



# Completion Report

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Project Number: 34337  
Loan Number: 2049  
December 2009

## Pakistan: Sindh Devolved Social Services Project

## CURRENCY EQUIVALENTS

Currency Unit – Pakistan rupee/s (Pre/PRs)

		<b>At Appraisal</b>	<b>At Project Completion</b>
		13 November 2003	1 August 2008
PR=1.00	=	\$0.0174	\$0.0140
\$1.00	=	PRs57.42	PRs71.45

## ABBREVIATIONS

ADB	–	Asian Development Bank
LSU	–	local support unit
PLD	–	provincial line department
PRSP	–	Poverty Reduction Strategy Paper
PSC	–	program steering committee
PSU	–	program support unit
SDR	–	special drawing right
SDSSP	–	Sindh Devolved Social Services Program
TA	–	technical assistance
TMA	–	taluka (subdistrict) or town municipal administration

## NOTE

In this report, "\$" refers to US dollars.

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## CONTENTS

	<b>Page</b>
BASIC DATA	i
I. PROJECT DESCRIPTION	1
II. EVALUATION OF DESIGN AND IMPLEMENTATION	1
A. Relevance of Design and Formulation	1
B. Project Outputs	2
C. Project Costs	7
D. Disbursements	7
E. Project Schedule	8
F. Implementation Arrangements	8
G. Conditions and Covenants	8
H. Consultant Recruitment and Procurement	9
I. Performance of Consultants, Contractors, and Suppliers	9
J. Performance of the Borrower and the Executing Agency	9
K. Performance of the Asian Development Bank	9
III. EVALUATION OF PERFORMANCE	10
A. Relevance	10
B. Effectiveness in Achieving Outcome	10
C. Efficiency in Achieving Outcome and Outputs	11
D. Preliminary Assessment of Sustainability	11
E. Impact	12
IV. OVERALL ASSESSMENT AND RECOMMENDATIONS	12
A. Overall Assessment	12
B. Lessons	13
C. Recommendations	13
APPENDIXES	
1. Status of Compliance with Loan Covenants	15
2. Overall Assessment	19



## BASIC DATA

### A. Loan Identification

1.	Country	Pakistan
2.	Loan Number	2049-PAK
3.	Project Title	Sindh Devolved Social Services Project
4.	Borrower	Islamic Republic of Pakistan
5.	Executing Agency	Finance Department, Sindh Provincial Government
6.	Amount of Loan	SDR6,984,000
7.	Project Completion Report Number	PCR:PAK 1144

### B. Loan Data

1.	Appraisal	
	– Date Started	1 October 2003
	– Date Completed	17 October 2003
2.	Loan Negotiations	
	– Date Started	13 November 2003
	– Date Completed	15 November 2003
3.	Date of Board Approval	12 December 2003
4.	Date of Loan Agreement	17 February 2004
5.	Date of Loan Effectiveness	
	– In Loan Agreement	17 May 2004
	– Actual	29 April 2004
	– Number of Extensions	0
6.	Closing Date	
	– In Loan Agreement	1 August 2008
	– Actual	10 July 2009
	– Number of Extensions	0
7.	Terms of Loan	
	– Interest Rate	1% per annum during the grace period and 1.5% per annum thereafter on the amount of loan withdrawn
	– Maturity (number of years)	32
	– Grace Period (number of years)	8

#### 8. Disbursements

##### a. Dates

Initial Disbursement	Final Disbursement	Time Interval
2 November 2004	10 July 2009	56 months
Effective Date	Original Closing Date	Time Interval
29 April 2004	1 August 2008	51 months

## b. Amount (SDR)

Category or Subloan	Original Allocation	Amount Canceled	Last Revised Allocation	Net Amount Available	Amount Disbursed	Undisbursed Balance
01 Civil Works	127,000	116,017	10,983	10,983	10,983	0
02 Equipment, Vehicles, Furniture, Communication, Travel and Studies	2,385,000	1,561,800	823,200	823,200	823,200	0
03 Training	1,211,000	1,167,107	43,893	43,893	43,893	0
04 Workshops	552,000	512,555	39,445	39,445	39,445	0
05 Consulting Services	1,911,000	1,566,570	344,430	344,430	344,430	0
06 Interest Charge	121,000	92,484	28,516	28,516	28,516	0
07 Unallocated	677,000	677,000	0	0	0	0
<b>Total (SDR) (\$ equivalent)</b>	<b>6,984,000</b>	<b>5,693,534</b>	<b>1,290,467</b>	<b>1,290,467</b>	<b>1,290,467</b>	<b>0</b>
	<b>10,000,000</b>	<b>8,768,667</b>	<b>1,935,944</b>	<b>1,935,944</b>	<b>1,935,944</b>	

9.	Local Costs (Financed)	
-	Amount (\$)	1,778,278.00
-	Percent of Local Costs	14.43
-	Percent of Total Cost	12.49

**C. Project Data**

## 1. Project Cost (\$)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	1,920,000.00	157,666.00
Local Currency Cost	12,321,000.00	2,748,073.82
<b>Total</b>	<b>14,241,000.00</b>	<b>2,905,739.82</b>

## 2. Financing Plan (\$)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower Financed	4,241,000.00	969,795.82
Asian Development Bank Financed	9,827,000.00	1,892,462.00
Other External Financing	0.00	0.00
<b>Total</b>	<b>14,068,000.00</b>	
Interest during Construction Costs		
Borrower Financed	0.00	0.00
Asian Development Bank Financed	173,000.00	43,482.00
Other External Financing	0.00	0.00
<b>Total</b>	<b>173,000</b>	<b>2,905,739.82</b>

