



**USAID**  
FROM THE AMERICAN PEOPLE



# EVALUATE, STREAMLINE AND IMPROVE THE GOVERNMENT OF PAKISTAN'S PROJECT MANAGEMENT UNITS APPROACH

---

*An Insight into the Issues and Implementation  
of Project Management through Project  
Management Units*



Assessment and Strengthening Program

Rural Support Programmes Network

ASP-RSPN

**2012**

## **ASP-RSPN**

# **Evaluate, Streamline and Improve the GoP's PMU Approach: An Insight into the Issues and Implementation of Project Management through PMUs**

**October 2012**

**Cooperative Agreement Number:**

391-A-00-11-01201-00

**Implementing Partner:**

Rural Support Programmes Network

**Author(s):**

Assessment and Strengthening Program – Rural Support Programmes Network

© **ASP-RSPN**

House # 70, Street 25, F-10/1, Islamabad, Pakistan.

Phone +92 51 2114311, Fax +92 51 2114314

Website [www.asp.org.pk](http://www.asp.org.pk)

---

### **DISCLAIMER**

The report is made possible by the support of the American People through the United States Agency for International Development (USAID). The contents are the sole responsibility of ASP-RSPN and do not necessarily reflect the views of the USAID or United States Government.

## ***Acronyms and Abbreviations***

ADB	Asian Development Bank
AG	Auditor General
CPMU	Core Programme Management Unit
CPRSPD	Centre for Poverty Reduction and Social Policy Development
EAD	Economic Affairs Division
EAs	Executing Agencies
ECNEC	Executive Committee of the National Economic Council
FEG	Framework of Economic Growth
FPSC	Federal Public Service Commission
GoP	Government of Pakistan
IMU	Infrastructure Management Unit
NRSP	National Rural Support Programme
PD	Project Director
PERT	Programme Evaluation and Review Technique
PIU	Project Investigation Unit
PMU	Project Management Unit
PPMI	Pakistan Project Management Institute
PSC	Project Steering Committee
PSDP	Public Sector Development Programme
RBM	Result Based Management
ToRs	Terms of Reference
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

## **Contents**

<b>EXECUTIVE SUMMARY</b>	<b>6</b>
<b>1. SETTING THE CONTEXT</b>	<b>8</b>
<i>1.1 Introduction</i>	<b>9</b>
<i>1.2 Rationale of the Study</i>	<b>10</b>
<i>a. Support to Public Offices</i>	11
<i>b. Financial Autonomy</i>	11
<i>c. Professional Expertise</i>	11
<i>1.3 Alternate Approaches</i>	<b>11</b>
<i>a. Strengthening Ministries</i>	11
<i>b. Project Implementation without PMUs</i>	12
<i>c. Creating Pool of Experts</i>	12
<i>1.4 Objectives of the Study</i>	<b>12</b>
<i>1.5 Methodology</i>	<b>12</b>
<i>a. Literature Review</i>	13
<i>b. Interviews</i>	13
<i>c. Focus Group Discussions</i>	13
<i>1.6 Types of Projects and Types of PMUs</i>	<b>13</b>
<i>a. Types of Projects</i>	13
<i>b. Types of PMUs</i>	14
<b>2. ESTABLISHMENT OF PMU</b>	<b>16</b>
<i>2.1 Existing Framework</i>	<b>17</b>
<i>2.2 Procedure for Establishment of PMU</i>	<b>17</b>
<i>2.3 The Role of Planning Commission</i>	<b>18</b>
<i>2.4 Issues in Operations of PMUs</i>	<b>18</b>
<i>a. Ownership of the PMU</i>	18
<i>b. Start Up Delays</i>	19
<i>c. Opening of Assignment Accounts</i>	19
<i>d. Information regarding Operations of PMU</i>	21
<i>e. Location of PMU</i>	21
<i>f. Financial Constraints</i>	22
<i>g. Financial Terms and Conditions</i>	23
<i>h. Counterpart Funding</i>	24
<i>i. Identification and Design of Projects</i>	24
<i>j. Miscalculated Commitments</i>	25
<i>k. Political Interference in Recruitments</i>	25
<i>l. Retention of Staff</i>	26

<i>m. Security Related Issues</i>	27
<i>n. Sustainability Issue</i>	28
<b>3. HUMAN RESOURCE</b>	<b>29</b>
<i>3.1 Selection Process</i>	<b>30</b>
<i>a. Appointment of PD</i>	31
<i>b. Qualification of PD</i>	32
<i>c. Terms of Reference &amp; Powers of PD</i>	33
<i>3.2 Tenure</i>	<b>34</b>
<i>a. The Officer's Choice</i>	34
<i>b. Government's Decision</i>	35
<i>3.3 Salary</i>	<b>35</b>
<i>a. Dual Charge Holders</i>	36
<i>b. Market Based Salary</i>	37
<i>c. Performance Based Salary</i>	37
<b>4. MONITORING AND EVALUATION (M&amp;E)</b>	<b>39</b>
<i>4.1 Monitoring of Projects</i>	<b>40</b>
<i>a. Donors' M&amp;E Process</i>	40
<i>b. Federal and Provincial Regulatory Framework</i>	41
<i>c. Internal M&amp;E in PMU</i>	41
<b>5. BEST PRACTICES</b>	<b>43</b>
<i>5.1 International Best Practices</i>	44
<b>6. CONCLUSION AND WAY FORWARD</b>	<b>45</b>
<b>ANNEXURES</b>	<b>47</b>
<i>Annex I: Literature Review</i>	48
<i>Annex II: List of Stakeholders Interviewed</i>	50
<i>Annex III: Table of Recommendations</i>	53
<b>APPENDICES</b>	<b>56</b>
<i>Appendix I: Capacity Development Plan of PMU</i>	57

## ***Executive Summary***

There is a general consensus among the theorists and practitioners of development that development projects are vital for erecting and improving infrastructure along with triggering socio economic development and ensuring well being for the citizens in a country. All governments along with their national and international development partners seek better governance options for implementing development projects. In order to implement development projects of different nature and magnitude country after country have developed their governance mechanisms and structures. One such mechanism is the PMU mode in which a development a project is implemented by a specialized body comprising of specialists and relatively independent of the normal governed departments although governed by the government systems and policies.

This study is an effort to look into the effectiveness and efficiency as well as the structures and mechanism adopted by PMUs, and see how these can be improved in order to have more robust, functional, efficient and effective PMUs which can ensure accountable, and transparent implementation of the development projects fund by the GoP and the development partners.

In practice most of the recommendations generated from the Planning Commission (PC) are targeted towards ministries and divisions that are not involved with the designing and implementation of projects. The Government's vague guidelines and rules issued for the establishment of PMUs and lack of communication between the PC and the PMUs has resulted in the failure of these units in Pakistan.

No PMU manual has been developed outlining existing steps, rules and sequence of actions in a consolidated form. The stated procedure as per the Government's guidelines to open an assignment account for projects is complicated and time consuming. Human Resource is another area of concern in the PMUs and delays in project implementation normally occur because the staff recruited either lacks the capacity to deliver or the following staff member abandons the project. The rules and instructions to govern the project officers and professionals need reforms for sustainable and effective interventions. The matters pertaining to their salaries and appointments have been reflecting on the performance of the projects and yet no strategic policy has been introduced.

The M&E processes in project management are too many and still not coherent. There is a need to connect all major stakeholders to share the responsibility to provide a balanced and focused oversight to development sector interventions. Common grounds and objectives in monitoring process among the government, donors and projects are required to be identified.

Another reason of failure of the PMUs is the unstable security situation that has led to ownership problems of projects in conflict ridden areas. Financial matters pertaining to implementation of projects is another area of concern. The PMUs lack the capacity to manage funds effectively. Counterpart funds are not provided on time and Government's instructions in this regard are not strict or clear. Disagreement on PPRA rules results in further delays. PMUs are often created based on the staff's convenience as opposed

to the requirement of the project. The rules governing land acquisition are outdated and confusing. As a result, the PMUs are unable to procure land for projects on time.

'Consensus' is the key word that this study has proposed in order to achieve successful PMU operations. The development partners including the Government and donors despite sharing the same objectives have differences in procedures of implementing projects. This study is an attempt to consolidate various perspectives to achieve a common goal, i.e. better governance and harmonized services of the PMUs. This objective can only be achieved through streamlining procedures and instructions governing the PMU operations. Furthermore, improvements in Project Management can facilitate in utilizing resources efficiently and effectively for better livelihood and service delivery for the governments and the citizens.

# CHAPTER 1

## SETTING THE CONTEXT

## **1.1 Introduction**

*A project is a temporary endeavor undertaken to create a unique product, service, or result. The purpose of project management process is to provide organizations and project managers with a structure and format that is common and replicable.*<sup>1</sup> The basic concept following the establishment of a Project Management Unit (PMU) is to develop a mechanism that facilitates project activities in an integrated and professional manner, such that no investment is wasted.

There has always been a debate surrounding the pros and cons of PMUs. A large body of literature produced by especially researchers and academia believes that the PMU approach shall be used very sparsely and that the government departments shall be strengthened enough so that there is no need of the PMUs. This discourse goes on to assert that the PMU approach weakens the capacities of the government departments in a multiplicity of ways. This school of thought also believes that the PMU approach focuses on establishing a temporary governance mechanism and all the interventions made by a PMU and the assets developed by it lack ownership of the government and once a project is completed and the PMU is closed the regular department is always reluctant to adopt those activities and interventions. Hence, there is a big issue of sustainability.

