction of the project.

Our original Technical Proposal noted that the ToRs did not specify project governance arrangements, but stated that "our approach will be to ensure project governance arrangements are relevant, important and informed. This may involve:

- Using existing PGEIP governance arrangements where appropriate

- Using separate project governance arrangements for each component, to ensure smaller committees focused only on issues directly relevant to them
- Asking senior managers at the pilot departments to lead presentations at project governance meetings to ensure the focus is on the project, not just the consultants"

These objectives have been partially met during Inception. We have not yet established any formal Project Governance arrangements either for the project as a whole, or for each component/department. However, we have been asking senior managers at the pilot departments to lead presentations on project plans and intend to continue using this approach as far as is possible.

Furthermore, while no formal Project Governance structures have been established, PRMP has provided active, practical and clear guidance as to the requirements of the project – acting, in effect, as the Project Sponsor on behalf of GoPb. At the same time, we have been largely successful in establishing informal relationships at the level of pilot department, especially on the MTBF side where team members embedded in their departments report regularly to their counterparts on progress and issues.

It may yet be the case that we propose major project issues be addressed through the existing 3-tier PRMP Governance structure; if so this will be at PMU's discretion. Therefore we have no further recommendations regarding Project Governance at this stage.

19.1 Approval of resource changes

One early resource change was requested and approved during the first week of Inception: the replacement of the originally proposed BPR expert with Hasaan Khawar. Hasaan has played an important role during Inception and his presence on the team is a welcome addition, so we are grateful for their responsiveness to this request.

A series of further substitutions is being submitted for approval with this report, in line with PRMP's request to process all other pending substitutions at the same time. With one exception, all these substitutions have been necessitated as a result of the original proposed team members taking other job or contract offers either *in advance of* their mobilisation on this project, or simply *instead of* this project. In all cases the consortium members have applied maximum effort to retain the original team, but ultimately freelance consultants are free to choose between contract offers.

In all cases we are proposing replacement candidates whom we consider to have equal or better qualifications to those consultants they are replacing.

As the project progresses further team changes may yet be required. As strongly emphasised in our original Technical Proposal, flexibility is critical if the project is to be able to respond effectively to client requirements, lessons learned and new opportunities.

19.2 Monthly reports

Appendix B contains our proposed template for monthly reports. One shortened version of this report has already been provided two weeks following project start-up. As stated in our original Technical Proposal, "these reports will monitor progress towards agreed objectives; focus on inputs and, to an extent, outputs; highlight risks, problems and successes; and highlight where changes in the project plan are likely to be required. The monthly reports will be drafted by the Team Leader, then reviewed and submitted by the Project Director to PGEIP PMU."

The next monthly report (for November) will be submitted by Friday 3 December as per the reporting schedule below. All reports will be in Word format, accompanied by a PowerPoint presentation highlighting the main issues and actions required.

Table 12 - Reporting Schedule

Report	Due Date
November Monthly Report	3 Dec 2010
December Monthly Report	7 Jan 2011

Report	Due Date
January Monthly Report	4 Feb 2011
February Monthly Report	4 Mar 2011
March Monthly Report	1 April 2011
April Monthly Report	6 May 2011
May Monthly Report	3 Jun 2011
June Monthly Report	1 Jul 2011
Mid-Term Project Report	**1 Aug 2011**
August Monthly Report	2 Sep 2011
September Project Report	7 Oct 2011
October Monthly Report	4 Nov 2011
November Monthly Report	2 Dec 2011
December Monthly Report	6 Jan 2012
January Monthly Report	3 Feb 2012
February Monthly Report	2 Mar 2012
March Monthly Report	6 Apr 2012
April Monthly Report	4 May 2012
Draft Project Completion Report	**21 May 2012**
Final Project Completion Report	**30 May 2012**

Note: this is the same version of the reporting schedule provided to PRMP during the first week of Inception, updated to reflect comments received at that time.

19.3 Approval of Inception Report

An early draft of this Inception Phase Report was provided to PRMP on Tuesday 2 November. The final version was provided over the weekend of 6/7 November. While project implementation will not halt while this report is considered, early approval of this report would ensure no delays are faced in delivering the outputs proposed (especially those due just a few weeks following the submission of this report).

The team is more than happy to discuss any aspect of this report as required.

20. Project Administration

During the Inception Phase we recruited and mobilised and Project Administrator, who is now established full-time within the PRMP office. He is supporting project management by managing project finances, logistics, record-keeping, communications and supplies directly.

Project administrative procedures have now been largely established and will be further embedded with the visit of the UK-based Project Administrator in December.

The post-Inception Contract variation will include some small requested changes to reimbursable expenditure lines, including:

- An increase in the equipment budget, as significant expenditure was needed during Inception to make the project's 8 office locations operational
- Changes to the units (not total costs) of some reimbursable expenditure lines (primarily flights and cars), partly to reflect savings achieved
- Temporary replacement of long term accommodation costs for Team Leader with short-term per diems, at the pre-agreed rate

Appendix A: Risk Matrix

Figure 9 - PGEIP Project Risk Analysis

Risk analysis, management and monitoring table
Punjab Government Efficiency Improvement Program (PGEIP): T27111

		Before risk treatment / mitigation			Risk treatment/mitigation	After risk treatment / mitigation		
		Likelihood	Impact	Status	(Prevent, Reduce, Accept, Transfer)	Likelihood	Impact	Status
No	Risk	H=3 M=2 L=1	H=3 M=2 L=1	C x D		H=3 M=2 L=1	H=3 M=2 L=1	C x D
1	**Security**							
	Security situation deteriorates	2	1	2	**Reduce**: CA to apply standard security precautions in liaison with CA Islamabad Office	2	1	2
2	**Political Commitment**							
	There is little strategic level political support specially for difficult decisions that may be required for institutional development reforms (MTBF and CSR)	3	2	6	**Reduce**: Communication strategy may broaden the debate for inclusion of political leadership	3	1	3
	There is political instability resulting in disruption of program	1	2	2	**Reduce:** Programme to be flexible and maintains wider audience so that political instability does not hamper program related activities	1	2	2
3	**Civil Service Leadership**							
	Leadership required from key senior civil servants for implementation of program related outcomes and decisions related to PGEIP not present	3	3	9	**Reduce:** Program to seek PRMP and Government of the Punjab's intervention when required; remains flexible and regularly tests key assumptions to change course, if required	2	2	4
	Technical capacity of counterpart senior civil servants is limited, inhibiting ability to provide reform leadership	3	2	6	**Reduce**: Programme to be flexible to support reform where it is effective; workshops and associated progarms may be used particularly for MTBF for building capacity	2	1	2
	Senior staff tenure to remain stable for project continuity	3	2	6	**Reduce:** Establish contacts with more than one focal person in the departments; apprise PRMP and Government of the Punjab to raise concerns related to top level staff continuity	2	1	2
4	**Reform Structure, Coordination & Sequencing**							
	Project components particularly CSR primarily focuses on TA support though departments want implementation and associated support	3	3	9	**Reduce**: Highlight these concerns with PRMP at appropriate points for corresponding change in program design and structure	2	2	4
	Because of focus of earlier reforms in many of the chosen departments, reform fatigue may set it that may effect envisaged outputs	2	3	6	**Reduce:** Design and highlight PGEIP features that are different from earlier programs and focus on implementation as much as possible	2	2	4
	MTBF is not effectively coordinated with CSR component so that it does not result into integrated reform agenda	2	2	4	**Reduce**: Prepare clear and precise project documents in which role and responsibilities are clearly defined	1	2	2
	To provide technical support in such a manner that departments are able to manage and absorb	3	2	6	**Reduce**: Remain aware of previous and ongoing projects so that technical support does not result into repetition and redundancies	2	1	2
5	**Capacity in Departments**							
	Government is not willing to fund and reward improved performance	2	3	6	**Reduce:** Liaison with PRMP and other government departments for knowing the limitations and finding a way out	2	1	2
	High levels of staff turnover and/or inadequate counterpart availability reduce traction and sustainability of key reforms	3	2	6	**Reduce**: The program may be sequenced and paced in such a way that reforms can be sustained even in high turnover environments.	2	1	2
6	**Accountability**							
	Efforts to increase accountability/transparency through structural and institutioanl arrangements are seen as threatening and resisted	2	2	4	**Reduce**: PGEIP will communicate plans in such a manner that threat perception is reduced to minimum. **Accept**: A degree of resistance is inevitable and can be a legitimate part of a policy debate	1	2	2

Appendix B: Monthly Report Template

Monthly Reporting Template

Project Name: Punjab Government Efficiency Improvement Programme

Project: T27111

Reporting Period: November 2011

Date of Report: 3 December 2010

Submitted by: Pallu Modi, Programme Director, Crown Agents.
pallu.modi@crownagents.co.uk. +44 208 6433311

1. Executive Summary

[Concise highlights of the key issues in the report, including requested approvals or actions for PRMP and/or client departments.]

2. Programme Performance

[Narrative section explaining performance against plan for each output for the reporting period including:

- Progress on activities and outputs
- Summary of deliverables prepared in the reporting period
- Explanation for non-delivery of any particular deliverables
- Key issues remaining]

3. Resource Summary

[Analysis of resource used so far and resource remaining for potential allocation, including:

- Projection of resource use for remainder of programme and review of actual resource use against planned resource use, and
- Revised programme activity schedule and personnel input schedules with inputs colour coded into 'used' and 'remaining']

4. Administration and Coordination

[Narrative detailing any administrative issues that have or will have a material impact on programme performance and delivery.]

5. Risk Assessment

[Narrative explaining any changes in our risk assessment and actions proposed to address any new risks.]

6. Financial and Procurement Report

[Narrative explaining any material changes in financial and procurement performance against plans for period.]

7. Other Issues

[Any other pertinent issues not already addressed.]

Appendix C: Review of Earlier Reports and Projects in CSR

Earlier PRMP Studies on Civil Service Reform

Civil service reform has assumed great importance on PRMP and PGEIP reform agendas. A few background studies were conducted under different subprograms of PRMP, which laid out the foundation for civil service reform in Punjab, discussed the critical issues and identified some key reform areas.

Some of the key issues identified through earlier studies[3] were:

- The federal cadres dominated the civil service in terms of power and privileges and were assigned to most of the important and senior positions in government.
- Civil servants are over-extended in their work when performing in closed, centralized and hierarchical systems.
- There are few opportunities for both vertical and horizontal mobility.
- The civil service performance is adversely affected by corruption, interference and pressures, and being shielded from competition.
- At some levels there are a large number of cases of absenteeism and very little accountability.
- The majority are de-motivated, stressed out and indifferent to the demands of citizens resulting in a negative image.
- The roles, functions and mandates to be performed by different levels of government are unclear Administrative controls and authorities are centralized.
- There is interference in personnel decisions in the civil service, particularly in transfers, interfering with effective management of staff, increasing risk of corrupt behavior by civil servants and legislators and blunting the impetus for civil service reform.
- Over the years the role of civil service has come under focus due to weaknesses both in service delivery and regulation.
- The junior cadres are not mostly a focus of attention in the civil service reform. Their relative oblivion is to the extent that many times the term is only reserved for the central services or the higher grade management cadres
- Unlike the classical treatment of the civil service, in Punjab many activities of the civil servants are reported in the press, giving them a treatment not very different from the political leaders. This has created additional pressures for the civil service.
- The service delivery and regulation units of various departments have not received much attention and are under resourced in many cases. The civil servants placed in these units are mostly in junior pay scales and do not receive much training, if any. Without a major shift of focus to them, improvements in service delivery and regulation both may remain elusive.

Some of the key areas for reforms have been identified through these studies including:

- ensuring competencies in civil service to match skills with required needs;
- realigning work place environment to ensure a minimum performance capacity;
- building up the consequentiality of performance and linking performance with incentives;
- instituting sufficient capacity to facilitate developmental career progression; and
- calibrating accountability arrangements in line with citizen preferences.

3 **Kardar, Shahid** (2007): Civil Service Reforms in Pakistan, PRMP II, November 2007; **Laking, Rob** (2007): International Civil Service Reform: Lessons for the Punjab, PRMP II, November 2007; **Rasool, Musharraf** (2009): Calibrating the Civil Service Institutions for People's Wellbeing in Punjab - Analysis and Reform Options.

Under the PGEIP, the GoPb has then come up with the Civil Service Reform Policy in 2009, which was approved by the provincial cabinet. The policy presents a number of future interventions, within the identified areas for reform. These interventions are listed in Box 1.

Some of the other CSR reforms include developing a training strategy for the GoPb. The draft training strategy has been prepared, which envisions MPDD as the focal point for catering to most of the training needs of GoPb.

Another intervention is the institutional development work with Punjab Public Service Commission, strengthening its processes and making it a more vibrant and dynamic entity, ensuring smooth and transparent recruitment for GoPb departments.

Figure 10 - Recommendations in Civil Service Reform Policy

Key Recommendations under Civil Service Reform Policy for Punjab
Ensuring Competencies
• Optimization of government functions • Improving recruitment systems • Establishing Recruitment Policy Committee (RPC) • Developing Multi-sector Recruitment Policy (MSRP) • Decentralization and Oversight Mechanism • Strengthening Punjab Public Service Commission • Capacity development and training • Reassignment of roles to MPDD for broad-based capacity-building • Establishing Government Trainings Committee with representation from MPDD, PPSC, S&GAD, Finance and P&DD • Training Strategy • Cadre Development Plans (CDP) • Enabling Senior Management Positions • Contract Employment Policy (CEP)
Aligning Work Place Environment
• Tenure Stabilization • Upgrading work places for junior positions • Organizational Setting And Process Reengineering • Compensation Reform • Monetization of benefits • Differential Grade System (DGS) • Performance Grades System (PGS) • Competitive Salary for Senior Positions • Pension reform • Enabling Senior Management
Building Up Consequentiality of Performance
• S&GAD reorganization • Institution of Performance Based Management System • Re-Designing ACR forms • Tangible Performance Evaluation System • Linking organizational performance with individual evaluation

- Annual Departmental Performance Report (ADPR)
- Performance based consequentialities
- Strengthening Disciplinary Processes

Developmental Career Progression

- Development of a Comprehensive Promotion Policy (CPP)
- Performance Grades System (PGS)
- In situ Promotions (ISP) for some technical cadres
- Accelerated Promotion
- Internal Competitive Placement (ICP)
- Open Competitive Placement (OCP)
- Continuing Professional Development

Calibrating Accountability Systems

Review of the legal status

Promulgating a New Civil Service Law

Redress of grievance mechanism

Civil Service Oversight Commission

Information & Analysis Unit

Some of the work on civil service reform and institutional development, which was initiated outside the domain of PGEIP, includes mapping of internal processes of all the departments within the government and assigning responsibilities. This work was then expected to feed into formulating concrete job descriptions for government personnel. This work was being carried out by a specially constituted Information and Analysis Unit, under the office of Secretary Implementation & Coordination, Service and General Administration Department. The I&A Unit was also planning to develop a knowledge repository for the government after consolidating this information. Recently however, the I&A Unit has been disbanded and its activities have been discontinued. PRMP has been asked to take the I&A Unit's work to 'a logical conclusion'.

High Level Government Review

TAMA through assistance from DFID has also undertaken a high level review exercise – High Level Govt. Review - to map the *de facto* and *de jure* functions of various government departments. The initiative has indentified the redundancies ad duplications in functions as well as functional inconsistencies. This work has given some major recommendations about making the government leaner through some major reorganization.

The main purpose of the HLGR is to recommend a revised institutional architecture for the entire public sector, which sets out the core functions to be performed, the configuration of departments and the non-departmental bodies affiliated to them, together with their proposed mandates and functions. The specific objectives identified are to:

- Align the functions of all departments with the provincial government's desired policy outcomes
- Identify obsolete functions, and areas of overlap and duplication in departments, their attached departments and autonomous bodies
- Ensure that related government programmes and functions are appropriately coordinated
- Establish clear roles and measureable outputs (in the recommended next phase of the exercise) for each department
- Identify the most appropriate institutional form to carry out the proposed functions.

The HLGR has done mapping and functional review of the L&DD department and has recommended merging it with the Agriculture Department as part of broad reforms at the top level of the government.

The report is relevant to PGEIP in two contexts i.e.