## 4. Project Schedule

Item	Appraisal Estimate	Actual
Date of Contract with Consultants	29 April 2004 <sup>a</sup>	
Contract 0001; Rehan Hyder		25 Apr 2005
Contract 0002: Kashif Saeed		25 Apr 2005
Contract 0006: Ehsan-UI-Haque Leghari		7 Nov 2005
Contract 0008: Ehsan-UI-Haque Leghari		1 Jul 2006
Contract 0009: Mohammed Shakeel Munawer Abro		1 Jul 2006
Contract 0010: Asif Kabani		1 Jul 2006
Contract 0012: Manzar Akbar Jalbani		8 Aug 2006
Contract 0013: Syed Inam Ali Shah		8 Aug 2006
Contract 0014: Shazia Mallah		8 Aug 2006
Contract 0015: Nasir-Ud-Din Jamali		8 Aug 2006
Contract 0016: Syed Ghulam Rasool Shah		8 Aug 2006
Contract 0017: Fida Hussain Rind		8 Aug 2006
Contract 0018: Sarfraz Abbasi		8 Aug 2006
Contract 0019: Asma Ghazanfar		8 Aug 2006
Contract 0020: Sadia Shahab Alvi		8 Aug 2006
Contract 0021: Sadaf Matloob		8 Aug 2006
Contract 0022: Zia Niazi		5 Dec 2006
Contract 0024: F.H. Mughal		18 Dec 2006
Contract 0025: Ghulam Rasool Shah		19 Dec 2006
Contract 0026: Muhammad Haroon Bahlkani		19 Dec 2006
Contract 0027: Shoaib Adil Mughal		3 Jan 2007
Contract 0028: Tanzila Umme Habib		3 Jan 2007
Contract 0029: Adnan Ahmed		3 Jan 2007
Contract 0030: Hidayat-Un-Nisa Narejo		3 Jan 2007
Contract 0031: Maqsood Ahmed Bhatti		3 Jan 2007
Contract 0032: Naziran Laghari		3 Jan 2007
Contract 0033: Saghir Hussain Mallah		3 Jan 2007
Contract 0034: Shoukat Ali Sathio		3 Jan 2007
Contract 0035: Khalid Noor Soomro		3 Jan 2007
Contract 0036: Muhammd Yousif Soomro		3 Jan 2007
Contract 0037: Shamsuddin Ujjan		3 Jan 2007
Contract 0038: Syed Shahid Ali		4 Jan 2007
Contract 0039: Muhammad Khalid		4 Jan 2007
Contract 0040: Jam Muneer Ahmed		5 Jan 2007
Contract 0041: Muhammad Tahir		16 Jan 2007
Contract 0042: Dr. Amjad Ali Abbasi		12 Feb 2007
Contract 0043: Shakeel Ahmed Shaikh		12 Feb 2007
Contract 0044: Santosh Kumar		12 Feb 2007
Contract 0045: Zahid Saddar		12 Feb 2007
Contract 0046: Safiyyullah Abbasi		12 Feb 2007
Contract 0047: Omer Javed Hussain		12 Feb 2007
Contract 0048: Javed Ali Jagerani		9 Jul 2007
Contract 0049: Ali Imam Qadri		9 Jul 2007
Contract 0051: Zulfiqar Ali		24 Jul 2007
Contract 0052: Muhammed Jameel Munawer Abro		24 Jul 2007
Contract 0053: Javed Ali Jagerani		24 Jul 2007
Contract 0058: Abdul Samad Soomro		24 Jun 2008
Contract 0059: Dr. Nawab Khan Mangrio		24 Jun 2008
Contract 0064: Mohsin Azam		2 Jul 2008
Contract 0065: Ali Nawaz Phulepoto		2 Jul 2008
Contract 0066: Ghulam Abid Shaikh		2 Jul 2008

Contract 0067: Abdul Gaffar Pirzada	2 Jul 2008
Contract 0068: Ashif Iqbal Memon	2 Jul 2008
Contract 0069: Zulifqar Ali Sario	2 Jul 2008
Contract 0070: Nazir Ahmed Shaikh	2 Jul 2008
Contract 0073: Muhammad Umar Abro	16 Jul 2008
Contract 0074: Gulam Abbas Jhatial	16 Jul 2008
Contract 0077: Abdul Rehman Malik	29 Aug 2008
Contract 0078: Aftab Ahmed Abro	12 Sep 2008
Contract 0083: Zia Niazi	6 Nov 2008
Civil Works Contract	
Date of Award	Oct 2005; Jun 2006; Nov 2006; Aug 2007; Jul 2008
Completion of Work	Jul 2006; Jan 2007; Aug 2007; Jul 2008; Sep 2008
Equipment and Supplies	
Dates	
First Procurement	9 May 2005
Last Procurement	5 Dec 2008
<sup>a</sup> As the RRP has no procurement plan	

#### 5. Project Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
31 December 2003	Satisfactory	Satisfactory
31 January–31 December 2004	Satisfactory	Satisfactory
31 January 2005–31 December 2005	Satisfactory	Satisfactory
31 January 2006–31 December 2006	Satisfactory	Satisfactory
31 January 2007–31 December 2007	Satisfactory	Satisfactory
31 January 2008–31 December 2008	Satisfactory	Satisfactory
31 January 2009–10 July 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>
Fact-Finding	12–30 May 2003	12	18	a, c, e, f, g, i
Appraisal	1–17 Oct 2003	5	17	a, e, f, i, j
Inception	12–17 Jul	4	6	a, b, f
Review	7–17 Mar 2004	3	10	a, f, j
Review	13–18 Sep 2004	2	5	a, f
Consultation	9–14 Dec 2004	2	5	a, f
Review	25–28 Apr 2005	4	4	a, e, f, k
Consultation	4–5 Jul 2005	2	2	a, e
Review	23 Jan–1 Feb 2006	2	10	a, f
Midterm Review	26 Feb–3 Mar 2007	6	6	a, b, c, d, k
Project Completion	13–14 Jul 2009	2	2	a, b
Review				

<sup>a</sup> a – project officer, b – project analyst, c – counsel, d – governance specialist, e – economist, f – consultant, g – Pakistan Resident Mission staff, h – programs officer, i – health specialist, j – education specialist, k – director.

## I. PROJECT DESCRIPTION

1. On 12 December 2003, the Asian Development Bank (ADB) approved the Sindh Devolved Social Services Program<sup>1</sup> (SDSSP) for the Islamic Republic of Pakistan. The SDSSP included (i) a technical assistance loan (TA loan) of \$10 million, and (ii) two program loans equivalent to \$210 million. The SDSSP aimed to improve access and service delivery for education, health, and water and sanitation services through provincial policy reforms, and fiscal and technical support for local governments. The TA loan had three components: (i) strengthen sector and program management and monitoring through the creation of a provincial program support unit (PSU) and local support units (LSUs) in the districts to ensure that all initiatives envisioned under the SDSSP were carried out; (ii) develop governance capacity in social services of local governments and community-based organizations through the PSU and LSUs, as well as through provincial training institutions; and (iii) support sector work of provincial line departments (PLDs) on specific policy reforms to improve sector performance in education, health, and water and sanitation services.

2. The Finance Department of the Sindh government was the executing agency for the SDSSP. The Planning and Development Department and the PLDs, Health Department, Education Department, and Local Government Department were the implementing agencies for sector-specific policy reform. The district governments were the implementing agencies for the conditional grant support to districts for health and education, and the taluka (subdistrict)–town municipal administrations (TMAs) for water and sanitation. The TA loan was managed by the PSU, LSUs, and PLDs under the guidance of the Steering Committee established for the SDSSP. The TA loan and the program loans were processed simultaneously. The program loans were implemented from 1 February 2004 to 1 February 2007, and the TA loan from 1 February 2004 to 1 February 2008.

## II. EVALUATION OF DESIGN AND IMPLEMENTATION

### A. Relevance of Design and Formulation

3. At the time the SDSSP was being designed, the social sector indicators in Sindh showed high illiteracy, malnutrition, mortality, and population growth;<sup>2</sup> this had a major impact on Sindh's economy, environment, and water resources. Public social services were run-down due to chronic problems in governance, capacity, and financing. The Sindh government was committed to addressing the poverty trap and gender imbalance through the development of devolved social services. The Sindh Poverty Reduction Strategy Paper proposed a comprehensive approach to increase public and community services for the poor, while the Sindh Reform

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<sup>1</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.