On the other side the importance of PMUs cannot be denied due to the fact that in the recent development history this specialized outfit has played a very crucial role in erecting very unique, big and viable projects. This has been one of the most widely accepted and practiced approach to the implementation of development projects. The government departments and ministries in developing countries are too centralized and bureaucratic and the also lacks capacities to be able to implement a number of development projects at one and the same time. The PMU approach has therefore, been adopted across countries in order to implement development projects with decentralized administrative and financial authority which helps in a speedy, effective and efficient manner completion these projects.

The debate taking place in the development sector about the role of PMUs has raised some new concerns. Questions are being asked whether PMU is the best strategy for development projects or not? If yes, why they have not been delivering results up to the satisfaction of stakeholders? Questions are even being asked as to who needs the PMUs: government, private sector or the donors? The donors are committed '*to avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programs*'.<sup>2</sup> The expectations associated with PMUs are posing questions with respect to the financial and administrative authority of Project Directors (PD). Short tenure, limited authority, ability to design activities and commitment to deliver are some of the issues confronting the PMUs in project management.<sup>3</sup>

In April 2005 the Asian Development Bank (ADB) conducted a study on the Project Implementation Units to assess its viability and demand. The study concluded that '*PIUs are a generally legitimate and justifiable implementation arrangement for capital investment projects... on account of their efficiency in*

---

<sup>1</sup> (PMBOK) Project Management Body of Knowledge

<sup>2</sup> Ibid

<sup>3</sup> Making Services Work for Poor People, World Development Report, Washington, DC.(2004)

*implementation.* In accordance with the statement above, PMUs are therefore required for proper management and coordination of project activities and day-to-day operations.

The Planning Commission's guidelines have identified key activities during the course of initiating a project. The guidelines are as follows:

- a. Appointment of a full time Project Director (PD) and PMU staff
- b. Preparation of work plans enlisting activities to be carried out and timeframe
- c. Recruitment of consultants
- d. Procurement of machinery ,other inputs, installation of machinery / equipment
- e. Budgetary allocation
- f. M&E Framework

PMUs are generally established to administer above mentioned actions and for smooth implementation of projects after administrative arrangements are in order. Since operational procedure for the establishment and functioning of PMUs is not in place, there are frequent instances of external interference at different stages during implementation.

However, the debate taking place in the development sector about the role of PMUs has raised some new concerns. Questions are being asked whether PMU is the best strategy for development projects or not? If yes, why they have not been delivering results up to the satisfaction of stakeholders? Questions are even being asked as to who needs the PMUs: government, private sector or the donors? The donors are committed '*to avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programs*'.<sup>4</sup> The expectations associated with PMUs are posing questions with respect to the financial and administrative authority of Project Directors (PD). Short tenure, limited authority, ability to design activities and commitment to deliver are some of the issues confronting the PMUs in project management.<sup>5</sup>

This study is an attempt to contribute vision and directions to this very important debate. The research study was conducted while focusing on the provincial and the federal governments in Pakistan from 2011-2012. The questions raised during this research facilitated in receiving feedback on the issues, strengths, weaknesses, human resource, capacity constraints and other matters pertaining to Monitoring and Evaluation (M&E) of the PMUs.

## **1.2 Rationale of the Study**

The Planning Commission Handbook states that, '*Umbrella projects are implemented through provincial departments and controlled at federal level through the PMU/PIU. At provincial level, development projects and programs are formulated and implemented by the concerned departments/districts.*'<sup>6</sup>

PMUs are particularly created for specific assignments and are designed to undertake tasks that cannot be carried out in public offices.

The PMUs have their justification rooted in their inherent strengths as explained under:

---

<sup>4</sup> Ibid

<sup>5</sup> Making Services Work for Poor People, World Development Report, Washington, DC.(2004)

<sup>6</sup> Planning Commission Handbook,(2008)p.79

### ***a. Support to Public Offices***

The projects in Pakistan are conceived at the ministerial level. A ministry or a provincial department proposes to initiate projects either on the basis of requirements reflected in the economy or as proposed by the Planning Commission in their long or short term plans. However, according to the Rules of Business the main responsibility of ministries is policy formulation and implementation. Public sector staff is trained to process office management procedures. Officers in public sector organizations are transferred frequently and thus their presence on permanent basis in one organization is not possible. Most of the ministries therefore lack expertise, infrastructure and vision to initiate and implement development projects. The facility of PMUs is therefore a viable option to provide support to public offices for materialization of their projects.

### ***b. Financial Autonomy***

After establishing PMUs, the concerned ministries and departments are required to delegate authority to allow for implementation of project activities in accordance with the targets set in the approved project design. It has been observed that delegation of financial powers to the field staff keeps the interface between the PD and field units to its minimum, which aids in confidence building of the team members and keeps their overall morale high. All activities performed by the PMU are target oriented and project specific. This financial autonomy enables the project team to take into account achievements with financial efficiency.

### ***c. Professional Expertise***

There is a dearth of efficient and capable mid-level management cadre in government departments, which is currently very weak. Therefore, hiring externally through PMUs ensure that fresh talent is taken from the market on a competitive basis. The PMU Staff has the advantage of being fully equipped with the necessary resources required to implement the project activities in line with best practices.

## ***1.3 Alternate Approaches***

### ***a. Strengthening Ministries***

There is an opinion that efforts should be made to look for the alternatives for PMU approach. The alternate approach for development is mainly advocated for programs rather than the projects. One option is to build the capacity of the relevant departments to run PMUs or implement projects. This approach if applied may not only save costs but will also meet the challenges of both the community and government on sustainable basis. In fact PC has been in favor of this approach that ministries should administer the project management activities under their purview through their existing strength. However, this may not resolve the issue since ministries and departments are pre-occupied with their regular work and do not have the time to look after project management matters that require technical expertise as well as devotion.

### ***b. Project Implementation without PMUs***

Another opinion within the development sector suggests that project implementation is possible without the establishment of PMUs. The argument is that all projects should be executed through their relevant departments and therefore the establishment of PMUs should be discouraged. In this regard, the capacity of Government departments should be built to enable them to implement projects on their own. This may save resources through effective planning and execution. By adopting this approach coordination may improve during the implementation phase. This study however is of the view that this is only possible when different government departments are already professionally capable.

### ***c. Creating Pool of Experts***

The other option is to enhance the capacity of officers in management cadre to improve the coordination with the departments during the implementation phase of the projects. This suggestion is not new and already ministries and provincial department send their officers to national and international trainings in specific sectors. Interestingly, this continuous human resource development exercise has not yielded any positive results. Introduction of a pool of experts has not been possible since officers in ministries and departments are sent on trainings without following a proper plan. Moreover, there is no mechanism in the government to utilize services of those officers who have attained expertise in the relevant fields. The regular business in the ministries also does not allow their officers to proceed on project specific trainings and ministries do not have a culture of relieving their officers for training purposes. On the other hand, training of manpower in PMUs is easy as PDs have no objection in sending his team for learning new tools and techniques that they may require during implementation process.

## ***1.4 Objectives of the Study***

This study intended to diagnose problems that hamper the operations of PMU during project implementation and aspects of PMU functions in detail to understand as to why this dedicated set-up for specialized tasks is not giving results. The specific objectives of the research study were as follows:

- To study the Government of Pakistan's approach towards the establishment of PMU and identify specific improvements required for any reform
- To identify and analyze the use of international project management best practices consistent with Pakistan Project Management Institute (PPMI) standards that can be adopted by the government to improve its project management practices
- To identify capacity issues with regards to the establishment and staffing of PMUs
- To propose policies to ensure the sustainability of the reforms proposed

## ***1.5 Methodology***

Since the relevant secondary data on the subject was limited therefore the research heavily relied on the primary data which was collected from various stakeholders. The research methodology for this study includes the following:

### ***a. Literature Review***

A review of literature available with the Planning Commission (PC) and other previous studies conducted on the same subject was undertaken. Selected government projects and their implementation units/ PMUs were also studied to understand the international project management best practices consistent with Pakistan Project Management Institute (PPMI) standards. A comprehensive description of the literature review conducted under the study is available at Annex-I. Additionally, in order to understand Government of Pakistan's approach about PMU, the rules, notifications and circulars issued by the Planning Commission since 1958 were also studied in detail.<sup>7</sup> The research team analyzed the data to connect the decisions of government concerning each aspect of establishment and operation of PMUs in projects.

### ***b. Interviews***

Semi structured interviews were held with stakeholders and experts. List of the people interviewed is available at Annex-II. Two comprehensive questionnaires for each category were prepared after thorough consultation. The respondents included senior government officials, the PDs and senior executives of the projects. A number of professionals working in the government as well as in the projects across Pakistan were approached to dig out facts surrounding the debate whether PMUs are a viable option for development projects or not. In total around 31 semi-structured interviews with all the stakeholders were conducted, recorded and processed for detailed analysis.

### ***c. Focus Group Discussions***

Focus group discussions were held with the stakeholders to collect suggestions to review and improve the PMU process. The findings of the study were shared with experts and officers in the government with the aim to know whether the suggestions extended hold the ground or not. The exercise helped in identifying doable recommendations in the backdrop of existing procedures and approach. A table of recommendations giving a bird eye view of all the discussions is at Annex-III.

## ***1.6 Types of Projects and Types of PMUs***

### ***a. Types of Projects***

Some projects involve physical activities such as construction and others deal with only soft actions such as policies and reforms. Planning Commission Proforma One (PC-I) is used by the executing agencies to design the implementation of these projects. Planning Commission has indicated three categories of projects that can be designed under three different kinds of PC -I format.

#### ***i. Infrastructure***

Infrastructure projects are high cost investment interventions that are important for economic development and prosperity of the country. Such projects are financed through the public sector, private sector and public private partnerships. Historically, these projects have been financed through international loans. Projects in Transport & Communication, Telecommunication, Information Technology, Energy (Fuel & Power), Housing, Town Planning, Irrigation, and Drainage & Flood Control fall in this category.