- it has done mapping of current activities of the department, which help to understand the overall scope and objectives of the department;
- It has done functional review of the department, which could be a guiding tool to see the future directions of the reforms.

Reports Related to Livestock and Dairy Development Department

L&DD Farmer Survey – Benchmarking Service Delivery

This report is based on an exercise, which is conducted to collect quantitative data and statistics of farmers for the purpose of benchmarking. A total of 832 livestock farmers in five cities, namely Bahawalpur, Bhakkar, Chakwal, Gujrat and T.T.Singh, were asked to fill out a questionnaire. These farmers come from different demographical, geographical, economical and cultural locations.

The data is collected by means of a questionnaire and the structure of which was designed after deliberation with the farmers and L&DD officials. The questionnaire are based on a variety of open and close ended questions that inquired the individuals about:

- the different types of animals and their respective quantities;
- the facilities provided to them by the Livestock and Dairy Department (L&DD) and their level of satisfaction with these facilities;
- the breeding methods and other common practices used by these individuals;
- common issues that the livestock farmers face;
- the general health of the animals

General findings of the report are that awareness among the livestock farmers of the importance of facilities available to them is lacking. Therefore, L&DD should provide means of transport to the farmers living in remote or hostile terrain to bring their animals for check up. Work can also be done in creating mobile livestock help centers because that would save a lot of hassle for the livestock farmers and would go a long way in winning their trust. It is important that emphasis is placed on creating more veterinary facilities without compromising on the quality of the service. L&DD officials should visit the farms more often in order to be better acquainted with their needs. Safety injections against anthrax and ranikhet should be given more often. Artificial insemination should be given a preference over natural insemination as that would save precious time and energy. Respondents were largely dissatisfied with laboratory officials' services. Efforts should be made to make the lab staff more efficient

The survey is a good starting point for bringing CSR reforms as it gives the overall understanding about the major stakeholder of the department. It also has indicated some serious issues in terms of service delivery , which could become basis of future focus and reforms of the department.

L&DD Employee Satisfaction Survey

The report is based on a survey conducted to find out the current state of employees of the department. In the survey, 30 employees were asked to fill out the questionnaire. They all were permanent employees of the L&DD and had been working there for quite some time. Due to prevalent flood crisis in the province, the team was able to travel to Bhakkar and T.T. Singh.

The survey has focused on the staff morale and motivation by asking various questions like

- kind of support from the head office being provided to the staff
- level of communication between head office and field staff
- need for restructuring of the department

- level and quality interaction of filed staff with the farmers
- accountability of the staff
- quality of service delivery provided to the farmers
- overall understanding of staff regarding strategic goals of the department
- career and promotions expectation
- current appraisal system
- clear job description
- authority of the staff to make independent decisions i.e. level of decentralization
- personal satisfaction of employees
- workload and targets assignment etc.

The overall findings of the report are that employees are generally satisfied with L&DD as an employer. There is however a need for providing adequate support from Head Office to the field staff. L&DD should do better if it restructures Head Office and removes duplications. Information gap exists between the employees and L&DD when it comes to defining of mission. A vast majority of employees has complained that there is no established career path for them. The rewards given to them are not enough as compared to their efforts etc.

This study is very useful to understand the overall state of employees and level of their satisfaction with the department as well as their expectation. This would again become the basis of recommending reforms in CSR project.

Livestock Sector Strategy

The aim of this strategic paper is to present a holistic vision for livestock and dairy development sector within the specific context of the Punjab, and to illustrate not only the ongoing efforts, but also to address existing gaps in order to achieve the goal of boosting the livestock and dairy potential within the province. The paper also takes cognizance of some of the evident constraints being faced by the sector and briefly identifies and assesses prior efforts to address these constraints.

The paper identifies overall goals of the livestock development strategy and identifies some major objectives, and thematic areas considerations for this sector. Corresponding sub-sections draw attention to the salient issues and corresponding measures required in order to achieve the stated goals of the L&DD specifically with regards to the need to address six thematic areas. These include need for:

- institutional development
- undertaking human resource development
- improved livestock management, with a special emphasis on husbandry, health and production will be discussed thereafter
- marketing and investment related considerations, with a due emphasis on value addition, exports, etc. Increased productivity of livestock products and by-products
- the role of private sector and public-private partnerships in helping harness the potential of the livestock sector
- regulatory regime

The strategy paper also provides a consolidated strategic framework for each of the proposed interventions, which allocates specific responsibilities, and describes the required inputs and expected outputs (including quantitative estimates), as well as compliance mechanisms. Moreover, as the proposed action agenda is time-bound, an indication in this regard is also provided within an action plan for implementation, which prioritizes interventions as high, medium or low, and allocates more precise responsibilities, and identify potential sources for funding.

The strategy document is a very useful for understanding the objectives and priorities of the department. It clearly spells the areas of intervention for the future reforms and that could become the basic framework of reforms under CSR project.

Livestock and Dairy Development Department: Rapid Sector Review (1st report May 2010)

The reason indicated for conducting this review is that traditional methods of developing annual budgets do not facilitate long term planning for change. Any changes in expenditure in either the current or development components of the budget are most often developed annually on an incremental basis. The development budget is often developed over a 3 year period. However within the annual July to June budgeting cycle, revised estimates are most often required in February-March necessitating changes in priorities and the need to obtain additional funding from a supplementary budget within consolidated revenue. This can be disruptive for long term planning. The introduction of a medium term budgetary framework strategy provides a strategy for long term planning for change within the L&DDD. This strategy is based on a cycle of 3-6 years, although some of the recommendations made herein for the restructuring of the department will require a timeline of at least 10 years.

The review provides:

- an analysis of the current and development budgets within programs from 2006-7 to 2009-10.
- comments on the internal processes used to generate these budgets.
- a detailed review of policy objectives which will develop as the *modus operandi* of the L&DDD evolves over the next 15 years.

The paper also conducts departmental overview including:

- description of sector objectives (provincial) e.g. policies and objectives, mission statement;
- overview of key issues and challenges being faced by the sector (including projects/programmes) in the medium and long term;
- overview of the departmental priority programmes and activities;
- description and analysis of present functions and budgets within the provincial sector policy. Assess appropriateness of the activities of the provincial department in the sector;
- description of responsibilities for setting and monitoring output indicators and the mechanisms that exist or are being developed for reporting this information; and
- summarize provincial budgets and expenditures for FYs 2006/07 to 2009/10, disaggregated according to: current and development; and within major program, functional and economic classifications.

The report also analyzes department's performance and monitoring framework for:

- policy objective: a description of the policy area to be addressed and the specific policy objectives that are intended to be achieved over the MTBF period;
- outcomes/outputs: a description of how progress is monitored against policy objectives. Assessment of monitoring indicators where they exist; and suggestion, time permitting, of indicators based on international experience where they do not.

The report also summarizes the current provision of services in the policy area including:

- recent and present output levels (progress in achieving targets by indicators); and,
- assessment of the extent to which required service levels are being met including the quality of service delivery

In addition to above, the report explains the historical role of the department, its mission and importance of the sector in the economy of the province. It discusses the future structure of the department and recommended to establish Regional Services Centers to provide services to the farmers. Further it discusses the employment conditions of the staff, identifies relevant issues and makes certain recommendations to improve them. Further, the report identifies issues and make recommendations on farmers cooperatives, the management of government farms, breeding strategies for small holder farmers, education sector, developing infrastructure for meat industry, poultry sector, Animal nutrition research, strategies to develop micro well-being of small holder farmer communities etc.

The report has addressed the need to adjust the future direction of the department. It can be especially important in view of its recommendation for institutional and services reforms. The suggestion could become the basis of intervention for the future.

Livestock and Dairy Development Department: Rapid Sector Review (2nd report August 2010)

These two reviews form a part of recommendations for the reform of governance processes initiated by the Government of the Punjab in five departments within the Punjabi Public Service through the Punjab Resource Management Program (PRMP). These reforms are designed to be wide-reaching and cover financial planning and management, the services provided to clientele in both animal health and production extension, the contributions of research facilities to scientific endeavor associated with animal production, the management of human resources within the department and linkages with private industry to meet production objectives.

The report has done benchmarking. It is the process of comparing the business processes and performance metrics including cost, cycle time, productivity, or quality to another that is widely considered to be an industry standard benchmark or best practice. Benchmarking provides a snapshot of the performance of the business and helps one understand as to where they are in relation to a particular standard. The benching marking has been done by comparing the in international perspective i.e. with Livestock Department Sindh, Thailand, Myanmar, Bangladesh, Philippines, Japan, India (3 different regions) Sri Lanka and Vietnam.

This report identifies the major challenges being faced by the sector and then provides current state and resources of Livestock Department. Then it benchmarks those with the other countries and recommend policy guidelines as basis for making changes in order to improve the efficiency of the organization.

The suggestions emanating from the benching marking are very useful for understanding and developing the strategic goals and reforms for L&DD. The CSR project will take into account all those recommendation.

Workforce Readiness to Change Assessment Workshop Report

The report is based on series of meetings, interviews and one-day workshop to assess the readiness of change within L&DD and also to find obstacles to change. The main focus of this report is based on upcoming changes through PGEIP considering the existing situation of L&DD.

The reports identify the concerns of the participants mainly:

- institutions concerned with reform implementation hardly have time to complete one reform program and evaluate them.
- lack of effective monitoring and evaluation mechanisms in the design of earlier reform programs.

The report has then done a situational analysis wherein few major areas are discussed i.e. communication within the organization, issue of trust between management and employees, leadership, perception of employees about change and organizational culture.

Afterwards, It gives findings of the workshop based on the input and observations, which are presented in a tabulated form for better understanding of different dimensions of the components from the workforce's point of view. It has given findings on organization support, perception, leadership, trust, communication, culture, environment and employee attitude and behavior component. Finally, based on the data, observations and inputs of various stakeholders, it has given a finding that the Livestock & Dairy Development Department, Government of the Punjab's workforce is ready for the change being brought under the Punjab Government Efficiency Improvement Program.

The final part of the report has given recommendations and 'final word of advice' for the reform initiative within the department. These recommendations are extremely relevant for PGEIP as those have been made very recently in the context of PGEIP and also give a very direction in term of managing Change.

Reports Related to Excise & Taxation Department

In addition to interviews and workshop assessment, following reports have been perused for the purpose of review and analysis:

- Fiscal and Financial Management Reform: Taxation Reforms (October 2009)
- Rapid Sector Review: Institutional Development (March 2010)
- Excise and Taxation Department: Benchmarking Exercise (May 2010)
- Review of on-going Policy Reform Project and associated incentive structure

Fiscal and Financial Management Reform: Taxation Reforms (October 2009)

The report presents situational analysis in terms of tax administration and different taxes, captures business processes with regards to different taxes collected by E&TD. It then furnishes a list of gaps and recommendations including governance, tax policy, capacity, customer services, taxes, technology etc; this represents a very broad range of recommendations, the implementation priority and details have been left for the department to decide. At the end, the report provides a time bound action plan divided into four sections; General, Urban Immovable Property Tax (UIPT), Motor Vehicle Taxation and Professional Tax. The analysis, gaps and recommendation lists most of the potential areas of reform; however, because of covering so many aspects, these might be at the expense of details, priority and specificity for an implementable program.

The situational analysis of the tax base provides interesting benchmarks in terms of total taxable entities. For UIPT, the study establishes total number of taxable properties and the quantum of exemptions; it also splits the revenue from commercial and residential properties and highlights the potential provincial revenue loss. The report provides qualitative analysis of the property database that is available and kept by E&TD. In addition to providing quantitative analysis, the report also comments on the policy aspect by discussing the essential criteria that is required for a successful implementation. For MVT and professional tax, the report provides a similar situational analysis whereby discussion the existing tax base, tax rates, human resources and computerization. In conclusion to these segments, the report mentions policy prescriptions for these areas.

Business processes section captures existing business processes for UIPT, MVT, Token Tax, and Professional Tax. For UIPT, these business processes have been set out in detail including preparation of taxable database and valuation list, demand register, collection and recovery process, enforcement, penalties, refunds and appeal procedure. Similarly processes are discussed in detailed for MVT, Token Tax, and Professional Tax.

The last section of the report lists major gaps and recommendations, however as mentioned above, the scope of the report covers many areas, which may be necessary, though with the accompanying dilution effect. For example the report acknowledges that institutional framework is beyond the scope of the terms of reference of the consultants, nevertheless, it is imperative to discuss as such. It then provides different institutional models and recommends that one of the models be investigated further to reach an optimal solution. Similar in human resource development, the report talks about review of staffing levels, salaries/performance related pay, promotions for correct experience etc; however, the detail passage is missing. Some of the recommendations could be implemented immediately, though there may be a need for prioritization in this report.

Benchmarking Study

The Benchmarking Study has been launched in context of major reform initiatives launched by Government of the Punjab; through this report the provincial government has endeavored to assess and benchmark human resources, customer satisfaction and different taxes in E&TD. The objective of the benchmarking exercise as stated in the report is to assess E&TD status by conducting:

- Benchmarking exercise
- Business processes benchmarking

- Human Resource processes and systems benchmarking
- A comparison as far as possible with relevant organizations

Interesting comparisons have been drawn in terms of collection of taxes, availability and deployment of human resources and compensation packages offered to Federal and other provincial employees. The report captures business processes in the present tax regime including UIPT, MVT and professional tax and also depicts the present state of computerization in various provinces; in doing so it provides recommendations and suggestion with respect to other countries and regimes. Staff and customer satisfaction surveys have also been developed as part of the benchmarking report.

The report starts with overall departmental overview and comparison of tax collection rates with other similar organization such as FBR and with other provinces. It collates data for different type of provincial taxes and also the quantum of taxes collected by E&TD to gauge the importance of E&TD within the spectrum of provincial revenue.

The first area to benchmark is human resources; the report provides analysis on sanctioned posts, composition of staff by pay, comparison of staff with FBR/other provinces, staffing relative to taxable properties and comparison of training with other similar organizations. Analysis of written procedures and staff satisfaction surveys, designed but not carried out that could provide benchmarks for future reform activity, form part of the report. The next section elaborates on benchmarking customer services including customer satisfaction survey; a sample survey is designed for the purpose, however, it is not carried out.

Next sections of the report benchmark various taxes that fall under the regime of E&TD; UIPT, MVT and Professional Tax. Starting with local property taxes in various countries, the benchmarking study provides interesting comparisons of local property taxes with regards to percentage of GDP. The valuation approaches are then discussed, which highlight the policy differential in Pakistan as compared to other countries. The report talks about indexation of tax rates and focuses on potential revenue loss, exemptions and reliefs. Business processes with regards to different taxes including UIPT, MVT and Professional tax are also mapped; these processes are collection and payment processes. Thus, a thorough benchmarking of processes such as collection and payment of different taxes is performed.

Benchmarking report adds value to the reform process by providing a baseline to human resource capacity, processes and by performing comparisons with other countries tax targets and with other similar organizations. The benchmarking exercise could be a very useful tool in the reform process since its findings could be employed later on to compare performance in diverse areas such as human resources, tax collection etc. In this way, the results of this exercise could be used as a guide to assess that if the reforms are achieving the required targets and performance measures or not.

Rapid Sector Review

This study has been undertaken with reference to Medium Term Budgetary Framework (MTBF); an exercise that has been initiated to provide strategic focus to E&TD by linking its policy objectives with budgets and expenditure. The report provides a departmental overview highlighting key issues faced by E&TD, though in most of the part, the focus of the report remains budgeting, expenditure management and their linkages with policy development and communications. Since the focus of the report is budgeting procedures, it discusses various aspects of budgets; classification of budget on functional lines, breakdown of budgets and policy priorities. E&TD is different from other departments in the sense that it is revenue generating department making it one of the few areas where provincial government can raise its own revenue. Rapid Sector Review highlights E&TD budgeting, performance and monitoring frameworks while also furnishing recommendations in this regard.

The report focused on assessment of how policy objectives are defined and monitored in E&TD so as to know that if department's programs are helping in achieving departmental objectives. Rapid Sector Review entails departmental overview, performance and monitoring framework, performance and budget/expenditure trends and recommendations.

The study is carried out in context of Medium Term Budgetary Framework (MTBF) and states that before the introduction of large scale reforms in areas of functional review, business process re-engineering, new HR reforms and financial reforms related to MTBF, Government of the Punjab planned to undertake a series of Rapid Sector Departmental overviews involving Excise and Taxation, Livestock and Dairy Development and Higher Education Departments.