<sup>2</sup> Two-thirds of women and one-third of adults above 10 years of age in Sindh were illiterate, and about half of the school-age children were not in school. Women faced the additional burden of gender discrimination. Gross enrollment for girls was 38%, and 61% for boys. Married women had on average about five children, and maternal mortality was high. About 5,000 mothers died every year due to pregnancy-related complications. About 10% of infants died before 1 year of age. Because of frequent illnesses, food shortage, and inadequate care, 50% of children below the age of 5 were underweight. The population growth rate had been gradually falling, but was still high at 2.5%. Due to the population momentum, Sindh's population was expected to double in the next 30 years.

Program<sup>3</sup> and the Sindh Local Government Ordinance<sup>4</sup> provided the financial and governance framework for social sector development.

4. The SDSSP was in line with ADB's country programming, which emphasized the need for citizen involvement, especially for women, and the importance of private sector development and water resource management. Support for good governance, sustainable pro-poor economic growth, and inclusive social development were among the key thrusts of ADB's 2002 country strategy and program for Pakistan.<sup>5</sup> Under good governance, the country strategy and program emphasized successful implementation of governance reforms, including devolution. This support was included in succeeding country strategy and program updates.<sup>6</sup>

5. The proposed policy reforms and capacity building initiatives were discussed and generally agreed with local governments and other stakeholders during workshops during preparation of the SDSSP. Based on the discussions, the conditional grant system was tightened. While the program received strong support from the Sindh government, including the Finance Department and Planning and Development Department, some PLDs had reservations about participating in the program. In addition to political ambivalence regarding decentralization, their reservations were based on the possible overlap of funding from other development agencies, and the limited capacity of the government to coordinate a multisector project after experience with the Social Action Program.<sup>7</sup> Development partners were consulted to ensure complementarity of the proposed program. The PSU was set up in the Finance Department, with a good understanding of other projects to avoid duplications. The PSU project director was involved from the beginning of program processing and participated actively in the formulation of the SDSSP. The SDSSP was partly relevant at the design stage and throughout its implementation.

## **B. Project Outputs**

### **1. Program and Sector Management and Monitoring**

6. **The PSU to ensure SDSSP initiatives are carried out in line with the policy matrix.** The PSU monitored program progress on behalf of the Sindh government. Throughout the SDSSP, the PSU remained engaged with the Sindh government, local governments, PLDs, and ADB to achieve compliance with policy actions. The PSU regularly reviewed the progress of the tranche actions with the Steering Committee responsible for overall guidance and vision of the SDSSP. The PSU's performance in carrying forward the policy matrix was satisfactory. Release of the three tranches of the SDSSP was timely over the 3-year program period, with the third tranche released 6 months later than originally scheduled.

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<sup>3</sup> The Sindh Reform Program included tax reform, civil service restructuring, and improvement of governance in the financial sector to create additional financial resources for increased social sector spending.

<sup>4</sup> The Local Government Ordinance (August 2001) initiated far-reaching devolution designed to empower and transfer responsibilities to provincial and local governments. Provincial governments were given more policy-making powers and local governments were made responsible for social service delivery. District governments were made responsible for education and health services, and TMAs for water supply and sanitation. These new responsibilities required changes in provincial structures and transfer of human and financial resources from the provinces to local governments. Given the complexity of the task, the transfer of powers was ongoing when the SDSSP was approved.

<sup>5</sup> ADB. 2002. *Country Strategy and Program: Pakistan, 2003–2006*. Manila

<sup>6</sup> ADB. 2003. *Country Strategy and Program Update: Pakistan, 2004–2006*. Manila; ADB. 2004. *Country Strategy and Program Update: Pakistan, 2005–2006*. Manila

<sup>7</sup> ADB. 1996. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Islamic Republic of Pakistan for the Social Action Program (Sector) Project II*. Manila.

7. **The PSU to implement the TA loan.** While the PSU was responsible for TA management, the PLDs had an equally important role in the utilization of TA funds. They were responsible for the capacity building initiatives in pursuit of the policy reform agenda. In addition, the Policy and Development Department required TA support for promoting better planning and budgeting. The PSU prepared a TA management strategy to allocate the funds among the Education Department, Finance Department, Health Department, Local Government Commission, Local Government Department, Planning and Development Department, Provincial Finance Committee, Women Development Department, and the PSU. Each department was asked to submit an annual work plan articulating their needs, priorities, and cost of specific actions and initiatives; timelines; phasing; and monitoring mechanisms. The plans were to be approved by the respective secretaries and endorsed by the Steering Committee.

8. The PSU struggled with the PLDs, through the Steering Committee, to develop TA plans. The PLDs lacked sufficient capacity to prepare the annual work plans and faced multiple and parallel development partner activities, making negotiating their needs and those of development partner agencies difficult. The provision of TA became supply driven, with the PLDs' definition of their own needs as providers rather than the local requirements. The needs put forward ranged from paper and printer cartridges to vehicles and training. The training proposed had no immediate relevance in support of the policy reform agenda. As a consequence, no real TA was provided other than the PSU and LSU support.<sup>8</sup> The TA plans of the PLDs could have been designed more efficiently with the assistance of outside advisors with experience in best practice in the management of devolved social services.

9. The transfer of responsibility for social service delivery from the provincial government to district governments and TMAs was a major institutional shift. The key institutional process used under the SDSSP was the preparation of annual sector plans, showing all sources and proposing the use of funds. Each year, each district was required to prepare an annual sector plan for health and one for education, and each TMA a plan for water supply and sanitation. The process was intended to encourage rational planning and decision making. Much effort went into developing these plans under the SDSSP, resulting in the incremental improvement of annual sector plans over time.<sup>9</sup> LSUs were established in each district to provide assistance to the districts and TMAs through their governance and finance specialists. These specialists, once appointed, quickly gained the confidence of district officials and were seen as the key TA resource for districts and TMAs. The annual sector plans developed were reportedly very valuable to key government officials. Some officials noted that they would continue to develop annual sector plans after the conclusion of the program. The annual sector plans facilitated the gathering of information from different sources for each sector. Documentation gathered can continue to be utilized by local governments.<sup>10</sup>

10. **The PSU to implement a program monitoring system.** The PSU, in consultation with local governments, prepared an effective monitoring system that provided the opportunity for the monitoring committees<sup>11</sup> to review the implementation status and physical progress of schemes

<sup>8</sup> SDSSP Program Support Unit. 2007. *Mid Term Review Report*. Prepared by Verulam Association Ltd. Katachi.

<sup>9</sup> The initial annual sector plans were a collection of schemes rather than a plan for the sector as a whole. This was later corrected by the issuance of sector guidelines for preparation of annual sector plans.

<sup>10</sup> SDSSP. 2008. *Pilot SDSSP Investment Assessment Report*. District Matiari. Karachi.

<sup>11</sup> As part of the internal control mechanisms of the local governments, local government councils were required to elect monitoring committees. These committees were responsible for monitoring the functioning of the offices of the local government and preparing quarterly evaluation reports, including the evaluation of the performance of each

undertaken through annual sector plans. From the second installment onward, the recommendation from the monitoring committees and the monitoring reports were made mandatory for accessing the conditional grants under the SDSSP. This strategy ensured the accountability of field officers to the public representatives and their participation in the planning and monitoring processes. In Matiari district, the monitoring system was reported to be highly effective. All procedures were followed by the local governments, starting with the participatory approach for preparing the annual sector plan, and forming district monitoring committees. Completion and utilization reports were used to ensure effective monitoring. The funding of projects was contingent upon numerous levels of completed documentation (footnote 10).