---

<sup>7</sup> National Planning Board came into being on 22 October, 1958. It was later re-designated as Planning Commission on 3<sup>rd</sup> June, 1959.

**ii. Social Sector**

Projects that deal with the social dimensions of society are understood to be social sector projects. Projects in Education, Training & Manpower, Health, Nutrition, Family Planning & Social Welfare, Science & Technology, Water Supply and Sewerage, Culture, Tourism, Sports and Youth, Mass Media, Governance and Research sectors constitute in this group. Such projects and programs are understood to contribute towards economic growth, poverty reduction and improving basic utilities and services.

**iii. Production Sector**

Production sector is responsible for raw material, basic foods and furnished value added products. This sector comprises of projects under Agriculture, Commerce, Industry and Minerals.. Pakistan has been an agrarian economy thus its production sector projects have focused supporting agriculture and its related industries.

**b. Types of PMUs**

Different agencies in different national and sub-national governments adopt different processes for establishment of PMUs. During the course of research it was observed that different kinds of ministries and departments follow different practices. Their introduction and application depend on the nature and need of the projects. Following is an account of findings of different agencies employing different mechanisms to establish PMUs:

**i. Project Management Unit (PMU)**

PMU is the most understood typology in Pakistan. PMUs initiate activities, complete the projects and handover to the ministries for further implementation. Usually PMU is considered as a standalone mechanism outside the ministry for undertaking a unique and specific responsibility. As Planning Commission Handbook puts it *'Umbrella projects are implemented through provincial departments and controlled at federal level through the PMU/PIU. At Provincial level development projects and programs are formulated and implemented by the concerned Departments/Districts.'*<sup>8</sup> It is therefore understood that PMU is introduced mostly in the case of large projects that have interventions in the four provinces. The establishment of Federal Drought Emergency Relief Assistance (DERA) Unit can be considered a successful example. The Unit coordinated the implementation, monitoring and evaluation of activities in the drought affected areas of the four provinces, Federally Administrated Tribal Areas (FATA), Federally Administrated Northern Areas, Islamabad Capital Territory and Azad Jammu & Kashmir. Other examples include Access to Justice Program and Women Health Project.

**ii. Project Implementation Unit (PIU)**

PIUs are mostly known as an arrangement to support monitoring and implementation activities in projects financed by international financial institutions. Usually it has been argued that PIUs are designed keeping in view the requirement of donors and thus their long term existence in sectors undermine the capacity of the existing government institutions.<sup>9</sup> This typology is usually seen in the case of World Bank Projects. One example is establishment of PIU in SIDA (Sindh Irrigation & Drainage Authority) under WB funded WSIP (Water Sector Improvement Program).

<sup>8</sup> Planning Commission Handbook,(2008)p.79

<sup>9</sup> Guidance Notes for Project Management, Strengthening institutional capacity during project implementation, World Bank document, Operations and Policy Country Services Division. October 2005. pp.4

**iii. Project Management and Policy Implementation Unit (PMPIU)**

PMPIU is a technical unit to facilitate Technical Assistance in projects. In Pakistan a PMPIU was established in Ministry of Water and Power with the assistance of Asian Development Bank (ADB).<sup>10</sup> However, this name and typology has not been very common. Some time government needs to create set-ups for research and coordination. These units interact with a number of stakeholders and play important role in creating synergy in relevant sectors.

**iv. Project Coordination Unit (PCU)**

PCU is a set up to coordinate between more than one projects financed by one or more donors. World Bank has a tradition of setting up PCUs in multi stakeholder projects financed by different donors. Projects implemented by International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) are an example.

**v. Infrastructure Management Unit (IMU)**

The establishment of Infrastructure Management Unit (IMU) is yet another approach. One IMU has been established in the Planning Commission for overall supervision and coordination among the Planning Commission, donors and the Government stakeholders in relevant sectors. It has been found useful in steering infrastructure projects in collaboration with government agencies included in the Umbrella Project.

**vi. Core Project Management Unit (CPMU)**

CPMU is a semi-integrated arrangement within the ministry to augment the existing facilities to materialize certain objectives. The idea of CPMU has also been advocated in the Planning Commission as an arrangement at the time of start-up of projects.

**vii. Project Monitoring Unit (PMU)**

Most of the PMUs have Project Monitoring Units within it. For example, current USAID/Pakistan's Sindh MSDP and SBEP house a full-fledged monitoring unit.

It can be derived from the above discussion that project management arrangement is designed and named in the light of specific requirements that suit the stakeholders. No specific instructions issued by the Planning Commission exist that specify whether a certain project should have a PMU, PIU or any other type of set up. In Balochistan, one project<sup>11</sup> had both a PMU and a PIU in order to keep monitoring and implementation separate tasks and the project staff was very enthusiastic about the success of this approach. Planning Commission Guidelines even do not mention PMU during their deliberations on implementation instructions. Moreover the PC-I which is the basic Performa to design the projects does not bind implementers to mention establishment of PMUs.

---

<sup>10</sup> <http://www.pakwater.gov.pk/>

<sup>11</sup> 'Clean Drinking Water' Project.

## **CHAPTER 2**

# **ESTABLISHMENT OF PMU**

## **2.1 Existing Framework**

The Project Management Unit (PMU) is the execution body that is responsible for all the activities that are necessary :

- a. To ensure that the project is implemented with due diligence to achieve planned objectives within approved cost and time frame;
- b. To identify problems promptly as they arise, help resolve them, and modify the project if necessary, or as circumstances change;
- c. To close a project if it is no longer justified, particularly if it can no longer achieve its developmental objectives and targets;
- d. To draw significant lessons for designing future projects; and
- e. To prepare completion reports.

These activities are carried out at three different levels:

- i.* **Project Director:** PD is responsible for the supervision and management of all the affairs of the project. The PMU is basically headed by a Project Director who works under the overall supervision of the Project Steering Committee and is assisted by a team of professionals and experts. The Project Director is the focal point in project implementation and is responsible for project execution according to its objectives, work scope and implementation schedule. The PD is supported by a team (of specialists) with specified ToRs as per requirement and nature of the project.
- ii.* **Sponsoring Ministry/Department:** Sponsoring Ministry/department takes policy decision and is answerable for proper execution.
- iii.* **Provincial Planning and Development Department or Projects Wing of Planning Commission:** This acts as the central agency to oversee execution of projects through periodic monitoring/evaluation. Projects Wing of Planning Commission is responsible for ensuring that mega development projects are executed as per approved scope, targets and time frame.

## **2.2 Procedure for Establishment of PMU**

PMUs are usually a requirement of the donors in foreign funded projects. However, according to the Government's procedures, there is no specific directive issued for establishment of PMUs in projects because of two reasons; Executing Agencies (EA) in ministries and departments do not have established practices of delegating specific authorities for administering projects and secondly Planning Commission instructions specifically do not bind the implementers to run the projects through PMUs. For example Planning Commission emphasize that *'a system should be evolved to ensure that quality material is made*

available in requisite quantity and utilized well in time on execution of project<sup>12</sup>. But still clear instructions whether or not to involve PMUs to achieve this end are not in place. Procedure to establish PMU in a project is a result of mutual understanding of GoP and the donor agencies that they may reflect in the PC-I. Since in most of the cases, PC-II is prepared with the assistance of consultants or feedback provided by international donors, provision of PMU is included as a condition injected by development partners in the project preparation documents and accepted accordingly.

### **2.3 The Role of Planning Commission**

The Planning Commission and the Provincial P&Ds do not make it mandatory for the EAs to establish PMU in projects. At the federal level the Planning Commission's Guidelines and a Handbook on development projects provides ample information to the project planners for undertaking activities in a project. At provincial level Provincial P&D Departments have introduced their specific guidelines which are in accordance with federal provisions.

The project related activities start with the *Concept Clearance* or the *Feasibility Study* of the project by the CDWP. The guidelines available at the federal and provincial level do not restrict the implementers to ensure provision of PMU. Usually PC-II Performa is used for getting approval of feasibility study of the proposed project from the competent forum and it does not put a condition on the establishment of a PMU. The Departmental Development Working Party (DDWP), Provincial Development Working Party (PDWP) and the Central Development Working Party (CDWP) are the specific forums that are responsible for giving approval to the projects sponsored by certain departments but they never raise any concern if any project does not state its intention to establish a PMU. Since in most of the cases, PC-II is prepared with the assistance of consultants or feedback provided by international donors, provision of PMU is included as a condition injected by development partners in the project preparation documents and accepted accordingly.

### **2.4 Issues in Operations of PMUs**

Following are the main issues in the establishment and operations of PMUs:

#### **a. Ownership of the PMU**

Ownership of the PMU by the Government departments and the PD is a major concern. PMU is often seen as a parallel structure by the parent department as the project staff is normally offered better perks and salary packages. The PMUs have technical and professional expertise but lack awareness about the procedural complexities in the government. In a few cases, the timelines of the projects are conflicting with the government's resulting in discrepancies. Also, conditions set by the donors create unnecessary paper work in an effort to synchronize donor rules with Government procedures. In such matters the ministries follow the Rules of Business whereas the PDs follow the procedures set by the donors. This conflict of procedures and lack of ownership results in unnecessary delays in approvals and release of funds for the PMUs.

---

<sup>12</sup> Guidelines for Project Management, Planning Commission, (2008), p.11.

*Existing Rules and Instructions:*

*Project Management falls in the domain of the head of the project sponsoring division / ministry and projects wing of the planning commission<sup>13</sup>*

**Recommendation**

- Planning Commission may issue a circular notifying government's policy, vision and role of executing agencies in establishment of PMUs. The standard instructions to set up PMUs may also be added in the PC guidelines and Manual for Development Projects.

