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PLANNING COMMISSION OF PAKISTAN: SUSTAINABLE DEVELOPMENT FOR THE 21st CENTURY

EXECUTIVE SUMMARY

- 1) Creation of a strategic and high-powered 'Management Council' in the Planning Commission that would report to Deputy Chairman Planning Commission on providing guidance to members/sector chiefs on implanting the New Development Approach, dealing with the issues of devolution, and linking planning and budgeting processes. The Committee will also function as change management council overseeing the implementation of NDA. The Management Council can also be responsible for overseeing planning commission's reforms.
- 2) The Planning Commission should have a representation in the Secretariat of the Council of Common Interests to assist in the implementation of the 18th Amendment which decentralizes service delivery to provinces. The Council of Common Interests can be an important platform for the Planning Commission to create the federal and provincial linkages - and most importantly create a mechanism where the National policies are also followed by the provinces. The report also suggests that the Planning Commission should act as a think- tank of the CCI and can review and prepare projects of national importance - e.g. dams) for CCI approval. It also suggests that through this mechanism the Planning Commission can become a centre of relationships among multiple authorities with overlapping jurisdictions. I understand the NDA will also be a guiding document for the provinces and hence the recommendation to create a mechanism for federal provincial linkages is an important one. Currently linkages between functioning of the provincial planning departments and the national Planning Commission are weak. The Deputy Chair is encouraged to initiate consultations with the provinces on how to strengthen those linkages.
- 3) The MTBF should be implemented as the mechanism for executing the new strategy for growth. The report recognizes the MTBF as an important reform and recommends its linkages with the NDA.
- 4) The report also suggests that the Planning Commission should become the centre for the promotion of pro-poor growth through the process of decentralization and recommends focus on electricity, access to water and sanitation and infrastructure. The NDA theme 'Urban Management' probably sends a wrong signal that the focus on rural or pro-poor activities is diminished. The Planning Commission can help in clarifying this issue.
- 5) The expert on MTBF should work to develop a set of strategic documents with select ministries in which the strategic plan of those ministries are integrated in a

MTBF linked to the NDA. A similar collaboration should be initiated with the provincial planning commissions in which the strategic plans of the provinces are adapted to the NDA through the creation an integrated MTB framework.

- 6) Members should be eventually eliminated and chiefs should eventually report to the management council and should be retrained to implement the strategic priorities established by the management council. Chiefs should be organized around thematic responsibilities as well as sectorial responsibilities.
- 7) An immediate action plan should be initiated around the filling of the two open posts on the management council; one for governance expert and the second for an expert in MTB frameworks. The newly appointed management team should begin the training of chiefs for new areas for responsibility outlined in the report.

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OVERVIEW

To assist in the reengineering of the structure, processes and protocol of the Planning Commission so that it can effectively manage a process of change driven by 1) the new development strategy, 2) devolution; and 3) the Medium-Term Budget.

1. First, the definition of development is being redefined by the Chief Economist of the Planning Commission in collaboration with Deputy Chairman. The goal of the CSF team is to adapt the functions of the Planning Commission to implement the New Development Approach.
2. Second, the Commission must adapt itself to Amendment 18 of the Constitution which aggressively devolves government services including planning to the provinces where capacity is presently weak. Planning Commission members differ on the importance they place on devolution, but all agree that process will create a fundamentally different work environment with many new opportunities. At the same time many of the Planning Commission's existing activities will become redundant and will have to be eliminated. CSF will attempt to define procedures for managing the change process so that an orderly transition can take place and it will offer perspective by referencing the experience of other developing nations in the region in which a similar devolution process was attempted.
3. Thirdly, the Medium Term Budget Framework advocated by the Finance Ministry will change the Commission's role in planning, monitoring and evaluating performances. The Framework will introduce results based management and give the Planning Commission a larger role in strategic planning while reducing its role in project assessment and supervision. This will entail a redesign of the interface between the Planning Commission and the line ministries. In the new development environment the planning and management of public investment will be moved to the line ministries. This will leave the planning commission free to develop skills to establish medium term priorities for the ministries and for the devolved units of government.

All of these changes come at a time when the planning commission does not possess a sufficient number of staff with the qualifications and experience that the new environment requires.

The CSF can contribute by suggesting strategies for realigning the functions of the Planning Commission so that it can act as a strategic thinktank that can adapt the medium term budgetary framework to the New Development Agenda.

Presently, the staff of the planning commission is primarily engaged in the approval, funding and oversight of over 2000 projects. The members report that as much as 90% of their time is allocated towards project approval. The 'think tank' or policy role of the commission is generally relegated to a trivial role and does not go beyond formulation of the five year plans. Under the present arrangement projects are assessed without considering their strategic developmental impacts. Costs are not well controlled and accountability for results is lacking.

Planning Commission requires expertise to determine whether institutional arrangements are producing the outcomes desired and whether the provision, production, and exchange of goods and services meet the targets and expectations of the New Development Strategy.

INTRODUCTION

The Ministry of Planning has undergone dramatic transitions since its establishment in 1958, when it played a leading role in defining the priorities for industrial and social investment. Many of the Commission's prior functions, such as setting industrial targets or of licensing firms to attain those targets, are lost due to both globalization and privatization in the 1980s and 1990s. Today externally generated economic forces are more likely to shape the domestic investment environment than the dictates of planners.

During the past 10 years, the Planning Commission experienced a dramatic reduction in the scope of its mission and in the competency of its staff. Commission Members report difficulty to recruit, train, and promote qualified staff. Skilled economists that the Planning Commission once deployed have migrated to the private sector or to overseas organizations.

The Commission has lost relative status compared to other ministries, especially to the Ministry of Finance. No longer Chaired by the Prime Minister, it no longer stands above other ministries. One member reported "The Planning Commission became a ministry just like any other so it can now be sabotaged like other ministries... with the Prime Minister back in charge there could be real planning." Monitoring on average is not satisfactory even when Planning Commission makes a good critique the constituent ministry rarely makes an adequate response. For the commission to increase its effectiveness the Deputy Chairman must be able to speak with authority for the Prime Minister. In India, the Chair of the Planning Commission is the Prime Minister. The Planning Commission was effective in Pakistan when Ayub Khan chaired the meetings as Prime Minister. In South Korea, under Park Chung-hee, a Deputy Prime Minister was the Minister for Economic Affairs and all eleven economic ministries reported to the Deputy who was also the Minister of Planning.