11. As part of the Gender Reform Action Plan,<sup>12</sup> which was prepared with ADB support and approved by the provincial cabinet in 2004, the SDSSP required local governments to take steps to promote gender equality, give priority to gender issues in annual sector plans, and include women councilors on committees formed under the Local Government Ordinance. By the end of the project, all monitoring committees in the district had the required 20% female representation, and the majority of the TMAs had constituted sector committees with female representation. Although the policy conditions were fully met, this had limited impact on gender equity in social services. Gender imbalance was anticipated to be rectified by recruiting more women when recruiting new staff. Few new staff were hired, given a ban on recruitment by the Sindh government. Generally, the sentiment was that the situation of female staff did not change over the duration of the SDSSP (footnote 10). The policy conditions of the loan were obviously inadequate to address the actual gender imbalance.

12. In 2006, the PSU commissioned a third party validation to confirm the participatory planning process for 2005/06 in education, health, and water and sanitation; and to review 25% of the schemes for which funds were disbursed under the SDSSP in 2004/05. The objective of the validation was to assess, at midterm, the extent of alignment of local governments with the broader program design and the rules and regulations of the Sindh government. One of the findings confirmed the positive contribution by the PSU and LSUs, resulting in use of participatory processes to develop annual sector plans, and that the processes as instituted by the SDSSP were being followed. The processes were duly supported through periodic briefings and workshops, and through the presence and work of LSUs in the districts.<sup>13</sup>

13. **The PSU to track flow of funds and monitor financial management of the loan proceeds.** The Sindh government agreed to maintain social sector expenditure at the 2003/04 level, with the SDSSP conditional grants providing additional allocations for education, health, and water and sanitation. As social sector expenditures were not clearly defined prior to the SDSSP, the PSU had to undertake a lengthy exercise to collect fiscal data from local governments. It assisted in improving the local government recordkeeping and in building the capacity of local government officials to maintain sector allocations and expenditures. The PSU was also instrumental in finalizing single-line transfers to districts and flow of funds to TMAs in

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office in relation to the achievement of its targets, the responsiveness to citizens' difficulties, the efficiency in the delivery of services, and the transparency of functioning.

<sup>12</sup> The Gender Reform Action Plan was prepared under ADB. 2002. *Technical Assistance to the Islamic Republic of Pakistan for the Gender Reform Program*. Manila; and was further supported under the Decentralization Support Program through a TA loan for Gender and Governance Mainstreaming (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.)

<sup>13</sup> SDSSP. 2006. *Third Party Validation. Report on Investments in Health, Education, Water Supply & Sanitation Sectors*. Karachi.

their local fund account. Overall, the PSU contributed substantially to tracking sector financing and monitoring financial management.

## **2. Governance Capacity Building**

14. **The PSU to organize awareness campaigns on the poverty reduction strategy and devolved social services.** The PSU was highly effective in increasing awareness of the devolved social service mechanisms. It organized workshops for district and TMA functionaries and other stakeholders on (i) the concepts and covenants of the memorandum of understanding relating to the use of conditional grant funds under the SDSSP, (ii) participatory planning, (iii) rationalization of services, and (iv) the role of the community in service delivery. As a result of these workshops, all 23 districts and 109 TMAs of a total of 119 signed the memorandum and agreed on the preparation of the annual sector plans for 2005/06—both preconditions to qualify for conditional grants. In anticipation of the preparation of the annual plans, the PSU conducted seminars and workshops on budget preparation for the social sector by local governments, as well as on bookkeeping and reconciliation in local governments.

15. **LSUs to strengthen the capacity of local governments.** The LSUs helped district governments and TMAs prepare annual sector plans, complete required data collection, and establish links with various local agencies. The PSU hired a participatory planning specialist and a poverty and gender specialist who prepared guidelines for participatory planning, gender mainstreaming, and the engagement of community-based organizations in the monitoring of social service delivery. The LSUs hired governance and finance specialists to help local governments with social sector planning, budgeting, and financial management. They were quickly absorbed into the district government support system. They played critical facilitation and coordination roles, and acted as a focus of local government program learning. Their appointment was successful, although the SDSSP could have benefited from more strengthening of the LSUs with additional focus on support of the TMAs for budgeting, planning, and monitoring.

16. One of the primary objectives of the SDSSP was to strengthen the role of community-based organizations in the delivery of social services. While community-based organizations were functioning in the education and health sectors, they received limited support from the SDSSP. The local government officials did not trust the role of community-based organizations in public sector initiatives, and the PLDs were not interested in giving such an overarching role to them. Although funds were disbursed for one or two districts, this activity was largely a failure. The support to the community-based organizations remained largely neglected.

## **3. Sector-Specific Reforms**

17. Before devolution, the PLDs were responsible for planning, implementing, and monitoring activities for health, education, and water and sanitation. Based on the reforms, introduced under the Local Government Ordinance, the role of the PLDs was restricted to policy making and monitoring of devolved activities; while the district governments became responsible for schools and district health services, and TMAs for water supply and waste disposal. While this is a desirable reform, the transfer of responsibility is a major institutional shift that required significant provincial changes. The PSU hired three sector officers with the consent and approval of the departments of health, education, and local government to provide TA support to field offices of the concerned sectors and to help local governments with program implementation. The sector officers kept track of the changes in policy instructions, prepared and distributed guidelines, and helped prepare the planning and monitoring processes.

18. **Education: functioning of school management committees, contracting teachers, and affordability of education.** The Department of Education prepared a Sindh education plan, specifying its postdevolution role and responsibilities, and providing a strategic vision for education. The responsibilities for administration, transfers, and postings were devolved to districts, while the responsibility for textbook development, curricula, standard quality, and examination remained with the province. The Reform Support Unit, an education think tank of the Sindh government, was established to provide support to the reforms to be introduced by the district governments, such as the strengthening of school management committees, provision of stipends for girls, and training of teaching and administrative staff. Despite these reform actions, the department remained reluctant to devolve authority and continued to be involved in micromanagement.

19. The PSU provided support in strengthening the functioning of school management committees to enable them to become involved in various school tasks, such as procurement, disbursement of salaries of teaching and nonteaching staff financed from conditional grant resources, and various other management tasks. The School Management Committees Strengthening Pilot Project was introduced in Khairpur district, with the assistance of a nongovernment organization, Leadership for Environment and Development. The project aimed to enhance the communities' ability to articulate a vision; identify challenges; and plan their human, institutional, and financial resources for continuous improvement of the education system in general and community schools in particular.

20. Sindh began establishing school management committees in the early 2000s, giving them powers and financial resources. However, many of the committees never did start up or became dormant over time because of limited parental participation, lack of understanding of their roles and responsibilities, weak capacity, and little or no financial resources. According to the investment assessment in Matiari district, while 100% of the school management committees were in place in the visited schools and 92% had updated records, the records appeared to have been updated for the sake of recordkeeping and these committees were not properly functioning (footnote 10). This indicates that the school management committees' initiative was not successful.