**b. Start Up Delays**

Significant start-up delays in the establishment of PMUs adversely affect the achievement of project goals. During the course of interviews in Sindh, the project professionals conveyed that orders to establish the PMUs are issued usually after the approval of PC-I. Similar concerns were expressed by PDs of foreign funded projects of Balochistan. They were of the opinion that a PD should be hired when the project is conceived only, in order to ensure he/she is an integral part of the Government – Donor team. Few projects are independent from the parent/administrative department and the approval process to set-up PMUs takes a lot of time causing start-up delays. Even the approval procedure of PC-I requires a considerable time and projects are neither empowered nor advised to establish PMUs without the approval of PC-I from the competent forum.

*Existing Rules and Instructions:*

*It is important that the works are not delayed / suspended or slowed down due to impediments in timely supply of materials, acquisition of land, and/or want of requisite funds at appropriate stages.<sup>14</sup>*

**Recommendations**

- *Introduction of advance project management practices:*

Advance Project Management practices to be introduced in ministries and departments in order to create a culture of preparedness for projects. Provision for required funds in the recurrent budget for the purpose can be made mandatory.

- *Revision of PC-I proforma:*

PC-I proforma may be revised to clearly describe the need for PMU where required and TORs for the PMUs may be described in the PC-I proforma.

**c. Opening of Assignment Accounts**

Different terminology is used for assignment accounts in different agencies. At the federal level it is known as the Revolving Fund Account (RFA) whereas at the provincial level it is known as the Foreign Funded Account (FFA). Irrespective of the name, the flow of finances in projects is through assignment

<sup>13</sup> Guidelines for Project Management, Planning Commission Publication, August 2008,p.1

<sup>14</sup> Guidelines for Project Management:Planning Commission,p.12

accounts. Opening of assignment accounts is the responsibility of the PD who is required to open the same as soon as the decision to establish the PMU is taken.

Opening of assignment account involves a series of procedures and these results in major delays in start-up of projects. The main problems with respect to assignment accounts are as follows:

- Repetition of procedure from State Bank of Pakistan (SBP) and AG office.
- Approval to open assignment account involves bureaucratic procedures in lending agencies, Economic Affairs Division (EAD) and the prospective bank in which account is to be opened.
- The role of National Bank of Pakistan in opening an assignment accounts is not streamlined. The processes are not simplified and not well defined for the project implementers.
- Lapsable nature of Assignment Accounts also poses threats to project life. Usually PMU needs the assignment accounts but its life ends due to tenure restrictions.
- There is no written agreement between the federal government, provincial governments and donor agencies on details of financial management of projects. At times differences occur resulting in unnecessary debates and delays. In one project in Balochistan, WB and Finance Department locked their horns on the issue. Finance department demanded the funds to be kept in account No.1 whereas World Bank demanded a separate account.

It is worthy to point out here that role of donors in using budgeting system of the partner governments has been emphasized under Paris Declaration. They are obliged to '*rely to the maximum extent possible on transparent partner government budget and accounting mechanisms.*'<sup>15</sup>

*Existing Rules And Instructions:*

*For foreign aided projects and non-lapsable funds, assignment account is opened and maintained in the banks with approval of FA organization and controller general of accounts for pre-audit accounts maintained in AGPR. A formal request should be made by the PD through the concerned ministry.*<sup>16</sup>

**Recommendations** <sup>17</sup>

- *One window operation*

A central point where representatives from MoF, AGPR and NBP together address the concern of Project Management can be an option to resolve the issue of delays in account opening. This central point can be opened in main branches of NBP.

- *Special instructions for opening of Assignment Accounts*

After the internal agreements containing provision for the opening of Revolving Fund Accounts have been signed, the concerned Ministries/Divisions/Departments and the project implementing agencies shall arrange immediate opening of the Assignment Accounts at a branch of the NBP and special instructions for operation of the accounts, if any, shall be provided to all parties concerned. SBP shall within three weeks of the notification of this Procedure, issue instructions to NBP for implementation.

<sup>15</sup> Paris Declaration, (2005)

<sup>16</sup> Guidelines for Project Management, Planning Commission, August 2008,p.10

<sup>17</sup> Revolving Fund Accounts for development projects in Pakistan, Research Study by Assessment and Strengthening Program, 2011.

#### **d. Information regarding Operations of PMU**

Lack of information is one of the basic bottlenecks in the establishment of PMU. When the projects are declared effective, only then the ministries find the time to look into details for establishment of PMUs. Identification of PDs and related staff is done through postings and transfers from within the government or hired directly from the market. In both the cases delays have been traced. During appointment of PDs by transfers, communication and clarifications on remuneration, perks and privileges admissible to PD and other officers consume considerable time.<sup>18</sup> EAs do not have clear cut guidelines and instructions to appoint PDs and related staff as various notifications and circulars have been issued from time to time. Similarly hiring from market involves cumbersome procedures and no detailed information is available in ministries and departments on the subject. Planning Commission's guidelines speak about the steps that need to be undertaken in hiring staff. However, it involves financial approvals and ministries and departments are reluctant to proceed in financial matters without clear cut instructions. The rules governing the establishment of activities in government, provincial entities, donor agencies and attached departments are overlapping and confusing.

#### **Recommendations**

- *Project Operating Manual (POM)*

The job description, job specification and the operating manuals for managing the various project activities should be made available as guiding tools for all the PMUs. A good practice at hand is the '*UNDP Project Cycle Operating Manuals (PCOM) that can be replicated*'. A new Project Operating Manual (POM) may be notified by the Planning Commission / P&D Departments. This POM should be updated on annual basis by the relevant government agency and the updated version shall be available on the concerned government websites to ensure online access.

#### **e. Location of PMU**

The physical location of the PMU can be a key factor determining its success or failure. Since PMU plays the strategic role of managing the overall functioning of the project, its location further away from the department can lead to communication barriers and unnecessary delays.

It is not always possible to establish a PMU too close to the department especially with reference to projects that are implemented in physical like infrastructure projects. If the PMU is established within the administrative department then ownership and the responsibility becomes the main issue. However others were of the view that if the PMUs are stationed in the governing ministries or departments, their efficiency may improve. Problems appear when the PMU is located far away from the executing agency.

The World Bank '*has recommended that stand-alone project implementation units (PIUs) be mainstreamed into existing ministry structures, because they are inconsistent with the Bank's mission of capacity development and institutional strengthening in developing countries*'.<sup>19</sup> A study in the Latin America and the Caribbean Region found that implementing projects "*within government structures*" enhanced administrative and operational coordination with government support and "*provided greater opportunity for capacity building and institutional development,*" and that such projects were "*more likely*

---

<sup>18</sup> Details in 'Human Resource' Chapter.

<sup>19</sup> Guide Note for Project Management, Strengthening Institutional Capacity During Project Implementation, Operations Policy and Country Services, World Bank,(2005)

to be sustainable.” Locating PIUs outside the government structure resulted in a lack of learning and of coordination across agencies, eroding performance.<sup>20</sup>

***Existing Rules and Instructions:***

*It is advisable to set up headquarters of the project director as close to the site of the work as possible preferably at site to ensure availability for spot decisions on unforeseen issues and other ancillary matters.<sup>21</sup>*

**Recommendations**

- *Location of PMU within Ministry for Social Sector Projects*

Policy Decision shall be taken that for social sector projects that PMU shall be in close proximity with the ministries and departments executing the project.

- *Location of PMU at Site for Infrastructure Projects*

In case of infrastructure projects where the project is implemented far away from the governing ministry or department, the PMU shall be located at the site.

**f. Financial Constraints**

Financial constraints results in delay in implementation of projects. In case of PSDP projects, releases made by the finance are made with a lot of scrutiny and cuts. Similarly quarterly allocations, even if they are approved in PC-I, face limited availability of funds. It is a regular feature every year that Finance Division imposes a ban on purchases and expenditure incurred on maintenance because of which the PMUs are unable to utilize the money that they require in materialization of their well defined objectives. Therefore, the involvement of Finance and Planning in release of agreed funds needs to be reviewed.

Underutilization of funds is yet another issue in some of the projects. PMUs are occasionally incompetent and thus fail to deliver in terms of disbursements and procurements. ‘Access to Justice Program (AJP)’ has been quoted by the development practitioners in this regard. PMU of AJP even failed to utilize the \$10 million soft loan allocated under Asian Development Fund for justice sector interventions. The project in spite of two extensions could not identify where to spend the money. Most of the \$350 million loan secured under AJP could not be utilized for long time and ultimately it was spent after the project was given extension twice in the last years of its life.

---

<sup>20</sup> Daniel Boyce and Afef Haddad, “Thematic Review on Project Implementation Units, An Analysis of Ongoing and Completed Projects in Latin America and the Caribbean,” March 2001.

<sup>21</sup> Guidelines for Project Management, Project Management Policy, Chapter 3, August 2008, p.3

Existing Rules and Procedures:

*Article-170 (1) of the constitution enunciating the responsibility in relation to the accounts for the federation and provinces; empowers the Auditor General of Pakistan to formulate principles and methods for public sector accounting. The releases shall be subject to utilization of funds released earlier, after furnishing a certificate by the principal accounting officer regarding satisfactory implementation of approved work plan for the previous quarter of the financial year. The releases shall not be unduly delayed.<sup>22</sup>*

**Recommendations**

- *Releases from Finance Division*

No approval from the P&D Division should be required for release of required funds from the Finance Division if the demand is in line with the work plan and cash plan as approved in the PC-I.

- *No Ban on Purchases and Expenditures on Development Projects*

Government should clarify and notify as a matter of policy that Finance Division's ban on purchases and expenditures shall not apply on development projects.

