



# Completion Report

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Project Number: 32264  
Loan Numbers: 2144 and 2145  
December 2010

## Pakistan: Punjab Devolved Social Services Program

Asian Development Bank



## CURRENCY EQUIVALENTS

Currency Unit – Pakistan rupee/s (PRs)

		<b>At Appraisal</b>	<b>At Program Completion</b>
		13 October 2004	5 June 2009
PRs1.00	=	\$0.01689	\$0.01239
\$1.00	=	PRs59.18	PRs80.70

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
DFID	–	Department for International Development of the United Kingdom
EA	–	executing agency
MDG	–	Millennium Development Goal
MICS	–	Multiple Indicator Cluster Survey
MOU	–	memorandum of understanding
MSDS	–	minimum service delivery standards
MTDF	–	medium term development framework
OCR	–	ordinary capital resources
PLGO	–	Punjab Local Government Ordinance 2001
PPP	–	public–private partnership
PSLM	–	Pakistan Social and Living Standards Measurement Survey
PSU	–	program support unit
SDR	–	special drawing rights
TA	–	technical assistance
TAMA	–	Technical Assistance Management Agency
TMA	–	<i>tehsil</i> municipal administration

## NOTES

- (i) The fiscal year (FY) of the Government of Pakistan and its agencies ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2009 ends on 30 June 2009.
- (ii) In this report, "\$" refers to US dollars.

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In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

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**BASIC DATA  
(ORDINARY CAPITAL RESOURCES LOAN)**

**A. Loan Identification**

1.	Country	Pakistan
2.	Loan Number	2144-PAK
3.	Program	Punjab Devolved Social Services Program
4.	Borrower	Islamic Republic of Pakistan
5.	Executing Agency	Planning and Development Department, Government of Punjab
6.	Amount of Loan	¥7,995,750,000.00 (\$75 million equivalent)
7.	Program Completion Report Number	PCR: PAK 1203

**B. Loan Data**

1.	Appraisal		
	– Date Started	6 October 2004	
	– Date Completed	14 October 2004	
2.	Loan Negotiations		
	– Date Started	18 November 2004	
	– Date Completed	19 November 2004	
3.	Date of Board Approval	20 December 2004	
4.	Date of Loan Agreement	10 January 2005	
5.	Date of Loan Effectiveness		
	– In Loan Agreement	10 April 2005	
	– Actual	27 October 2005	
	– Number of Extensions	2	
6.	Closing Date		
	– In Loan Agreement	31 March 2008	
	– Actual	5 June 2009	
	– Number of Extensions	4	
7.	Terms of Loan		
	– Interest Rate	0.60%	
	– Maturity (number of years)	15	
	– Grace Period (number of years)	3	
8.	Disbursements		
a.	Dates		
		<b>Initial Disbursement</b>	<b>Final Disbursement</b>
		26 December 2005	2 June 2009
		<b>Effective Date</b>	<b>Original Closing Date</b>
		27 October 2005	31 March 2008
			<b>Time Interval</b>
			41 months
			<b>Time Interval</b>
			29 months

b. Amount (¥ '000)

Category or Sub loan	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
PDSSP	7,995,750	0	0	7,995,750	7,995,750	0
<b>Total</b> (loan currency)	7,995,750	0	0	7,995,750	7,995,750	0
<b>Total</b> (\$ equivalent '000)	75,000	0	0	71,290	71,290	0

PDSSP = Punjab Devolved Social Services Program.

### C. Program Data

#### 1. Program Cost (\$ '000)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	75,000	71,290
Local Currency Cost	0	0
<b>Total</b>	75,000	71,290

#### 2. Program Schedule

Cost	Appraisal Estimate (in \$ '000)	Actual (in ¥ '000)
First tranche release	40,000	4,264,400
Second tranche release	20,000	2,132,200
Third tranche release	15,000	1,599,150
<b>Total</b>	75,000	7,995,750

#### 3. Program Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 31 December 2004 to 30 June 2005	Satisfactory	Satisfactory
From 31 July 2005 to 30 September 2005	Satisfactory	Unsatisfactory
From 31 October 2005 to 30 September 2007	Satisfactory	Satisfactory
From 31 October 2007 to 30 November 2007	Satisfactory	Partly satisfactory
From 31 December 2007 to 31 December 2009	Satisfactory	Satisfactory

#### D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members <sup>a</sup>
Loan fact-finding	7–25 July 2004	10	190	b, c, f, h, j, l, m, n, o, p,
Inception	29 April–3 May 2004	6	30	b, c, f, h, l, j,
Loan appraisal	6–14 October 2004	10	90	b, c, f, h, l, j, k, l, m,
Loan negotiations	18–19 November 2004	2	4	a, p
Consultation	9–11 February 2005	3	9	a, b
Consultation	19–26 April 2005	8	24	a, b
Review 1	15–17 December 2005	2	6	a, g
Review 2	10–14 July 2006	5	40	a, b, c, f, i
Review 3	19–24 February 2007	6	48	b, c, e, f, i, k, r, s
Review 4	8–11 May 2007	4	20	b, f, s
Review 5 (midterm)	26 October–2 November 2007	7	35	b, d, f
Review 6	26–31 May 2008	6	36	b, d, e, f
Review 7	20–28 October 2008	6	54	b, d, e, f
Review 8	14–17 July 2009	4	16	b, d, e
Program Completion Review	26–30 September 2010	3	15	d, e, g
Program Completion Review	12–15 October 2010	3	12	d, e, g

<sup>a</sup>a = senior social sector specialist, b = consultant, c = health specialist, d = social sector specialist, e = project analyst, f = Department for International Development of the United Kingdom officials, g = project officer (public management), h = senior education specialist, l = senior governance specialist, j = education advisor, k = education specialist, l = project economist, m = program officer (Pakistan Resident Mission), n = principal education specialist, o = social development specialist, p = council, q = principal project specialist and portfolio administration unit head, r = project officer health (Pakistan Resident Mission), s = senior public resource management specialist.

**BASIC DATA  
(ASIAN DEVELOPMENT FUND LOAN)**

**A. Loan Identification**

1.	Country	Pakistan
2.	Loan Number	2145-PAK
3.	Program	Punjab Devolved Social Services Program
4.	Borrower	Islamic Republic of Pakistan
5.	Executing Agency	Planning and Development Department, Government of Punjab
6.	Amount of Loan	SDR49,770,000 (\$75 million equivalent)
7.	Program Completion Report Number	PCR: PAK 1203

**B. Loan Data**

1.	Appraisal	
	– Date Started	6 October 2004
	– Date Completed	14 October 2004
2.	Loan Negotiations	
	– Date Started	18 November 2004
	– Date Completed	19 November 2004
3.	Date of Board Approval	20 December 2004
4.	Date of Loan Agreement	10 January 2005
5.	Date of Loan Effectiveness	
	– In Loan Agreement	10 April 2005
	– Actual	27 October 2005
	– Number of Extensions	2
6.	Closing Date	
	– In Loan Agreement	31 March 2008
	– Actual	5 June 2009
	– Number of Extensions	4
7.	Terms of Loan	
	– Interest Rate	1.0% per year during the grace period and 1.5% thereafter
	– Maturity (number of years)	24
	– Grace Period (number of years)	8

8. Disbursements

a. Dates

<b>Initial Disbursement</b>	<b>Final Disbursement</b>	<b>Time Interval</b>
23 December 2005	2 June 2009	41 months
<b>Effective Date</b>	<b>Original Closing Date</b>	<b>Time Interval</b>
27 October 2005	31 March 2008	29 months

## b. Amount (in SDR '000)

Category or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
PDSSP	49,770	0	0	49,770	49,770	0
<b>Total</b> (loan currency)	49,770	0	0	49,770	49,770	0
<b>Total</b> (\$ '000 equivalent)	75,000	0	0	75,594	75,594	0

PDSSP = Punjab Devolved Social Services Program.

## c. Program Data

## 1. Program Cost (SDR '000)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	49,770	49,770
Local Currency Cost	0	0
<b>Total</b>	49,770	49,770

## 2. Program Schedule (in \$ '000)

Cost	Appraisal Estimate	Actual
First tranche release	25,000	23,896
Second tranche release	25,000	26,231
Third tranche release	25,000	25,468
<b>Total</b>		75,594

## 3. Program Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 31 December 2004 to 30 June 2005	Satisfactory	Satisfactory
From 31 July 2005 to 30 September 2005	Satisfactory	Unsatisfactory
From 31 October 2005 to 30 September 2007	Satisfactory	Satisfactory
From 31 October 2007 to 30 November 2007	Satisfactory	Partly satisfactory
From 31 December 2007 to 31 December 2009	Satisfactory	Satisfactory

#### D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members <sup>a</sup>
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Inception	29 April–3 May 2004	6	30	b, c, f, h, l, j,
Loan appraisal	6–14 October 2004	10	90	b, c, f, h, l, j, k, l, m
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Consultation	9–11 February 2005	3	9	a, b
Consultation	19–26 April 2005	8	24	a, b
Review 1	15–17 December 2005	2	6	a, g
Review 2	10–14 July 2006	5	40	a, b, c, f, i
Review 3	19–24 February 2007	6	48	b, c, e, f, i, k, r, s
Review 4	8–11 May 2007	4	20	b, f, s
Review 5 (midterm)	26 October–2 November 2007	7	35	b, d, f
Review 6	26–1 May 2008	6	36	b, d, e, f
Review 7	20–28 October 2008	6	54	b, d, e, f
Review 8	14–17 July 2009	4	16	b, d, e
Program completion review	26–30 September 2010	3	15	d, e, g
Program completion review	12–15 October 2010	3	12	d, e, g

<sup>a</sup>a = senior social sector specialist, b = consultant, c = health specialist, d = social sector specialist, e = project analyst, f = Department for International Development of the United Kingdom official, g = project officer (public management), h = senior education specialist, l = senior governance specialist, j = education advisor, k = education specialist, l = project economist, m = program officer (Pakistan Resident Mission), n = principal education specialist, o = social development specialist, p = council, q = principal project specialist and portfolio administration unit head, r = project officer health (Pakistan Resident Mission), s = senior public resource management specialist.