To address its current weaknesses a Cabinet Secretariat Resolution, Islamabad, 20, April 2006, stated the government's intention that the Planning Commission should be revamped "with a view to ensuring that it plays an effective role as the apex planning and coordination body of the country". The resolution considered it imperative "to strengthen its organizational structure and analytical capacity for policy formulation and monitoring; and to introduce measures to attract and retain the best brains in the country." To achieve this end the resolution called for the hiring of at least nine members of experience and stature. Members have been appointed yet the goals of the 2006 resolution – "that the Commission should assist in defining the national vision, and undertake strategic planning"— are still far from having been attained. Interviews have revealed that the level of staff competence has fallen along with the Commission's diminished role. The incumbents have limited capacity to spearhead the necessary reforms. The Planning

Commission is not able to persuade its partners in both the federal and provincial governments that it has the analytical capacity and vision to anticipate and lead on national development issues. It must begin by creating indicators of persistent implementation failures so that appropriate mechanisms can be proposed and realistic expectations can be formed.

The Commission can enhance its role by increasing its importance to both the Head of State and to the Council of Common Interests and by providing Parliament with the analytical tools to make better public policy and to assess the impact of current policies. The capacity must come from a redefinition of its mission, a reengineering of its protocol and the adaptation of results-based system of budgeting that is directly linked to recruitment and retention of staff. The goal is to engineer a Planning Commission that is adapted to Pakistan's current position in the world economy and to its internal political and social dynamics. The objective of this assessment is to ensure that whatever the direction that the Deputy Secretary wishes to take the commission, he or she will have an effective and responsive organization to lead.

How the Planning Commission can best manage the change processes it faces will be the subject of this analysis, based on structured interviews undertaken between October 7th and October 24th, 2010, with senior staff above the F19 level as well as members of the Commission under previous administrations. The Members were asked to reflect on the following components of their job responsibilities and functions that are listed in the *Hand Book on the Planning Commission* of May 2008.

- 1) *To act as a thinktank to the government to provide intellectual leadership at the national level for all planning matters especially overall economic and social development policies.*
- 2) *To assess material and human resources and promote capacity development for optimum utilization*
- 3) *To make substantive contribution to policies in all sectors*
- 4) *To provide high quality advice to the Government to determine sectorial priorities*
- 5) *To identify initiatives to accelerate development in respective sectors*
- 6) *To periodically review national development plans*
- 7) *To encourage foreign investment in critical sectors of development*
- 8) *To develop, improve and strengthen planning machinery for improved governance commensurate with sectorial plans*
- 9) *To play a facilitator role for promoting public-private partnership to carry forward the development agenda*
- 10) *To promote inter-province harmony through equitable allocation of resources for public sector development plans in liaison with the Provincial Governments*
- 11) *To contribute to new strategic plans*

Members were also asked to rank in order of importance why the Planning Commission has NOT performed effectively (note they are ranked in order of least importance to most being that No. 1 is the most important, No. 2 the second most important, etc.) The ranking of answers is as follows:

- 5) *The Planning Commission does not have adequate information and tools to analyze different policy options.*
- 4) *No consensus on national objectives*
- 3) *Staff does not have the necessary skills*
- 2) *Lack of a medium term strategic focus*
- 1) *The actual actions of government diverge greatly from the plans, as such planning is not taken seriously.*

The analysis that follows lists the weaknesses and challenges identified by the interviewees, and offers suggestions that are feasible within the constitution to remedy each of those weaknesses.

Today, the Planning Ministry stands at the threshold of a new set of change processes that offer the opportunity to significantly enhance the Commission's role in Pakistan's future growth and development.

Three challenges that the Commission faces are:

1. The New Strategic Development Framework
 - Project approval will be considered in the context of a high level growth strategy. The new approach embraces an endogenous conception of growth that includes reforms for cities, a community and youth focus and the effective management of knowledge spillovers from public and private investment. The New Development Approach will include learning by doing, positive returns to scale, building social capital, engendering an environment for risk taking and entrepreneurship and the building of cities as creative clusters that can attract high quality talent both from the internal and the Diaspora community. Persistent sources of implementation failure must be identified and monitored on a regular basis in order for the new growth strategy to be implemented.
2. Devolution under the 18th Amendment of the Constitution
 - Management of public investment will be decentralised (with some exceptions) to the line ministries. Decentralization of project approval to the provinces will diminish central control over projects.
3. The Medium Term Budgetary Framework (MTBF) will be the central component of a unified results-based budget preparation process
 - The MTBF recognises the need for a public sector – focus on 'Service Delivery – as opposed to just projects. It will shift the Commission's focus from the Public Sector Development Program (PSDP) towards formulating and assessing the *design of rules* that govern relationships

between private sector, federal government, provincial and local governments, civil societies, and public sector enterprises.

- The MTBF will redefine the Planning Commission’s role in respect of major capital projects.
- It will require a results-based monitoring and evaluation system for assessing government performance.
- The MTBF will require that planning & budgeting processes are aligned.
- It will focus attention on ‘Results’ – not just the quantity of rupees invested.
- The MTBF will decentralize responsibility for projects to line ministries.
- The MTBF requires a Medium-Term Expenditure Framework (MTEF) in setting medium-term development priorities for public service.

A More Strategic Role for the Planning Commission

1. Strategic policy must determine subsequent policy development actions, and the reasons for allocating resources, in order to obtain the greatest value from public expenditure.
2. To more effectively achieve policy outcomes will require greater clarity and specificity in the interactions between all parties involved in policy formulation coordination, and monitoring.
3. The new high level growth strategy being developed under the leadership of the Chief Economist and the Deputy Chair will be an agreement on “overall direction,” communicating the essence of the government’s vision and aspirations for the country.
4. The content and final form which strategic policy will take is not the subject of this institutional assessment, which concentrates on the capacity of the Planning Commission to assist in defining the national vision to assess the material and capital and human resources needed, and to assist the line Ministries to enhance their planning function. Nevertheless, to attain these broader objectives it is recommended that the New Strategic Development Framework specifically address pro-poor concerns, environmental sustainability, and it should articulate particular provisions for conflict environments. The report is silent on policy objectives because it is designed to be an institutional assessment that is policy

neutral in order to provide the commission's leadership with the tools, processes and capacity to effectively implement whatever policy is selected.