**g. Financial Terms and Conditions**

Some time terms and conditions agreed with the financing institutions become a bottleneck for the PMUs. The release of tranches from the foreign donors is mostly connected with actions to be taken by the PMUs. There have been instances when the agreed actions could not be done as they were not doable. Situation such as this prove that Economic Affairs Division cannot fully involve the EAs in concluding the loan agreements. It is interesting to note that donor agencies have also been directly dealing with the subordinate offices and officials to finalize the modalities concerning finances. 'Balochistan Road Sector Development Project' is one of the example where while negotiating the project modalities and loan agreements of Roads Improvement Project, the donors directly coordinated and negotiated with the Provincial Ministers, the engineers and even officials of the technical departments such as C&W Department responsible for the implementation of the project. Such instances also create confusions later when the project activities kick off but their actions are not in accordance with the policy of Economic Affairs Division. During Loan Negotiations the emphasis is on financial matters but issues connected with project activities and deliverables are not evaluated in line with financial terms and conditions. There is a definite feeling that coordination and negotiation process should not be ambiguous.

Existing Rules and Instructions:

*Finalizing Terms and Conditions of Loans from IFI is the responsibility of Economic Affairs Division<sup>23</sup> keeping in view certain benchmarks set under the Fiscal Responsibility Act 2005.*

<sup>22</sup> System Of Financial Control and Budgeting, Finance Division O.M. No.F.3(2)Exp.III/2006,dated 13th September, 2006.

<sup>23</sup> Rules of Business, Cabinet Secretariat, 2009.

## **Recommendations**

- *Special Committee on Loan Agreements*

A Special Committee in EAD comprising members from Finance Division's External Finance Wing, State Bank of Pakistan, Concerned Executing Agency, a Legal expert and Project Management Professionals expected to work in the PMUs should work out details of the Loan Agreement prior to negotiations with the intention to propose a streamline strategy for Project Implementation.

- *Appointment of Project Director:*

The Project Director may be appointed during or before the loan negotiations.

### ***h. Counterpart Funding***

*Government failed to arrange counterpart funding for projects negotiated with lending agencies for years 2010-11.*<sup>24</sup> According to the PD of the ADB Road Sector Project Balochistan, a major barrier in PMU operations is the absence of smooth cash transfer of the counterpart funding from the Federal or Provincial Government. The delay in release of government share results in delay in release of donor share as it is made conditional with the release of government share. As a result payment to the contractors is mostly delayed. The bills have to be paid to the contractors within the specified time period e.g. 50 to 55 days, if the payment is delayed then as per rules the interest /damage expense has to be paid to the contractors which is a loss to the Project and a subsequent burden on provincial exchequer which bears the penalty cost due to the lengthy procedures and bureaucratic delays.

#### *Existing Rules and Instructions:*

*For a foreign donor-assisted project, a Revolving Fund Account (RFA) in respect of donor financing under loan/credit/grant shall be established at a branch of the National Bank of Pakistan (NBP), separately from the account to be established for the government's share of project financing (counterpart funds) if any required. Such Accounts shall be in the nature of Assignment Accounts.*<sup>25</sup>

## **Recommendations**

- *Appropriate Rules*

The process to release counterpart funds by Finance Division and Provincial Finance Departments should be governed by appropriate legislation in order to bind the governments to extend the amount in the first quarter after approval.

### ***i. Identification and Design of Projects***

No proper strategy is formulated for the identification and design of projects resulting in failure of projects. Over ambitiousness and political mileage by new governments results in slowing down of the ongoing projects and starting of the new projects in haste without any baseline data. The 'unholy alliance of bureaucrats and politicians' results in faulty planning and implementation of the projects.

<sup>24</sup> Daily Times, Report by Sajid Chaudary, dated 4<sup>th</sup> March, 2011

<sup>25</sup> Revised Accounting Procedure for Revolving Funds; Finance Division' O.M.No.F.2(1)-BR-II/2007-909. Islamabad, June 30, 2010

*Existing Rules and Instructions:*

*It is imperative that ministries should prepare their sectoral strategy flowing right from the national planning document and priorities fixed by NEC and other fora that should also take into account the country assistance and partnership strategies of the donors.<sup>26</sup>*

**Recommendations**

- *Feasibility Study*

Feasibility study shall be made mandatory before submitting the scheme to the concerned forum. Moreover, the Federation and Provinces must have their Development Strategy Framework supported by professionally conducted feasibility studies.

**j. Miscalculated Commitments**

It has been observed that political patronage used to approve the projects while bypassing the key departments and stakeholders often lead to wrong commitments which are not welcomed by the expected beneficiaries of the project. It has been observed that officials responsible for negotiating the loan are not exactly competent to comment on the design of the projects and thus easily succumb to political pressures without looking into the technicalities. 'Balochistan Resource Management Project' is an example where wrong commitments were made with the donors at the time of negotiations by the concerned officials. In this project, withdrawal of the subsidies on tube wells and food was made conditional with the loan agreement which could not be materialized as it was not acceptable to the community for whom the project was launched.

*Existing Rules and Instructions:*

*In case of mega projects, consultants should be appointed for preparation and supervision of work. Consultants should be associated from the stage of preparation of projects<sup>27</sup>*

**Recommendations**

- *Stakeholders' meeting for feasibility study*

Stakeholders' meetings at District, Provincial and Federal level (if required) shall be made mandatory for preparation of the feasibility study. Also the project designers should be included in the national team designated for loan negotiation in order to ensure that all decisions are in line with the ground realities and findings of the feasibility study.

**k. Political Interference in Recruitments**

The issues are not restricted to political pick and choose of projects but the appointment of PD and staff is also politicized. The administrative ministries and departments are very eager to refer their near ones for selection in project employments. Such candidates are neither properly recruited and nor their relevance

<sup>26</sup> Guidelines for Project Management, August 2008,p.6

<sup>27</sup> Guidelines for Project Management, August 2008,p.4

and capacity is determined in line with project activities. The PDs chosen through nomination mostly lack the technical and managerial capabilities and do not fulfill the required qualification prescribed by the donors. The poor selection of the PD results in over burdening of work of the governing departments and the whole concept of expediting the work through projects does not deliver due to wrong selection of the PD.<sup>28</sup> In one case as reported in this study, project could not start activities when a minister insisted on appointments of his referred men but the donor agencies did not agree. The deadlock resulted in loss for the project as well as resources.

*Existing Rules and Procedures:*

*The appointment of project staff under the project should be made through open competition in a transparent manner. Approval of the project staff is the responsibility of the PD. No approval from any forum is required if the TORs are provided in the approved PC-I.<sup>29</sup>*

**Recommendations**

- *TORs in PC-I*

It should be mandatory that TORs for each position shall be clearly spelled out in the PC-I document clearly specifying the job description, job specification and the qualification required.

- *Selection Panel for hiring of PD*

In case of PD and specialists' recruitment, the selection panel should be broad based including representatives from Federal Government, Provincial Government, Donors agency and an Expert on the subject. Moreover, the Project Steering Committee (PSC) should oversee the recruitment process of PD in order to confirm that only candidates with relevant experience and qualifications are selected.

**1. Retention of Staff**

Retention of staff after the closure of project often becomes a political issue. Projects increase the pressure of staff (after its closure) on the Government to retain the contractual staff of the project (e.g. NIC staff). Hiring in PMUs is conducted on contract basis. Once project is closed, political and public pressure is built on government to retain the project staff, which cannot be entertained due to funds constraints.

*Existing Rules and Instructions:*

*If any of the staff has to be retained for the operation of project, a case for the shifting of the post in the revenue budget may be initiated and got approved from the Finance Division well in time so that continuity of the project is not hindered.<sup>30</sup>*

<sup>28</sup> Baluchistan Resource Management Program is an example that was discussed by the interviewees during the course of research. 2<sup>nd</sup> phase of this program could not be launched because of the incapacities of the project team.

<sup>29</sup> Guideline for Project Management, Planning Commission, August 2008,p.11

<sup>30</sup> Guidelines for Project Management, Planning Commission, August 2008,p.11

## **Recommendations**

- *Regularizing the Project staff*

If the project staff has served the project for continuous five years with good performance, the project staff should be regularized and shall be offered permanent position in the government. The move can help in creation of a pool of project implementation specialists. PC may devise and announce a policy accordingly.

### ***m. Security Related Issues***

The present security situation in some parts of the country is a major issue for most of the donor funded projects to launch their projects. It has been reported that project activities could not kick-off because of security reasons in Pakistan. In Sindh, Japanese government expressed their interest in establishment of Japanese Special Industrial Zone (2009) but it could not materialize due to security concerns. Similarly, development initiatives in FATA and Balochistan have been facing challenges on security front. A number of projects could not kick-off or failed to continue in Khyber Pakhtunkhwa and Balochistan. In the current security dynamics, merit has to be defined by keeping all the operational modalities associated with the area of work. For the success of the project the mobility of the PD across the region and the knowhow about the security sensitivities and local culture are areas of key importance. Therefore, such terms and conditions may be incorporated in the TORs for the selection of the PD and the key PMU staff which could give due preference to the local candidates in the region. A study conducted recently confirmed that certain projects implemented by FATA Development Authority continued to be implemented in spite of grave security situation because local people were involved in implementation process.<sup>31</sup> Thus development tools can be employed in such a way that helps in mitigation of conflicts in focused areas.<sup>32</sup> Some studies in this regard have thus proposed to observe the indicators from the perspectives of different parties to the conflict.

The use of information technology and new approaches in project management in conflict regions also need to be adopted for continuation of development activities in target areas.