21. **Health: establishment of health boards and preparation of studies to examine contracting arrangements for staff and public-private partnerships.** The Department of Health published the Sindh Health Policy to improve health care in the province, and prepared guidelines to ensure local improvements. Two major policy reforms were (i) the establishment of hospital management committees, involving civil society and public representatives in the management of health facilities; and (ii) the devolution of user charges and the authorization of hospital management committees to collect these fees. Hospital management committees were established at various facilities for monitoring purposes, and became involved in performance reviews, accounting, and preparation of future strategies. Partnerships between local governments and community-based organizations to provide service delivery were initiated. The Sindh Rural Support Organization and other nongovernment organizations took over some rural health centers and basic health units. Available anecdotal evidence of improved service delivery in these facilities needs to be substantiated.

22. **Local government.** The Local Government Department prepared a concept paper outlining devolution-related issues and challenges, and their vision for achieving progress in key areas. It established monitoring and evaluation cells in every district with the authority to monitor the departments of the district government and TMAs. Within the TMAs, village development

associations were activated in the 1990s to carry out operation and maintenance of rural water supply and drainage schemes. Over time, these associations became nonfunctional due to lack of finances. Under the SDSSP, 67 TMAs reactivated village development associations using conditional grant resources. The share of the SDSSP for community-based organizations has not been released to any TMA. The Local Government Department was committed to support the TMAs. At the same time, however, efforts were made to recentralize water supply and sanitation; and to restore the Public Health Engineering Department, which eventually materialized in May 2008. The devolution of responsibilities failed. The PSU worked with the Environmental Management TA<sup>14</sup> to prepare interim policies on water and sanitation, which eventually were not adopted.

### **C. Project Costs**

23. At appraisal, the total project cost was estimated at \$14.2 million, comprising \$1.9 million in foreign exchange costs and \$12.3 million in local currency costs. ADB provided a loan of SDR6,984,000 (\$10 million equivalent) from its Special Funds resources to finance up to 70% of the total TA cost, comprising \$1.9 million in foreign exchange costs and an estimated \$8.1 million in local currency costs. The government allocated the balance of \$4.2 million equivalent of the TA cost for rental facilities and utilities, counterpart staff, communication, grants for civil service organizations, training, workshops, and taxes. On 9 July 2009, the undisbursed loan balance of SDR5,693,533.22 was canceled. The equivalent of \$1,935,944 was disbursed from the TA loan, and the equivalent of \$969,796 from the government allocation.

24. Actual project costs were far less than estimated at appraisal largely because of (i) late approval of the government allocation for the creation of the PSU and LSUs, (ii) problems in mobilizing and retaining consultants, and (iii) the late and nonapproval of work plans prepared by the PLDs.

### **D. Disbursements**

25. Throughout the project period, the TA loan disbursements were low, due to a late start and lengthy delays in mobilizing consultants. A TA management strategy was prepared for expediting TA loan implementation. While this improved disbursements to some extent, total spending remained low, with \$1.936 million spent at the closure of the project. Despite the low spending, the PSU managed to undertake a sizeable number of activities on a more conservative budget than originally envisaged.

26. Some allocations for the TA loan were overestimated at appraisal. In support of sector-specific reforms, \$1.73 million was allocated for training and \$1.58 million for surveys and studies. Of the total \$3.41 million, only \$100,000 was utilized. The allocation for training exceeded the requirements of the PLDs as only a few hundred people were trained. Complications in the preparation and clearance of the work plans of the PLDs resulted in the low utilization of surveys and studies.

27. An imprest account was opened at the beginning of the project in which ADB released an advance of \$1 million. The PSU submitted 15 withdrawal applications. In June–July 2008, the PSU placed some large orders, and due to a shortage of funds in the SDSSP account, the project was unable to pay suppliers. ADB paid the majority of the suppliers through direct

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<sup>14</sup> ADB. 2004. *Technical Assistance to Pakistan for Capacity Building for Environmental Management in Sindh*. Manila.

payments. A few payments were made from counterpart resources, and reimbursed at a later stage. The imprest account was brought to nil and closed on 10 July 2009.

### **E. Project Schedule**

28. At appraisal, the project was envisaged to be implemented over 4 years, beginning in February 2004. The SDSSP was approved on 12 December 2003 and became effective on 29 April 2004, with the closing date set for 1 August 2008. Although the project director was appointed when the project became effective, the initial implementation of the TA was delayed due to the late approval of the government's memorandum for development projects—Creation of the PSU and LSUs for the Implementation of the SDSSP—on 7 December 2004, delaying the staffing of the PSU and LSUs. The project was closed on the original closing date. The actual implementation period was 4 years and 5 months.

### **F. Implementation Arrangements**

29. The Sindh Finance Department was the executing agency, with the PSU acting on its behalf as advised by the Steering Committee. The Steering Committee was chaired by the additional chief secretary, Planning and Development Department, and included members from the Finance Department and the PLDs (education, health, and local government), local governments, and civil society. In all districts and TMAs, local counterparts were identified to work with the PSU and LSUs. The PLDs were the implementing agencies, responsible for planning, implementing, and monitoring sector-specific policy reforms. The district governments and TMAs were the implementing agencies for the conditional grant support.

30. The PSU was the driver and de-facto provincial owner of the program. The PSU, together with the LSUs, provided adequate support to the local governments to access the conditional grants. The sector officers who came from the PLDs to join the PSU played an effective bridging role between the line departments and the local governments in the review of the annual sector plans, and with the PSU in assisting in carrying out the policy actions. The PLDs' initial reluctance to join the program and the lack of appreciation of their new role and responsibilities was insufficiently addressed and remained a problem throughout the project. In addition, the PLDs did not have adequate capacity to prepare their annual work plans to articulate their needs; prioritize and cost specific actions and initiatives; and provide timelines, phasing, and monitoring mechanisms.

### **G. Conditions and Covenants**

31. The SDSSP became effective on 29 April 2004. The federal government approved the counterpart funds on 7 December 2004, delaying project implementation by 9 months.

32. The loan's covenants were well drafted, generic in content, and flexible in form. Appendix 1 shows the status of compliance with the loan covenants. Of the 14 loan covenants, 13 were complied with. The covenant on auditing and reporting is partially complied with. The audit report for the last 3 months of the project has been undertaken, and the communication of director general (audit) is forthcoming. An annual report was prepared for 2005 and quarterly reports were prepared up to 28 February 2006. At that time, government reporting was discontinued, as ADB remained fully involved and provided reports.

## **H. Consultant Recruitment and Procurement**

33. At appraisal, the TA envisaged the input of 36 person-months of international consulting and 1,926 person-months of national. District consultants, a total of 1,548 domestic person-months, were to be hired through a firm, while the other consultants were to be hired individually or through a firm. During loan negotiations, the Sindh government and ADB agreed to redesignate the international program coordinator position as a national deputy program director.