## I. PROGRAM DESCRIPTION

1. The Punjab Devolved Social Services Program was approved in December 2004, in the amount of \$150 million equivalent, and became effective in October 2005.<sup>1</sup> The Planning and Development Department of the Punjab government was the executing agency (EA). The program impact was to achieve progress on Millennium Development Goals (MDGs) related to poverty, gender, education, health, and water supply and sanitation in the province. The program outcome was to strengthen devolved social services for more equitable, efficient, effective, and sustainable service delivery in line with the Punjab Local Government Ordinance 2001 (PLGO). To achieve the program's impact and outcome, the program outputs focused on expanding access to health services, increasing school enrollment rates, and improving access to water supply and sanitation facilities. In addition, it hoped to move away from provincially driven to demand-driven programs identified and implemented by local governments, which also required enhancement of local government capacity to assume new roles and responsibilities in social services, including participatory planning, implementation, and monitoring and evaluation.

2. This program completion report provides an overview of the program's assistance in implementing governance and fiscal reforms under the PLGO, and toward improvement of social services, especially for women, children and the poor in Punjab. The program framework is in Appendix 1.

## II. EVALUATION OF DESIGN AND IMPLEMENTATION

### A. Relevance of Design and Formulation

3. The program is assessed as *partly relevant* at the design, implementation, and completion stages. The Punjab government (government) requested assistance from Asian Development Bank (ADB) to address the province's weak social indicators (e.g., low literacy; high infant, child, and maternal mortality; disparity among income and gender groups regarding access to social services; and inadequate access to clean water and sanitation). The program was designed to address these development priorities in line with strategies identified in the Punjab Poverty Reduction Strategy Paper<sup>2</sup> and the PLGO, by increasing financing for the social sectors and improving the efficiency of service delivery through devolution. These development objectives and strategies were also in line with the ADB country strategy and program update, which prioritized governance reforms and assistance for decentralized financing, planning, and delivery of social services throughout Pakistan.<sup>3</sup>

4. The program formulation further incorporated lessons from the Second Social Action Program Project,<sup>4</sup> to create a balance between social sector development and governance reforms, while addressing capacity issues through related technical assistance (TA). Basic

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<sup>1</sup> ADB. 2004. *Report and Recommendation of the President to the Board of Directors: Proposed Program Loans and Technical Assistance Grant to the Islamic Republic of Pakistan for the Punjab Devolved Social Services Program*. Manila (Loans 2144 and 2145[SF]-PAK, for \$150 million equivalent, approved 20 December).

<sup>2</sup> Government of Punjab, Planning and Development Board. 2003. *Punjab-Poverty Reduction Strategy Paper*. Lahore.

<sup>3</sup> ADB. 2004. *Country Strategy and Program Update: Pakistan, 2005–2006*. Manila.

<sup>4</sup> ADB. 1996. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Islamic Republic of Pakistan for the Second Social Action Program (Sector) Project*. Manila (Loan 1493-PAK, for \$200 million, approved 28 November).

design principles of the Sindh Devolved Social Services Program,<sup>5</sup> in terms of policy outcomes and the conditional grant mechanism, were followed in program design. Development objectives were linked to the Punjab Resource Management Program and Decentralization Support Program.<sup>6</sup> Further, the program's preparatory TA<sup>7</sup> was effective in carrying out analysis of sector-specific and crosscutting issues through extensive stakeholder consultations, including workshops at the provincial and district levels.

5. However, the program did not adequately consider the government's wavering commitment to devolution, nor did it incorporate an important lesson from the Second Social Action Program regarding difficulties in implementing complex multi-sector programs. The program was, therefore, only partly relevant at the design and formulation stage.

6. The program aimed to clarify intergovernmental roles and responsibilities and to improve social services delivery within a well-defined, albeit new, governance structure in an uncertain political system. While the program identified political risks and recognized that devolution was in transition, the risk assessment related to political opposition was downplayed, and mitigation measures were unrealistic and inadequate. During the program, the PLGO was revised to extend government powers to remove the elected *nazims* (council heads), which indicated that devolution of political and administrative powers was contentious, and that the government's ownership was weak.

7. The government is currently developing a new local government act, and the program's long-term relevance will depend on the shape and extent of devolution under this new legislative framework. The prevailing uncertainty about the local government system and ADB's disengagement from devolution as a key pillar of its country partnership strategy, 2009–2013, diminished the program's relevance.<sup>8</sup> Notwithstanding, certain program outputs (see paragraph 47) are likely to have lasting development effectiveness. Hence, the program was partly relevant at completion.

## **B. Program Outputs**

8. The program aimed at achieving progress on the MDGs related to health, education, poverty, gender and WSS through more equitable, efficient, effective and sustainable delivery of social services in line with the PLGO under three policy areas:

- (i) realigned intergovernmental relations for devolved social services in line with the PLGO through (a) development of 5-year strategic plans; (b) support of implementation of devolved administrative and financial powers; and (c) provision of incentives and fiscal support to local governments, through conditional grants, to undertake reforms and implement provincial policies, priorities, and institutional arrangements;

<sup>5</sup> ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Program and Technical Assistance Loans to the Islamic Republic of Pakistan for the Sindh Devolved Social Services Program*. Manila (Loan 2049-PAK, for \$220 million, approved 12 December).

<sup>6</sup> ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Islamic Republic of Pakistan for the Punjab Resource Management Program*. Manila (Loan 2030-PAK, for \$200 million, approved 4 December); and ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Program and Technical Assistance Loans to the Islamic Republic of Pakistan for the Decentralization Support Program*. Manila (Loans 1935- and 1936[SF]-PAK, for \$270 million, approved 21 November).

<sup>7</sup> ADB. 2003. *Technical Assistance to the Islamic Republic of Pakistan for Preparing the Punjab Devolved Social Services Sector Development Program*. Manila (TA 4183-PAK, for \$400,000, approved 26 September).

<sup>8</sup> ADB. 2009. *Country Strategy and Program: Pakistan, 2009–2013*. Manila.

- (ii) rationalized, pro-poor, and gender-sensitive minimum service delivery standards for social sectors and placement of essential human resources through local governments; and
- (iii) strengthened public accountability mechanisms through (a) development of monitoring strategies for social sectors and effective functioning of local council monitoring committees, and enhanced public disclosure on social services delivery; and (b) promotion of public private partnerships (PPPs) in social sectors, focusing on innovative alternative service delivery.

9. The updated policy matrix is in Appendix 2. Overall progress in achieving program outputs was satisfactory. Related successes, issues and challenges in program implementation are discussed below.

### **1. Realign Intergovernmental Relations to Support Devolved Social Service Delivery**

10. **Medium-term strategic planning for social sectors.** The program succeeded in institutionalizing the provincial medium term development framework (MTDF) and providing strategic direction to the local planning process. However, the program only partly assisted with linking local priorities to the provincial policies and in institutionalizing local-level strategic planning.

11. The Planning and Development Department prepared the first MTDF in consultation with provincial line departments for 2006–2009, with subsequent annual updates, the latest round covering 2010–2013. The program support unit (PSU) assisted in preparing 13 sector plans, including the four program sectors (i.e., education, health, special education, and water supply and sanitation). While the 3-year time frame for the MTDF is shorter than the 5-year framework envisaged under the program, the deviation did not compromise the policy objective of instituting medium-term strategic direction into social sector planning at the provincial level. Further, strategic planning at the local level was supported by the program through development of annual sector plans and 3-year rolling plans approved by local councils. However, the mechanism could not be institutionalized due to the uncertainty surrounding the local government system and the lack of support for building local capacity. However, the health sector has sustained a similar mechanism through the Punjab Millennium Development Goals Program.<sup>9</sup>

12. The frequent transfer of officers from local governments was a major impediment in developing local capacity and institutionalizing local-level planning. Generally, as reported in the November 2007 midterm report, the capacity of local officials is limited to infrastructure-deficiency analysis, while systems and operations analyses skills are lacking. More emphasis on capacity-building initiatives, less frequent staff turnover, and a robust monitoring and evaluation system would have strengthened local planning.