Rapid Sector Review describes the environment in which department operates, provides description of policy objectives, key issues and challenges faced by the sector; it also gives relationship with vertical programs of Federal Government, a brief description of monitoring outputs and a summary of budgets for the preceding years. The report studies in detail departmental performance and monitoring framework and recent performance and budgetary trends for both current and developmental aspects.

Ongoing E&TD Incentive Policy Exercise

This exercise is a very interesting and well thought out experiment in terms of performance management and human resource development. The report basically summarizes qualitative and quantitative rationale for different types of performance management measures that are in the process of being implemented.

Appendix D: Outline Budget Policy Paper

Budget Policy Paper (BPP)
A suggestive outline
September 2010

I Priorities of the Government

[Establish what the priorities of the government are in the upcoming budget/financial year including brief explanation relevant rationale. For example law and order / infrastructure, etc. These are typically provided by the political hierarchy. Care should be taken that each priority is carefully defined and articulated, preferably in the medium term perspective, keeping in mind that everything does not become a priority]

II Medium Term Fiscal Framework including economic and revenues outlook

[This sets the relevant economic context of the Province in which it is operating and presents key economic indicators like GDP, growth, employment, inflation, revenue targets, etc. Snapshot of a macro-economic framework would be useful as well. These are followed by a medium term fiscal framework with in the relevant macroeconomic perspective]

III Fiscal targets for revenue, expenditure and budget balance (surplus/deficit)

[Present global balances of expenditure and revenue. For example this could include sectoral ceilings, etc which should reflect priorities. II and III could also me merged]

IV Expenditure ceilings (for line departments)

[With in the context of provincial priorities and III present current and budget ceiling for line departments]

V Assumptions, risks and contingencies

[Disclose key budget assumptions and highlight critical risks facing budget and also what actions are needed to mitigate them]

Notes:

1. BPP should be developed jointly by Finance Department and Planning & Development Department and presented before Cabinet for deliberations and approval. BPP should guide the process of Budget Call Circular.
2. Budget ceilings for line departments agreed in the BPP should be used communicated through Budget Call Circular to all line departments. This provides and shall serve as an essential element of 'predictability' required for budgetary planning with in line departments

Appendix E: Outline Medium Term Fiscal Framework

PROPOSED OUTLINE
MEDIUM TERM FISCAL FRAMEWORK OF PUNJAB
2010-11 TO 2012-13

1. Introduction
2. Objectives and Value of MTFF
3. Development Potential of Punjab
3.1. Sources of Growth
3.2. Infrastructure Gaps
4. Macroeconomic Framework for Punjab
4.1. Projections of National Economy
4.2. Relationship between Pakistan and Punjab Economy
4.3. Impact of Floods
5. Fiscal Trends in Punjab
5.1. Level of Expenditure
5.2. Composition of Expenditure
5.3. Extent of Self-Financing
5.4. Sources of Finance of ADP
6. Projection of Federal Transfers
6.1. The 7th NFC Award
6.2. Development of GST on Services
6.3. Evolution of Tax-to-GDP Ratio
6.4. Divisible Pool Transfers
6.5. Straight Transfers
6.6. Grants
7. Provincial Resource Mobilization
7.1. Development of Provincial Taxes
7.2. Development of Non-Tax Revenue Sources
8. The Provincial Resource Envelope
8.1. Federal Transfers
8.2. Own Revenues
8.3. Capital Receipts
8.4. Financing for Flood Reconstruction
8.5. Public-Private Partnerships
8.6. Analysis of Risks
9. The Budget Framework
9.1. The Development-Current Expenditure Link
9.2. Methodology for Projecting Expenditure
9.3. Sensitivity Analysis of Projections
10. Provincial Development Priorities
10.1. Key Development Goals and Objectives
10.2. Flood Reconstruction Program
10.3. Infrastructure for Development and Enhancing Competitiveness
10.4. Achieving the MDGs
10.5. Balanced Regional Development
10.6. Rationalising the Throwforward of Projects/Programs
11. Provincial Expenditure Projections

11.1. Salary Projections
11.2. Consequences of the 18th Amendment
11.3. Allocations in Recurring Budget
11.4. Sectoral Composition of ADP
12. Department-wise Expenditure Ceilings

Annexures

A-1 Sector Objectives, Goals Strategy and Programs
A-2 Revenue Potential of GST on Services
A-3 Damage Needs Assessment of Floods in Punjab
A-4 Modelling the Economy of Punjab
A-5 Modelling Provincial Finances

Appendix F: Summary of Identified Issues on MTBF Reform

Table 13 - Summary of MTBF Issues

Sr. No.	Key MTBF Issues	Action Required by
1.	Lack of clarity on the ultimate goal / reform objectives of MTBF	ADB, PRMP, FD, P&D
2.	Timely initiation of MTBF activities	PRMP, FD, P&D
3.	Pro-active Steering Committee	PRMP, FD, P&D
4.	Raising profile of MTBF reforms	PRMP, FD, P&D
5.	Simplification of / refinements to MTBF forms	Consultants, FD, P&D
6.	Sustainable PFM capacity building	FD, P&D
7.	Limited impact of budgetary ceilings	FD, P&D
8.	Credibility to budgetary ceilings	FD, P&D
9.	Timely issuance of Budget Forms (“BM Forms”) (After issuance of BCC)	FD
10.	MTBF perceived as ‘performance budgeting’	PRMP, FD, P&D
11.	MTBF confined to current budget	FD, P&D, Line Departments
12.	Integration between current and development budget	FD, P&D, Line Departments
13.	View MTBF in the wider context of PFM reforms	PRMP, FD, P&D
14.	Phasing and piloting (horizontal and vertical) of MTBF reforms	PRMP, FD, P&D
15.	Linking Provincial MTBF with federal initiative	PRMP, FD, P&D, MoF (Fed Govt.)
16.	Activation of MTBF Federal –National Coordination Committee	PRMP, FD, P&D, MoF (Fed Govt.)
17.	MTBF as ‘entry-point’ for launching wider budget reforms	PRMP, FD, P&D
18.	Political and institutional focus of MTBF	PRMP, FD, P&D
19.	Pro-active use of technical assistance	PRMP, FD, P&D
20.	Effective Sector Review	- PRMP, FD, P&D, Line Departments
21.	Necessary structural changes required in FD to support MTBF implementation	PRMP, FD
22.	MTBF Cell in FD and P&D	FD, P&D
23.	Institutionalization of reforms	PRMP, FD, P&D
24.	Automation and Financial Management	PRMP, FD, P&D, Line Departments

Sr. No.	Key MTBF Issues	Action Required by
25.	Clarity on terminology (MTEF and not MTBF)	PRMP, FD
26.	Deployment of FMA	PRMP, FD, P&D, Line Departments
27.	Printing / publication of MTBF Statements 2009-12 / 2010-13	PRMP, FD
28.	Over-all budget coverage under MTBF is limited (to around 21%)	PRMP, FD
29.	'MTBF tide' to-date seems to be flowing 'bottom-up' which may lead to fiscal un-sustainability	PRMP, FD
30.	'Top-down' aspects of budgeting remains weak both in terms of institutions and processes;	FD, P&D
31.	Technical assistance showing 'line department' bias. Limited/negligible TA to FD and P&D	ADB, PRMP
32.	Macro-fiscal capacity at FD needs improvements	PRMP, FD
33.	Lack of capacity / institutional arrangements at line departments for budget prioritisation	Line Departments
34.	No mechanism in place to monitor outputs / outcomes of spending entities	Line Departments

Appendix G: Initial Review of Business Processes in Pilot Departments

Table 14 - Summary of Existing Business Process Analysis in L&DD and E&TD

PROCESS	DEPARTMENT	CATEGORY (Internal: I; G2G; G2C)	STATUS/COMMENTS
Document/File Management and Internal Decision-Making for Various Accounts	E&T/L&DD	I	This process forms the crux of the functioning of any government department, whereby all the critical decisions are taken in official files. These files are processed through the relevant hierarchy of officials and the competent authority, for any specific decision, finally disposes of the file by taking a decision. Sometimes, on the same file, comments are sought form different govt. agencies for bringing in technical perspective. This process is primarily governed by the Rules of Business, Secretariat Manual and in some cases certain other regulations such as Punjab Delegation of Financial Powers Rules (Amended 2006). While these processes are easier to map, there are a lot of redundancies in this processes, as the file is generally initiated at the Section Office level, where the subordinate staff develop some brief write-p about the issue in hand and the concerned Section Officer depends the file to the Secretary of the department, through the Deputy Secretary and often an Additional Secretary. In most of the departments, bulk of the decisions are taken by the Secretary, and the offices of DS and AS just provide the relevant comments or ensure that the file contains all the necessary information to help the Secretary take a decision. Similarly, the Directorates seek approval for various issues through the same process by sending request to the Secretariat. A similar process is followed to seek Chief Minister's approval for critical decision, through initiation of a summary.
Preparation of Annual Budgets and Expenditure Management	E&T/L&DD	I	Although Finance Department is finally responsible for compilation and consolidation of annual budgets for approval by the provincial legislature, the departments take the lead in preparation of the annual recurrent and development budgets. Recently, the Medium Term Budgetary Framework initiative has also been initiated, which has been dealt with in detail within the first component of the project. For development budget, the Planning and Development Department plays a key role, in terms of allocation of the overall budget ceiling and approval of development schemes. For expenditure management, the Secretary acts as the Principal Accounting Officer and is responsible for overall financial management in the department and its subsidiary organizations. Under the Secretary, a number of controlling and spending level Drawing and Disbursing Officers work. These processes generally have a cross-departmental scope and are partly dealt with under MTBF and therefore would not be included in the CSR component.

PROCESS	DEPARTMENT	CATEGORY (Internal: I; G2G; G2C)	STATUS/COMMENTS
Personnel Management (Postings, transfers, disciplinary actions, promotions, etc.)	E&T/L&DD	I/G2G	The top management (BPS-19 and above) of the provincial departments is generally put in place by the provincial govt. through the Services & General Administration Department, with the approval from the Chief Ministry. Similarly for BPS-18, the same function is performed after approval from the Chief Secretary. However, for technical staff, the Secretary plays a key role for postings, transfers, etc. Punjab Public Service Commission on the other hand is responsible for recruitment in BPS-17 and above. The HR sub-component of the current project deals with all such issues in detail and therefore any BPR requirements or recommendations for these process would evolve out of that work.
Policy Formulation & Approval (Also regulatory changes, etc.)	E&T/L&DD	I/G2G	The provincial departments generally formulate the draft policies, which are then approved by the Chief Minister or the cabinet. However, there is no such uniform process followed in all the departments and most of the decisions are either dictated by the incumbent leadership of the department or through adhoc directives from various quarters. Sometimes, specific functional area gains prominence due to donor support or other external factors. In case of L&DD, however, there is a medium-term strategy, developed through assistance from DFID, which has been approved by the CM and dictates the policy and vision for the department. In case of E&TD no such document exists, however, it can be presumed that the department generally functions with the unsaid goal of achieving revenue targets.
Development Planning	E&T/L&DD	I	Most of the development schemes are conceived either by the department officials and management or are developed around needs identified through political leadership or other stakeholders. Once a scheme is identified, a PC-I is developed and is approved by the relevant forum (DDSC, DDWP, PDWP, CDWP, ECNEC). These schemes jointly then form the development portfolio for the department. In recent years, the GoPb has come up with a three-year Medium Term Development Framework to correspond the to the MTBF exercise. While this process is structured for a given scheme, there is generally a planning process vacuum at the strategic level, which should dictate the overall planning priorities, project identification, project appraisal in line with departmental policy and vision, etc.
Research & Development and Its Linkage with Extension	L&DD	I	Presumably, there is no string linkage of R&D with extension services, however no mapping has so far been done. Recently, DFID-funded TAMA has undertaken similar work in Agriculture Department, which may be reviewed to capitalize on similarities and lessons learnt.

PROCESS	DEPARTMENT	CATEGORY (Internal: I; G2G; G2C)	STATUS/COMMENTS
Statistical Data Collection Revenue Forecasting	E&T	I	This is a critical function to forecast future revenues, however this process/function has not been mapped earlier.
Approval of Budget, Supplementary Grants and Re-appropriations	E&T/L&DD	G2G	These processes have already been mapped under DFID-funded TAMA project
Approval and Monitoring of Development Budget and Schemes	E&T/L&DD	G2G	This process is critical and involves extensive interaction with P&D. However, this process is uniform across all departments and any improvement would need to involve P&D. This process has not been mapped in the previous available studies.
Processing of CM Directives and Other Administrative Communications	E&T/L&DD	G2G	This process takes substantial time, as the CM Secretariat and other key offices convey their priorities to line departments for implementation. This process has not been mapped in the previous available studies.
Extension Services Provision to Livestock Farmers	L&DD	G2C	This is one of the major G2C processes and involves thousands of extension workers all over Punjab. This process has not been mapped in the previous available studies.
Preventive and Curative Animal Health Management	L&DD	G2C	This is one of the major G2C processes and involves thousands of veterinary officers and assistants all over Punjab. This process has not been mapped in the previous available studies.
Breed Improvement through Artificial Insemination	L&DD	G2C	This process has not been mapped in the previous available studies.
Disease Surveillance and Management	L&DD	G2C	Some data has been collected by L&DD staff regularly all across Punjab, however this information is not being consolidated and analyzed regularly. This process has not been mapped in the previous available studies.

PROCESS	DEPARTMENT	CATEGORY (Internal: I; G2G; G2C)	STATUS/COMMENTS
Vaccination Production and Distribution	L&DD	G2C	This process has not been mapped in the previous available studies.
Livestock Farm Management	L&DD	G2G/G2C	There are a number of livestock research farms being managed by the L&DD, however the relevant processes have not been mapped in earlier studies.
Urban Immovable Property Tax – Imposition and Collection	E&T	G2C	This is one of the major revenue streams for E&TD. Various UIPT related processes, including survey process, draft valuation list (PT1), debit, payment & reconciliation, enforcement and appeals and refunds, have already been mapped earlier. The mapping needs to be validated before any major BPR recommendation can evolve.
Motor Vehicle Tax – Imposition and Collection	E&T	G2C	This is one of the major revenue streams for E&TD. Various MVT related processes, including new registration of vehicles, post-registration transactions, registration at non-computerized offices and token tax, have already been mapped earlier. The mapping needs to be validated before any major BPR recommendation can evolve.
Professional Tax – Imposition and Collection	E&T	G2C	Various professional tax-related processes, including tax demand, determination of tax liability, appeals and enforcements, have already been mapped earlier. The mapping needs to be validated before any major BPR recommendation can evolve.
Cotton Cess – Imposition and Collection	E&T	G2C	The process has not been mapped earlier.
Excise Duty – Imposition and Collection	E&T	G2C	The process has not been mapped earlier.

Appendix H: Amended MTBF Budget Call Circular 2011-2014

Draft for Discussion only (Version 1)

Government of the Punjab
Finance Department

Medium Term Budgetary Framework (MTBF 2011-14) Guidelines & Budget Call Circular 2011-12

Part-II
(All MTBF Departments)

Government of the Punjab
Finance Department

Medium Term Budgetary Framework (MTBF 2011-14)

Guidelines & Budget Call Circular 2011-12

For:

1. ***Irrigation & Power Department***
2. ***Health Department***
3. ***Livestock and Dairy Development Department***
4. ***Higher Education Department***
5. ***Excise and Taxation Department***
6. ***Communication & Works Department***
7. ***Public Health Engineering and Housing & Urban Development Department***

URGENT / IMMEDIATE

B-13 (11) BCC/2011-12 (Part-II)
GOVERNMENT OF THE PUNJAB
FINANCE DEPARTMENT
Dated Lahore, the ___November 2010

From: Tariq Bajwa
Secretary Finance
Government of the Punjab

To:

1. The Chairman, Planning & Development Board.
2. Secretary Irrigation & Power, Government of the Punjab
3. Secretary Health, Government of the Punjab
4. Secretary Livestock and Dairy Development, Government of the Punjab
5. Secretary Higher Education, Government of the Punjab
6. Secretary Excise and Taxation, Government of the Punjab
7. Secretary Communication & Works Department, Government of Punjab
8. Secretary Public Health Engineering & Housing and Urban Development, Government of Punjab
9. All Heads of Attached Departments of Irrigation & Power Department
10. All Heads of Attached Departments, Health Department
11. All Heads of Attached Departments, Livestock & Dairy Development Department
12. All Heads of Attached Departments, Higher Education Department
13. All Heads of Attached Departments, Excise & Taxation Department
14. All District Coordination Officers in Punjab
15. All Executive District Officers (Revenue) in Punjab (with the request to provide estimates for Receipts pertaining to the Receipts of Excise & Taxation Department)

Subject: **MEDIUM TERM BUDGETARY FRAMEWORK (MTBF 2011-14): GUIDELINES AND BUDGET CALL CIRCULAR 2011-12**

Sir,

I am directed to refer to the subject cited above and state that the Provincial Government as part of its reforms agenda is undertaking implementation of Medium Term Budgetary Framework in the Province. These reforms were successfully implemented on pilot basis in the Departments of Irrigation & Power (I&P) and Health during FY 2009-10 and were later extended to Departments of Higher Education, Livestock & Dairy Development and Excise & Taxation in FY 2010-11. These reforms are now being further rolled-out to two more departments namely Communication & Works and Public Health Engineering & Housing and Urban Development from this fiscal year. It is expected that all line departments will be shifted to MTBF in a gradual manner in about three to four years time.