34. LSUs were established in each of the 23 districts of Sindh province to provide technical support to local governments for implementation of SDSSP-financed schemes. For each LSU, the program design provided for a finance and governance specialist, a health sector specialist, an education sector specialist, and a program assistant. During implementation, only finance and governance specialists could be hired and engaged at the LSUs, supported by a program assistant. Health specialists were only hired in 8 districts, and education specialists could not be hired. The major constraints in recruiting consultants were the lack of qualified candidates and the low remuneration. The low remuneration resulted in frequent turnover within the LSUs and lack of continuity. The PSU hired the district consultants on an individual basis rather than through a firm, using personal networks.

35. All consultants were selected in accordance with ADB's Guidelines on the Use of Consultants. A total of \$520,000 was disbursed for consultants. National consulting totaled, 713 person-months; the consultants were hired on an individual basis. Procurement of civil works, equipment, furniture, and vehicles was in accordance with ADB's Procurement Guidelines. A total of \$1.23 million was disbursed for procurement.

## **I. Performance of Consultants, Contractors, and Suppliers**

36. The performance of the consultants was satisfactory. The governance and finance specialists in the LSUs played a critical role as coordinators and facilitators. Districts and TMAs benefited from technical support provided by the governance and finance specialists in budgeting, planning, and monitoring. Given the value provided by these governance and finance specialists, earlier and more substantive TA support would have increased program impact.

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

37. The performance of the Borrower and the Executing Agency was satisfactory. The PSU monitored program progress on behalf of the executing agency, the Finance Department, and the Sindh government. The PSU focused on program implementation and actively supported the devolution process. Without the strong leadership of the PSU, the project and SDSSP would not have been as effective. The PSU could have paid more attention to ensuring and sustaining changes within the PLDs. The creation of the PSU was delayed by 9 months because of late approval of government counterpart funding. In addition, regular reporting was discontinued in the second half of the TA.

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

38. ADB performed satisfactorily. The relationship between the Sindh government and ADB is longstanding and positive. The SDSSP program director and the ADB mission leader for program implementation remained in their positions throughout the project period, which contributed considerably to the continuity of project implementation. The mission leader did not follow up on the executing agency's annual and quarterly reporting requirements.

### III. EVALUATION OF PERFORMANCE

#### A. Relevance

39. The TA loan design is rated *partly relevant* at appraisal and during implementation. The SDSSP aimed to improve social service delivery through provincial policy reforms, and fiscal and technical support for local governments. The TA resources were allocated to the PLDs to support them in policy reforms, and to the PSU and LSUs to provide the necessary support to local governments.

40. Substantial support was required for the PLDs to take up their new role in support of devolved social services. A significant part of the TA loan was allocated to support the PLDs through training, surveys, and studies. By design, the PLDs were only indirectly involved in TA management through representation in the provincial Steering Committee and through their selected officers in the PSU. During implementation, the PLDs were found to lack adequate capacity to prepare work plans and identify required assistance. As a consequence, the PLDs received only limited technical assistance.

41. The PSU and LSU composition was instrumental in supporting delivery of conditional grants based on annual sector plans prepared for the entire sector. The PSU was well placed in the Finance Department as the main emphasis was on governance reform and financing, rather than on service delivery itself. The LSUs, established in each district, provided valuable support to local governments in program coordination and in the preparation of the annual sector plans. The preparation of annual sector plans introduced transparent procedures and timely delivery of funds to the local governments. In addition, it resulted in a huge capacity building exercise for the district and TMA governments. It required local governments to start planning before deciding on their expenditures. At the same time, it empowered local councils, as they had to approve the plans. The SDSSP was acknowledged as the only development program that brought this kind of support.

42. During the midterm review, the recommendation was to increase the capacity of LSUs with new staff to work with TMAs; to use the capacity of nongovernment organizations to work with school management committees, hospital management committees, and village development associations; and to facilitate management and monitoring committees to build civil society engagement, access dedicated finance and planning expertise to work with specific districts, and access the resources of public sector training establishments. These recommendations did not materialize, as the midterm review came 1 year before the closure of the TA loan.

#### B. Effectiveness in Achieving Outcome

43. The TA loan is rated *less effective* in achieving its outcome. The aim of the SDSSP was to reform finance and planning procedures to improve service delivery in three social sectors. While substantial inputs were provided to improve local government procedures and some inputs were provided for policy reform, this only translated to a limited extent to improved basic social service delivery.

44. The PSU and LSUs were effective in supporting the reform of financing and planning procedures. The PSU played a role as supporting the devolution process in addition to program implementation. Without the strong leadership of the PSU, the program would not have been as

effective. The LSUs were effective in providing local policy support and capacity building. They functioned as program coordinator, facilitator, and provider of support to change and local teams. District coordination officers and executive district officers of finance and planning related positively to LSU support, providing wider capacity building support to the district management team. The PLDs were the implementing agencies responsible for policy reform. While some policy reform actions were undertaken, the PLDs did not fully embrace their new roles and responsibilities. The TA allocated to support the PLDs in their new roles remained largely unutilized.

45. During the project, no marked changes in the social indicators such as increased school enrollment and improved access to health and clear water and sanitation services were noted. While the SDSSP has led to improvement of some social sector infrastructure, a number of issues were not addressed and compromised program outcomes. One of the most apparent hurdles to effective program implementation was lack of staffing. This shortage was reported across all sectors and throughout the duration of the SDSSP. Reports indicate that the government has not appointed any new teachers or doctors in more than a decade. An additional issue was the lack of tenure of government officials in key posts, such as the district coordination officer, the executive district officers for education and health, and taluka–town municipal officers. Transfers of key personnel were frequent and could have resulted in significant delays in implementing annual sector programs. In addition, devolution of authority did not take place in a systematic manner. While the schemes were prepared locally, final approval was obtained at the provincial level. The district could do little if it disagreed with the provincial government's policies (footnote 10).

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

46. The TA loan is rated *efficient* in achieving the outputs of the program. Governance and financing of social services improved during the project. Before the introduction of the SDSSP, transfers to the districts were unpredictable. With the support of the PSU, transfers to the districts became predictable, releasing the funds on the 20th day of every month. The general consensus was that the SDSSP approval process was effective and valuable, and that the scheme was planned in line with the SDSSP guidelines, including the involvement of district councils and other stakeholders in the planning process.

47. Although only one-fifth of the TA resources were spent, many activities were undertaken, mainly in support of local government capacity building. The PSU carried out much of the work with local governments, and the LSUs played a valuable role in supporting local governments in preparing the annual sector plans.

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

48. The TA results are likely to be *less sustainable*. The transfer of the responsibility for social service delivery from the province to local governments was a major institutional shift that requires time and sustained effort. Local governments have made substantial progress in identifying and processing the schemes under the annual sector plans throughout the lifetime of the project. This process, however, came to a sudden stop with the closure of the project at the original closing date and with the discontinuation of the transfers of the funds by the provincial government to the local government accounts.<sup>15</sup>

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<sup>15</sup> Under the SDSSP, loan resources were allocated to finance direct transfers from the province to local governments, as conditional grants to support devolved service delivery. At the time of the TA loan termination,

49. The process of compiling annual sector plans is considered to have contributed to institutional strengthening of the local governments across all three sectors. The process of preparing, implementing, and monitoring the annual sector plans was comprehensive. According to the pilot investment impact assessment study in Matiari district, there was generally a strong desire to continue to develop annual sector plans even after the completion of the SDSSP. Implementation time does not appear sufficient to institutionalize these changes.