13. **Implementation of devolved powers for social services.** The program was successful in further devolving administrative and financial powers in line with the PLGO, but the

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<sup>9</sup> Field visits to three districts during the program completion review mission, as well as interaction with local officials, revealed the lack of institutionalized, local-level strategic planning regarding education, special education, and water supply and sanitation. It has been sustained in the health sector, however, as it continues to receive support through ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Islamic Republic of Pakistan for the Punjab Millennium Development Goals Program, Subprogram 2*. Manila (Loan 2644-PAK, for \$150 million, approved 24 June).

sustainability of the output is uncertain and will become clear only after the new local government act is finalized. The development and distribution to provincial line departments and local governments of a compendium of rules, regulations, notifications, and directives relating to devolved administrative and financial powers for facilitating policy transmittal to the local governments helped sensitize government officials to the changed business processes under devolution. A mapping exercise also identified gaps in the implementation of devolved powers and developed a time-bound action plan to address them. The Local Government and Rural Development Department led this through a high-power, representative review committee. Two working groups completed the exercise separately for financial and administrative powers.

**14. Increased fiscal space for devolved social services through conditional grants.**

The program was partly successful in establishing, through the Provincial Finance Commission,<sup>10</sup> an objective, transparent, and needs-based formula for conditional grants. The formula for distribution of conditional grants during the program was 70% based on population and 30% based on sector deprivation indices, except for special education, where the sole criterion was population.

15. The equivalent of \$75 million was released to the government in three equal tranches. The first two tranches were distributed to local governments as per the formula, while the third tranche, released by ADB in May 2009, has still not been distributed to the local governments. According to the government, the third tranche was not released because of uncertainty about the future of the PLGO.

16. The government attributes low utilization of conditional grants to the limited capacity of the local governments (see Appendix 3). Local support groups were supposed to address the capacity deficit; however, the government ultimately decided against setting up these groups, believing that the delay in the induction of the Technical Assistance Management Agency (TAMA) would require the PSU to manage the local support groups, hence further stretching its resources. Furthermore, lack of coordination between sector officers and finance and planning officers, frequent transfers, and a ban on development expenditure before the 2008 general elections disrupted local government spending.

17. For the first tranche, most of the investments were for civil works, equipment, and other visible projects. However, a comprehensive assessment of the conditional grant mechanism cannot be made until complete utilization reports are provided by the government. While the conditional grants incentivized strategic planning, they remained program-driven. Various factors, including limited local government capacity, frequent transfers of local government officials, and uncertainty about the overall local government system, weakened local-level reforms. Thus, as noted in the midterm review report, conditional grants have not been fully integrated and institutionalized within the government's main intergovernmental transfer system, which diminishes the likelihood for these grants to become an incentive mechanism for improving local government performance.

## **2. Rationalize and Set Minimum Standards for Social Services**

**18. Setting minimum service delivery standards.** The program was effective in the development of minimum service delivery standards (MSDS) through a consultative process

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<sup>10</sup> The commission was set up under the PLGO to develop a formula for distribution of resources between the Punjab government and local governments. It is chaired by the minister of finance and includes members from the local governments and private sector.

involving provincial line departments, local governments, and civil society for all four program sectors. Primary and secondary health care standards for all levels and categories of services, including preventive, promotive, curative, and rehabilitative, were notified in December 2007. Memorandums of understanding (MOUs) were signed between the provincial health department and district governments, committing to complete implementation of MSDS by 2012. For water supply and sanitation, MSDS focusing on technical and service delivery aspects for drinking water, sanitation, and solid waste management, were notified in October 2008. Implementation guidelines were distributed to the *tehsil* (town) municipal administrations (TMAs) in Urdu, along with a positive and negative list to align utilization of conditional grants with the standards.

19. However, the implementation of MSDS is lagging for water supply and sanitation, as these were approved in an unsure political environment for TMAs, and the spate of transfers of TMA officers after the 2008 elections hindered their implementation. A third-party evaluation of the health MSDS implementation in 10 districts showed progress; however, the health department should review the veracity of its mechanism for verifying the level of attainment.<sup>11</sup>

20. **Rationalization of staff.** The program was effective in filling the targeted number (75%) of essential positions in the education, health, special education, and water supply and sanitation sectors, utilizing the framework for recruitment under the new recruitment and contract appointment policies notified in 2004. The policies provided guidelines to provincial line departments and district governments for ensuring transparent, merit-based recruitment, as well as quotas for female employment. However, these policies did not institutionalize an incentive system to ensure the retention of essential staff, especially in rural and remote areas. During the program completion review mission field visits, one district indicated close to 50% vacant posts for medical officers in primary health care facilities and a shortage of close to 70% for women medical officers and specialists.

### 3. Strengthen Public Accountability and Promote Public–Private Partnerships

21. **Strengthened monitoring systems and enhanced public disclosure.** The program was partly successful in developing and implementing a social sector monitoring strategy, providing a detailed description of monitoring practices in various sectors and levels, as well as developing cost estimates for various components of the monitoring and evaluation plan for the four sectors. The health and education departments developed management information systems and are regularly monitoring their sectors through standardized templates and specialized staff, while the field monitoring capacity of the Special Education Department remains limited. The Housing Urban Development and Public Health Engineering Department has a management information system cell responsible for implementation of the monitoring strategy and is developing web-based software to link its headquarters with field offices for improved monitoring.

22. In line with the Punjab Poverty Reduction Strategy Paper and MTFDF approach, the government has introduced compulsory third-party validation for all development schemes of PRs100 million or above. Behavior-change communication campaigns were also successfully implemented for all four sectors, utilizing print and electronic media, workshops, and training programs. However, the impact evaluation of different approaches is needed to develop a sustained behavior-change communication strategy for the social sectors.

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<sup>11</sup> Government of Punjab. 2010. *Draft Project Completion Report: Punjab Devolved Social Services Program*. Lahore.

23. **Effective functioning of local council monitoring committees.** While the development and approval of bylaws for local council monitoring committees was successfully completed under the program, the objective of effective monitoring through functioning local council monitoring committees could not be achieved. The legal foundation for community involvement in monitoring public spending provided under the PLGO was strengthened, but due to low acceptance and lack of official strength and public recognition, the committees did not function effectively, except in a few local governments. Throughout the program period, most committees remained nonfunctional or partly functional. Before the second tranche release, this condition was deferred, as monitoring committees were not comprehensively observing the bylaws.

24. **Promotion of public-private partnerships in social sectors.** The program's target of developing and implementing a PPP policy for social sectors with a focus on the health sector was effectively met. Instead of a policy, a PPP strategy was developed and approved by the Cabinet for guiding PPP practice on the ground. Based on international best practices, the strategy suggests prioritization of PPPs in social service delivery, while considering the quality of service and ability of users to pay. For implementation of PPPs, 33 MOUs were signed by local governments in the four sectors, with a focus on health.

25. Notwithstanding the limited implementation of PPPs in the social sector, development of the PPP strategy involving stakeholder consultation and information sharing raised the level of ownership of the PPP concept in the province, leading to the enactment of the Punjab Public Private Partnership for Infrastructure Act in 2010. This act provides a legal framework for PPPs in infrastructure and services, including the social sectors.

### C. Program Costs and Disbursement

26. The program cost was estimated at \$180 million equivalent, which ADB supported with an Asian Development Fund (ADF) loan of SDR49,770,000 (\$75 million equivalent), and an ordinary capital resources (OCR) loan of ₹7,995,750,000 (\$75 million equivalent). In addition, the Government of the United Kingdom, through the Department for International Development (DFID), provided a grant of \$30 million equivalent. The ADF loan was provided to finance direct transfers to local governments, as conditional grants, to support devolved social service delivery. The OCR loan and DFID grant were provided as programmatic support to leverage related reforms. Another DFID grant of \$20 million equivalent was provided as TA,<sup>12</sup> administered by ADB, to implement the policy matrix. The disbursement schedule for tranche releases is given below.

#### Disbursement of Loan Proceeds (\$ million)

Tranche Details	Scheduled Tranche Release	Actual Tranche Release	ADF Loan	OCR Loan	DFID Grant	Total Amount
First	30 June 2005	26 December 2005	25	40	15	80
Second	30 June 2006	21 November 2007	25	20	10	55
Third	30 June 2007	2 June 2009	25	15	5	45
<b>Total Disbursements</b>			<b>75</b>	<b>75</b>	<b>30</b>	<b>180</b>

ADF = Asian Development Fund, DFID = Department for International Development, OCR = ordinary capital resources.

<sup>12</sup> The TA grant will be evaluated in a TA completion report in 2011.

#### D. Program Schedule

27. There were a number of delays in disbursement of program funds. First, the government's lack of commitment to the PLGO undermined program implementation, as devolved administrative, political, and fiscal powers challenged the influence of the government. Second, the multi-sector coverage of the program overstretched the resources of the PSU, which needed to coordinate reforms at both the provincial and local government levels. Third, implementation of the conditional grants remained slow due to local government capacity issues, frequent transfers of local officials, disruptions in development spending, and a reticence to transfer funds.