5. Economic growth is one aspect of development: another critical dimension is the expansion of the administrative capability of the state, the capacity of government to implement policies and programs. There presently exists unrealistic expectations about the level and rate of improvement in the capability of government administration to deliver the goals of whatever growth strategy is proposed. This in turn leads to demands being placed on the system that further undermine it. We recommend that the planning commission develop a variety of empirical indicators of administrative capability to show if the implementation capability of state agencies are limited or improving. Such indicators should contain explicit measures of managerial capacity in order to document when at the current rate of progress governmental agencies will be able to perform administrative tasks that are assigned to them. They should also explicitly identify what is needed to acquire capability. The goal is to provide the head of state and the parliament with a measure of the pace of progress in acquiring managerial capacity so that realistic expectations can be formed about what government can actually deliver. The planning commission should assign this critical task to its most capable analysts. They should be encouraged to take on site study tours to places like Malaysia to assess how this has been effectively carried out elsewhere.
6. The Planning Commission must acquire the capacity to address problems associated with local tyrannies and inappropriate discrimination. It can be envisioned as a general purpose, governmental unit, responsible for protecting the rights of all citizens and for the oversight for appropriate exercises of authority within smaller units of government.

DEVOLUTION

Challenges and Frequently Reported Weaknesses for Devolution

1. Devolution is critical to prosperity, equity and development. The objectives of the growth strategy must be accomplished in the context of devolution. They cannot be centrally mandated as in the past. If devolution does not succeed the growth strategy will not succeed either. Most of the senior members of the Planning Commission, not all, view devolution as essential to the Commission's future relevance. Outside of the Planning Commission, especially among officials of the Establishment Division, it is believed that the Planning Commission can significantly enhance its standing by playing a major role in the success of devolution. This will improve the Commission's claim to future governmental resources. The 18th Amendment offers an opening for the Planning Commission to become a think tank for the Council on Common Interests. This would give the Commission a position from which the new growth strategy can be effectively advocated. On the other hand, if the devolution process stalls or fails by creating new opportunities for rent seeking and small coalition control over the devolved units of government, then growth will be stymied and development may be set

back by as much as a decade. This has occurred in several countries in which devolution was poorly conceived.

2. Devolution will change the rights and duties of government agencies: internal processes of agencies will be affected as well as the pattern of interactions across levels of government. The impact of rule changes can be worsened or eased depending upon the system-wide setting in which the changes are managed. The experience of other nations reveals that smaller units of government are not necessarily the most relevant to a particular set of problems. Local actors are not always able or willing to govern natural resources effectively. Positive incentives to invest in sustainable natural-resource governance are seldom addressed internally within particular local government units. A unit in the federal government that coordinates governance organizations at different levels is needed.
3. Where the constitution does not allow local participants to change rules they will turn to federal officials to change the rules for them. Rule changes that depend on higher level officials create rent seeking opportunities for the seekers of the change as well as the officials positioned to grant those changes. If the broader powers have been entirely devolved local-power brokers may seek changes from which they are the principal beneficiaries.
4. In many countries the trend over the past decade has been to decentralize responsibilities away from central government, devolving responsibility to lower tiers of government or to other actors like communities and private sector. However, responsibility is often given away freely but power is much more difficult to take away from the center and this contradiction results in poor governance. Provinces have little ownership over national projects that are conceived vertically; unfunded mandates for which they do not have fiscal resources are common.
5. The responsibilities of the regional and local authorities are not commensurate with their authority and financial resources. Regional and local authorities do not have the legal and technical training and capacity to draft terms of reference, negotiate contracts, monitor performance, and enforce them effectively. Many national policy and guidelines are not adapted to meet local conditions. The performance monitoring systems and incentives at the regional and local level do not ensure compliance with national policy, guidelines and performance goals.
6. The provinces view the Planning Commission as working in isolation. Provinces think they have the means to evaluate projects effectively, but there is generally a significant gap in their capacity to evaluate. There is inadequate capacity at the national, provincial, district, municipal or village level for collaboration and oversight. There is insufficient coordination between provinces. The Planning Commission's consultation with the provinces must be improved. The Planning Commission needs a mechanism for getting its strategic position accepted by the

provinces before projects are brought to cabinet. The Planning Commission needs more capacity to initiate projects within the provinces.

The Constitutional Framework of Devolution

The Planning Commission should consider ways to address these challenges and to examine local conditions that require *rule changes*, and to conduct dialogue within the federal government to enable local participants to craft better rules over time. The Planning Commission can play a critical role by acquiring capacity to anticipate and facilitate creative solutions to the *rules* affecting service delivery, production, and sustainability in the context of devolution. The Constitutional Amendment 18 offers such a possibility expanding the Commission's role and in building a relationship with the Provinces.

Participatory management and the CCI

1. The Council of Common Interest will play a larger role after devolution. In thirty-seven years since the constitution was written only 2 meetings have been held. Considerably strengthened, it will be chaired by the Prime Minister, and will comprise three Federal Ministers and four Chief Ministers. The four provinces are currently represented in the following manner: 1) Communications from the New Frontier, 2) Livestock from Baluchistan, 3) Petroleum from Sind, 4) and the Prime Minister from Punjab. It is required to meet at least once a quarter, and it will have a permanent secretariat but it does not have a thinktank capacity or function. That role can and should be assigned to the Planning Commission.
2. The Council of Common Interests is an intra- provincial coordination committee in which federal and provincial politician's will participate. It is responsible for mega projects, cross provincial matters such as water disputes between providences and the smuggling of wheat between providences, etc as well as matters that require constitutional change.
3. The Planning Commission can review and prepare projects for CCI approval. The Planning Commission will have some role dealing with provincial matters through the CCI and it can identify disparities in the macro and global responsibilities of the provinces. It can also help to identify a greater role for the private sector.