#### **E. Impact**

50. The TA loan had a negligible impact on the environment and other socioeconomic conditions. The SDSSP was classified as environmental category B, as the majority of the interventions concerned the upgrading of existing infrastructure. New construction required feasibility studies, and PSU clearance to ensure that necessary environmental measures to avoid significant environmental impacts were included in the proposal. While the SDSSP had a strong focus on gender equity, with the approval of the Gender Reform Action Plan by the Sindh government and local governments taking steps to promote gender equality, the impact assessment in Matiari district indicates that the SDSSP only marginally addressed the gender imbalance, and did not result in any significant improvement in the role or involvement of women.

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

#### **A. Overall Assessment**

51. The TA loan is rated *partly successful* (Appendix 2). The project supported a new concept, the provision of conditional grants, following the preparation of annual sector plans approved by the local government council. The implementation was successful in releasing the funds in a timely and transparent manner. The objective of the use of the conditional grant, however, was not fully understood. The SDSSP was perceived to be a funding program providing financial and infrastructure support, rather than a program that develops the capacity of local governments for good governance.

52. The PLDs were expected to support the introduction of policy reforms, and to take on their new role and responsibilities in support of devolved social services. Although sector policies were introduced for health, education, and water and sanitation; little active support was provided for the actual devolution of service delivery in the PLDs. The role of PLDs as major providers of TA did not materialize, with the result that the PSU and the LSUs were the only ones providing TA support.

53. The preparation of a high-quality annual sector plan is a long-term process. Substantial training resources have been put into strengthening the planning capacity of local governments. The TA loan was closed very quickly and in a haphazard way—a more phased approach would have allowed the involved agencies to prepare exit strategies. At the same time, the intervention was too short to institutionalize the change.

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63% of the loan resources were released from the provincial accounts to the local government accounts. ADB did not agree with the PSU's proposal to extend the loan for another 2 years to release the remaining resources.

## B. Lessons

54. More analytical rigor and due diligence is required at the stage of designing TA loan support, using needs assessments and stakeholder workshops, unbundling the planned activities, and indentifying the required consulting and procurement requirements. Currently, TA loan design comes secondary to program loan design.

55. While the executing agency exhibited generally strong buy-in for the program and project, the implementing agencies were less supportive. Implementing agencies need to be involved and mainstreamed at the design stage to ensure smooth implementation.

56. The project management unit should be put in place before the starting date of the TA, so that activities can start from day one of the project. The team should be in place when the funding comes in, with a project director and core technical staff, recruited on a merit basis. The project director should be retained throughout the project to guarantee continuity of project implementation.

57. Training efforts were fragmented, and not always well integrated. While infrastructure work can be undertaken on a project basis outside the government, training activities should be more integrated. The training and preparation of the training manuals should go through the government to promote ownership, using their own training institutes.

## C. Recommendations

### 1. Project Related

58. **Further action or follow-up.** Approximately PRs3 billion of PRs4.8 billion of ADB's Special Funds resources was released to the districts and TMAs as conditional grants, with the remaining amount retained in the provincial account. The Finance Department decided to commission a third party validation to review the SDSSP's impact on service delivery in Sindh, based on the performance of 25% of the grants, before deciding on further release of funds to local governments. The program completion report for the SDSSP<sup>16</sup> recommended that the project completion review of the TA loan would review the findings of the third party validation as part of a comprehensive assessment. As the third party validation had not been commissioned at the time of preparing the report, an in-depth investment assessment report for Matiari district, reviewing all schemes, was used for the impact assessment of the SDSSP.

59. During the last Steering Committee meeting on 27 November 2008, the Steering Committee decided that the remaining ADB resources should be diverted to the health sector. The chairperson, additional chief secretary (development), Planning and Development Department, directed the Health Department to identify areas of investment, and to subsequently seek the permission of the chief minister to utilize the outstanding funds. To date, the Health Department has not requested for such permission from the chief minister. An effective way forward in the release of the remaining ADB resources has yet to be found. The funds can no longer be redirected to local governments through the TA loan, as the PSU and the district support have been closed.

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<sup>16</sup> ADB. 2008. *Program Completion Report: Sindh Devolved Social Services Program in Pakistan*. Manila

60. **Additional assistance.** The additional chief secretary (development) requested continued support to improve service delivery quality for the poor and vulnerable, along the lines of the Punjab Millennium Development Goals Program.<sup>17</sup>

## 2. General

61. ADB's country assistance program evaluation notes that TA loans attached to policy-based loans generally have failed in Pakistan.<sup>18</sup> Although the reason for their failure is not entirely clear, it was thought to reflect lack of ownership by executing agencies, with TA loans being accepted as a necessary condition of gaining access to the much larger policy-based loan funds. Other frequent observations were the reluctance of the government to recruit international consultants that have been provided for, and the extremely delayed implementation of some TA loans that hinders intended capacity development and affects program performance.

62. Based on meetings with the key SDSSP stakeholders, lack of ownership does not seem to be among the key reasons for the *partly successful* rating for the TA loan. The main reason seems to be the lack of experience of the government (and ADB) to prepare and implement TA loans. Until recently, few government officers have been involved in TA management. The appointed project directors of TA loans have had to learn on-the-job. Currently, an entire generation of government officials has been exposed to project management, either as project directors in projects or as consultants on deputation, providing the necessary experience. ADB and other development agencies could develop this experience by providing capacity building in project management, as well as by streamlining procurement procedures.

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<sup>17</sup> ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster and Loan for Subprogram 1 Punjab Millennium Development Goals Program*. Manila.

<sup>18</sup> ADB. 2007. *Country Assistance Program Evaluation for Pakistan*. Manila

### STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenant	Reference in Loan Agreement	Status of Compliance
1. The Borrower shall make available to Sindh, promptly as needed, the funds, facilities, services and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project	Article IV Section 4.02	Complied with.
2. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures	Article IV Section 4.03	Complied with.
3. The Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Loan; (iii) the Project; (iv) the administration, operations, and financial condition of Sindh and any other agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the loan	Article IV Section 4.04	Complied with.
4. The Borrower shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents	Article IV Section 4.05	Complied with.
5. The Borrower shall take all action which shall be necessary on its part to enable Sindh to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations	Article IV Section 4.06	Complied with.
6. (a) It is the mutual intention of the Borrower and ADB that no other external debt owed a creditor other than ADB shall have any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as ADB may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest charge and other any charge on, the Loan; and (ii) that	Article IV Section 4.07 (a)	Complied with.