#### E. Implementation Arrangements

28. Implementation arrangements were *partly satisfactory*. Given the program's multi-sector nature and emphasis on medium-term planning for improving social service delivery, the Planning and Development Department was an appropriate EA. The program design envisaged combining the efforts of the PSU with 34 local support groups, which would have facilitated implementation of reforms in the provincial and local governments. However, a decision was made by the EA not to recruit local support groups, as it would have involved too much human resources management for the PSU. This was a major departure from the program design and adversely affected the pace and quality of program implementation.

29. Intensive mentoring of district governments and program TMAs was required for development of sector plans, which should have been undertaken by the local support groups so that the PSU could focus on reforms within the provincial line departments and overall program coordination. The Provincial Steering Committee, tasked with providing overall program coordination, policy, and strategic guidance, met infrequently, and should have played a more active role in driving reforms. In addition, the program envisaged active participation of the Provincial Finance Commission, Local Government Commission, Finance Department, local support groups, and the Accounts, *Mashawarat*, and Monitoring Committees. However, entities created under the PLGO did not perform their expected roles due to thwarted implementation of devolution. Also, the Finance Department did not actively assist the Provincial Finance Commission in tracking local government expenditures. Thus, while implementation arrangements for the program were logical and linked to program outputs, in many instances they were not followed.

#### F. Conditions and Covenants

30. **Effectiveness conditions.** There was a 6-month lag in declaring the loan effective, due to delays in meeting the four loan effectiveness conditions. Two conditions, relating to the signing of loan agreements and final drafts of the MOU, were fulfilled after a 1-month delay. The condition requiring the Executive Committee of the National Economic Council's approval of the TA was fulfilled after a 4-month delay. The fourth condition, requiring DFID confirmation of the DFID grant and its administration arrangements, was waived after a 6-month delay. According to the waiver request, DFID's preparation of its grant assistance proposal was late due to (i) a change in personnel overseeing the preparation of the program proposal, including the DFID Pakistan country head, (ii) setting up of a new devolved DFID Pakistan office in first half of 2005, (iii) difficulty in presenting the proposal to ministers during the election period in the United Kingdom, and (iv) insufficient time for submission and approval by the newly appointed ministers between assumption of office and the summer recess. Thus, the delay was not due to disagreement over the proposal itself. However, after DFID approval of the grant was confirmed,

differences remained between ADB and DFID regarding the implementation modality. This led to a substantial delay in mobilizing TA funds (see paragraph 36).

31. The policy matrix contained 35 policy actions to be complied with before tranche releases. In all, 29 policy conditions were complied with, 5 were partially complied with, and 1 was substantially complied with. The detailed matrix of compliance is given in Appendix 2.

32. **Loan covenants.** The program included 11 policy covenants, of which 4 were complied with and 7 were partially complied with. For example, the government agreed to increase the social sector expenditures as a percentage of total allocations every program year at the provincial, district and TMA levels. Based on budget data provided by the government, current expenditures for social sectors were in line with the covenant. However, development expenditures as a percentage of allocations consistently fell short of the targets.

33. To avoid delays in distribution of funds to the local governments, a policy covenant required that loan proceeds be disbursed by the Finance Department to district governments and TMAs within 1 month of the date of receipt. However, the program completion review mission confirmed that while the Finance Department received ADF loan proceeds from the third tranche, these proceeds were not transferred to local governments as conditional grants. Further, the districts visited during the mission had not received any information as to whether they would eventually receive funds, although they had submitted their 3-year rolling plans.

34. To support fiscal decentralization, a policy covenant required the government to ensure that all fees pertaining to social sectors be retained by the sector and utilized for better management of services. However, after program closure, the Punjab Millennium Development Goals Program mission was still negotiating with the Finance Department to notify ADB of retention of fees by health facilities, instead of transferring them to the provincial account. Subsequent field visits to districts indicated that health facilities still send fees back to the province, which results in less financial predictability and autonomy for the facility.

35. The reporting requirements described under Schedule 5 of the loan agreement provided for inception, quarterly, annual, and completion reports. The inception report could not be located in the program files, and the PSU was not sure whether it had been submitted. At the PSU's request, progress reports for tranche releases were accepted by ADB instead of annual reports. The government's program completion report is detailed, providing much information about program implementation. However, the government's reporting on conditional grants is incomplete, as information is only provided for part of the first and second tranche amounts. Further, the EA did not submit any quarterly reports, which made it difficult for the government to track accomplishments toward targets, identify obstacles, suggest remedial measures, and set goals for the next quarter. Prolonged noncompliance with particular loan covenants indicates a lack of commitment to certain aspects of the program by the government as well as a lack of monitoring and follow-up by ADB.

## **G. Related Technical Assistance**

36. The DFID-funded TA aimed to support social service policy reforms and to enhance the capacity of participating local governments to improve quality, access, efficiency, and cost-effectiveness of social services. DFID, the government, and ADB agreed that the TA would be implemented by the TAMA, which would identify, recruit, and manage consulting services in line with the needs of provincial line departments and local governments. There were several delays encountered during recruitment of the TAMA firm, including pre-termination of the first-ranked

firm. As a result, the TAMA was only mobilized during the last year of program implementation, which significantly reduced TA effectiveness. Although important program outputs were developed using TA resources, total disbursements amounted to less than 50% of the TA amount.

#### **H. Performance of the Borrower and the Executing Agency**

37. The performance of the borrower and the EA was *partly satisfactory*. The EA facilitated coordination between program line departments in implementing strategic sector planning within the framework of the MTRF. The PSU was able to achieve sufficient compliance with a challenging policy matrix, in a time of political transition, to deliver all three tranche releases. A crucial shortcoming on the part of the EA and PSU, however, was in monitoring and reporting on the conditional grants, which represented half of the program funds. During program implementation the EA submitted a utilization report for 67% of the first tranche of conditional grants, and subsequent to the program completion review mission, the EA submitted a utilization report for 73% of the second tranche. The third tranche of conditional grants is yet to be transferred to the local governments. The EA has not been effective in coordinating with the Finance Department and local governments to ensure adequate monitoring and reporting on conditional grants.

#### **I. Performance of the Asian Development Bank**

38. The performance of ADB in implementation of the program was *partly satisfactory*. ADB interacted regularly with the government to affect implementation of the policy matrix, and, where full compliance was not possible due to the changed political environment, ADB informed Management and the Board accordingly in progress reports. However, there were several weaknesses in ADB's implementation of the program. Over the first 2 years, ADB program officers changed repeatedly, and the time required for each officer to become familiar with the program contributed to delays. Further, while an adequate number of missions was fielded, more field visits to local governments should have been undertaken, which would have assisted in assessing the efficacy of capacity building to improve planning and delivery of social services. Further, closer monitoring and follow-up with noncompliance of loan covenants should have occurred.

### **III. EVALUATION OF PERFORMANCE**

#### **A. Relevance**

39. The program is rated *partly relevant*. The prevailing development priorities of the borrower and the country strategy and program update were clearly articulated in the design. The PLGO had been promulgated 2 years prior to program preparation; hence, its arrangements for devolved social service delivery were incorporated with a view to strengthening the government's own structure and institutions instead of developing parallel mechanisms in a project mode. The policy matrix was developed in accordance with the priorities highlighted in the Punjab Poverty Reduction Strategy Paper and the country strategy and program update, such as improving governance, particularly civil service reforms; strengthening devolution and planning processes for improved public service delivery; encouraging private sector participation; and improving fiscal and financial management. The program's overall goal of achieving progress toward the MDGs was also relevant for Punjab as its social indicators, while comparatively better than other provinces, still lagged behind MDG targets.

40. The relevance of program design was, however, diminished by design faults. First, the scope and complexity of the program was too large, as it covered policy reforms in four sectors at the provincial, district, and TMA levels. The demands of multi-sector reforms at different government levels overstretched PSU and ADB resources to manage all aspects of the program. Further, as was the case with the Sindh Devolved Social Services Program, the program period of 3 years was insufficient to realize significant improvements in sector indicators, particularly when the program's focus was on institutional reforms, which require time to yield results.<sup>13</sup>

41. With respect to the institutional reforms related to devolution, the program was constrained by a lack of political will. While the slow pace of devolution was envisioned in the program design, this risk was not specifically recognized nor mitigated. Instead, it was assumed that a more stable political environment in the province and a strong bureaucracy would overcome opposition to reforms, including devolution. This assumption was overly optimistic. After 2 years of program implementation, the midterm review provided a risk assessment of devolution, indicating discontent shared by political leaders, civil servants, and various societal components, as well as a fundamental tension between provincial and local politics, which eventually resulted in removal of *nazims*. The program completion review mission's feedback from provincial line department officials indicated that the provincial government was unlikely to have accepted devolution reforms thrust upon it by the central government. Rather, the provincial government should have been responsible for devising the plan to devolve provincial powers to the local governments.