Remedies

To fill the role that is envisioned in the constitution the Planning Commission should expand its expertise regarding multi-sectorial interactions among different levels of government in which outcomes depend on the relationship among governance actors at different levels. The Planning Commission should become the center of relationships among multiple authorities with overlapping jurisdictions.

During devolution information problems at one level can be offset by positive incentives and information capabilities at other levels. The Planning Commission can serve as a back-up institution to help higher levels of government to correct the limitations at any one level. Especially needed by various levels of government (federal, provincial, and local) will be guidance to find effective solutions to common pool resource issues.

The Planning Commission must acquire the capacity to analyze “to what extent is an institutional arrangement capable of satisfying the intended goal of delivering the highest quality service at the lowest cost to the largest number of constituents. Would another set of rules be more effective?” To answer these questions the Planning Commission must be able to assess the basic considerations of *institutional goal setting* as well as the economic criteria for effectiveness. It must acquire capacity to assess institutional performance, investigate problems, share information and negotiate agreements.

The Planning Commission can play a broad role in development operations and in policy dialogue in local, national and transnational levels.

- By strengthening civic engagements and ensuring that the civic community is incorporated into the overall strategy of improving infrastructural services. It can help to broker empowerment and participatory approaches to development by acting as an intermediary between multilateral organizations, private investors and local communities. It can identify the organizations and constituencies for all aspects of project development.
- It can facilitate arrangements for greater coherence, coordination and accountability in construction of infrastructure. It can bridge the gap between best practice and appropriate local practice.

The Planning Commission can maintain a database on infrastructure to provide benchmarking in country analytical work. Social Sector specialists can be sensitive to political, cultural and religious considerations, which are not in the preview of other developmental agencies.

Planning can assist in developing sector-wide approaches to development cooperation that promote donor coordination of strategies and approaches and also institutionalize regular dialogue with governments at central and local levels. Planning can help to develop strategy for community development for each sector of infrastructure.

- Before major infrastructure projects are undertaken the contractor and government through the Planning Commission should ensure that providers are not given exclusive supply.
- A framework must be established enabling greater partnership between formal public and private network providers and smaller independents, and that ensures that the regulatory framework for network providers gives the flexibility to enable contracting with independent providers.
- The general approach to infrastructure management in decentralized institutional settings is to un-bundle provision in terms of decision-making and management in accordance with the particular characteristics of each service and to allocate

responsibilities accordingly. Unbundled services can be divided into the following: network planning, system design, choice of alignments, service standards, project priorities, construction of physical plant, and operation and maintenance of services. Regulating, financing, and undertaking each of these unbundled functions are important aspects of decentralization and need not be the responsibility of a single jurisdiction.

Challenges of Decentralization for Pro-Poor Development

As a result of decentralization in China, in the Philippines and Indonesia a significant increase has occurred in regional and local inequalities in delivery of basic services including health, education and welfare. If countryside equalization is a goal, full local responsibility for social welfare expenditures is an inappropriate way to attain that goal. For example, in China the provinces with the most limited fiscal resources have fallen behind. Chinese decentralization has been associated with the rapid increase in economic inequality. To avoid a similar outcome the Planning Commission should become the center *for the promotion of pro-poor growth* through the process of decentralization.

The Planning Commission must specifically concern itself with making decentralization work for the poor. It can help match resources with strategies for development that directly target the poor.

To facilitate the Planning Commission's role in the governance of common pool resources and to promote pro-poor growth the Planning Commission must develop a methodology that will evaluate:

1. Equitable choice and access
2. Affordability
3. Efficient, safe and environmental use
4. Proportion of community using infrastructure for non-income and income generating uses.
5. Degree of changes in social development indicators
6. Cost/contribution sharing between and within households
7. Measures adopted by the Planning Commission must address if a service meets the users' demand, the extent to which the users consider the benefits worth their costs, and the impact of infrastructure services on the utility and use of time and workload of community members and how the utility affects the better-off and the poor sections of the community. Is there a variation in the perceived costs and benefits between each group (poor women-rich women, poor men-rich men in the community)

The Planning Commission can design procedures to ensure the decentralization of infrastructure for reducing poverty.

- Successful delivery of electricity to the poor demands unbundling rather than decentralization. Electricity delivery can be divided into three components: generation, transmission and distribution. Unbundling creates the potential for competition in the relevant sectors. Also, unbundling creates scope for better

information dissemination about the cost structure of each part in the chain. Transmission and distribution tend to be monopolies and therefore require effective state or nationwide regulation. Privatizing distribution is common, but decentralizing the control over the power generation itself to local communities is not considered. This is because of the need for economies of scale and scope and also because it is frequently necessary to cross-subsidize rural and urban consumption. Unbundling the national electricity board into interregional electricity boards with some form of benchmarking helps to dissolve monopolistic relationship.

- Electrification does not guarantee economic development and its benefits tend to accrue to the wealthier groups in electrified areas. It is increasingly recognized that electrification must be part of a much broader development package. Rural electrification is not a substitute for rural income growth. When the overall conditions are right for rural income growth electrification can contribute to but cannot substitute for other rural development interventions such as water supplies, health program, primary and secondary education and feeder roads.

Access To Water and Sanitation

Challenges and Frequently Reported Weaknesses

1. Despite some efforts in recent years in the large cities of Karachi and Lahore, significant participation of the private sector in the provision of urban water and waste management did not materialize due to inability of defining and implementing a well designed policy framework for private provision, including tariff policy. Attention to rural water has been deficient, and has been a serious constraint to poverty reduction in the water scarce rural areas of Baluchistan and Sindh.
2. Additionally, policies, standards and monitoring of water and air pollution are constrained by weak progress with environmental management institutions.
3. About one-third of Pakistan's rural infrastructure for water delivery is dysfunctional. Understanding and addressing the reasons why it has been so unresponsive to improvement fall into the authority of the Planning Commission.
4. There are many reasons why countries are choosing to manage water resources at the lowest appropriate level. One being that water management issues at local level are often profoundly different from water management issues at national or regional level. Nevertheless, this is an area where governance failures or conflicts typically arise because access points to water are often shared by many people and a local oversight may be insufficient. Although local issues are often unique and not necessarily covered by policies set by central authorities, solutions can only be found if local water governance systems are effective and properly harmonized within the national institutional context.