2. Technical Assistance for this implementation is being provided by Asian Development Bank through Punjab Resource Management Program (PRMP), Planning & Development Department. Since MTBF envisages an approach different from the one followed under conventional budgeting, a separate set of guidelines and budget preparation forms have been developed and included in this Budget Call Circular ("MTBF BCC"). This Budget Call Circular will facilitate Line Departments of Government of the Punjab who have switched over to MTBF mode of planning and budgeting namely Health Department, Irrigation & Power Department, Livestock and Dairy Development, Excise & Taxation Department and Higher Education Department, Communication & Works Department and Public Health Engineering & Housing and Urban Development Department (collectively referred to as "MTBF Departments") and their related spending units for smooth transition onto the MTBF budgeting.

3. This change carries within itself the potential of transforming governance in the MTBF Departments and places at their disposal a more flexible budgeting system that can help them align operations with policies over a three-year frame work.

4. MTBF Departments are being provided indicative ceilings for the next three years for both Current and Development budgets. These ceilings will help the MTBF Departments on formulating their budget estimates for three years. The MTBF Departments are also encouraged to initiate the process of prioritization of their activities and engage their spending units in this process before significantly embarking upon the budget formulation process. This Budget Call Circular also prescribes guidelines and budget forms to help the Departments on determining their budget priorities and ensuring distribution of budget ceilings to their respective spending units / DDOs, etc. The Departments are also expected to carry

out rationalization of their activities and identify redundancies (if any) to augment the objectives of MTBF implementation. Budget review meetings would be held in later part of the budget cycle involving the Finance Department, MTBF Departments and Planning & Development Department (P&DD) in which the indicatives budget ceilings would be firmed up (if required).

5. The MTBF Departments will prepare budget estimates for next 3 FYs using MTBF Forms annexed. No separate budget submissions will be required for the Annual budget 2011-12. The MTBF Departments and their spending units will be assisted by a team of full time consultants for formulating and consolidating the budget estimates. This assistance will be available for the whole budget cycle.

6. Issuance of this BCC will be followed by a series of workshops and subsequent technical support for the budget and accounts staff of the MTBF Departments and their spending units over the coming weeks and months.

7. The Guidelines and Budget Call Circular in the following pages explain in sufficient detail the concepts involved and provide guidance for conversion to the new system.

8. MTBF Forms along with form filling instructions are included in this document. In addition, Forms for Receipts, ADP (Medium Term Development Framework mode), Re-appropriation, Supplementary and Surrenders have also been given in the Annexures.

9. I would personally request Principal Accounting Officers / Secretaries of the MTBF Departments to support this reform initiative and do not hesitate to contact the Budget Wing of the Finance Department for any clarification and assistance.

Yours sincerely

(Fareed Ahmad Tarar)
Additional Secretary (Budget)

Number and date even

A copy is forwarded for information and necessary action to:-

1. The Accountant General, Punjab, Lahore.

2. The Director General Civil Audit, Punjab, Lahore
3. The Director General Accounts Works Punjab Lahore
4. The Director General Audit Works, Punjab Lahore
5. The Additional Finance Secretary Social Services Wing, Economic Services Wing, Finance Department.
6. All Budget/Section Officers in Finance Department, Government of Punjab.

Additional Secretary (Budget)

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Glossary of Terms

Activity	A set of specific tasks undertaken to achieve a specific output (See *Output* below).
ADP	Annual Development Plan
AO	Accounts Officer
Baseline Budget	Baseline Budget for the purpose of these guidelines is defined as three-year projections of current and development budget estimates assuming that there is no change in 'policy'. Policy means that inputs / resources / initiatives available to the Department are at a constant level, except for unavoidable increases on account of inflation, or staff salary enhancements, or changes envisaged in PC 1's under implementation and further there is no change in projected strategy or approaches to service delivery or business of the Department. Baseline Budget assumes that no new programs are established.
BE	Budget Estimates
BPOs	Budget Preparing Officials
Core Team	Team (of officials) established in the MTBF Departments to oversee MTBF implementation
D-1, D-2	Budget Forms included in this Call Circular to be used at Line Department Headquarters to initiate budget formulation process at the DDO level. ("D" stands for (Line) Department)
DDO	Drawing & Disbursing Officer
FD	Finance Department
FE	Foreign Exchange

FY	Financial Year
Goal	Goal is a summary of overall objectives to which a Department is aspiring.
Indicative Budget Ceiling	Budget ceilings as given in this Budget Call Circular.
Input	Resource required to undertake an activity that ultimately contributes to an output. For example, personnel engaged, equipment and material used in relation to an activity/output.
LCY	Local Currency
LD	Line Department
MTBF	Medium Term Budgetary Framework: The new concept of budgeting as explained in these guidelines
MTBF BCC	Medium Term Budgetary Framework Budget Call Circular
MTBF Cell	A Cell established in FD to support MTBF implementation. Separate MTBF Cells also exist (with dedicated MTBF Team members) at the MTBF Departments.
MTBF Department(s)	Line Departments of Government of the Punjab which have switched over to MTBF mode of planning and budgeting namely Health Department, Irrigation & Power Department, Livestock and Dairy Development Department, Excise & Taxation Department and Higher Education Department
MTBF Team	Consultants working to assist in implementing MTBF under assistance from Asian Development Bank (through Punjab Resource Management Program)
MTDF	Medium Term Development Framework

MTFF	Medium Term Fiscal Framework
Other Departments	Line Departments of Government of the Punjab who have not switched over to MTBF mode of planning and budgeting (all Departments other than Health Department, Irrigation & Power Department, Livestock and Dairy Development Department, Excise & Taxation Department and Higher Education Department)
Outcome	A result. Some results are immediately measurable and can be directly related to an output. Other outcomes come about after long periods of time and may be the result of other influences. A drop in incidence of childhood diseases as a result of immunization program is an outcome. Similarly, an increase in crop productivity as a result of better irrigation practices is also an example of outcome.
Output	A measurable or quantifiable target that is expected to be achieved through utilization of funds in a specific period. For instance delivering immunization to 1 million children in 12 months is an output.
P&DD	Planning & Development Department
PRMP	Punjab Resource Management Programme
R-1, R-2, R-3	Budget Forms included in this Call Circular for preparing Receipt estimates 2011-14 by Excise & Taxation Department. ("R" stands for 'Spending Unit')
Regular Budget Call Circular	Budget Call Circular other than MTBF Budget Call Circular
S-1, S-2, S-3, S-4	Budget Forms included in this Call Circular for preparing MTBF estimates 2011-14. Budget Forms S-1 to S-3 shall be used for preparing current (non-

	development) budget estimates while Budget Form S-4 shall be used for formulating development budget estimates for three years (2011-14) ("S" stands for 'Spending Unit')
SNE	Schedule of New Expenditure
Sector	Jurisdiction assigned to a Department
Rapid Sector Review	A structured analysis of a Sector that takes into account the past trends and future requirements of funds. A Rapid Sector review with support from PRMP will be conducted by the MTBF Departments.

Section I: Medium Term Budgetary Framework Guidelines

I Purpose of the Guidelines

1. Medium Term Budgetary Framework (MTBF) was successfully pilot implemented in the Department of Irrigation & Power and Department of Health from FY 2009-10. Moving forward, from FY 2010-11, MTBF is being rolled out to other Line Departments. Departments of Livestock & Dairy Development, Higher Education and Excise & Taxation were brought under the ambit of MTBF. From FY 2011-12 this is now being extended to Departments of Communication & Works and Public Health Engineering This is part of Governments strategy towards rolling out MTBF across all line Departments in a phased manner

2. The purpose of these Medium Term Budgetary Framework Guidelines (the Guidelines) issued by the Finance Department (FD) is to facilitate and guide those Departments of the Punjab Government which are switching over to a Medium Term Budgetary Framework (MTBF Departments).

3. Along with the Guidelines, MTBF Budget Call Circular is also being issued to MTBF Departments which set out the forms, form filling instructions and timelines to be used in preparation of MTBF for FY 2011-14

4. A MTBF Team has been established to assist MTBF Departments for smooth transition. Core Team has also been nominated separately in these Departments. This team will work closely with all the stakeholders to achieve the desired objective.

5. Issuance of MTBF Budget Call Circular will be followed by a series of specially designed workshops to be organized for budget and accounts staff of MTBF Departments and their spending units in due course of time. Schedules for the workshops will be drawn up and communicated through the Core Team to all concerned. The MTBF Team will provide critical assistance in this respect. This assistance will be further reinforced by visits of

the MTBF Team at the respective spending units for hand holding support purposes.

6. The following clarifications may be made to explain the nature of the work being undertaken through the MTBF reforms:

a. From FY 2011-12, MTBF will be in implementation phase only in seven Departments (MTBF Departments) of Government of the Punjab. The budget of all other Departments of Government will remain on annual basis till such time that a decision is taken to extend the application to certain other or all departments;
b. The Constitution of Pakistan expects that budgetary estimates be brought before the Provincial Assembly for approval of one year. This does not, however, prevent the Provincial Government to estimate the expenditure for 3-5 years and lay that information before the Provincial Assembly for information purposes only, while seeking authorization only for one year;
c. MTBF Departments will prepare estimates for 3 years (2011-14) which will be presented to the Parliament as additional information. The Provincial Assembly will, however, be requested to approve the estimates for 2011-12 in respect of MTBF Department along with other Departments.

II What is 'Medium Term Budgetary Framework 'MTBF'?

7. MTBF is, as its name implies, a system for making the budget process more strategic and responsive to the priorities of the government, by introducing a medium term (3 year) horizon to the budgetary process. The principal objectives of the MTBF are:

a. To further strengthen fiscal discipline in the management of the budget of the provincial government
b. To strengthen the alignment of budgetary allocation and expenditures with the policies and priorities of the government, and
c. To strengthen the process of budgeting and budget resource management within the ministries so as to ensure efficiency and cost-effectiveness of the use of public sector resources by line departments in the delivery of public services.

8. The multiyear budget horizon provides Departments the space and flexibility they need to formulate, plan and implement policies that focus on service delivery or 'outputs'. Furthermore, public policy decisions generally take more than one year to implement. Therefore, it is important to keep multi-year horizon while determining resource determination and distribution function.

III How is MTBF different form traditional budgeting?

9. Before making an attempt to implement MTBF, it is crucial for all levels of an implementing Department to understand the basic difference between the existing system of budgeting and the changes that should be part of the MTBF reform.

10. Traditional Budgeting in vogue in the Province has the following features:

a. Budgeting is for one Financial Year (FY) horizon ONLY;
b. Budget is split into a current component and a development component;
c. For current budget the basis of estimation of costs is historical or purchase costs which are estimated item by item leading to line totals comprising of a number of items e.g. salary estimation of an office is based on rates of different allowances (items) multiplied by the number of people drawing each allowance, all such items being totaled up;
d. For Development budget the estimates are developed in PC-1 format and resource needs are worked out over a 3-5 year period depending upon the requirements of project implementation. The quality of estimation varies from project to project. However, actual annual budget allocations may not necessarily follow PC-1 estimates;
e. The process of cost estimation is largely on incremental basis;
f. The focus is on what resources are needed by the organization or on 'inputs'.

11. Traditional budgeting is very common and has the following strong points:

a. It is simple to understand, apply and remains well embedded in our system;
b. It is control oriented and provides a basis for the management to control its resources;
c. It is easy to focus on one year for planning and estimation;

d. Employees, especially those assigned the duty to prepare budget documents, are very familiar with it;
e. It works well with cash basis accounting systems.

12. In recent years the following factors have been viewed as being serious enough to outweigh the advantages of traditional budgeting:

a. Public organizations are increasingly expected to clearly define services that they provide to the public;
b. Organizations should therefore plan in terms of outputs they will deliver and how they will deliver them. Inputs or budgeted resources are the means to deliver outputs;
c. Since expectations are many but resources are limited, organizations must have clear-cut polices about what services they would provide. This calls for prioritization between different options and the development of strategic plans;
d. To implement policy through strategic plans, the period of one year is too short.

IV The MTBF Process

13. In its implementation to date, the MTBF process has introduced a set of innovations into the budgeting procedures followed in the line ministries. These include:

a. The instructions that Medium Term budgets were to be prepared on a three year basis, that is to say, for the year immediately ahead to be appropriated, and for two outer years;
b. Issuance of budgetary ceilings to line departments using which the departments would be in a better position to plan and prioritize their budget activities. This initiative was aimed at increasing the predictability of the budgeting process
c. Emphasis of greater involvement of senior management of line department to use budgeting as a 'tool' to meet their departmental policy objectives;
d. Modifications to the formats for budget preparation which required a shift towards a more planned approach. The MTBF requires that line departments to prioritize their budgetary activities and function and then define outputs which they expect to produce or contribute towards

(thereby starting a process of change in thinking in the direction of output-oriented budgeting in what had previously been an almost entirely input-driven budgetary process);

e. The preparation of the overall Medium Term Budget Estimates in a document which set out the higher level objectives of the ministry and the purposes for which funding is required.

V Budget Call Circular

14. At this point it is also important to clarify that regular Budget Call Circular is being issued to ALL Departments other than Departments of Irrigation & Power, Health, Livestock & Dairy Development, Higher Education, Excise & Taxation, Communication & Works and Public Health Engineering Department (MTBF Departments). These Departments shall prepare the budget estimates (FY 2011-12, 2012-13 and 2013-14) using the Guidelines provided in this document. The figures for FY 2011-12 so arrived will 'feed in' into the Schedule of New Expenditure of the Annual Budget (2011-12) and printed in the Annual Budget Books. The three-year estimates developed by the MTBF Departments will be printed as additional material.