#### ***Existing Rules and Instructions:***

*In the wake of post 9/11 crises, the task force constituted by the President of Pakistan recommended innovative and participatory approach to tackle rampant poverty that fans extremism so as to bring economic, social uplift and mainstreaming of the people in the conflict ridden areas. A huge amount of funds are available for the purpose every year.<sup>33</sup>*

## **Recommendations**

- *Recruitment of Locals*

Preference shall be given to the locals in recruitment in security sensitive areas which should be clearly spelled out in the ToRs.

<sup>31</sup> Mukhtar Paras (2009) Pakistan's Loss in War on Terror; Research Study conducted at National Institute of Management, Peshawar.

<sup>32</sup> Mary Symmonds, Capacity Building in Conflict Management, UNDP, Africa Region Study, 2009.p2

<sup>33</sup> www.finance.gov.pk/publications

- *Community-led Projects*

Community-led project shall be initiated in the security sensitive areas where local people can participate in order to satisfy their own needs.

#### ***n. Sustainability Issue***

The PMUs have a short term approach for development. Ground relatives indicate that these set-ups are not well planned and in most of the cases no exit strategy is worked out at the time of Projects inception. PMUs do not ensure sustainability of projects and once they are closed all activities of the projects end abruptly and without any futuristic vision/approach.

*Existing Rules and Instructions:*

*For regular operation and maintenance of projects after completion stage, it should be handed over to the agency responsible for maintenance and operation. Timely efforts are required to be made for the handing over of the project and provision of maintenance cost to the authority concerned. This exercise should be taken in hand before six months of the expected completion date.<sup>34</sup>*

#### ***Recommendations***

- *Exit Strategy*

Exit strategy including future of the programs and the staff shall be clearly spelled out in the PC-I. The estimated expenditure for the continuity of the programs after project completion for its sustainability shall also be elaborated in the PC-I and the concerned department responsible for carrying the work forward shall be made co-signatories of PC-I.

- *Project Completion Report*

PC IV <sup>35</sup> document shall be made mandatory for the donor funded projects.

---

<sup>34</sup> Guidelines for Project Management, August 2008,p.12

<sup>35</sup> Completion Report of the Project.

## **CHAPTER 3**

# **HUMAN RESOURCE**

### **3.1 Selection Process**

As it is evident from the above quoted instructions, the intention is perhaps to give authority to the PMUs to recruit the required staff as soon as possible. As described earlier capable staff is not hired in projects due to political pressures. Similarly officers from government are attracted to work in projects in view of comparatively high salaries and fringe benefits. Internal hiring giving a higher salary to project staff as compared to government officials causes preferential hiring due to favoritism or bribery. On the other hand hiring project implementers from the market does not ensure that staff would have requisite government experience and knowhow that is essential for some key PMU posts.

Even in highly technical projects, the PDs are appointed from management cadre of the government who lack the technical expertise whereas the need is to secure the services of professionals from open market. The guidelines require the selection committee comprising members from the Finance Division, P&D Division and the concerned ministry. This composition does not work as the selection committee is headed by the Secretary of the concerned division and Finance and P&D are represented by junior officers who lack sinews to make a case for an appropriate candidate. In one case studied in this research, it was noted that a minister was the head of the selection committee in a project in Balochistan. The situation becomes graver when the PD recruited in this manner lacks capacity and skills.

Delays in setting up of selection committee are reported in many cases. It naturally renders the project helpless. Donors also do not take much interest in the selection process of staff for PMU. Interestingly, there have been no specific guidelines as to how the PMU staff should be recruited. The existing guidelines only specify various slabs of market based salaries and refer to the selection committee. Grading system cause problems of various kinds and hiring and firing powers of staff is not always with the PD. It has also been noted that litigation in recruitment of staff also causes delays and seriously damages the direction of the activities.

It is not incompetency rather irrelevance that is cause of poor performance. It is difficult for government officers to perform in PMUs because they are not trained to work on those lines. Bureaucrats usually opt for the post of PD because of high salaries, lavish offices, vehicles, equipment's and heavy procurements in PMUs. They are acceptable to donors because later on these bureaucrats serve as “*door opener*” for them to other projects in the government.

During the research it came out clearly that procedure adopted by the UNDP in selection of the staff in their projects has been quite impressive and transparent. In UNDP projects, the interview panel consists of all the stakeholders. It is headed by the Project Director while the members include officials from the EAD (Federal Government), Provincial Government (PD itself from P&D Department), UNDP Country Office and a technical person if required for a specialized position. It subsides the political pressure from the PD as the panel comprises of senior officials from a cross sector of agencies and departments including Federal government and representation from donor agency.

This study has also devised a Capacity Building Plan for better management of projects in the country which can be viewed at the end of the document. (Appendix-III)

*Existing Rules and Instructions:*

*The recruitment of project staff/ Project Director does not require to seek further approval if necessary provisions have been made in the PC-1 regarding nomenclature of the posts including qualifications and experience required for the post.*

**Recommendations**

- *Selection Committee*

Donors, Planning Commission, EAD, P&D Departments and an expert on the subject shall be involved in the selection committee.

- *Handbook*

Comprehensive manual may be published with detailed selection process of the PD and other relevant staff.

**a. Appointment of PD**

Recently it has been announced by the Planning Commission that '*Independent PDs should be appointed only for projects which are approved by ECNEC.*<sup>36</sup>' It is also notified that projects costing Rs.1000 million shall only be able to hire a PD or to be stationed in a separate PMU. In case if a PD is required for a project below Rs. 1000 million, the cases should be referred to CDWP with full justification.<sup>37</sup> Planning Commission has also indicated that appointment shall be made on merit through an advertisement for a period of two years.

This decision shall have negative consequences as the ceiling for projects qualifying for PD or PMU is on the higher side. There is a feeling that it should be brought down in order to facilitate the provinces who may not like to come to CDWP or for that matter ECNEC only to get approval for appointment of their PD.

Another option is to follow the example of *UNDP projects* having a dual system of governing projects. In UNDP projects, PD is taken from the government side representing the executing agency that looks after the affairs from managerial and policy point of view. He is not entitled to any benefit from the UNDP side. However, UNDP also has a Project Manager that is in charge of the implementation of the project and is solely responsible for all the deliverables and targets set by the planners.

*Existing Rules and Instructions:*

*Appointment of PDs should be made through a committee proposed by the Planning Commission.<sup>38</sup> The independent Project Directors shall be appointed only to projects costing Rs.1000 million.<sup>39</sup>*

<sup>36</sup> ECNEC Decision in their meeting held on 6<sup>th</sup> June, 2011.

<sup>37</sup> P&D Division Letter No.20(3)PIA-I/PC/2012 dated 5<sup>th</sup> April,2012

<sup>38</sup> Guidelines for Project Management, August 2008.p.40

<sup>39</sup> Finance Division's O.M.No.F.18(1)Reg-14/2003 dated 18 April,2012.

## **Recommendations**

- *Lower Ceiling*

The ceiling of cost of projects for appointment of PDs should be brought down to Rs.500 million. In case the project is less than Rs. 500 million, Provincial level department should be in charge of taking decision and shall not require getting clearance from CDWP and ECNEC for their projects.

- *Dual System of Governing Projects*

A dual system of governing projects shall be introduced with PDs only from the executing agencies having responsibility to monitor and Project Managers to implement schemes and project activities with all administrative and financial powers.

### **b. Qualification of PD**

The age limit for the PD has been prescribed 63 years maximum with only 5 years of experience in Project Management. He would be selected by a committee in the Project Sponsoring Ministry headed by the concerned Secretary<sup>40</sup>. The analysis clearly shows that criteria for selection or appointment of PD has been set to facilitate serving or retired government officers. Ideally as indicated by the stakeholders, mid-career professionals with energy and approach taken from relevant sectors should be hired as PD who can ensure out of the box approach to achieve results in public sector.

*Existing Rules and Instructions:*

*Planning Commission Guidelines indicate that educational qualifications of the PD should be broad based i.e. in any discipline depending on the nature of the project.*<sup>41</sup>

## **Recommendations**

- *Professional Degree*

The PD should either be certified carrying a professional degree in project management or carrying minimum ten years of experience of Project Management in a PMU.

- *Experience in Related Field*

Planning Commission shall develop separate criteria for selection of PD for indented areas in line with PC-I. PDs shall only be selected from the relevant sectors coming from both public as well as private sector.

<sup>40</sup> P&D Division Letter No.20(3)PIA-I/PC/2012 dated 5<sup>th</sup> April,2012

<sup>41</sup> P&D Division Letter No.20(3)PIA-I/PC/2012 dated 5<sup>th</sup> April,2012

### ***c. Terms of Reference & Powers of PD***

All outputs required from PD have been outlined by the Planning Commission in detail. They specify that monitoring, reviewing, responding and reporting of the project activities is the responsibility of no one else but PD. He is the one responsible for project execution in accordance with its objectives, work scope, cost and implementation schedule.<sup>42</sup> But here lies a serious lacuna that needs to be registered in this study. No emphasis has been laid down in guidelines and procedures on the powers of the PD in accordance with the ToRs. Various attempts were made to find out a detailed document explaining the administrative and financial powers of the PD in any project but in vain. Information in piecemeal was there in certain circulars but no clear policy was in place categorically stating the powers of the PD. Instructions issued by Finance Division in the context of system of financial control and budgeting seem to apply on this subject but it states that Secretary of a ministry or a division shall be the Principal Accounting Officer (PAO) in respect of expenditures under their purview.<sup>43</sup> The role of Financial Advisors in connection with Public Sector Development Programs (PSDP) has also been emphasized. The table indicating sanctioning powers does not mention PDs and PMUs anywhere. Even in the case of recruitment and creation of posts, the financial powers have been entrusted with the ministries. The submission of schemes for revision when the cost exceeds beyond the permissible 15% is also done by the ministry.<sup>44</sup> To the utmost surprise the practice is that powers to revise the costs within the permissible 15% are also not exercised by the PD. It is therefore understandable why PDs usually fail to exercise their role as head of a project. Their reliance on executing ministries and departments is natural as either they have absolutely no idea about their powers or they have not been apprised about their powers to utilize the committed money in black and white at the time of their appointment.