Remedies: Access to Water and Sanitation

1. The regulatory process must separate the policy makers and the providers. For example, they should just provide information on performance or just ensure

- enforcement. But when it comes to regulation, one size does not fit all. If water comes from a private company which contracts with a municipal policy maker, the municipality must do regulation.
2. Water Users Association (WUAs) and vesting operation and management responsibilities to these groups along with the task of collecting better water charges. Yet, the implementation record so far is disappointing mainly because of the continued opposition from the landlord lobby and the irrigation officials. The large landowners fear the loss of command over water distribution if WUAs are established. Similarly, the irrigation officials will lose rent seeking option once their role in water tariff collection and allocation of maintenance fund is taken over by the WUAs. While the small farmers would benefit most from this reform, they lack mobilization and voice. This experience with irrigation reforms is both an illustration of the powerful coalition of interest landlord lobby, the politicians and bureaucrats as well as an indication of how complex and time consuming it can be to secure policy reforms in an environment of large social inequality.
 3. A critical role of planning is to signal when safeguards must be established to protect a regulatory agency from political influence. The Planning Commission can offer supervision to ensure that funds are earmarked for the appropriate regulatory agency, that staff is hired with reference to civil service rules, and that the recruitment of regulators can be protected from political interference and their terms of service are isolated from electoral cycles

International Examples of Making Infrastructure Work for the Poor

- China has been one of the most successful countries in rectifying the weakness of infrastructure provisioning for poor rural communities.
- In China cost recovery has played a very important role in provisioning of rural infrastructure. Funding sources for rural infrastructure construction include, 1) funds raised by people living in the community, including voluntary labor, 2) local taxes, 3) budgetary funds and subsidies from different governmental levels, 4) special purpose funds allocated by the state, and 5) fees are typically charged for water and electricity, but not for roads. Income from fees is the main source of funds for operating and for the management of irrigation and drainage works, as well as for maintenance, improvement and renovation. Charges for water are set separately according to usage and are in line with state economic policy and current reserves.
- The management and maintenance expenses for small hydropower works and drinking water works are handled by the management units of such projects of relevant level of government authorities. Funds are sourced from income derived from the sale of water or electricity.

Unresolved Constitutional Dilemmas

Complex constitutional issues will arise from the devolution process: Why is wheat distribution a provincial subject but natural gas is a federal subject? Baluchistan does not

grow enough wheat and needs to go to the CCI for resolution. The federal government receives international aid and distributes it on the basis of population; however, front line provinces do not receive a share that recognizes their role in conflict management. Pakistan has international commitments to uphold certain standards of women's rights but women's development is a provincial government topic which allows the provinces to make laws that are discriminatory and counter to Pakistan's international commitments. How can uniformity of enforcement of women's and labor rights be upheld when a religious party comes into power in the provinces if crimes against women become a provincial matter?

In each of these areas of unresolved constitutional dilemmas planning can make an important advisory contribution.

MEDIUM TERM BUDGET FRAMEWORK

Challenges and Frequently Reported Weaknesses

1. The resources of the Planning Commission are allocated to the approval, funding and oversight of projects and need to be redirected to the strategic oversight, direction and coordination of the national development effort. Members concentrate on projects and do not have the resources to concentrate on strategic issues. They focus on control of inputs rather than on results. The division is set up to deal with PCIs rather than to do planning. The Commission has become project-ized. It only provides technical assistance of particular projects without a strategic vision, i.e., an input might be, "this project has too many vehicles, or this building has 1200 and it should have 1400 bricks". One member reported "Bricks and mortar are the center of everything because that is where people get their cuts".
2. This year's budget is 'last year's budget' with some increment.
3. The majority of projects are accepted without a proper feasibility report.
4. Accounting and planning are separate; recurrent and development inputs are also separate preventing the real fiscal consequences of a project from being taken into account.
5. Huge swings in public investments occur because fiscal constraints are relaxed or are not anticipated. Forecast of revenues are not firm because certainty in revenue collection is lacking. Macroeconomic forecasting of the Planning Commission is weak. As a result of such analytical weaknesses a tendency exists for projects to be accepted that are not fiscally feasible.
6. The Commission does not have sufficient interaction with the private sector. When ministries are designing service delivery plans they should consider alternatives that can be contracted out to the private sector.
7. Planning does not have a concept of service delivery
8. Technical and human capacity and training to discharge responsibilities effectively are distributed unevenly. As a result budgetary allocations are

operationalized unevenly and generally, inadequately. Currently, spending as a reflection of the total allotment is 65% in Punjab; 40% in Frontier Province; 18-22% in Baluchistan; and 40% in Sind. This pattern indicates radical difference in the competency of local governments to perform.

Remedies: Introduction of Medium Term Budgetary Framework

1. The Planning Commission must adopt a results-oriented philosophy as the guiding management principle. This requires reestablishment of an objective, impartial and consistent personnel environment; specification of expected results based on the pursuit of policy objectives and recorded in documented performance obligations; and redirection of administrative effort from procedural activities to supporting service delivery through radical process improvements and the effective use of office automation and other innovations. Where these innovations are not available the Commission must work with Autonomous Bodies such as the Pakistan Institute of Development Economics (PIDE) and attached departments such as the Pakistan Planning and Management Institute (PPMI) to develop relevant training modules and inculcate the necessary skills.
2. The planning for delivery of public services and the management of public investment should be transferred to the line ministries. Developing medium term objectives for the government on a ministry by ministry basis will benefit from the Commission's participation.
3. A comprehensive system of results-oriented management consists of two major components:
 - a. Identification of required results, and their formal adoption into a system of performance obligations and subsequent measurement of achievement. The Planning Commission can assist the government's transition to a results-oriented management system by assisting each agency of government with which it interacts to identify and develop the processes, structures and skills required to support the achievement of required policy outcomes.
 - b. The second priority is to redesign institutional arrangements and implement effective systems that allow for results to be monitored so that public officials are accountable for their performance. Both managers and the public must know the real costs of their operations. Managers need sufficient autonomy to determine how to best use the resources at their disposal. This means separating bureaus with conflicting interests, making managers accountable for policy output and instituting a system of competition among bureaus and between government and potential private sector providers.
4. The sector chiefs must be instructed in setting up effective performance reporting systems within the planning commission itself. The Chiefs should establish key sector imperatives and review these in sector progress committees. These

committees should then assist with the implementation of results-oriented systems in all ministries, departments, and other agencies of Government. They will provide sector coordination where it is needed, they will define relevant cross sectorial issues and they will maintain links with the private sector.