## **B. Effectiveness in Achieving Outcome**

42. The project was *less effective* in achieving its stated outcomes. The first policy outcome was linked to realignment of intergovernmental relations to support devolved social services. While the government has made progress in strengthening its role in articulating policy, setting standards, and regulating, it has not built local government capacity sufficiently to plan, deliver, and monitor social services. The midterm review indicated that local government planning followed ad hoc arrangements, in-depth and technically sound local situation analyses were not carried out, and facility managers did not provide inputs into the planning process. One year after completion of the program, district coordination officers reported that planning remained a mechanical process, driven by scheme selection, due to a lack of capacity to prioritize sector needs. Hence, this outcome has been partly achieved.

43. The second policy outcome, rationalizing human resources and setting minimum service delivery standards for social services, was also partly achieved. While the program was effective in developing new standards for social services, effective implementation of these standards requires adequate planning and monitoring at the local level, neither of which was delivered by the program. Having sufficient human resources is needed to implement the new standards. Although the PSU reported that 75% of essential staff positions had been filled, the health department currently has more than 25% of essential staff positions vacant, particularly anesthetists, gynecologists, and nurses in rural health centers due to a lack of skilled health professionals in the public sector.

44. The third policy outcome, strengthened public accountability mechanisms and promotion of PPPs, was also partly achieved. The program developed the monitoring committee bylaws to strengthen public accountability. However, the majority of these committees remained

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<sup>13</sup> ADB. 2008. *Completion Report: Sindh Devolved Social Services Program*. Manila.

ineffective or nonfunctional during the program. The midterm review indicated that the role of monitoring committees was neither an integral part of official processes nor was it widely understood by the public. Therefore, this aspect of the policy outcome area was not achieved. The program was more effective in developing a strategy to promote PPPs with a view to widening the platform of social service provision and improving quality and efficiency.

### **C. Efficiency in Achieving Outcome and Outputs**

45. Using efficiency of management as the basis for this assessment, the program is *rated as less efficient*. Although the PSU achieved sufficient compliance with the policy matrix for all three tranche releases, sustained and in-depth interaction for institutionalizing reforms at the local government level was missing. This was particularly evident with respect to local governments for which the EA did not adequately facilitate and track utilization of conditional grants in all districts and TMAs. The government's decision not to establish local support groups, as per program design, further complicated the issue, as an important capacity-building opportunity was not realized (see also paragraph 28).

### **D. Preliminary Assessment of Sustainability**

46. The program is *considered less likely to be sustainable* because the underpinning framework for the PLGO has been withdrawn by the government and will be replaced by the anticipated local government act. The extent to which the ordinance will be revised under the new law is not clear, particularly concerning the role of districts in delivery of health and education. However, several sources, including the Housing Urban Development and Public Health Engineering Department, indicate that TMAs will be abolished and that the delivery of water supply and sanitation will revert to the province.

47. Notwithstanding political changes, certain program outputs are likely to be sustained. The process of medium-term planning is likely to be sustained through the provincial MTDf; however, this framework has yet to demonstrate its full utility as a viable planning tool for projecting prioritized development activities for each year over a medium term based on the government's development commitments. The 3-year rolling plans initiated by the program will be sustained in the health sector as a requirement under the Punjab Millennium Development Goals Program; however, for other sectors, sustainability is questionable. The MSDS are expected to be sustained and should improve service delivery if the province prioritizes sufficient funds to cover the required human resources, equipment, facilities, and monitoring arrangements. The PPP strategy developed under the program has led to commencement of some PPPs and should inform the work of the high-level committee tasked with developing a PPP policy for the province.

### **E. Institutional Development**

48. Sustainable program outputs have led to a moderate level of institutional development. The MSDS for the four program sectors have assisted in defining the roles of the provincial government as a standard setter and regulator and of local governments as providers of basic social services. These standards will serve as benchmarks to increase accountability, cost-effectiveness, sustainability, and quality of service delivery. The alignment of medium-term sector planning to the MSDS, at least sustained in the health sector, has enhanced the planning and policy analysis capacity of the Health Department. The government shows strong ownership for both the MTDf and Medium Term Budgetary Framework, which will lead to institutionalized medium-term planning mechanisms for the province. As well, the government

has demonstrated its commitment to broadening the platform of service provision and to increasing efficiency in the social sectors, among others, by institutionalizing the modality of PPPs through legislation.

## **F. Impact**

49. The program's impact is rated *moderate*. The interventions are likely to have long-term socioeconomic impacts by supporting improvements in basic social services in the public sector, which are generally used by the poor. The MOUs between the government and the local governments and the formula for distribution of conditional grants among districts supported pro-poor investments and a commitment to gender mainstreaming. The role of women in decision-making was enhanced by the provision of evidence that at least two female councilors were represented in each of the sector monitoring, accounts, and district development committees, which was an eligibility criterion for access to conditional grants.

50. The updated program framework (Appendix 1) reflects progress toward the MDGs in health, education, and water supply and sanitation for the majority of indicators related to quality and access, with the exception of indicators for infant mortality and family-planning services. Health and education interventions were in accordance with the program's gender strategy and the relevant indicators. The updated framework uses the Multiple Indicator Cluster Survey (MICS) 2007-2008 and Pakistan Social and Living Standards Measurement Survey (PSLM) 2008-2009 for the outer years of tracking indicators, although ideally, the next MICS 2010-2011 and the PSLM 2010-2011 would be more appropriate as they extend beyond the closing date of the program.

51. The impact of the program on efficiency in social sectors, identified in the program framework, could not be tracked for any of the five indicators because baseline figures were not provided. No information, historical or current, was provided by any of the sector line departments, which indicates ongoing weaknesses in sector management information systems. Appropriate benchmarking was a major area to be addressed by the PSU, but was not realized.

## **IV. OVERALL ASSESSMENT AND RECOMMENDATIONS**

### **A. Overall Assessment**

52. The program is rated *partly successful* (Appendix 4). The program's overall goal and objective were in line with the stated priorities and strategies of the government and ADB. Problems were encountered, however, because the government did not fully implement the PLGO. In fact, there was a lot of resistance to the local government system, which undermined program success in achieving its broad reform objectives. Notwithstanding, a majority of conditions in the policy matrix were complied with, which enabled release of all three tranches, and several program outputs are likely to be sustained. These outputs will form a foundation for the government to improve public service delivery through a medium-term development framework, according to agreed minimum service delivery standards, with public accountability, and in partnership with the private sector.

### **B. Lessons Learned**

53. **Design.** The risk assessment of political resistance to devolution was not sufficiently robust, and mitigating measures were not realistic. The design should have been revised to address political resistance to implementation of the PLGO. Failure to do so undermined

program implementation. Another significant design flaw was the multi-sector and ambitious scope of the program. This observation was also raised by the EA during the program completion review mission. The demands of implementing reforms across four sectors limited the extent of sustained interaction in any one sector. The water supply and sanitation sector, in particular, faces a very different set of development needs and requires specific technical expertise. The multi-sector Second Social Action Program Project faced similar implementation challenges, though this lesson was not sufficiently incorporated into the program design.

54. **Implementation.** The implementation efficiency of the program was constrained by the late recruitment of the TAMA, and the lack of recruitment of local support groups. The TAMA was meant to mobilize about 4,000 person-months of consulting services. The local support groups were expected to be mobilized in each district for 3 years to enhance capacity. For the majority of program implementation, these tasks became the responsibility of ADB and the PSU, albeit with insufficient resources, which negatively affected implementation efficiency. A fully functional TAMA for the duration of the program would have allowed ADB to focus more on implementation of program reforms, rather than on TA contract issues.

55. **Sustainability.** The focus of the EA and PSU was on implementation of the policy matrix. Considerably less importance was given to the loan covenants. The PSU indicated that it would have recruited local support groups if it had been a condition in the policy matrix; however, since it was not a tranche condition, the PSU did not feel compelled to comply. This was also the case with covenants related to social sector expenditures and conditional grants, which were key covenants for ensuring improved social sector performance. Major covenants should have been included in the policy matrix for greater consistency and to increase the likelihood of compliance.

## C. Recommendations

### 1. Program Related

56. Future social sector programs or subprograms in the province will require a thorough stakeholder analysis of the new local government act and an assessment of its political ownership, arrangements for local governments, and likelihood of implementation. A candid risk analysis of political resistance to reform should be undertaken with appropriate risk mitigation measures identified. Also, for programs dealing with local governments, a comprehensive baseline assessment of their capacity is required, with specific weaknesses identified and addressed through an institutionalized mechanism for capacity building. A targeted program may be considered for this purpose. Multi-sector designs should be avoided in favor of more focused, single sector interventions, such as the Punjab Millennium Development Goals Program for the health sector.

57. To facilitate efficient implementation, consultants identified under associated program TAs, particularly TAMAs, should be mobilized as a condition for loan effectiveness. This would have increased implementation efficiency and potentially eliminated the need for program extensions.

58. After release of the final tranche, and certainly after program closure, the focus of the EA and PSU was diverted. Hence, it was difficult to achieve compliance with unfulfilled covenants, particularly those related to sustaining reforms beyond the life of the program. Policy covenants should be aligned with the policy matrix to ensure compliance. The EA should submit a utilization report for the full ADF amount transferred to local governments as conditional grants. The EA should also notify the Finance Department to transfer the ADF amount from the third

tranche release to local governments as per the loan agreement and the MOU undertaken between the province and respective local governments. Furthermore, since the health sector was the main beneficiary of program funds, these recommendations should be incorporated into the proposed Punjab Millennium Development Goals Program, Subprogram 3.