VI Indicative budget ceilings

15. Government of the Punjab is in the process of updating its Medium Term Fiscal Framework (MTFF) for FY 2011-14 which sets out the resource envelope for Line Departments

Rs in Million

No.	**Department**	**Current / Development**	**2011-12**	**2012-13**	**2013-14**
1	Health	Current(PC21016)			
		Development			
		Total			

2	Irrigation & Power	Current(PC21009)			
		Development			
		Total			
3	Livestock and Dairy Development	Current(PC21020)			
		Development			
		Total			
4	Higher Education	Current(PC21015)			
		Development			
		Total			
5	Excise & Taxation	Current(PC21001, PC21003,PC21007, PC21008,)			
		Development			
		Total			
6	Communication & Works Department	Current(PC21024, PC21025,)			
		Development			
		Total			
7	Public Health Engineering, Housing & Urban Development Department	Current(PC21017, PC21026)			
		Development			
		Total			

16. It may be noted here that the above ceilings as communicated now are indicative only and would be adjustable (albeit with in MTFF) in light of the baseline budgets submitted by the spending units / departments

VII Process for implementation of MTBF

17. The Departments under MTBF are expected to follow following process while developing their budgetary estimates. Proposed process places special emphasis on empowering the senior management of the MTBF Departments and placing at their disposal MTBF as a tool for improving the public services

Review of Departmental Policies and Spending Priorities:

18. Before initiating detailed budgeting process the MTBF Departments should conduct a review of their Departmental policies and spending priorities. Such assessment will help in determining strategic spending priorities and provide 'guidance' in translating these priorities and subsequently incorporating them into budgetary estimates. This important process should essentially be spearheaded by '**Budget and Policies/Priorities Committee'** established at the Department. B&PC should be chaired by Secretary/ Additional Secretary of Departments and shall comprise of senior officers who deal with technical and financial functions of the Department. This Committee shall hold regular meeting to finalize Department's priorities for the upcoming financial year

19. The above review process may start before the MTBF Budget Call Circular is officially issued each year; in some years the review will be comprehensive while in others it may update earlier findings. For FY 2011-12, PRMP has also provided technical assistance in the form of sector experts (Consultant) to carry out **'Departmental Strategic Review**' which would assist B&PC and feed into their work. However, for future years the Departments would need to perform these reviews themselves and more specifically build capacity for performing similar functions. An outline of **'Departmental Strategic Review**' is provided in Annex

20. Using **'Departmental Strategic Review**' and based on deliberations with in Budget and Priorities Committee the Departments should fill:

    a. Budget Form D-1 which lists down the any new initiatives that Department wishes to undertake in the medium term and more importantly provides an opportunity to think how best the Department can rationalize these budget activities by identifying redundancies and diverting resources to more productive initiatives;

b. Budget Form D-2 which articulates the Departmental priorities and distributes the Indicative Budget Ceilings (provided by Finance Department) across all Spending Units. This would help translating policy / priorities to actual budget allocations for spending units.

21. Both Budget Forms D -1 and D -2 should be approved by the Budget and Priorities Committee and Principal Accounting Officer of the respective MTBF Department;

22. Please refer to Annexure III & IV for diagrammatic explanation of this process and Annexure VI for instructions to fill form

Determine / update budget baselines and preparation of detailed budget estimates by Spending Units

23. This essentially would be a 'bottom-up' cum analytical phase of budgeting. On the basis of ceilings received the Spending Units shall develop detailed budgetary estimates for three years using forms xxxx. Every effort would be made to ensure that detailed budget estimates developed do not exceed their prescribed ceilings provided by B&PC;

24. Spending Units shall work on developing / updating budget baselines. MTBF Forms S-1 to S-4 have been designed and will be used by Spending Units for providing baselines estimates and key operational information of their respective organizations. The Spending Units shall determine outputs (or services) that they plan to deliver over the medium term which will be used to developing budget estimates. At this stage, generic forms are given in the MTBF BCC. Once this is issued, these forms are likely to be customized according to the nature and functions of the Departments by their respective Budget and Planning Sections in consultation with MTBF Team

25. Information gathered through MTBF Forms (S-1 to S-4) will be consolidated for determination / updation of baseline budgets.

26. For current budget, estimates will be based on outputs planned in the medium term, prior spending trends adjusted for inflation and salary changes;

27. For development budget, projected expenditures according to PC-1's (Medium Term Development Framework) will be used as a 'guiding principle' for estimating expenditure;

28. Meetings and discussions would be held between MTBF Departments (Head quarters) and Spending Units to review the preparation of detailed estimates and for its finalization and approval;

29. Please refer to Process Flow Annexure- I, II & III for the diagrammatic presentation of the MTBF process

Finalization of MTBF estimates

30. This would be an interactive phase involving the MTBF Department(s), FD and Planning & Development Department. The interaction will not necessarily be restricted to one meeting but may involve a series of meetings;

31. On the basis of updated Baseline Budgets (for 2011-12; 2012-13 and 2013-14) discussions will be held between MTBF Departments, P&D and FD to determine whether indicative budget ceilings are adequate enough to meet the funding requirements of Departments (albeit with in a resource framework). These discussions would provide both line Departments and central Departments to appreciate the needs and limitations of each other and enter into a constructive budget dialogue. The objective would be to provide the MTBF exercise a firm grounding in reality both in terms of spending capability and funding constraint

32. Once the budget ceilings have been finalized, they would become the Agreed Budget Ceilings. The decisions and agreements will be translated into budget documents in the prescribed formats and budget estimates will be prepared based on the Agreed Budget Ceilings;

33. The figures and estimates arrived at by following above process shall be used for filling in Schedule of New Expenditure (2011-12) as prescribed in this MTBF BCC, which is part of this document;

34. MTBF Statement will also be developed at the completion of the MTBF exercise. The necessary data for the Statement will be captured during the MTBF process. Basic format of the Statement is given in Annexure V.

VIII Estimation for Receipts

35. Of MTBF Departments only Excise & Taxation Department will be preparing their estimates for receipts for FY 2011-14. Receipts of other Departments shall be brought under MTBF fold in future years and as MTBF further progresses. Provincial tax collection remains consistently weak though potential for tax collection remains high. Therefore, E&T Department shall exercise due care and prudence while estimating their forecast of receipts for FY 2011-14. Separate MTBF forms have been developed to guide and assist DDO's in E&T Departments in preparing these estimates.

IX Gender specific Information

36. Government of the Punjab is committed to promoting and gender based budgeting in the province. While this subject is being dealt with under other initiatives / endeavors of the Government, it is important that MTBF Departments strengthen such efforts of the Government and as part of implementation of budget reforms under MTBF, ensure collection of gender-specific information / data as far as practical. All MTBF Departments especially Departments of Health and Higher Education are expected to provide gender-specific outputs and related information as part of their budget process. Budget Forms and related instructions as included in this Budget Call Circular have been appropriately designed to cater to this requirement.

X MTBF Budget Call Circular & Budget Calendar

37. Budget Call Circular on MTBF format for MTBF Departments is attached to these Guidelines (Section II). MTBF Cell established in the FD will provide all the necessary assistance and guidance in relation to completing BCC forms and providing explanation whenever sought by the MTBF Departments / spending units.

38. The Calendar of activities for the period between issuance of MTBF BCC and preparation of MTBF Statement is as follows:

Table 1: Calendar of Activities for Preparation of MTBF Estimates 2011-14

No.	Activities	Responsibility	Completion by (Approx.)
1.	Issuance of MTBF Budget Call Circular to MTBF Departments	FD	.2010
2.	Issuance of Indicative Budget Ceilings for Current and Development Budget	FD/ P&DD	.2010
3.	Identification of Sector priorities (as part of Rapid Sector Review)	Core Team	1.12.2010
4.	Completion of meetings between FD, P&DD, MTBF Departments/ DDOs and MTBF Team for preparation of MTBF Baseline Budgets.	MTBF Departments, P&DD, FD, PRMP	26.12.2010
5.	Submission of scheme-wise and preliminary MTBF Baseline Budgets by the DDOs / Development Schemes to MTBF Departments	Spending Units	31.12.2010
6.	Consolidation of MTBF Baseline Budget proposals at the Planning Section of the MTBF Departments	Budget & Planning Sections of MTBF Departments	31.12.2010
7.	Last date for submission of SNEs (Fresh)	Spending Units/ MTBF Departments	01.01.2011
8.	Determination of MTBF Baseline Budget	MTBF Departments	10.01.2011

9.	Submission of scheme-wise and preliminary MTBF Baseline Budgets by the MTBF Departments to the P&DD	MTBF Departments	10.01.2011
10.	Agreed Budget Ceilings	FD, P&DD, MTBF Departments	15.02.2011
11.	Regular Edition	MTBF Departments	28.02.2011
12.	Second Statement of Excesses and Surrenders (Including RE 2010-10/ All Proposals of Re-appropriation)	MTBF Departments	31.03.2011
13.	Finalization of Development Budget under MTBF/MTDF/ADP	FD, P&DD, MTBF Departments	15.04.2011
14.	Supplementary Budget	MTBF Departments	15.06.2011
15.	Completion of all Budget documents, schedules and summaries for cabinet etc.	FD, P&D	10.06.2011
16.	Presentation of Budget for the next year and MTB Budget to Cabinet	FD, P&DD, PRMP	10.06.2011
17.	Preparation of MTBF Statements	FD, P&DD, PRMP	10.06.2011

Section II: MTBF Budget Call Circular

XI General

1. The MTBF Budget Call Circular primarily represents budget forms, form filling instructions and timelines to be used in preparation of budgets under MTBF mode for FY 2011-14. Whereas the MTBF Guidelines (2011-14) provide framework and necessary procedures in preparing budgets under MTBF for FY 2011-14.

2. MTBF Cell at the Finance Department shall provide necessary assistance to MTBF departments in filling out MTBF forms. All queries and clarifications should be addressed to:

   Mr. Muhammad Arshed
   Additional Secretary Finance / Director (Budget)
   Finance Department
   Tel: 042-99211086

3. The MTBF Departments will prepare their budget estimates using the MTBF Forms attached. In case of Current Budget, NO separate submissions are required on 'Regular' / 'Annual' budget format as this requirement has been done away with. However, Annual Development Program (ADP)/ MTDF Proforma for Development Schemes of the MTBF Department for 2011-12 will be submitted directly to P&DD according to the usual prevailing procedures.

Note:
This MTBF Budget Call Circular is available at the following websites:

1. www.punjab.gov.pk/finance
2. www.punjab-prmp.gov.pk

Budget officials / DDO's / Program Managers should visit the above websites to download a soft copy of the MTBF BCC.

XII Sequence for filling MTBF Forms

(Department Headquarters)

1. On receiving MTBF Budget Call Circular and indicative budget ceilings, fill in Budget Form D-1. Identify new initiatives and undertake rationalization of existing operations / activities. Update information on this Form when budget submissions from spending units have been reviewed and finalized and are ready for submission to Finance Department / P&D Department;
2. In Budget Priorities Committee meeting (and priorities determined in Departmental Strategic Review) discuss and finalize distribution of budget ceilings to spending units / DDOs. Fill in / complete Budget Form D-2 and convey the budget ceilings to all concerned.

(spending units)

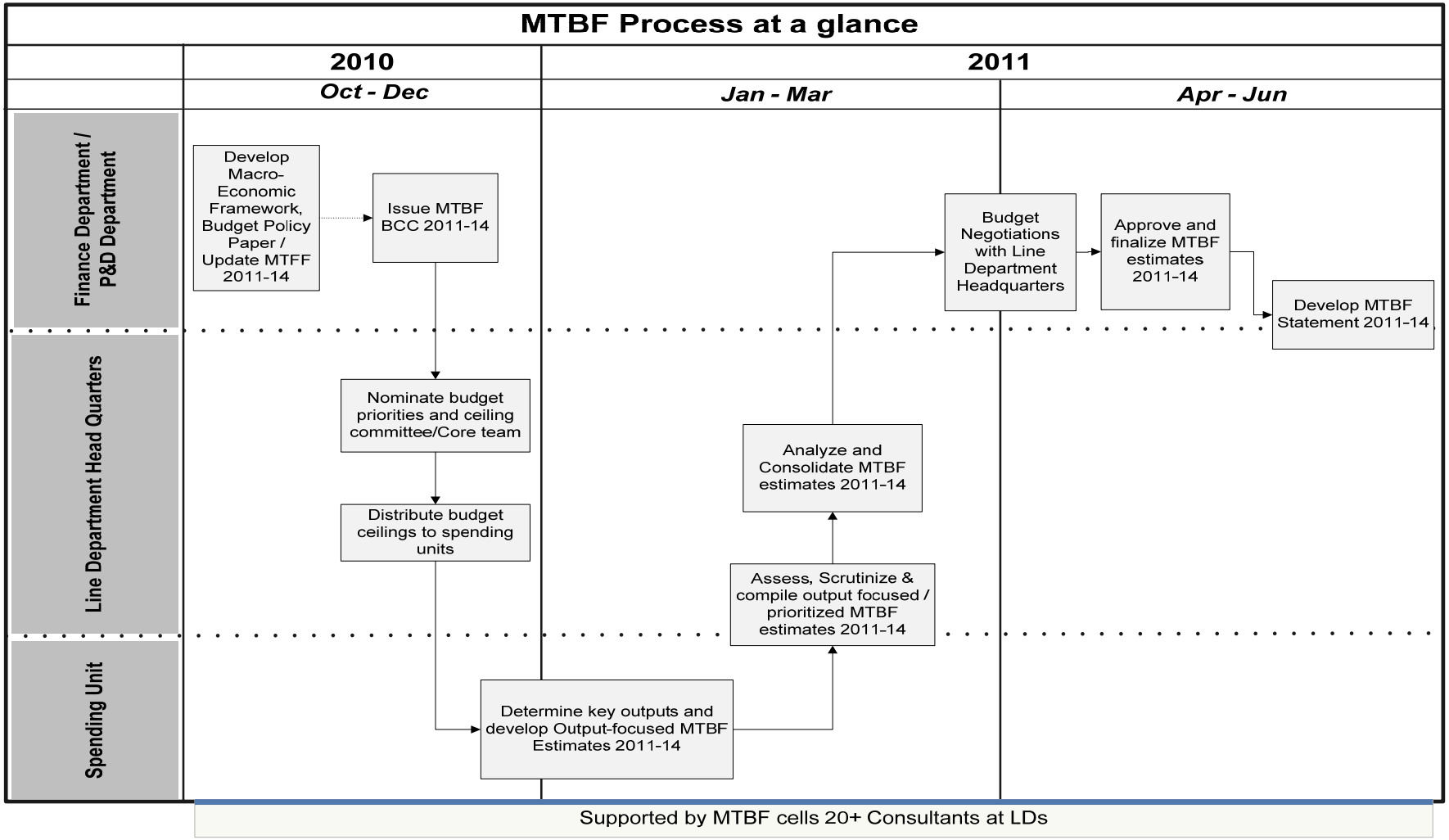
3. Receive indicative budget ceilings distribution from Department Headquarters. Begin by filling MTBF Forms. Guidelines for filling these forms are given in instructions;
4. From MTBF Forms, prepare Medium Term Budget Statements (2011-14);
5. From MTBF Forms (S-1 to S-4), prepare final budget estimates for (annual) budget 2011-12;

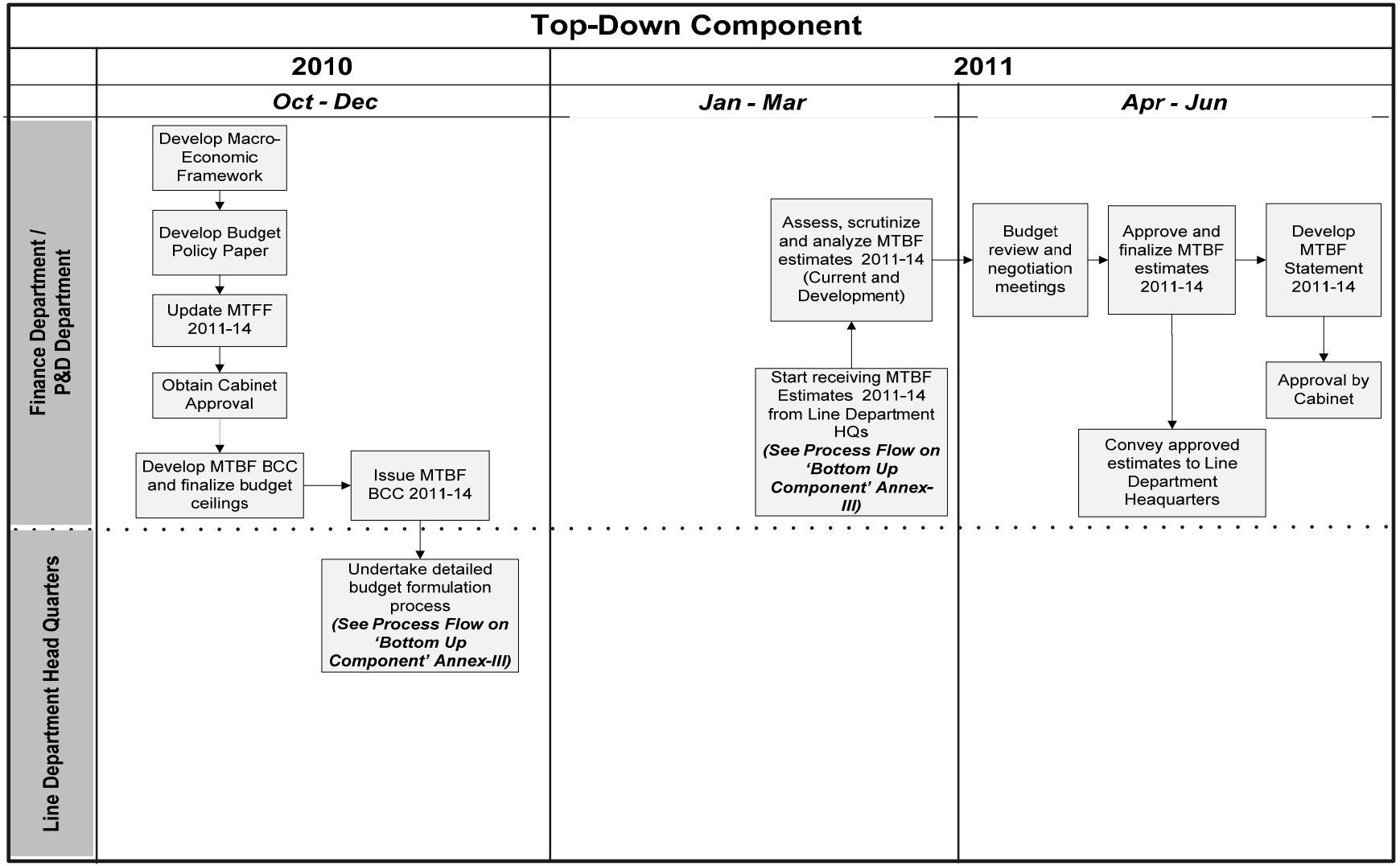
Please refer to flow diagram at Annexure IV.