5. The performance obligation statement or commitment rests with the head of particular agency to take overall responsibility for specification, agreement with government, and then delivery of the output.
6. Delivery of the outputs becomes the basis of funding, and the benchmark against which the agency is judged, and of the performance appraisal for the personnel responsible for the outputs.
7. A results-based accounting system will give elected political officials the tools to obtain greater control over the policy outcomes they support. In addition, it provides the tools Parliament needs to better monitor the bureaucracy.
8. The skills that must be inculcated within the Commission in order for it to be effective at multi-year perspective in fiscal planning, expenditure policy and budgeting are as follows:
 - preparation of multi-year forecasts and functional allocations;
 - scope and frequency of debt sustainability analysis;
 - link sector strategies with multi-year costing of recurrent and investment expenditure; and
 - establish linkages between investment budgets and forward expenditures estimates.

The matrix below offers an example of how the strategic plan can be broken down into measurable inputs and outputs: The categories were provided by the Economic Sections of the Planning Commission and are subject to change.

ADAPTING THE GROWTH STRATEGY TO THE MTBF

Priorities in the New Growth Strategy	Ministries 'Service Delivery'			
	Delivery of Public Services	Regulation	Catalytic / Persuasive Role	Transfer Payments
Pillar 1: Productivity for Growth				
Pillar 2: Human Capital				
Pillar 3: Physical Capital				
Pillar 4: Youth				
Cross Cutting Theme 1: Market Reforms				

TABLE 1

THE POLICY CYCLE

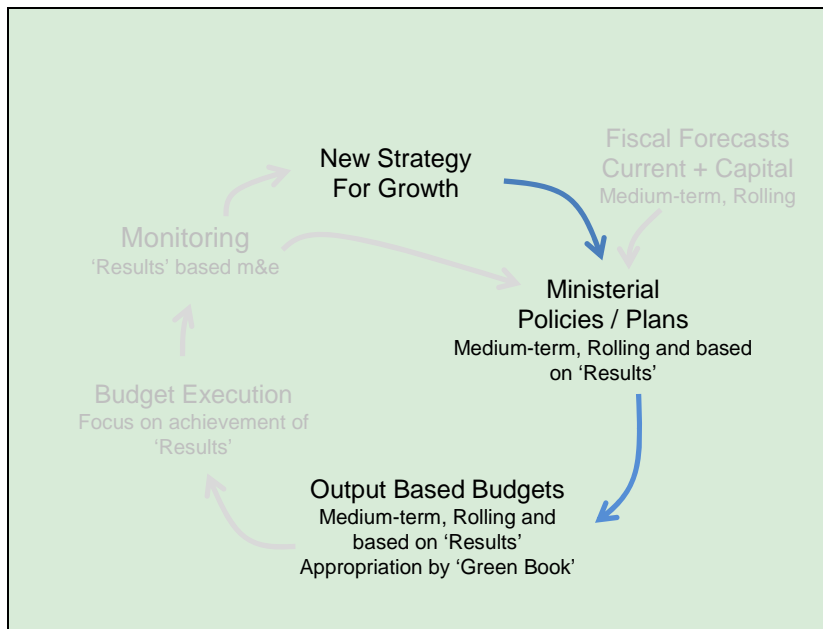


Figure 1

PROCESS REENGINEERING

Challenges and Frequently Reported Weaknesses in Current Commission Protocol

1. Coordination between the line Ministries and the Economic Affairs Division (EAD) on foreign funding is inadequate. These activities should be coordinated with the growth strategy.
2. The Planning Commission is currently oriented towards project management; insufficient attention is given to the development of the nation as a whole.
3. The Planning Commission should play a more strategic role in national planning process. It lacks strategic depth. Think tank function is not operational.
4. Many members expressed concern that they do not have sufficient time with the Deputy Chairman.
5. There is a general consensus that the meetings at which projects are vetted are not effective.
6. The functions of the Executive Committee of the National Economic Council (ECNEC) are not properly coordinated with national economic strategies.

Management Team, (Advisory Board, or Implementation Team)

A Management Council or a senior management team is recommended to oversee the effective implementation of all elements of the Growth Strategy. The Management Council will ensure the adaptation of strategic policy formulation and policy coordination to more effectively achieve policy outcomes. This entails elevating the role of policy and more clearly specifying the interactions between all parties involved in policy development. The Management Council will help, manage change processes in three areas; 1) strategic policy making, 2) the transition to devolution, and 3) the implementation of the medium term budgetary framework.

1. The Council must have sufficient authority and professional staffing with detailed goals.
2. The Management Council will fill current gaps with capacity and will provide a thematic coordination of the sectors. They will be in charge of cross cutting themes such as governance, provincial linkages, contact with the private sector, implantation and change management of the results based budgeting, linkages between the members and the capital MTB Framework, coordination with the Division Secretary.
3. The Management Council will be involved in agreeing on priorities, approving specific work plans of the sectors, identifying personnel for implementation, and reviewing the effective completion of all scheduled tasks.