## **2. General**

59. ADB has accumulated sufficient experience with conditional grants to undertake an assessment of whether the amount and modality created an effective mechanism for leveraging improvements in local government performance. The assessment should indicate whether conditional grants were a useful mechanism for transmitting provincial policy priorities. So far, ADB has transferred a total of \$325 million to provincial governments earmarked for onward transfer to local governments as conditional grants. If other programs decide to continue with this mechanism, an assessment is needed to clarify the impact of these grants as identify potential implementation risks.

## PROGRAM FRAMEWORK

Hierarchy of Objectives	Performance Indicators and Targets (2005–2008)	MICS		PIHS	PSLM		Remarks
		03/04	07/08	01/02	04/05	08/09	
<b>Goal</b> Achieve progress on MDGs related to poverty, gender, education, health, and water and sanitation	<ul style="list-style-type: none"> <li>Literacy 10 years and above increases from <b>47%</b> to 60%</li> </ul>	54%	59%	<b>47%</b>	55%	59%	- <i>Significant progress</i> towards target  -82 taken as baseline from PIHS is reported for the entire country not just Punjab. RRP baseline not verifiable. But MICS <i>shows some progress</i>
	<ul style="list-style-type: none"> <li>Infant mortality rate falls from <b>82</b> to 65 per 1,000 live births</li> </ul>	77	77	<b>82</b>	n/a	n/a	
	<ul style="list-style-type: none"> <li>Total fertility rate falls from 4.66 to 4.0</li> </ul>	4.7	4.3	4.47	n/a	n/a	
<b>Purpose/Program Objective</b> Strengthen devolved social services for more equitable, efficient, and sustainable delivery of social services in line with PLGO	<b>Quality/Effectiveness</b> 1. Proportion of deliveries conducted by trained health professionals increases from <b>24%</b> to 32%	33%	43%	<b>24%</b>	31%	37%	- <i>Progress beyond target</i>
	2. Proportion of antenatal care increases from <b>40%</b> to 50%	44%	53%	<b>40%</b>	56%	61%	- <i>Progress beyond target</i>
	<b>Equity/Access</b> 3. Proportion of fully immunized children 12–23 months increases from <b>51%</b> to 65% in <b>rural areas</b>	n/a	n/a	<b>51%</b>	81%	84%	- <i>Progress beyond target</i>
	4. Female GER for primary increases from <b>70%</b> to 75%	n/a	n/a	69% <sup>b</sup>	89%	92%	RRP baseline not verifiable but <i>shows progress beyond target</i> RRP baseline not verifiable but <i>shows progress beyond target</i>
	and for middle 45% to 50%; and enrollment of handicapped children increases by 20% over baseline <b>.66%</b>	n/a	n/a	48% <sup>c</sup>	51%	58%	
	5. Family planning services for married women 15–49 years increase from 15% to 20%	36%	32%	22% <sup>d</sup>	n/a	n/a	
	6. Improved water source from 94% to	97% <sup>a</sup>	97%	96% <sup>e</sup>	n/a	n/a	RRP baseline not verifiable

Hierarchy of Objectives	Performance Indicators and Targets (2005–2008)	MICS		PIHS	PSLM		Remarks
		03/04	07/08	01/02	04/05	08/09	
	96%						
	<b>Efficiency</b>						
	7. Increase in bed-occupancy rates by 20% from baseline	n/a	n/a	n/a	n/a	n/a	Data not available from Health Department Punjab
	8. Increase in per-capita utilization of health facilities by 20% from baseline (46%)	n/a	n/a	n/a	n/a	n/a	Data not available from Health Department Punjab
	9. Decrease in absenteeism rates for doctors and teachers by 20%	n/a	n/a	n/a	n/a	n/a	Data not available from Health and Education Department Punjab
	10. Completion rates improve by 20% over baseline (14%) from grad 1–10 in public sector	n/a	n/a	n/a	n/a	n/a	Data is available up to primary level.
	11. Number of nonfunctional schemes made functional increases by 20%	n/a	n/a	n/a	n/a	n/a	Data not available.
	<b>Sustainability</b>						
	12. Levels of allocations and expenditures for social sectors increase at provincial and LG levels						For the first program year, 2 of 4 PDSSP sectors met the P-PRSP target, and in the second and third program years, only 1 of the 4 sectors (health) met the target.

GER = Gross Enrolment Rate, LG = Local Government, MDGs = Millennium Development Goals, MICS = Multiple Indicator Cluster Survey, RRP = Report and Recommendations to President, PDSSP = Punjab Devolved Social Services Program, PIHS = Pakistan Integrated Household Survey, PLGO = Punjab Local Government Ordinance, P-PRSP = Punjab Poverty Reduction Strategy Paper, PSLM = Pakistan Social and Living Standards Measurement Survey.

<sup>a</sup> Improved drinking water source.

<sup>b</sup> For age group 5-9 years, classes 1-5.

<sup>c</sup> For age group 11-13 years, classes 6-8.

<sup>d</sup> Currently using family planning methods ages 15-49 years.

<sup>e</sup> Dug well and river/canal/stream excluded. PIHS and PSLM give %age by sources. MICS 07/08 includes following in improved source *piped water (into dwelling, yard or plot), public tap or standpipe, hand pump, motorized pump, tube well or turbine, protected well, protected spring, and rainwater collection.*

## IMPLEMENTATION STATUS OF POLICY MATRIX UNDER THE PROGRAM

Policy Outcome 1: Realign inter government relations to support devolved social services				
Policy Objectives	First Tranche Actions/ Compliance Status	Second Tranche Actions Compliance within	Third Tranche/Actions Complied with	Documentation Provided / Remarks
<b>1.1 Five-year strategic plans for social sectors in line with P-PRSP to achieve MDGs.</b>	<p>1.1 P&amp;DD notifies guidelines on, <i>inter alia</i>, situation analysis, managerial and functional restructuring, and medium-term budgetary framework to facilitate PLDs in developing 5-year strategic plans.</p> <p>1.2 DGs and program TMAs develop and the respective local government councils approve annual sector plans.</p>	<p>2.1 PLDs develop their 5-year strategic plans in accordance with the P&amp;DD guidelines and the ministers concerned present such plans for consideration of the Provincial Cabinet.</p> <p>2.2 At least 75% of DGs and 50% of program TMAs develop and the respective local government councils approve comprehensive annual sector plans.</p>	<p>3.1 Cabinet approves 5-year strategic plans developed by PLDs.</p> <p>3.2 At least 75% of DGs and 50% of program TMAs develop 3-year sector rolling plans consistent with 5-year strategic plans and the respective local government councils approve such plans.</p>	<p>1.1 Copy of the guidelines and notification received from the Planning and Development Board.</p> <p>1.2 33 of 35 districts and 32 of 34 tehsils submitted their ASPs. Approvals from the local government councils to be sought by 15 February 2006.</p> <p>2.1 Description of the relationship between MTDf and the guidelines notified by P&amp;DD. Guidelines Notified by the P&amp;DD for development of Strategic Plans under PDSSP for all sectors. Copies of MTDf received.</p> <p>2.2 Set of letters of approval for ASPs from DGs and TMAs. One set of approved ASPs for the four sectors received.</p> <p>3.1 Copy of MTDf (2008–2011) and Minutes of the cabinet meeting approving MTDf</p> <p>3.2 Copies of 3-year rolling plans for all four sectors, and approval of 3-year rolling plans from district governments and TMAs</p>
<b>Implementation Status</b>	<b>1.1 Complied</b> <b>1.2 Partially complied</b>	<b>2.1 Complied</b> <b>2.2 Complied</b>	<b>3.1 Complied</b> <b>3.2 Complied</b>	
<b>1.2 Implement devolved administrative and financial powers in line with PLGO.</b>	<p>1.1 LG&amp;RD develops a compendium of existing laws, rules, regulations, notifications, directives and orders, etc., relating to devolved administrative and financial powers.</p>	<p>2.1 LG&amp;RD maps the implementation of the devolved administrative and financial powers in the social sectors to identify gaps and develops a time-bound action plan to achieve full implementation.</p>	<p>3.1 PG approves time bound action plan and PLDs, S&amp;GAD and DOF implement the same.</p> <p>3.2 100% of sub-divisional officers and 50% of executive engineers appointed in each program TMA to exercise technical</p>	<p>1.1 The Mission checked the three volumes that has been quality assured by the Quality Assurance Committee.</p> <p>2.1 Report assessing devolved financial and administrative powers, and incorporating the proposed action plan and notification of working groups, and the Review Committee, along with a note from the Chief Secretary indicating approval of the framework for carrying out the mapping exercise.</p>