#### ***Existing Rules and Instructions:***

*Project Director should be delegated full administrative and financial powers and be made accountable for any lapses to improve management, supervision and help fix technical and financial responsibility. The PDs are required to move the case for delegation of financial and administrative powers by the concerned Principal Accounting Officers.<sup>45</sup>*

### ***Recommendations***

- *Mentioning Powers of PD in PC-I*

PC-I shall include the details of administrative and financial powers of PD clearly specifying their autonomy and authority in appointments, expenditures and other forms of utilization of resources.

---

<sup>42</sup> *ibid*

<sup>43</sup> Finance Division's Circular No.F.3(2)Exp.III/2006 dated 13<sup>th</sup> September, 2006

<sup>44</sup> P&D Division notification No.21(40)/PIA/PC/200 dated 26<sup>th</sup> May,2007

<sup>45</sup> ECNEC decision dated 24<sup>th</sup> April 2000.

## 3.2 Tenure

'Baluchistan Road Sector Development Project' met its targets and successfully closed its loan after completing all its formalities within the time frame. The role of the PD was instrumental in successful completion of the project. He was technically equipped to manage the operations of the project and had the required experience and expertise. More importantly he continued as PD for 7 long years till its successful completion. The government rules and regulations regarding the posting of government officials in projects through transfer and deputation are quite clear. They must not serve as impediments regarding the tenure of the PD and the key project staff. But still it is very rare that PDs complete the tenure of the projects.

Enough evidence was available to prove that tenure of the PD and related staff played a big role in completion of activities in a project. "Gender Based Governance Programme" in Sindh was a clear example where the PD remained the same since initiation till project closing. It is important to have staff retention throughout the project lifecycle.

The best option in view of the above situations is to limit the element of discretion from the government as well as the PD. Neither government should have the discretion to transfer PD before the completion of project and nor the PDs and other officers should be allowed to quit before it is concluded.

### Existing Rules and Instructions:

*The tenure of the Project Director will be at least two years.<sup>46</sup> Project Directors may not be transferred during the currency of the Projects. No member of staff working under administrative control of Project Director should be posted/transferred without his/her prior consent/concurrence.<sup>47</sup>*

The problem only occurs when some officer leaves the project because of two reasons:

#### **a. The Officer's Choice**

The officer himself opts to move out of the projects for any reason connected with his career such as training, promotion, transfer or even for personal matters. There are occasions when the officer is attracted towards important positions or projects of his choice or he switches the projects for better perks and privileges. In cases such as this, the responsibility falls on the officer and he should be held responsible for his choice to move away from a commitment to run the project for a definite period of time.

### Existing Rules and Instructions:

*Binding the officer's choice does not exist.*

## Recommendations

- *Undertaking from the Officer*

Regarding the discretion of the officer an undertaking from the officer for completion of tenure up to 3 years should be a practice. In case he leaves before the tenure than he may be duly penalized e.g. salary deduction or returning at least three months' salary to the project.

<sup>46</sup> P&D Division Letter No.20(3)PIA-I/PC/2012 dated 5<sup>th</sup> April,2012

<sup>47</sup> Guidelines for Project Management, Project Management Policy, Chapter 3.August 2008,p.3

## **b. Government's Decision**

The governing ministry or department transfers the officer without the consent of the officer. Transfers in the government are a regular feature and officers are mostly transferred when they stop enjoying the pleasure of high-ups in the concerned system. If the government decides to pull out an officer from a project for any kind of reason then the penalty to damage the cause of development should be on the concerned authority and organization. Similarly, officers also use political influence to maneuver and replace PDs and other staff resulting in a premature transfer orders from the government.

### *Existing Rules and Instructions:*

*Existing rules do not bind the government for halting violations.*

## **Recommendations**

- *Compensation from Government*

Government should compensate the officer if transferred before tenure e.g. encashment of salary for the remaining tenure period provided it is not on efficiency or disciplinary grounds.

- *Role of PSC*

Role of the Project Steering Committee (PSC) should be enhanced to ensure continuity of PD in a project. The PSC should serve as a buffer when it comes to political pressure for replacing key officials from the project limiting the discretion of officers as well as government. A separate discussion on the role of PSC in project activities is given at Appendix-I.

- *Donors' Evaluation*

Donor agencies may also consider giving weight-age to tenure of PDs while evaluating projects.

## **3.3 Salary**

During the study it occurred that almost all the interviewed people compared the salaries of government officers with that of consultants hired by the donors. According to international guidelines, donors should 'avoid activities that undermine national institution building, such as bypassing national budget processes or setting high salaries for local staff.'<sup>48</sup> This has created a sense of disparity among the various functionaries in the development sector.

This is however an established fact that Project Management is a specialized task and the remuneration of the staff designated to do this work has always been comparatively higher than the regular government officials. The specific requirements and technical expertise required to undertake market oriented tasks justify the market based salaries as well. Financial management of PMUs involves huge amounts of funds and handsome pay structure helps in curbing corruption as well. How much a PD and other staff in the PMU should be paid, is a big question. In the government either PD or relevant staff is selected through

---

<sup>48</sup> Paris Declaration, (2005)

open advertisement or government functionaries are given the additional charge of project responsibilities in addition to their regular work.

Since the quantum of work may be more in a project due to limited timeframe therefore a better salary package can be negotiated. However the difference in the pay scales and benefits should not be large enough to create a gulf between the government functionaries and project staff as that could be counterproductive leading to parallel governance structures. Similarly the difference of salary packages among different project should be discouraged as it could result on higher turn over from one project to another for seeking better returns. Therefore a uniform salary package for similar projects should be negotiated and notified.

### ***a. Dual Charge Holders***

Mostly the government officers are nominated or posted as PDs and other officers. They are given project allowances as according to the instructions of the Planning Commission which have been revised from time to time. In the recent past the practice was that if the BS-20, BS-19 and BS-18 officers were selected as project staff they should get 50,000, 40,000 and 30,000 Rupees, respectively, as project allowance in addition to their regular pay and if they were nominated and given a dual charge then they were entitled to certain percentage of their salary (20%) as their share for working in the project. However, in certain foreign funded projects the PD does not get any additional allowances while serving on dual charge e.g. UNDP Projects.

Recently P&D Division has stopped the government from paying project allowance to its officers even when they go through a selection process. Now they are being offered only Rs.6000 as compensation to their contribution for the dual charge. This study found out that this decision was maneuvered by some officers of the P&D Division who were not in favor of payment of project allowance to some of their colleagues. However, application of this decision will be on the whole government and it may discourage good officers to accept project positions as dual charge. The decision may backfire and result in inefficiencies surrounding project management at ministerial level. It is evident that amount of project allowance needs revision and needs to be brought in line with market rates.

#### ***Existing Rules and Instructions:***

*The officers posted on deputation or having additional charge are entitled to draw 20% of their running salary in addition to their own pay subject to maximum of Rs.6000 per month.<sup>49</sup>*

### ***Recommendations***

- ***Project Allowance***

The Project allowance of 20% of the basic pay needs to be applied across the board for all the PDs holding dual charge irrespective of the fact whether they are selected through nomination or through due selection process. Besides PDs of UNDP Projects holding dual charge should be entitled for the said allowance as well.

<sup>49</sup> Finance Division's O.M.No.F.16(1)Reg-14/2003 dated 18<sup>th</sup> April,2012

- *Inflation-based increment*

The fixed Project Allowance against each grade notified by the PC should be revised. Once it is rationalized it should be enhanced on annually as per CPI or @15% flat rate across the board.

### ***b. Market Based Salary***

Independent PDs are supposed to be hired from the market at market prices. Planning Commission has notified Market Based Salaries for staff to be hired through open competition. Recently one ministry in the government has recruited project staff on this pattern.<sup>50</sup> Planning Commission's approved market rates for various positions only indicate disparity that exists between various kinds of salaries. Appointment on market rates is reported to have raised dissatisfaction and discontent in existing department staff.

Many government functionaries especially those who are in the provinces are not aware of provision of different salaries for project staff. The PD of one project told that he was continued to be paid regular government salary as he was unaware of any such notification by the Planning Commission. He was able to claim it only during the last year of the project. And those aware of the notifications were of the view that there should be no discrimination in terms of salary. Around 50% of the officers interviewed in this study mentioned that project allowance for the staff was not in line with the market rates and needed to be enhanced.

*Existing Rules and Instructions:*

*Approval of the President of Pakistan to standard pay package for officers/staff directly recruited for the execution of Development Projects funded from PSDP from open market on contract basis.<sup>51</sup> Planning Commission shall develop a uniform market based salary linked with the size of the projects.<sup>52</sup>*

### ***Recommendations***

- *Revision of Market based Salaries*

Planning Commission shall notify positions that need recruitment on market based salary and review the market rates on annual basis in line with inflation. It is highly recommended that difference between market and government salary should be reasonable so as to avoid creating parallel structures against government.

- *Incremental Allowance*

15% incremental allowance shall be introduced for all staff recruited on market based salary as an incentive.