4. The Management Council will be comprised of four people that report directly to the Deputy Chairman. The Management Council will be responsible for cross provincial relations. Management Council meetings with Members will ensure that cross sectorial issues are discussed.
5. The Council members will be the Secretary, Planning and Development Division. Chief Economist, responsible for the strategic growth plan, and will determine the criteria by which productivity gains can be determined in the context of service delivery. A Governance Specialist on Inter Provincial Coordination familiar with issues of decentralization. A Budget and Management specialist, familiar with Medium- Term Budget results-oriented management specialist: This specialist will work with members to develop position specifications and performance appraisal schemes, and to design effective and equitable remuneration and incentive systems for the Chiefs. If the Chief Economist is not directly responsible for the new development approach then it is recommended that a person who is designated as responsible for the new development approach is made a member of the management council. The Chiefs should eventually report to the management council and the members should be replaced by highly trained chiefs.
6. The member of the management council responsible for the medium term budgetary framework should initially be assigned two principal tasks. The first is to work with the provincial planning departments and to transform their strategic plans into medium term budgetary frameworks that are consistent with the NDA. The second, the MTBF specialists should select a group of ministries and transform their strategic plans into medium term frameworks, again consistent with the NDA. In this capacity the MTBF specialists should work in collaboration with DA specialists, appointed to the management council.
7. Members are to be selected for Intellectual capacity and professional diversity and be persons of recognized standing in their respective fields, known for their non-partisan approach, integrity and impartiality. They should be able to think strategically, to make recommendations in the national (rather than sectorial or narrow) interest and to work with the existing Committee. In addition, they must be available for meetings chaired by the Deputy Chair to be held on at least a quarterly basis. They must also be able to attend the briefings on Administrative Reform proposals, and be able to offer the Deputy Chair their considered opinion on all such matters. Deputy Chairman must allow the Management Committee power to convene meetings, to coordinate, and to advise the members. The Management Team should not be an advisory committee it should have oversight over what the members do.
8. It should conduct training needs assessment and should enhance research based skill within the planning commission. It should enhance interaction of all Planning Commission activities within the MTB Framework.

9. The management team will work directly with the Deputy Chairman to ensure that the DDWP and the CDWP are conducted in line with the new priorities of the commission.
10. Once project conception and development is transferred to the ministries members should work with the management team to screen projects for their continuity with the growth strategy.
11. It is recommended that over a three year period, once the planning commission activities are realigned with the new growth strategy, the members are to be replaced by stronger chiefs for each of the sectors.
12. Currently there is no consultancy frame work with the private sector. A private sector consultative group is recommended so that there can be a regular interface between the Planning Commission and the business community.

Reengineering the Project Approval Process

The Planning Commission currently plays a major role in project identification, formulation, appraisal and selection. It must acquire the capacity to coordinate all policy related work with the agencies involved and to prepare the projects for full Cabinet consideration in the context of the strategic priorities of the new development plan.

We recommend the Planning Commission can play an advisory role in which 1) management committees of Ministries are invited to discuss their medium-term policies within the resource envelop available to them; 2) the meetings can be led by Planning Commission to ask question such as, “What do you currently do”, and then assessing how the current arrangement is or is not aligned with the new growth strategy; and 3) the discussions can help Ministries in determining their medium-term policies, assessing ‘outputs’ and ‘key-performance indicators to be reflected in “Green Books”’.

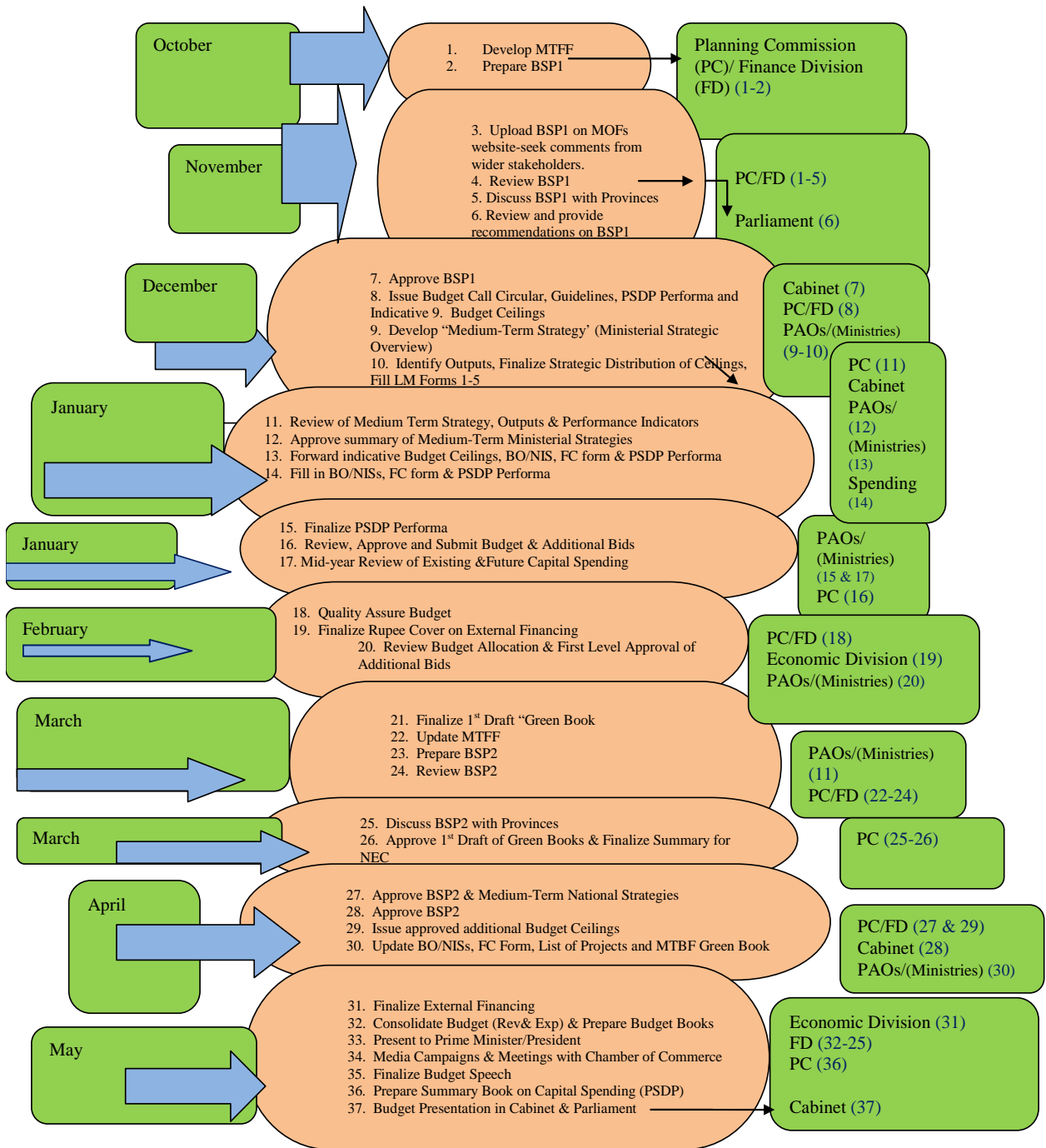
Composition of Approval Process and Sanctioning Powers