Note: In case of any queries / problems with filling in the prescribed forms please contact MTBF Cell at 042-99211086.

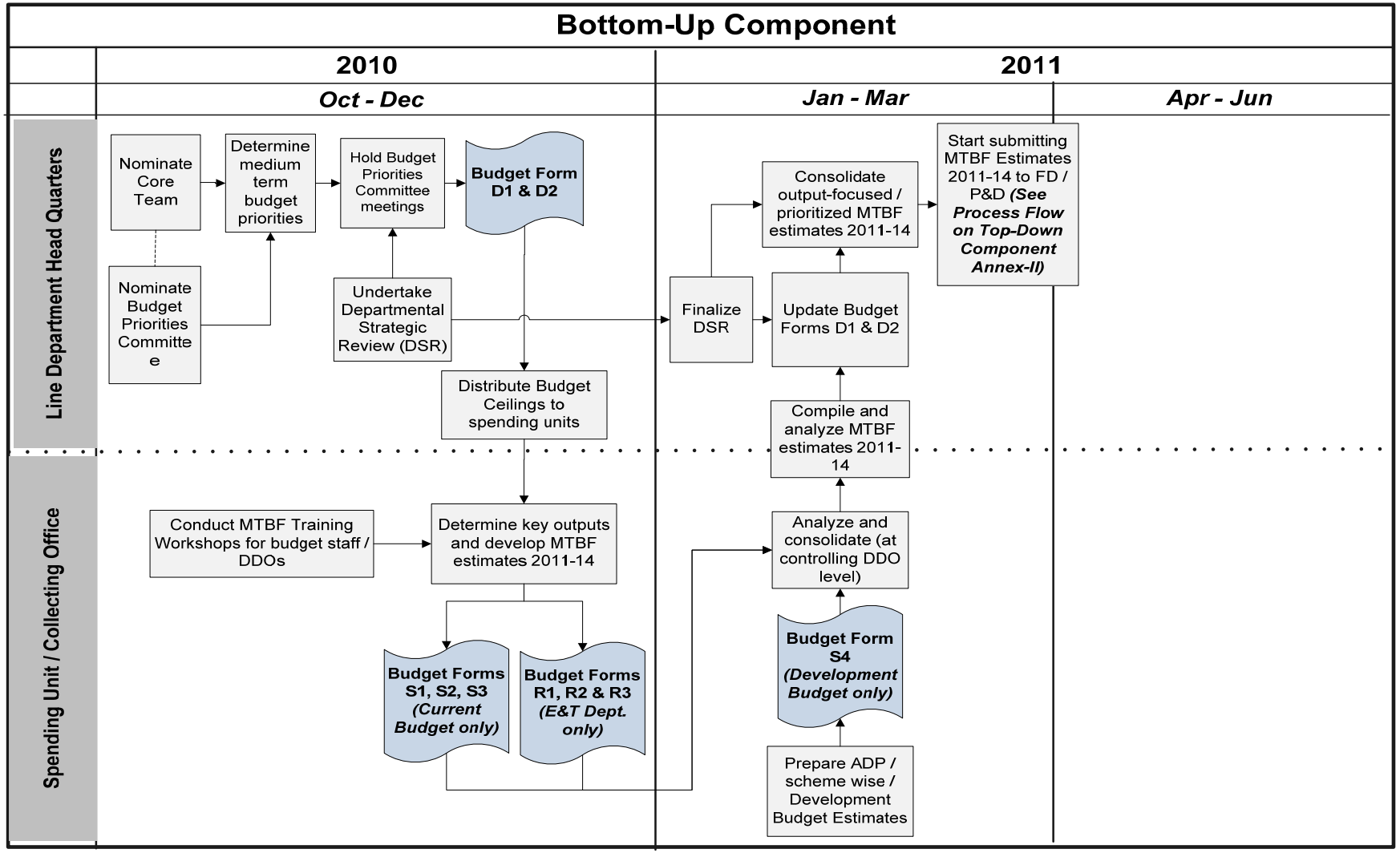
Annexures

Annexure – I

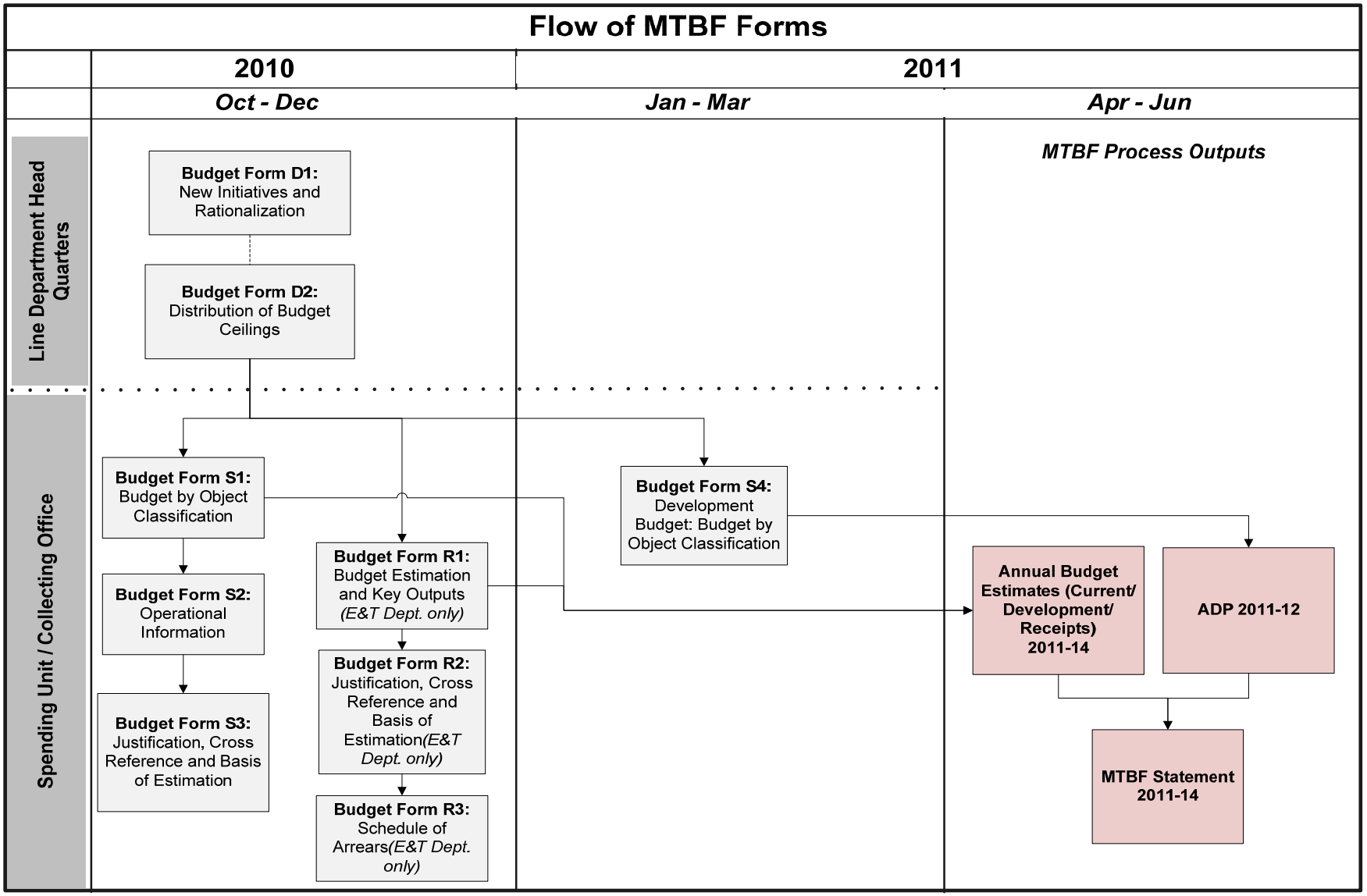

MTBF Process at a glance
2010
2011
Oct - Dec
Jan - Mar
Apr - Jun
Finance Department / P&D Department
Line Department Head Quarters
Spending Unit
Develop Macro-Economic Framework, Budget Policy Paper / Update MTFF 2011-14
Issue MTBF BCC 2011-14
Nominate budget priorities and ceiling committee/Core team
Distribute budget ceilings to spending units
Determine key outputs and develop Output-focused MTBF Estimates 2011-14
Assess, Scrutinize & compile output focused / prioritized MTBF estimates 2011-14
Analyze and Consolidate MTBF estimates 2011-14
Budget Negotiations with Line Department Headquarters
Approve and finalize MTBF estimates 2011-14
Develop MTBF Statement 2011-14
Supported by MTBF cells 20+ Consultants at LDs



BCC: Budget Call Circular; HQs: Headquarters



DDO: Drawing & Disbursing Officer; ADP: Annual Development Program;


Flow of MTBF Forms
2010
2011
Oct - Dec
Jan - Mar
Apr - Jun
Line Department Head Quarters
Spending Unit / Collecting Office
MTBF Process Outputs
Budget Form D1: New Initiatives and Rationalization
Budget Form D2: Distribution of Budget Ceilings
Budget Form S1: Budget by Object Classification
Budget Form S2: Operational Information
Budget Form S3: Justification, Cross Reference and Basis of Estimation
Budget Form R1: Budget Estimation and Key Outputs (E&T Dept. only)
Budget Form R2: Justification, Cross Reference and Basis of Estimation(E&T Dept. only)
Budget Form R3: Schedule of Arrears(E&T Dept. only)
Budget Form S4: Development Budget: Budget by Object Classification
Annual Budget Estimates (Current/ Development/ Receipts) 2011-14
ADP 2011-12
MTBF Statement 2011-14

Annexure – V

MTBF Forms and Instructions for Spending Units / DDOs (2011-14)

Guidelines for Spending Units / DDOs

Please read the following instructions carefully before filling the Forms.

A. GENERAL INSTRUCTIONS FOR MTBF LINE DEPARTMENT FORMS (i.e. FORMS D-1&D-2):

I. There are **Two** MTBF Line Department Forms D-1&D-2 ("D" for 'Line Department'):

- MTBF Form D - 1: New Initiatives and Rationalization
- MTBF Form D - 2: Priorities and Distribution of Budget Ceiling

II. Line Department will use the same set of form for both Current and Development budget for 2011-14.

III. Line Department will prepare "D-1New Initiatives and Rationalization" in November/December and will update/revise the form in March/April. "D-2 Priorities and Distribution of Budget Ceiling" will be prepared immediately after the issuance of indicative budget ceiling.

IV. Department will provide estimated cost of new initiatives in D-1 forms. These initiatives can vary from mere change in departmental policies or priorities to the Chief Minister Directives, which are not part of current or regular budget. These can be of recurring nature or of one-time activity.

V. Department will also identify major alteration in allocations from one object code/function to another due to change in policy prioritization.

VI. Line Department will provide major priorities over a medium term period and rank them in order of high, medium and low.

VII. The main purpose of D-2 is to distribute the current and development indicative budget ceiling at various distribution levels over a period of years according to departmental policies.

B. GENERAL INSTRUCTIONS FOR MTBF EXPENDITURE FORMS (i.e. FORMS S-1, S-2, S-3 & S-4):

I. There are **Four** MTBF budget forms S-1, S-2, S-3, and S-4 for the spending units ("S" for 'spending unit') and have the following titles:

S for Current Budget

- MTBF Form S - 1: Budget by Object Classification
- MTBF Form S - 2: Operational Information Form
- MTBF Form S - 3: Justification, Cross References and Basis of Budget Estimates

S-4 for Development Budget

- MTBF Form S-4: Budget by Operational information &Object Classification

II. Both Current and Development budget spending units will use the different set of forms, for preparing MTBF estimates 2011-14.

III. Fill MTBF forms S-1, S-2 and S-3 for Current budget estimates and S-4 for Development Budget Estimates. The following Example attempts to explain this further:

Example:

A Hospital located in Rawalpindi has allocation under current budget in year 2011-14. In addition it has allocations for 2 development schemes in the same year. These schemes are expected to be completed in 3 years time commencing July 2010. These are separately identifiable in the Provincial ADP/MTDF 2011-12 and are supported by approved PC-1s.

For the purpose of preparing budget estimates under MTBF 2011-14, the DDO/budget preparing staff of the Hospital will fill-in one set of S Forms (containing all the three forms) for current budget and one S-4 Form SEPARATELY for EACH development scheme.

IV DDOs/ budget preparing staff should prepare separate forms for Permanent/Regular budget and SNEs. This will facilitate Finance Department in issuing approval for SNE budget for 2011-12.

V. The DDOs will provide Functional Classifications, Object Codes and the related description on the Forms.

VI. The filled forms will be submitted by the spending units to relevant Sections of the MTBF Departments so that Form S-1 appears at the top, followed by Form S-2 and S-3 for current budget and SD for development schemes.

VII. In practice, before undertaking any budget estimation, the DDOs / budget preparing officials are expected to determine their departmental objectives, outputs (or targets) that they aim to deliver and the key inputs that would be used in relation to achieving those targets over the medium term. In other words, practically Form S-2 will be prepared first for current budgets while Serial # 15 of SD form will be prepared before finalization of budget estimates. Based on this, the DDOs will then prepare details and justification/basis of budget estimates for which purpose, they would fill in Form S-3 and finally summarize the estimates on Form S-1/ SD against respective Object Code classifications.

VIII. Budget Estimates should be given in Rupees rounded off to the nearest thousand. For this purpose, provision up-to Rs 499 should be taken as zero and provision of Rs. 500 and above as Rs. 1,000.

IX. In case of Current Budget, the estimates for various items falling under the head 'operating expenditure' should reflect likely effect of inflation (if any).

X. In preparing budget estimates for Development Schemes, PC-I should be used as the guiding principle. No material deviations should be made from financial phasing given in PC-Is unless such deviations have been approved by a competent forum or if it is felt that the project will fail to achieve its objectives.

C. GENERAL INSTRUCTIONS FOR MTBF RECEIPT FORMS (i.e. FORMS R 1-3) :

I. These forms shall be filled in by DDOs of Excise and Taxation department only

II. There are **THREE** MTBF budget forms for receipts i.e. R-1, R-2 & R-3 ("R" for 'Receipts') with the following titles:

- MTBF Form R - 1: Budget Estimation and Key Outputs
- MTBF Form R - 2: Justification, Cross References and Basis of Budget Estimates
- MTBF Form R – 3: Schedule of Arrears

GOVERNMENT OF THE PUNJAB
MEDIUM TERM BUDGETARY FRAMEWORK (2011 - 14)
NEW INITIATIVES AND RATIONALIZATION

(1) **Name of Department:** _____

(2) **Financial Year:** _____

(3) ***New Initiatives/ Directives***

Sr. No	Description/	Budget Estimates (Rs. in 000)		
		2011-12	2012-13	2013-14
	Total	-	-	-

(4) ***Rationalization/ Reprioritization of Functions***

Sr. No	Description	Budget Estimates (Rs. in 000)		
		2011-12	2012-13	2013-14
	Total	-	-	-

_____

Prepared by (Budget and Priorities Committee)

_____

Approved by (Secretary)

Instructions for filling MTBF Form D-1

The purpose of this Form is to identify new initiatives/plans and to rationalize/reprioritize the departmental functions under Medium Term (i.e. 2011-14). The Budget Estimates will be prepared at major expenditure level by providing respective Object Codes and description. The form is to be prepared by Budget and Priorities Committee and approved by Secretary of the Line Department.