Covenant	Reference in Loan Agreement	Status of Compliance
<p>the Borrower, in creating or permitting the creation of any such lien, will make express provision to that effect</p> <p>(b) The provision of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after this date</p> <p>(c) The term "assets of the Borrower" as used in paragraph (a) of this Section includes assets of any political subdivision or any agency of the Borrower and assets of any agency of any such political subdivision, including the SBP and any other institution performing the functions of a central bank for the Borrower</p>	<p>Article IV Section 4.07 (b)</p> <p>Article IV Section 4.07 (c)</p>	<p>Complied with.</p> <p>Complied with.</p>
<p>7. <u>Project Implementation and Coordination.</u></p> <ol style="list-style-type: none"> <li>1. The Finance Department, Sindh shall be the Project Executing Agency and shall be responsible for capacity building</li> <li>2. The PSU shall be responsible for the management of the Project and shall act on the advice of the PSC</li> <li>3. There shall be sixteen LSUs in Sindh to support the district governments and TMAs</li> </ol>	<p>Schedule 6 paras. 1–3</p>	<p>Complied with. Sindh province had 16 districts at the time the loan agreement was signed. In 2004/05, some districts were divided, resulting in the current 23 districts. Subsequently, the Finance Department created and supported 23 LSUs.</p>
<p>8. <u>Auditing and Reporting.</u></p> <ol style="list-style-type: none"> <li>1. Sindh shall maintain separate records and accounts for the imprest account and Project expenditures in accordance with sound accounting principles. Sindh shall have such accounts and records audited annually by independent auditors in accordance with standards acceptable to ADB. Sindh shall furnish within nine months after the close of the fiscal year to which they relate, certified copies of such audited accounts and financial statements and the report of the auditors related thereto (together with the auditors' opinion) in English to the Borrower and ADB</li> <li>2. Without limiting the generality of Section 4-04 of this Loan Agreement, the Borrower shall cause Sindh to ensure that the PSU shall within 6 weeks of the start of the Project, prepare and submit to ADB the Project Inception Report which shall summarize actions so far taken and the further actions required for the development of the Project</li> </ol>	<p>Schedule 6 paras. 4–8</p>	<p>Complied with. The audit of the last 3 months of the project was undertaken, the communication of director general (audit) is forthcoming.</p> <p>Complied with.</p>

Covenant	Reference in Loan Agreement	Status of Compliance
<p>3. Without limiting the generality of Section 4.04 of this Loan Agreement, the Borrower shall cause Sindh to ensure that the PSU shall, within 3 months of the end of each year, prepare and submit to ADB, annual reports on the implementation of the Project, including the accomplishment of the set targets. Such reports shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following year</p>		<p>At the time of preparation of the completion report, no annual reports were available.</p>
<p>4. Without limiting the generality of Section 4.04 of this Loan Agreement, the Borrower shall cause Sindh to ensure that the PSU shall, within six weeks of the end of each quarter, prepare and submit to ADB, quarterly reports on the implementation of the Project, including the accomplishment of the set targets. Such reports shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter</p>		<p>Partially complied with. An annual report was provided for 2005 and quarterly reports were provided up to 28 February 2006, after which the practice was discontinued.</p>
<p>5. Without limiting the generality of Section 4.04 of this Loan Agreement, within three months of the completion of the Project, the Borrower shall cause Sindh to ensure the PSU to prepare and submit to ADB the Project Completion Report, which shall include a summary financial account of the Project</p>		<p>Complied with.</p>
<p>9. <u>Project Performance Management System.</u> Project performance shall be monitored as an integral part of the PPMS. The Project shall be monitored in terms of inputs, process and output indicators, and how this affects the impact. Importance shall be given to continuing monitoring and reassessment of capacity building requirements so that capacity building may be tracked as an ongoing process</p>	<p>Schedule 6 para. 9</p>	<p>Complied with.</p>
<p>10. <u>Project review.</u> ADB and the Borrower shall periodically review Project implementation. ADB shall undertake Project reviews, including an inception mission, regular review missions, a mid-term review and Project completion mission. Such missions shall pay special attention to the PSU and LSU capacity, the hiring and</p>	<p>Schedule 6 para. 10</p>	<p>Complied with.</p>

Covenant	Reference in Loan Agreement	Status of Compliance
preparation of experts, the work of experts including the time spent working with Sindh counterparts, working with councils to improve participatory planning processes, and working with the district government and the TMAs to improve their planning, procurement, management and monitoring activities. Based on these reviews, modifications in scope and implementation arrangements may be proposed		
11. <u>Counterpart funds</u> . The Borrower shall ensure that Sindh allocates and makes available to the PSU, in a timely manner, sufficient funds from its budget for each fiscal year for the implementation of the Project	Schedule 6 para. 11	Complied with.
12. <u>Resettlement</u> . The Borrower shall cause Sindh to ensure that no person shall be adversely affected in terms of ADB's <i>Policy on Involuntary Resettlement</i> and ADB's <i>Policy on Indigenous People</i>	Schedule 6 para. 12	Complied with.
13. <u>Environment</u> . The Borrower shall cause Sindh to ensure that the Project shall be carried out in accordance with the Borrower's environmental rules and regulations, ADB's <i>Environment Policy</i> , and ADB's environmental guidelines as set forth in <i>Environmental Assessment Guidelines (2003)</i>	Schedule 6 para. 13	Complied with.
14. <u>Gender and Development</u> . The Borrower shall ensure that the Project shall be carried out in accordance with ADB's <i>Policy on Gender and Development</i> . The Borrower shall cause Sindh to ensure women's participation in the Project in accordance with the gender strategy as agreed between the Borrower and ADB	Schedule 6 para. 14	Complied with.

ADB = Asian Development Bank, PPMS = Project Performance Management System, PSC = program steering committee, PSU = program support unit, LSU = local support unit, SBP = State Bank of Pakistan, TMA= taluka (subdistrict) or town municipal administration.

### OVERALL ASSESSMENT

Criterion	Weight (%)	Details of Performance	Rating Description	Rating Value	Weighted Rating
1. Relevance	20	The design of the project was relevant at the time of preparation and approval. The introduction of annual sector plans was highly successful, bringing transparency in the fund procedures of the local governments, and building capacity at the same time. The involvement of the provincial line departments in TA implementation was less successful, as these departments did not manage to take up their role as support providers for local governments. No design changes were introduced following midterm review, as the review took place during the last year of TA implementation.	Partly relevant	1	0.2
2. Effectiveness	30	While substantial inputs were provided to improve local government procedures, and some inputs were provided for policy reform, this only translated to a limited extent to improved social service delivery. The PSU and LSUs played an effective role in supporting implementation of the TA.	Less effective	1	0.3
3. Efficiency	30	Although only one-fifth of the TA resources were spent, a sizeable number of activities were undertaken. While governance and financing procedures for devolved social services improved during the project, this did not result in improved social service outcomes.	Efficient	2	0.6
4. Sustainability	20	The transfer of responsibility for social service delivery from the province to local governments was an institutional shift that required time and effort. While the SDSSP contributed to the institutional strengthening of local governments in their planning of social service delivery, the implementation time was unlikely to have been sufficiently long to have the changes fully institutionalized.	Less likely	1	0.2
<b>Overall Assessment</b>	<b>Partly Successful:</b> Overall weighted average is greater than or equal to 0.8 and less than 1.6.				1.3

TA = technical assistance, PSU = program support unit, LSU = local support unit, SDSSP = Sindh Devolved Social Services Program.