1. Executive Committee of National Economic Council (ECNEC) sanctions all projects valued at 5000.00 million rupees and above.
2. Central Development Working Party (CDWP) hold monthly meetings and sanction all federal schemes valued at 500.00 million rupees, and provincial schemes valued at 5000.00 million rupees.
3. Departmental Development Working Party (DDWP) sanctions projects valued at 80.00 million rupees.
4. Provincial Development Working Party (PDWP) sanctions project valued up to 5000.00 million rupees. (5000.00 million rupees if total funding includes provincial resources).
5. PC1 (a feasibility report) is concerned with feasibility project preparation, approval, processing, and impact. The line departments do the feasibility studies

in consideration of engineering, environment, and cost-benefit ratio. Because expertise is lacking and there is a shortage of consultants the majority of projects are not feasible.

6. All projects go to the DDWP first.
7. The CDNP is where the sector chiefs discuss the PC1s. The higher level projects are discussed at the ECNEC. The CDWP is project and process oriented. It should receive a new role as the interface between a growth strategy and the departments. In its new role it should interpret the growth strategy and determine how public investment can support that strategy.
 - Cross sectorial projects are discussed and approved by the Planning Commission (CDWP / ECNEC)
 - Each Ministry's matrix discussions can include specific KPIs to specify its role
 - Currently there is an Annual Plan Coordination Committee (APCC) that meets in April or May. It normally considers projects all the 49 sectors of the line ministries. We recommend that it be held in November or December and the management team should meet with each Secretary to discuss how the current docket of projects fits into a Medium- Term Strategy. Each line ministry should be able to identify service delivery strategies rather than projects. A criterion to measure the productivity of projects should be developed within the framework of service delivery strategies.
 - A regular interface with the private sector would provide feedback on the quality of services provided to the public and civil society and will increase responsiveness to feedback from the public and civil society.
 - The CDWP is project and process oriented. It should receive a new role as the interface between a growth strategy and the departments. In its new role it should interpret the growth strategy and determine how public investment can support that strategy.
 - Merge the development and current expenditure budgets.
 - After the APCC both the ministries and the Planning Commission should bundle up their strategies for Service Delivery and present these to the cabinet. This way the cabinet will know the priorities of the Ministries to determine whether projects are within the fiscal limits set by the government.
 - We propose the following structure and timing of events.

**REENGINEERING THE TIMELINE OF PLANNING AND DEVELOPMENT
(THE OUTLINE BELOW)**



PERSONNEL MANAGEMENT AND CAPACITY BUILDING

Challenges to Personal Management and Capacity Building

The Middle level bureaucrats will oppose change unless they are given a new role. The middle level officers are not performing. Since 1984 there has been no technical job related training for the sector chiefs. Members reported that only three or four of the nine chiefs are reliable and informed.

Remedies to Personal Management and Capacity Building

Management Council must comprehensively build the skills of commission personnel at all levels, equipping people in new and revised roles with the new skills and knowledge they need to fulfill performance expectations. It must introduce objective methods of recruitment, promotion on merit and appropriate rewards and sanctions, with the ultimate aim of rebuilding a strong, innovative and impartial public service ethos.

Today members of the Planning Commission obtain general administrative training from the establishment division but the training loop should be expanded to include courses with a technical focus in conjunction with PIDE.

CONCLUSION

The reforms envisioned of the Planning Commission must be viewed as an opportunity to build a system that works to solve Pakistan's specific needs. However, the new development strategy, devolution and the medium term budgetary framework all require management capacities that are currently not matched to existing organizational capacity. Reform efforts must not only reflect international best practice but must also reflect actual political and organizational capacities, if not the reforms risk becoming part of the problem. This is why efforts must be made to reach both elected officials in the parliament, the local communities and the all members of the planning commission regardless of their current, rank, training and status. It is also strongly recommended that the planning commission becomes adept at measuring the actual level of administrative capability and monitor progress towards improvement.

INTERVIEWS AND COLLABORATORS

Date	Name	Title	Organization
October	Khalid Ikrram	Economic Consultant	Former Director World Bank
October	Dr. Saba Gul Khattak	Member Social Sector	Planning Commission, Gov of Pakistan
October	Lt. Gen Shahid Niaz	Member Implementation and Planning	Planning Commission, Gov of Pakistan
October	Arthur Bayhan	Vice President	The Competitiveness Institute
October	Dr. Jaffer Qamar	Chief Economists	Planning Commission, Gov of Pakistan
October	Muhammad Yasin Younas Janjua	National Project Manager	Center for Poverty Reduction and Social UNDP
October	Ghulam Mohayud-Din Marri	Member Infrastrucure	Planning Commission, Gov of Pakistan
October	John Gray	Team Leader	Medium Term Budgetary Framework
October	Dr. Vaqar Ahmed	Economic Modeling Specialist	Integrating Policy with Research Initiative (IPRI) Project
October	Nohman Ishtiaq	National Technical Advisor	Medium Term Budgetary Framework
October	Shahab Khawaja	Senior Advisor	Competitiveness Support Fund USAID
October	Ahmed Owais Pirzada	Additional Secretary	Planning Commission, Gov of Pakistan
October	Dr. Johfaq Ahmad	Advisor on Science and Technology/ Minister of State	Planning Commission, Gov of Pakistan
October	Stephen Akroyd	Director, Public Sector and Management	Oxford Policy Management
October	Ahmad Mahmood Zahid	Secretary	Inter Provincial Coordination Division
October	Ghizala Kazi	Specialist on Women, Empowerment, and Gender	Planning Commission, Gov of Pakistan
October	Engr. Abrar Ahmad	B.Sc Engg (Mech), M.S (Engg. Mngt.)	Member P.E.C, P.E
October	Ghulam Mehdi	Assistant Media & Communication	Competitiveness Support Fund USAID
October			