Specific Instructions:

Serial Number 1: Give full name of the relevant Department *(e.g. Health Department)*

Serial Number 2: Give the relevant **Budget Year** *(e.g. 2011-14)*

Serial Number 3: Identify **New Initiatives/Directives** that department is pursuing to take up for the first time *(e.g. introduction of Enterprise Resource Management System in Education Department).* Write down the serial number and description of new initiative along with the cost estimation in relevant years. The estimation is to be provided at major account code level (if possible).

Serial Number 4: Identify major alteration in allocations from one object code/function to another due to change in policy prioritization. Write down the serial number and description along with the cost estimation in relevant years. The estimation is to be provided at major account code level (if possible).

GOVERNMENT OF THE PUNJAB
MEDIUM TERM BUDGETARY FRAMEWORK (2011 - 14)
PRIORITIES & DISTRIBUTION OF BUDGET CEILING

(1) **Name of Department:** _____

(2) **Financial Year:** _____

(3) **Departmental Budget Priorities:**

Sr.no.	Description of budget priorities	Priority Ratings		
		High	Medium	Low
a				
b				
c				
d				
e				

(4) **Departmental budget ceiling** *(Rs. in Millions)*

	2011-12	2012-13	2013-14
Current			
Development			
Total			

(5) **Departmental budget ceiling Ceiling**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)			(I)	(J)	(K)	(L)
Sr. No.	Distribution Level					Relevant Policy Area	Budget Priority			Budget Estimates	Proposed Ceiling *(Rs. in 000)*		
	Name of Function/Division/ Circle/Zone/ Spending unit/Scheme	Function/Division/ Circle/Zone	Fund Centre Code	DDO Code	Current/ Development (C/D)		High	Medium	Low	2010-11	2011-12	2012-13	2013-14
					Sub Total								
					Sub Total								
					Sub Total								
					Total	-	-	-	-	-	-	-	-

(6) **Summary of ceiling distribution by budget priority** *(Rs. in Millions)*

	2010-11	2011-12	2012-13	2013-14
High				
Medium				
Low				
Total				

(7) **Summary of ceiling distribution by policy** *(Rs. in Millions)*

Policy Areas	2010-11	2011-12	2012-13	2013-14
Total				

_____
Prepared by (Budget and Priorities Committee)

_____
Approved by (Secretary)

Instructions for filling MTBF Form D-2

The purpose of this Form is to identify departmental priorities and to distribute the issued ceiling under Medium Term (i.e. 2011-14) in accordance with the departmental prioritization. The form is used for both Development and Non Development Budget. The form is to be prepared by Budget and Priorities Committee and approved by Secretary Line Department.

Specific Instructions:

Serial Number 1:	Give full name of the relevant Department *(e.g. Health Department)*
Serial Number 2:	Give the relevant **Budget Year** *(e.g. 2011-14)*
Serial Number 3:	Identify departmental priorities and rank them as high, medium or low.
Serial Number 4:	Write departmental ceilings issued by the finance department separately for Non Development and Development Budget for next three years *(2011-14).*
Serial Number 5A:	Write down the serial number.
Serial Number 5B-F:	Write down the name of relevant distribution level *(e.g. Government Postgraduate College for Women Satellite Town Rawalpindi), Function, Fund center code, DDO code and the type of budget* "C" for Current/Non Development or "D" for Development Budget
Serial Number 5G:	Write down relevant departmental policies as per policy documents.
Serial Number 5H:	Write down the budget priority according to their priority level of High Medium or Low .
Serial Number 5I:	Write down the budget estimates 2011-11.
Serial Number 5J-L:	Distribute the issued ceiling for next three years in accordance with budget priorities and departmental policy objectives *(2011-14).*

Serial Number 6:	Give summary of ceiling distribution for next three years along with budget estimates 2011-11 in accordance with budget priorities
Serial Number 7:	Give summary of ceiling distribution for next three years along with budget estimates 2011-11 in accordance with departmental policy objectives.

Government of the Punjab
Medium Term Budgetary Framework (2011-14)
Non Development (Current) Budget
Budget By Object Classification

1) Department									
2) Attached Department (Where Applicable)									
3) Grant No. and Name									
4) Fund Centre Code									
5) DDO Code									
6) Functional Classification									
7) Name of Spending Unit									
8) Budget Type (Please tick (✓) where applicable)	**Regular**		**SNE (Continued/Fresh)**	C	F	**Year of Creation of SNE**			

(9)	(10)	(11)							(12)	(13)	(14)	(15)			(16)	(17)	(18)
Object Code	**Object Classification**	**No. of Posts**							**Budget Estimates**	**Actual Expenditure**	**Budget Estimates**	**Actual Expenditure (8 + 4)**			**Budget Estimates**	**Budget Forecast**	**Budget Forecast**
		BPS NO	**2010-11**			**2011-12**						**Actual Last 8 Months**	**Actual First 4 Months**	**Total**			
			Male	Female	Total	Male	Female	Total	**2009-10**	**2009-10**	**2010-11**	**2009-10**	**2010-11**	**(8 + 4)**	**2011-12**	**2012-13**	**2013-14**
	G.TOTAL:		-	-	-			-	-	-	-	-	-	-	-	-	-

(Signed) _____
Name _____
Designation _____
Telephone No. _____

Instructions for filling MTBF Form S-1

The purpose of this Form is to present Budget Estimates of a spending unit dealing with current budget estimates under Medium Term (i.e. 2011-14). The Budget Estimates will be prepared at detailed expenditure level by providing respective Object Codes and description. Actual Expenditure, Original Budget and Revised Estimates (where applicable) will also be provided in this Form.

Specific Instructions:

Serial Number 1: Give full name of the relevant Department *(e.g. Health Department)*

Serial Number 2: Identify **attached department** by giving both Code and the related Description

Serial Number 3: Give relevant **Grant No.** and Grant Name

Serial Number 4: Identify **Fund centre code**. *(e.g. LQ 3411)*

Serial Number 5: Identify **DDO code**. *(e.g. FO 4001)*

Serial Number 6: Write **Functional Classification** (both Code and the related Description) according to the chart of accounts at detailed level, *(e.g. 073101 - General Hospital Services)*

Serial Number 7: Identify the **spending unit** for which MTBF budget is demanded, *(e.g. DHQ Hospital / Allied Hospital Punjab Medical College Faisalabad)*

Serial Number 8: State if the budget estimates are prepared as Regular budget or SNE. Tick off the relevant box. For each SNE separate set of forms should be used to facilitate approval from Finance Department and also write its creation date.

Serial Number 9: Fill object codes from latest version of Chart of Account (CoA) as issued by Project to Improve Financial Reporting & Auditing (PIFRA)/CGA. The object codes in this column will be supplied at major, minor and detailed level *(e.g. A03, A032 & A03201).*

Serial Number 10: Identify description of relevant object code as given in CoA *(e.g. 'Postage and Telegraph 'for Object Code 'A03201').*

Serial Number 11: Write down the number of posts for 2011-11 and 2011-12 and also distinguish between male and female

Serial Number 12: Provide Original Budget Estimates 2010-10 approved by FD.

Serial Number 13: Actual Expenditure for all the related account heads for 2010-10 would be filled here. This would be available from AGPR Reconciliation of June, 2011.

Serial Number 14: Provide Original Budget Estimates 2011-11 approved by FD.

Serial Number 15: Provide Actual Expenditure for last 8 months of 2010-10 and Actual expenditure for first 4 months of 2011-11 and total of the two columns.

Serial Number 16: Give object wise Budget Estimate for 2011-12. This would be based on spending units' outputs / targets planned to be achieved, as provided in MTBF Form S- 2.

Serial Number 17: Give object wise Budget Forecast for 2012-13. This would be based on spending units' outputs / targets planned to be achieved, as given at Serial Number 8 of MTBF Form S- 2.

Serial Number 18: Give object wise Budget Forecast for 2013-14. This would be based on spending units' outputs / targets planned to be achieved, as given at Serial Number 8 of MTBF Form S- 2.

MTBF Form S-2

Government of the Punjab
Medium Term Budgetary Framework (2011-14)
Non Development (Current) Budget
Operational Information Form

1) Grant No. and Name	
2) Fund Centre Code	
3) DDO Code	
4) Functional Classification	
5) Name of Spending Unit	
6) Departmental Policy Objectives relevant to Spending Unit	
7) Description of Key Activities	

8) Key Outputs / Services delivery by Spending Unit

S. No. (A)	Outputs (B)	Indicators (Unit of Measurement) (C)	Actual 2009-10 (D)	Existing 2010-11 (E)	Target 2011-12 (F)	Target 2012-13 (G)	Target 2013-14 (H)

9) Key Input Requirements

S. No. (A)	Particulars (B)	Indicators (Unit of Measurement) (C)	Actual 2009-10 (D)	Existing 2010-11 (E)	Estimate 2011-12 (F)	Forecast 2012-13 (G)	Forecast 2013-14 (H)

Instructions for filling MTBF Form S-2

*The purpose of this Form is to identify and summarize Service Delivery (i.e. Output) Indicators and targets of a spending unit for MTBF period (i.e. 2011-14) along with input requirements to achieve those outputs. This form will also enable the Department to review the linkages between the Departmental policy objectives and spending unit's Outputs (service delivery). The Form will include **'quantitative'** or **'operational'** data of the spending unit and will **NOT** include any budgetary data. Once the required data is collected and summarized on this Form, it will then be used in budget estimation. Operational data will also be provided for actual results of 2010-10 for comparison purposes.*

Specific Instruction:

Serial Number 1: Give relevant **Grant No. and Grant Name.**

Serial Number 2: Identify **Fund centre code**. *(e.g. LQ 3411)*

Serial Number 3: Identify **DDO code**. *(e.g. FO 4001)*

Serial Number 4: Write **Functional Classification** (both Code and the related Description) according to new chart of accounts at detailed level, *(e.g. 073101 - General Hospital Services)*

Serial Number 5: Identify the spending unit for which MTBF budget is demanded.

Serial Number 6: Mention Policy objective(s) of the Department from policy documents relevant to the spending unit.

Serial Number 7: Mention Key activities of the spending unit to achieve relevant policy objective(s).

Serial Number 8: **Key Outputs / Service Delivery of the Spending Unit.** Mention from Sr. 8(A) to 8(H) Outputs that the spending unit would aim to deliver over the medium term (2011-14) along with current year's progress (2011-11) and actual results (2010-10). Please provide only key outputs.

Serial Number 9: Mention key input requirements for 2011-14 (separately for each year) along with 2010-10 & 2011-11 status that would be required to achieve outputs targets for 2011-14 (mentioned in Serial Number 8). Please provide only key inputs (e.g. Staff, Vehicles, equipment, etc.)

Government of the Punjab
Medium Term Budgetary Framework (2011-14)
Non Development (Current) Budget
Justification, Cross References and Basis of Budget Estimates

1) Grant No. and Name	
2) Fund Centre Code	
3) DDO Code	
4) Name of Spending Unit	

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
Object Code	**Classification**	**Budget Estimate 2010-11**	**Budget Estimate 2011-12**	**Variance**	**%age Variance**	**Reason(s) for Variance**	**Budget Forecast 2012-13**	**Budget Forecast 2013-14**	**Basis of Estimation for each year (Show doc. Ref)**
		C	D	E=(D-C)	F= E/Cx100				

Instructions for filling MTBF Form S-3

The purpose of this Form is to provide detail / break-up of various Budget Estimates along with variance analysis for the MTBF period. Justification for key expenditure items will also be provided on this Form.

Specific Instructions:

Serial Number 1: Give relevant **Grant No. and Grant Name.**

Serial Number 2: Identify **Fund centre code**. *(e.g. LQ 3411))*

Serial Number 3: Identify **DDO code**. *(e.g. FO 4001)*

Serial Number 4: Identify the spending unit for which MTBF budget is demanded.

Serial Number A: Fill object codes from latest version of Chart of Account (CoA) as issued by Project to Improve Financial Reporting & Auditing (PIFRA)/CGA. The object codes in this column will be supplied at detailed level *(e.g.A03201).*

Serial Number B: Identify description of relevant object code as given in CoA *(e.g. 'Postage and Telegraph 'for Object Code 'A03201').*

Serial Number C: Provide Original Budget Estimates 2011-11.

Serial Number D: Provide Original Budget Estimates 2011-12.

Serial Number E: Calculate Variance (E=D-C) i.e (BE 2011-12 – BE 2011-11)

Serial Number F: Calculate percentage variance (F= E/Cx100) i.e (Variance/BE 2011-11 x 100)

Serial Number G: Explain the reasons/Justification of change in budget estimates in the current year from the preceding year.

Serial Number H: Give object wise Budget Forecast for 2012-13. As given at Serial Number 17 of MTBF Form S- 1.

Serial Number I: Give object wise Budget Forecast for 2013-14. As given at Serial Number 18 of MTBF Form S- 1.

Serial Number J: Give the basis of calculations with the Costing techniques used for three years separately.

Government of the Punjab
Medium Term Budgetary Framework (2011-14)
Development Budget
Budget By Operational Information &Object Classification

1) Department	
2) Attached Department (Where Applicable)	
3) Grant No. and Name	
4) DDO Code	
5) Functional Classification	
6) Name of Spending Unit	
7) Sector / Sub-Sector	
8) Commencement Date of the Scheme	
9) Completion Date of the Scheme	
10) Total Releases todate	
11) Annual Recurrent cost	
12) Year in which recurrent impact will start	
13) Project Manager / Director Name	

14) ADP Performa (Rs in Millions)

GS.#	Name of Scheme	Tehsil	District	Approval / Revision date	Estimated Cost		Major Components	Major Targets	Exp: Up to 2010-11	Provision for 2011-12						G. Total (Cap.+ Rev.)	Projection for 2012-13	Projection for 2013-14	Throw forward beyond June, 2014
										Local		F/Aid		Total					
					Foreign Aid	Total				Capital	Revenue	Capital	Revenue	Capital	Revenue				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)

15) Key Outputs of the Project/Scheme

S. No. (A)	Outputs (B)	Indicators (Unit of Measurement) (C)	Actual 2009-10 (D)	Existing 2010-11 (E)	Target 2011-12 (F)	Target 2012-13 (G)	Target 2013-14 (H)

16) Budget by Object Classification (Amount in Rupees)

Object Code	Object Classification	No. of Posts							Budget Estimates	Budget Estimates	Budget Forecast	Budget Forecast
		BPS NO	2010-11			2011-12						
			Male	Female	Total	Male	Female	Total	2010-11	2011-12	2012-13	2013-14
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)
	G.TOTAL:		-	-	-			-	-	-	-	-

(Signed) _____
Name _____
Designation _____
Telephone No. _____

Instructions for filling MTBF Form S-4

The purpose of this Form is to present Budget Estimates along with ADP Performa and operational information of development schemes under Medium Term (i.e. 2011-14). The Budget Estimates will be prepared at detailed expenditure level by providing respective Object Codes and description. Original Budget estimates (where applicable) will be provided in Serial # 16 of this Form.

*Serial # 15 will identify and summarize Service Delivery (i.e. Output) Indicators and targets of a spending unit for MTBF period (i.e. 2011-14). This section will include **'quantitative'** or **'operational'** data of the spending unit and will **NOT** include any budgetary data. Once the required data is collected and summarized in this section, it will then be used in budget estimation. Operational data will also be provided for year 2010-10 for comparison purposes.*

Serial Number 1: Give full name of the relevant **Department** *(e.g. Health Department)*

Serial Number 2: Identify **attached department** by giving both Code and the related Description

Serial Number 3: Give relevant **Grant No.** and **Grant Name**

Serial Number 4: Identify **DDO code**. *(e.g. FQ 4001)*

Serial Number 5: Write **Functional Classification** (both Code and the related Description) according to the chart of accounts at detailed level, *(e.g. 073101 - General Hospital Services)*

Serial Number 6: Identify the **spending unit** for which MTBF budget is demanded, *(e.g. DHQ Hospital / Allied Hospital Punjab Medical College Faisalabad)*

Serial Number 7: Identify relevant **Sector / Sub-sector** in which the schemes falls (e.g. Medical Education)

Serial Number 8: Give **commencement date** of the Scheme as given in latest PC 1

Serial Number 9: Give **completion date** of the scheme as per latest PC 1

Serial Number 10: Give **Total** budget releases to-date

Serial Number 11: Give **annual recurrent cost** after completion of the scheme as per PC-1

Serial Number 12: Give the **Year** in which the recurrent cost impact will start.