		2.2 HUD&PHED provides requisite support to the program TMAs to enable them to exercise administrative and technical sanctioning powers, as envisaged under the PLGO.	sanctioning powers.	2.2 Copy of HUD&PHED Notifications.  3.1 Copy of approval of action plan for devolved administrative and financial powers by the secretary of the LG&CD department, proposed action plan and documentary evidence to demonstrate that gaps identified have been filled  3.2 Notification showing the enhancement of technical sanctioning powers, list showing present SDOs/XENs in the program TMAs and copies of orders received from various TMAs regarding exercise of enhanced powers
<b>Implementation Status</b>	<b>1.1 Complied</b>	<b>2.1 Complied 2.2. Complied</b>	<b>3.1 Complied 3.2 Complied</b>	
<b>1.3 Use of the conditional grants to articulate and implement provincial policies, priorities and institutional arrangements for the devolved social services.</b>	1.1 Unless the 3-year PFC award is approved and announced, PFC approves and announces the conditional grant, including distribution formula, institutional arrangements, performance criteria, and the accountability mechanism for program funds (\$25 million) to be transferred to DGs and program TMAs.  1.2 PG enters into MOUs, acceptable to ADB, with DGs and Program TMAs to access program funds.	2.1 PFC reviews the implementation of the conditional grant using the program funds (\$25 million), and, unless the 3-year PFC award is approved and announced, approves and announces the interim PFC Award, in which a conditional grant system for devolved social services will continue.  2.2 PG enters into MOUs, acceptable to ADB, with DGs and Program TMAs to access program funds.	3.1 Unless the 3-year PFC award is approved and announced, PFC approves and announces the interim annual PFC Award, and continues with the conditional grant system for devolved social services including transfer of program funds (\$25 million).  3.2 PG enters into MOUs, acceptable to ADB, with DGs and Program TMAs to access program funds.	1.1 The conditional grants mechanism is still being developed. As the overall PFC Award is not yet approved, we will still be able to meet the condition as the DSSP conditional grant mechanism as contained in the draft MOUs. The PFC will consider these draft MOUs for approval. However, the PFC membership is yet to be reconstituted. PG assured that best efforts will be put into obtaining the PFC approval of the MOUs by 20 December 2005.  1.2 Copies of the draft MOUs in September 2005, and agreements will be entered into with LGs by 20 January 2006.  2.1 Letter from the Provincial Finance Department / PFC Secretariat, PFC conditional grant review report, notification and meeting minutes.  2.2 Email from ADB PRM to the PSU indicating the acceptance of MOU, signed copies of MOUs (DG and TMA each) and a letter from P&DD indicating that MOUs have been signed.  3.1 Copy of PFC award, minutes of PFC meeting held in March 2007 and copies of release orders for program TMAs and district governments by the PFC wing of DOF.  3.2 Three sample MOUs signed by TMAs and secretary

				P&D, 3 sample MOUs signed by district governments and P&D secretary
<b>Implementation Status:</b>	<b>1.1 Partially Complied</b> <b>1.2 Partially Complied</b>	<b>2.1 Complied</b> <b>2.2 Complied</b>	<b>3.1 Complied</b> <b>3.2 Complied</b>	
<b>Policy Outcome 2: Rationalize and set minimum standards for social services</b>				
<b>2.1 PLDs set pro-poor and gender sensitive minimum service standards, guide, and monitor DGs and program TMAs in rationalizing social sector services.</b>	1.1 Each PLD consolidates and produces a compendium of existing service standards	2.1 HUD&PHED and DOH, in consultation with DGs and Program TMAs, analyze existing technical and service standards, identify the lack of standards and implementation gaps, and develop new sets of agreed technical and service standards.	3.1 HUD&PHED, DOH, DGs and program TMAs commence implementation of technical and service standards	1.1 Soft copies of the compendium in September 2005. 2.1 Four reports on minimum technical and Service standards. 3.1 Copies of notified MSDS documents, copy of letter under which copies of the MSDS document were sent to district governments, copy of letter sent to regional coordinating officers requesting implementation of MSDS, copies of sample MOUs signed, Implementation guidelines prepared by the PDSSP in English and Urdu and disseminated, copy of 3-year rolling plan for health of district government which clearly links with the planning to implement the MSDS in health, copies of PPP MOUs related to implementation of MSDS, Confirmation of Government of the Punjab for implementation of MSDS in Health Sector, copy of notification issued by HUD & PHED and Copy of letter sending DVDs of the documentary prepared by the PDSSP on WSS issues to all program TMAs.
<b>Implementation Status:</b>	<b>1.1 Complied</b>	<b>2.1 Complied</b>	<b>3.1 Complied</b>	
<b>2.2 Rationalization of staff in PLDs and strengthening of employer functions of DGs and TMA level</b>	1.1 LG&RD in consultation with PLDs and S&GAD notifies guidelines to facilitate DGs and the program TMAs to fill essential vacant positions, preferably well qualified female candidates, on contractual and facility-specific basis.	2.1 DGs and the program TMAs fill 50% of essential vacant positions in accordance with LG&RD guidelines	3.1 DGs and the program TMAs fill half of the remaining 50% essential vacant positions in accordance with LG&RD guidelines and LGC reports on transparency of the recruitment process.	1.1 Copy of the confirmation of the notification and the relevant policies. 2.1 Letters indicating numbers of positions filled from the four social sector departments. Recruitment Policy (2004) and Contract Appointment Policy (2004), and comments to ADB Aide Memoir on essential posts which indicate that there is no legal definition of the term essential positions. 3.1 Letters received from PLDs, contract appointment and

				recruitment policies issued by the S&GAD, and copy of letter received from LGC for observing transparency during recruitment by the PLDs and LGs.
<b>Implementation Status:</b>	<b>1.1 Complied</b>	<b>2.1 Complied</b>	<b>3.1 Complied</b>	
<b>Policy Outcome 3: Strengthen public accountability mechanisms and promote public-private partnership</b>				
<b>3.1 Strengthened social sector monitoring systems and enhanced public disclosure on social services delivery.</b>	<p>1.1 Each PLD, in consultation with DGs and program TMAs, develops and P&amp;DD approves a monitoring framework, proposing linkages between various subsystems; identifying operational efficiencies; advising on collection, reporting and use of gender disaggregated data; and recommending mechanisms for increased public access to information.</p> <p>1.2 PG implements a behavior change communication campaign informing citizens about reasons for poor social indicators, with reference to MDGs and program contribution towards progress on MDGs.</p>	<p>2.1 Each PLD develops, in consultation with DGs and program TMAs, and PG approves a costed monitoring strategy.</p> <p>2.2 PG continues to implement its behavior change communication campaign.</p>	<p>3.1 PLDs, DGs, and program TMAs implement the monitoring strategies.</p> <p>3.2 PG continues to implement its behavior change communication campaign.</p>	<p>1.1 Approved version of the monitoring framework, which includes a separate Monitoring Committee for the Special Education sector. The Mission was also provided a copy of the PSC meeting minutes reflecting the PSC's and the Chairman, P&amp;D's approval and a copy of the P&amp;DD notification.</p> <p>1.2 The Mission was provided the strategy in September 2005 and supporting documents, including a copy of the minutes of the PSC meeting reflecting its approval and confirming its implementation.</p> <p>2.1 Costed monitoring strategy report and approval of the Strategy by P&amp;DD.</p> <p>2.2 BCC report, a letter from P&amp;DD confirming the continuance of BCC campaign and sample of communication campaign materials.</p> <p>3.1 Copy of costed monitoring strategy developed by PDSSP, copies of letters received from PLDs for implementation, copy of monitoring report by TMAs sent to MIS cell, PHED, copy of compiled provincial monitoring reports in education sector, copy of compiled provincial monitoring reports in health sector (external monitoring), and copy of compiled provincial monitoring reports in health sector (internal monitoring)</p> <p>3.2 BCC report developed by PDSSP, brochures, pamphlets, posters printed by provincial health department for general awareness, evidence received from district governments showing implementation of BCC Campaign, and approval of Report on Communication and Behavior Change Communication Campaign.</p>