Serial Number 13: Give **Project Manager's / Director's** name

Serial Number 14: Annual Development Program Performa

Serial Number 14(A): Give General **Scheme Number**

Serial Number 14(B): Give the **Name of Scheme** as per PC-I

Serial Number 14(C): Give the Name of relevant Tehsil in which scheme will be commenced

Serial Number 14(D): Give the Name of relevant District in which scheme will be commenced

Serial Number 14(E): Provide **PC-1 approval date / Revise Date** of the Scheme which ever is applicable.

Serial Number 14(F): Give foreign aid portion of total cost of the scheme as per PC-I

Serial Number 14(G): Give total cost of the Scheme as per PC-I

Serial Number 14(H): Give Major Components of the Scheme during FY 2011-12

Serial Number 14(I): Give the Major Targets of the Scheme during FY 2011-12

Serial Number 14(J): Actual Expenditure of the scheme up-to June 2011

Serial Number 14(K - P): Write capital & revenue costs separately for both Local & foreign components along with their totals of the Scheme for 2011-12

Serial Number 14(Q): Calculate Grand total (Capital + Revenue of both Local & Foreign Components) for FY 2011-12

Serial Number 14(R - S): Give projected cost of the scheme (Both Capital & Revenue portions) for 2012-13 & 2013-14

Serial Number 14(T): Give Throw forward beyond June, 2014 (if applicable)

Serial Number 15: **Key Outputs / Service Delivery of the Spending Unit.** Mention from Sr. 15(A) to 15(H) Outputs that the relevant development scheme would aim to deliver over the medium term (2011-14) along with current year's progress (2011-11) and actual results (2010-10). Please provide only key outputs.

Serial Number 16(A):Fill object codes from latest version of Chart of Account (CoA) as issued by Project to Improve Financial Reporting & Auditing (PIFRA)/CGA. The object codes in this column will be supplied at detailed level *(e.g.A03201).*

Serial Number 16(B) : Identify description of relevant object code as given in CoA *(e.g. 'Postage and Telegraph 'for Object Code 'A03201').*

Serial Number 16(C - I): Write down the number of posts for 2011-11 and 2011-12 and also distinguish between male and female (where applicable)

Serial Number 16(J): Provide Original Budget Estimates 2011-11.

Serial Number 16(K): Give object wise Budget Estimate for 2011-12.

Serial Number 16(L): Give object wise Budget Forecast for 2012-13

Serial Number 16(M): Give object wise Budget Forecast for 2013-14

MTBF Form R-1

(To be used by Excise & Taxation Department only)

Government of the Punjab

Medium Term Budgetary Framework (2011-14)

Budget Estimation and Key Outputs

1) Department	
2) ETO (CO) Code	
3) Receipt Head	
4) Name of ETO (CO)	
5) Departmental Policy Objectives relevant to ETO (CO)	

6) Key Targets / Output

Sr# (A)	Outputs (B)	Indicators (UOM) (C)	2010-11 (D)	Target 2011-12 (E)	Target 2012-13 (F)	Target 2013-14 (G)

7) Budget Estimates by Object Classification

(8)	(9)	(10)	(11)	(12)	(13)			(14)	(15)	(16)
					Revised Estimates					
Object Code	Object Classification	Actual Receipts 2009-10	Budget Estimates 2009-10	Budget Estimates 2010-11	Receipt during first 8 months 2010-11	Anticipated Receipt during last 4 months 2010-11	Total 2010-11	Budget Estimates 2011-12	Budget Forecast 2012-13	Budget Forecast 2013-14
Grand Total										

(Signed) _____

Name _____

Designation _____

Telephone No. _____

Instructions for filling MTBF Receipt Form R-1

The purpose of this Form is to present Budget Estimates of a ETO (CO) - Excise and Taxation Officer (Collecting Officer) - under Medium Term (i.e. 2011-14). The Budget Estimates will be prepared at detailed head level by providing respective Object Codes and description. Actual receipt, Original Budget and Revised Estimates (where applicable) will also be provided in this Form.

Specific Instructions:

Serial Number 1: Give full name of the Department

Serial Number 2: Identify **ETO (CO) code**. *(e.g. FQ 4001)*

Serial Number 3: Write **receipt head** (e.g. Opium/Property Tax etc.)

Serial Number 4: Identify the **ETO (CO) name** preparing the receipt budget

Serial Number 5: Mention Policy objective(s) of the Department relevant to the ETO

Serial Number 6: **Key Targets/ Outputs of the ETO.** Mention from Sr. 6(A) to 6(G) Outputs/Targets that the ETO would aim to achieve over the medium term (2011-14)

Serial Number 7: Provide budget estimates, Actual & Revised Estimates data in Serial No. 8 to Serial No. 16 by Object classification according to Chart of Accounts.

Serial Number 8: Fill objects codes from latest version of Chart of Accounts (CoA) as issued by Project to Improve Financial Reporting & Auditing (PIFRA)/CGA. The object codes in this column will be supplied at detailed level *(e.g.B01301).*

Serial Number 9: Identify description of relevant object code as given in CoA *(e.g. 'Ordinary Collection' for Object Code 'B01301').*

Serial Number 10: Actual receipts for all the related account heads for 2010-10 would be filled here.

Serial Number 11: Provide Original Budget Estimate 2010-10.

Serial Number 12: Provide Original Budget Estimate 2011-11.

Serial Number 13: Revised Estimates (Res) 2011-11. REs should be based on actual receipts for first eight months and anticipated receipts for last four months for 2011-11.

Serial Number 14: Give object wise Budget Estimate for 2011-12. This would be based on ETOs' targets planned to be achieved as determined at serial number 6 above

Serial Number 15: Give object wise Budget Forecast for 2012-13. This would be based on ETOs' targets planned to be achieved as determined at serial number 6 above.

Serial Number 16: Give object wise Budget Forecast for 2013-14. This would be based on ETOs' targets planned to be achieved as determined at serial number 6 above.

MTBF Form R-2

(To be used by Excise & Taxation Department only)

Government of the Punjab
Medium Term Budgetary Framework (2011-14)
Justification, Cross References and Basis of Budget Estimates

1)	**Receipt Head**	
2)	**ETO (CO) Code**	
3)	**Name and Designation of ETO (CO)**	
4)	**Relationship of targets and financial estimates**	

S.#	**Description of Receipt**	**2011-12**		**2012-13**		**2013-14**	
		Target	**Amount**	**Target**	**Amount**	**Target**	**Amount**
	TOTAL						

5) Check List for budget submission

		Yes	**No**
1	Policy objectives have been mentioned on Form R-1		
2	Sub totals, grand totals and cross totals have been verified for accuracy. Formulas (e.g. Sum and multiplication formulas) on MS Excel worksheet have been applied correctly in all MTBF Forms		
3	Account Codes have been accurately provided after checking them with Chart of Accounts		
4	Form R-1 has been signed and stamped by ETO (CO)		
5	Key outputs/targets have been determined according to the goals and planned activities of the department		
6	Explanatory memos have been prepared which are analytical, detailed and supported by necessary documents/workings and are attached with the budget forms. Also explanations for revenue shortfalls (if any) are provided.		

Instructions for filling MTBF Receipt Form R-2

The purpose of this Form is to help ETO (CO) – Excise & Taxation Officer (Collecting Officer) - on correlating key targets with the budget estimation.
Justification/breakup/explanatory notes for receipt items would also be provided on this Form.

Specific Instructions:

Serial Number 1: Write receipt head

Serial Number 2: Identify ETO (CO) code.

Serial Number 3: Identify the **ETO (CO) name and designation** preparing the receipt budget

Serial Number 4: Financial estimation should be based on targets given on Form R-1 and the same targets should be mentioned on Form R-2 with any further breakdown.

Serial Number 5: A check list has been provided for in order to ensure that each and every figure in the budget estimate as shown in Form R-1 is duly supported accurate and justified. Please supply as much information as is relevant to the ETO (CO). Other explanatory note may also be appended where required.

MTBF Form R-3

(To be used by Excise & Taxation Department only)

Government of the Punjab
Medium Term Budgetary Framework (2011-14)
Schedule of Arrears

1. Department	
2. Attached Department where applicable	
3. ETO (CO) Code	
4. Name of Collecting Unit	
5. Collection of Arrears during 2011-12	

(6)	(7)	(8)	(9)			(10)					(11)	(12)
Head of Accounts	Description of the Tax/Duty	Total Arrears upto June 2010	COLLECTION OF ARREARS DURING 2010-11			Quarterly Collection Target During 2011-12					Arrears still Outstanding on June 2012	Remarks
			Actual collection upto first eight months	Anticipated collection during last 4 months	Total collection	Q-1	Q-2	Q-3	Q-4	Total		

Instructions for filling MTBF Receipt Form R-3

The purpose of this Form is to help ETO (CO) – Excise & Taxation Officer (Collecting Officer) - in estimating the cumulated collection of Arrears of taxes up to June 2011 and the manner how these arrears would be collected quarter wise during next year.

Specific Instructions:

Serial Number 1: Give full name of the Department

Serial Number 2: Identify the **attached Department** by giving both code and related description

Serial Number 3: Identify **ETO (CO) code**. *(e.g. FQ 4001)*

Serial Number 4: Write Name of collecting unit

Serial Number 5: Provide collection of Arrears details from serial no. 6 to serial no.12

Serial Number 6: Fill object codes from latest version of Chart of Accounts (CoA) as issued by Project to Improve Financial Reporting & Auditing (PIFRA)/CGA. The object codes in this column will be supplied at detailed level *(e.g.B01301).*

Serial Number 7: Give detailed description of relevant Tax/Levy/Duty *(e.g. Property Tax, Motor Vehicle Tax, Excise Duty etc).*

Serial Number 8: Cumulative Arrears of taxes outstanding up to June 2011 for all the related account heads would be filled here.

Serial Number 9: Provide Head wise detail of actual arrears collected during first eight months & anticipated arrears during last four months of 2011-11.

Serial Number 10: Provide quarter wise target of collection of arrears during 2011-12.

Serial Number 11: This will represent the arrears still outstanding as on 30 June 2012. It can be worked out by deducting Columns (9&10) from Column (8).

Serial Number 12: This column will contain detailed reasons for not achieving the targets relating to collection of arrears set for 2011-12.

Annexure – VI

Medium Term Budget Statements (2011-14)

1. Particulars of the Department

Name of the Department	
Name of the Principal Accounting Officer	
Number of current budgets	
No. of development schemes)	
Number of DDO's	
Staff strength	

2. Vision / Mission Statement/ Policy Objectives
3. Overview of the Sector
4. Organizational Structure and Functions of the Department
5. Planning & Budgeting Process
6. Budget Allocations vs. Provincial Budget
7. Priorities in the Medium Term

8. Medium Term Budget Estimates (2011-14)

	Budget Estimate 2011-11	Budget Estimate 2011-12	Budget Forecast 2012-13	Budget Forecast 2013-14
Current				
Development				
Total				

9. MTBF Allocations by Policy Objectives

Policy No.	Policy Objective	Budget Estimates 2011-12		Budget Forecast 2012-13		Budget Forecast 2013-14	
		Cur	Dev	Cur	Dev	Cur	Dev
	Total						

10. MTBF Allocations by Object Classification (2011-14)

Object Description	2011-12			2012-13			2013-14		
	Cur	Dev	Tot	Cur	Dev	Tot	Cur	Dev	Tot
Total									

11. MTBF Allocations by Functional Classification (2011-14)

Function Description	2011-12			2012-13			2013-14		
	Cur	Dev	Tot	Cur	Dev	Tot	Cur	Dev	Tot
Total									

12. MTBF Allocations by Cross Classification (2011-12)

Functional Classification	Object Classification								
	A01	A02	A03	A04	A05	A06	A09	A13	Total
Total									

13. MTBF Allocations by Cross Classification (2012-13)

Functional Classification	Object Classification								
	A01	A02	A03	A04	A05	A06	A09	A13	Total

Total									

14. MTBF Allocations by Cross Classification (2013-14)

Functional Classification	**Object Classification**								
	A01	**A02**	**A03**	**A04**	**A05**	**A06**	**A09**	**A13**	**Total**
Total									

15. Summary of Key Inputs, Outputs and Outcomes

S. No.	**Key Inputs**	**Estimate 2011-12**	**Forecast 2012-13**	**Forecast 2013-14**	**S. No.**	**Key Outputs**	**Target 2011-12**	**Target 2012-13**	**Target 2013-14**	**Outcome**

16. Recurrent Impact of Development Schemes

	2011-12	**2012-13**	**2013-14**	**Beyond 2013-14**

Annexure – VII

An outline of a Departmental Strategic Review

The purpose of a Rapid Sector Review is to provide a strategic focus to decision making process. It also provides link between the Department's policy objectives and its budgets and expenditures. The Sector Review is undertaken in the context of budget preparation (or revision) as part of the annual budget cycle.

The Sector Review involves an assessment of how policy objectives are defined and monitored, for instance with clear indicators of improved performance. The core of the Review is an assessment of whether the Department's programs/projects and expenditures are supporting achievement of Department's policies. It covers both recurrent and development expenditures, looking at the composition of each and assessing the relationships between them.

In view of some time constraints involved, it is envisaged that the Core Team would be undertaking a rapid review of their respective Departments.

An indicative outline for such a review is given below:

1. Departmental overview

a) Description of sector objectives e.g. sector policy and objectives, mission statement;
b) Overview of key issues and challenges being faced by the sector (including projects/program) in the medium and long term;
c) Relationship / Linkage with federal government vertical programs (if any) and activities;
d) Monitoring: description of responsibilities for setting and monitoring outputs and the mechanisms that exist or are being developed for reporting this information; and
e) Drawing on 3 (b) to (c) below, summarize budgets and expenditures for FY 2007-08 to 2011-11, disaggregated according to: current and development; and within major program, functional and economic classifications.

2. Departmental performance and monitoring framework

For each key policy area:

a) Policy objective: a description of the policy area to be addressed and the specific policy objectives that are intended to be achieved over the MTBF period;
b) Outcomes/outputs: a description of how progress is monitored against policy objectives. Assessment of monitoring indicators where they exist; and suggestion of indicators based on international experience where they do not.

3. Recent performance and budget/expenditure trends

For each key policy area:

a) Describe current performance: summarize the current provision of services in the policy area including:

   - recent and present output levels;
   - demands on the program expectations according to sector strategy and especially the PRSP;
   - assessment of the extent to which required service levels are being met including the quality of service delivery; and
   - trends such as improvement/deterioration of infrastructure and human resources.

b) Past expenditures: analysis of expenditure trends for past three years including comparisons of current to development expenditures, wages and salaries to non wage and salaries, the relation of expenditures to outputs;
c) Analysis of budget implementation constraints by assessing the budget, release, expenditure process;
d) Projection of future trends of recurrent and development budgets based on existing policies, i.e. already approved projects, the transfer of recurrent costs of projects on completion to the recurrent budget;
e) Identify budgetary linkages with national and district budget activities (where applicable).

4. <u>Recommendation of the Rapid Sector Review</u>

a) Based on the analysis, comment on the strategic orientation of expenditures and their fit with policy objectives and the outputs of the Department; and

Propose as an input to strategic budget discussions, options for high level reallocations which would be expected to increase the allocative efficiency of expenditure and align expenditures more closely with policies over the period 2011-14.

Annexure – VIII

Other Budget Forms (2011-12)

[FROM ANNUAL BUDGET CALL CIRCULAR 2011-12)

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St Nicholas Road
Sutton
Surrey
SM1 1EL
United Kingdom

T: +44 (0)20 8643 3311
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