<b>Implementation Status</b>	<b>1.1 Complied</b> <b>1.2 Complied</b>	<b>2.1 Complied</b> <b>2.2 Complied</b>	<b>3.1 Complied</b> <b>3.2 Complied</b>	
<b>3.2 Effective functioning of Local Council monitoring committees</b>	1.1 LG&RD develops and disseminates draft by-laws for local government monitoring committees	2.1 Local government councils approve the by-laws and local government monitoring committees observe the byelaws.	3.1 LGC carries out a survey and confirms the effective functioning of the local government monitoring committees	1.1 Copy was provided in September 2005.  2.1 Letters from local government councils Showing approval of bylaws.  3.1 Table showing approval of monitoring committees' bylaws, observance of bylaws, and functionality of monitoring committees, minutes of meetings, other sources of information providing evidence of functionality of monitoring committees, approval of council resolutions for adopting monitoring committee bylaws, letters from relevant departments showing composition of monitoring committees in accordance with the bylaws, checklist for monitoring committees for TMAs WSS sector, health sector, education sector, special education sector, and technical assistance proposal for strengthening of monitoring committees and the monitoring mechanism.
<b>Implementation Status</b>	<b>1.1 Complied</b>	<b>2.1 Substantially Complied</b>	<b>3.1 Partially Complied</b>	
<b>3.3 Promotion of public private partnerships in social sectors focusing on innovative alternative service delivery and public accountability mechanisms</b>	1.1 P&DD prepares a white paper on PPPs.	2.1 Cabinet approves and PG announces policy on PPPs.	3.1 PLDs, DGs and program TMAs implement policy on PPPs	1.1 Copy in September 2005 and the copy of the PSC Minutes meeting reflecting PSC's approval.  2.1 Recruitment of PPP consultant, draft PPP strategy report by consultants, ADB letter and Aide Memoir indicating agreement to change from developing a PPP policy to a PPP Strategy (27th October, 2006) and Write up on existing social sector PPP projects in Punjab.  3.1 Minutes of provincial cabinet meeting held on 11 February 2009, copy of PPP strategy developed, copy of implementation guidelines in English and Urdu, copy of note portion showing vetting by law department and seven models/MOUs cleared by law department, criteria and SWOT analysis of all provincial PPPs, copy of MOUs signed by both parties, report of roundtable PPP workshop attended by all PLDs and selected district governments and TMAs, copy of minutes of meeting on 2 September chaired

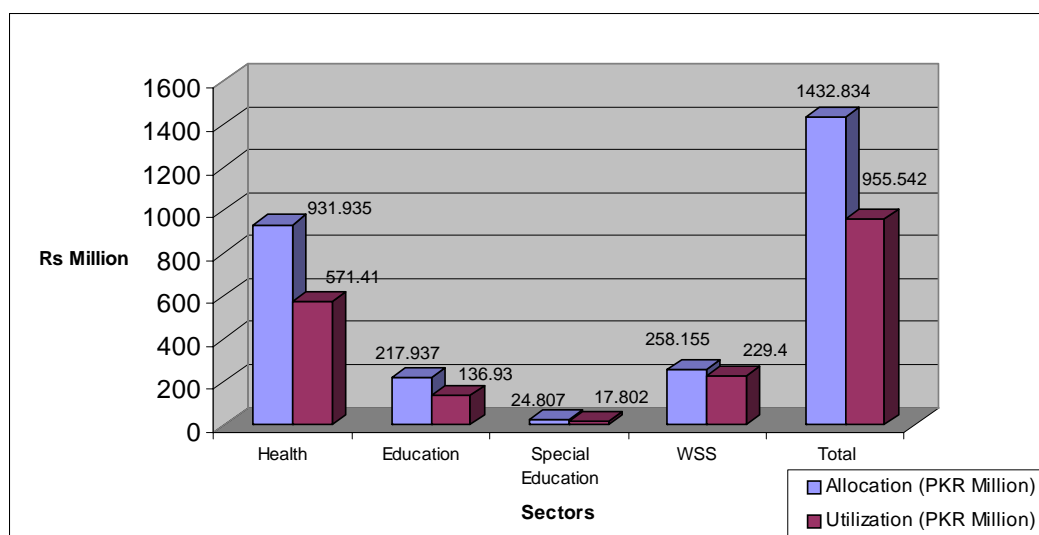
				by P&D secretary, minutes of CM meeting where PPP on the pattern of SSI was approved, copy of relevant portion of study on restructuring of Punjab Health Foundation, where the restructured PHF is given the role of clearinghouse for future PPP proposals in the health sector, and copy of guidelines/SOPs issued by the finance department about the utilization of funds for PPP arrangements.
<b>Implementation Status</b>	<b>1.1 Complied</b>	<b>2.1 Partially Complied</b>	<b>3.1 Complied</b>	

DG = District Government, DOF = Department of Finance, DOH = Department of Health, LG = Local Government, LG&RD = Local Government and Rural Development Department, MDGs = Millennium Development Goals, MOUs = Memorandum of Understanding, P&D = Planning and Development, PFC = Provincial Finance Commission, PHED = Public Health and Engineering Department, PLDs = Provincial Line Departments, PLGO = Punjab Local Government Ordinance, PPP = Public-Private Partnership, PSC = Program Steering Committee, TMA = Tehsil (town) Municipal Administration.

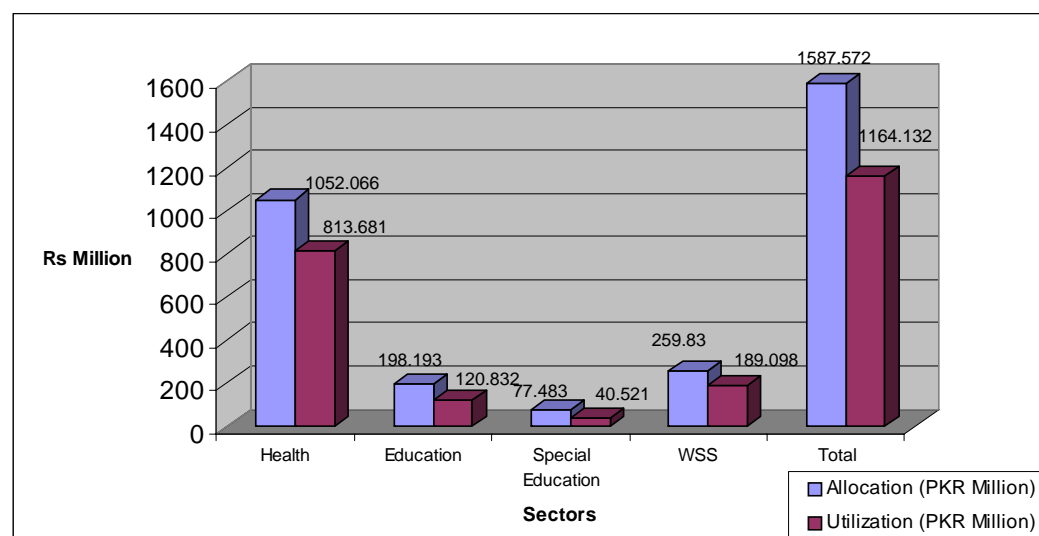
### UTILIZATION OF FIRST AND SECOND TRANCHE CONDITIONAL GRANTS

Sector	First Tranche			Second Tranche		
	Allocation (PRs Million)	Utilization (PRs Million)	% of Utilization	Allocation (PRs Million)	Utilization (PRs Million)	% of Utilization
Health	931.935	571.41	61.31	1052.066	813.681	77.34
Education	217.937	136.93	62.83	198.193	120.832	60.97
Special Education	24.807	17.802	71.76	77.483	40.521	52.30
WSS	258.155	229.4	88.86	259.83	189.098	72.78
<b>Total</b>	<b>1432.834</b>	<b>955.542</b>	<b>66.69</b>	<b>1587.572</b>	<b>1164.132</b>	<b>73.33</b>

#### First Tranche Utilization



#### Second Tranche Utilization



Source: Government of Punjab. 2010. Draft Project Completion Report Punjab Devolved Social Services Program. Lahore and email dated 30 November 2010.

### OVERALL ASSESSMENT

Criterion	Weight (%)	Definition under ADB Guidelines	Rating Description	Rating Value	PDSSP Rating	Score
1. Relevance	20	Relevance is the consistency of a project's impact and outcome with the government's development strategy for the country, and the Asian Development Bank's strategic objectives at the time of approval and evaluation and the adequacy of the design.	Highly relevant Relevant Partly relevant Irrelevant	3 2 1 0	1	0.2
2. Effectiveness	30	Effectiveness describes the extent to which the outcome, as specified in the design and monitoring framework, either as agreed at approval or as subsequently modified, has been achieved.	Highly effective Effective Less effective Ineffective	3 2 1 0	1	0.3
3. Efficiency	10	Efficiency describes, ex post, how economically resources have been converted to results, using the economic internal rate of return, or cost-effectiveness, of the investment or other indicators as a measure and the resilience to risk of the net benefit flows over time.	Highly efficient Efficient Less efficient Inefficient	3 2 1 0	1	0.1
4. Sustainability	20	Sustainability considers the likelihood that human, institutional, financial, and other resources are sufficient to maintain the outcome over its economic life.	Most likely Likely Less likely Unlikely	3 2 1 0	1	0.2
5. Institutional Development	10	Considers contribution to institutional development (better definition, stability and predictability of institutional arrangements, better alignment of organizations mission and capacity with mandate.	Substantial Significant Moderate Negligible	3 2 1 0	1	0.1
6. Impact	10	Considers impact on economic, social, gender, poverty related, sector activity and political conditions.	Substantial Significant Moderate Negligible	3 2 1 0	1	0.1
<b>Overall Assessment (weighted average of above criteria)</b>		Highly successful: Overall weighted average is greater than or equal to 2.7. Successful: Overall weighted average is greater than or equal to 1.6 and less than 2.7. <b>Partly Successful:</b> Overall weighted average is greater than or equal to 0.8 and less than 1.6. Unsuccessful: Overall weighted average is less than 0.8			Total	1.0

PDSSP = Punjab Devolved Social Services Program.

Notes: Performance rating follows the ADB Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations. January 2006.