### ***c. Performance Based Salary***

This study is of the view that a uniform policy encompassing above given points should be announced to remove discrepancies and irregularities. Performance based annual increment, medical coverage to the

<sup>50</sup> Ministry of Professional and Technical Training has initiated a PC-I for establishment of a PMU in their ministry to provide oversight to projects under their purview. The chart of salaries has been taken from their PC-I (2012)

<sup>51</sup> Finance Division's O.M.No. No.F.4 (9) R-3/2008-499 Islamabad, the 12th August, 2008.

<sup>52</sup> Finance Division's O.M.No.F.16(1)Reg-14/2003 dated 18<sup>th</sup> April,2012

incremental staff, insurance; General Provident Fund can also be given as fringe benefits. This study is of the view that project staff either coming from the government or taken from the market should be hired on attractive packages but this payment should be linked with the performance and achievement chart of all PMU officers.

*Existing Rules and Instructions:*

*The existing Rules and Instructions are silent on this aspect. However in the case of appointment of PD, the guidelines say that officer should be responsible for any lapse. It can be derived from this instruction that performance based salary can be one mechanism to achieve this end.*

**Recommendations**

- *Performance Based Increments*

The project staff shall be offered incentives based on performance and output basis in terms of percentage. However, the performance based increments should not be more than 2-3% so as to avoid discretion.

## **CHAPTER 4**

# **MONITORING AND EVALUATION (M&E)**

## **4.1 Monitoring of Projects**

A regulatory framework is required to ascertain implementation arrangements in accordance with the designs set initially. The subject perhaps demands more attention in the backdrop of 18<sup>th</sup> Amendment. Detailed discussion on the implication of 18<sup>th</sup> Amendment on the project portfolio is provided in Appendix-II. Following is an account of existing facilities and practices for providing oversight to the development projects in Pakistan.

### Existing Rules and Instructions:

*As per the Rules of Business, 1973 (updated Up to 1985), the evaluation of on-going and completed projects is one of the basic responsibilities of the Planning and Development Division. Projects Wing is supposed to computerize information received on its Project Monitoring & Evaluation System (PMES). Projects Wing should prepare Project Profile and Monitoring Report of projects and would make necessary recommendations in Monitoring Report for resolving problems/issues at the highest forum which are hindering progress. Projects Wing also need to request concerned organizations to resolve issues which are unnecessarily disrupting or jeopardizing progress.<sup>53</sup>*

Reporting on the PC-III forms designed by the Planning Commission is a practice but not a regular feature. Most of the projects do not follow the PC-III forms for monitoring reports; they either prepare the monitoring reports on their self-designed format or according to donor specified instructions. M&E is necessary to apprise the government that project interventions are moving ahead in the right direction. Donors also need the information whether the invested money is being spent in line with agreed milestones or not.

The main issue highlighted by the stakeholders is that main focus of M&E is on financial side and other aspects are not given equal weight-age. Planning Commission guidelines state that *'if the percentages of financial expenditures exceeds percentage of physical work by more than 15%, it is enough evidence to show that cost of the project would go beyond the approved cost. As soon as this indication is visible, the Project should immediately start work on revising the scheme without stopping the actual work.'*<sup>54</sup> In spite of this simple guideline the projects fail to monitor their progress appropriately.

### **Recommendations**

- *Focus on All Aspects*

The monitoring of PSDP projects is often confined to financial monitoring. A strict mechanism should be adopted that takes into account all four levels simultaneously: 1) Financial, 2) Physical, 3) Result, and 4) Impact.

#### **a. Donors' M&E Process**

Donors are bound to *'harmonize their monitoring and reporting requirements, and, until they can rely more extensively on partner countries' statistical, monitoring and evaluation systems, with partner countries to the maximum extent possible on joint formats for periodic reporting.'*<sup>55</sup> Although M&E

<sup>53</sup> Guidelines for Project Management, Planning Commission Publication, 2008. P.12

<sup>54</sup> NEC Secretariat, Cabinet Division's letter No.5/CF/75 dated 16<sup>th</sup> July 1975

<sup>55</sup> Paris Declaration, (2005)

provision is inbuilt in the design of donors but it has failed to steer the projects towards success. Very few projects normally go into evaluation and impact assessments stages and it can be considered one of the weakest areas of the project management. Even third party monitoring in projects is a rare phenomenon. The M&E forms and tools adopted by donors, government and PMUs are different and lack harmony.

*Existing Rules and Instructions:*

*Existing Rules and Instructions in the government are silent on collaboration with the donors on M&E.*

**Recommendations**

- *Standardization of M&E Procedures*

A joint M&E Framework shall be developed or there should be agreement on PC-III format from the donors to ensure standardization of M&E Procedures for improving the performance of the projects and expanding the opportunities for learning from each other's experience.

**b. Federal and Provincial Regulatory Framework**

The provincial projects confirmed during the course of research that four tier arrangement of monitoring exists in the provinces to provide oversight to the projects. This includes oversight by concerned departments, P&D Departments and Chief Minister's Inspection Team. However, there is a clear missing link between all M&E executors and the Projects Wing in Planning Commission and P&D Departments.

*Existing Rules and Instructions:*

*Financial Advisor shall conduct the Internal Audit of the Ministry/Division Attached Departments and Subordinate Offices and incorporate the results of these inspections in the form of an inspection report and furnish the Internal Audit Report to the Principal Accounting Officer<sup>56</sup>.*

**Recommendations**

- *Use of PMES Software*

Planning commission should bind all PMUs to use Project Monitoring & Evaluation System (PMES) software developed by Planning Commission to use as M&E tool. All projects should be linked with Planning Commission's projects wing through PMES for online oversight and update. Moreover, all available data should be made available on web for larger review, feedback and transparency of operations.

**c. Internal M&E in PMU**

Internal M&E mechanism is in-built in the project design. M&E at PMU has two very genuine issues. PMU is not involved in designing the project in the initial stages and thus they usually take over only in the implementation phase without any authority to change the defects in project design. M&E in PMU works under the same PD who is responsible for implementing the project and thus M&E generated by the project itself might not be that effective. The provision for independent monitoring agency hired for M&E

<sup>56</sup> System of Financial Control and Budgeting, Finance Division O.M. No.F.3(2)Exp.III/2006,dated 13th September, 2006.

and reporting to PD is also present. Complete internal M&E wing exists in PMUs and consultants hired for monitoring the work in field also supplement their efforts. There are directions to prepare reports and share the progress with PSC. Targets are reviewed frequently through meetings both in the field and at PMU. However the PMUs have lagged behind in adoption of new technology and tools to achieve their M&E objectives.

In Sindh, for the first time close circuit cameras have been used to monitor the renovation work being carried out at site.<sup>57</sup> The experience has paved the way for new approaches to monitoring of physical progress and outputs.

*Existing Rules and Instructions:*

*PMUs under the Planning Commission Instructions are required to submit quarterly reports (PC-III) and Project Completion Reports (PC-IV) 'Project Director should send project implementation status to Projects Wing on specified Performa and updated monthly progress reports on specified PC-III (B) Performa on 5th of each month on regular basis and indicate problems faced in project implementation<sup>58</sup>.*

**Recommendations**

- *Use of MIS and GIS Tools*

Tool such as Management Information System (MIS) and Geographic Information System (GIS) are utilized for monitoring of projects and their usage can be made mandatory in PMUs in mega projects, especially in those areas where access and security are major issues.

<sup>57</sup> Sehwan Shareef Tomb Renovation Project.

<sup>58</sup> Guidelines for Project Management, August 2008.

## **CHAPTER 5**

# **BEST PRACTICES**

## 5.1 International Best Practices

International Best Practices	Are they applicable in Pakistan?
<p style="text-align: center;"><b>CHINA</b></p> <p>In China PMUs are established before the start of project and all planning is done in advance. The pre-planning assists in saving the commitment charges of loan and the projects operations begin as soon as the agreement is signed. Project Management Offices (PMO) are decentralized to local governments and have semi-independent status with linkages with the line departments. High level officers are responsible for financial management, coordination, procurement etc. They receive the same salary as in other government departments and there is no disparity in pay structures.</p>	<p>The concept of Core Management Unit in Pakistan is similar to that of practice in China. However, unfortunately it has not been institutionalized. Ministries and departments can have permanent Project Development Cells or CPMUs that can be involved in pre planning stage and design of projects to save time. The practice of localized PMO is also in accordance with GOP's instructions but they are not implemented in letter and spirit.</p>
<p style="text-align: center;"><b>LAO PDR</b></p> <p>In Lao PDR there is a tradition of multiple PIUs established for various donors. The PIUs bypass the regular departments and report directly to the minister in charge. This results in quick decisions and effective monitoring of projects. The salaries of PIU staff are quite higher than the regular staff in other government departments. As a result of this blending of PIUs they have been able to develop common bidding documents and integrated financial management system.</p>	<p>Introduction of a separate system of command to implement projects on fast track basis bypassing the routine bureaucratic bottlenecks is a practical approach but perhaps it is not possible to implement it in Pakistan where people and institutions are skeptical to change. They may take this approach as intervention of donors in local official procedures.</p>
<p style="text-align: center;"><b>INDONESIA</b></p> <p>In Indonesia their Planning Agency has prepared a Project Manual that brings together government rules and regulations as well as development sector practices. It envisages that PMU should not be established as a parallel structure of the government institution rather it is intended to strengthen implementation in areas of finance and administration.</p>	<p>The vision of Planning Commission in Pakistan is also the same that emphasize on strengthening the existing institutions in the government. But PC has not been able to come up with a clear policy and an alternate plan for PMUs.</p>
<p style="text-align: center;"><b>INDIA</b></p> <p>In India it has been a practice that in order to avoid duplication of resources and in order to avoid setting up too many parallel structures, PMUs are operated within the existing Government structures where possible. It is the Government's policy that projects be physically embedded in the program so that time lags due to departmental working can be addressed.</p>	<p>Since Pakistan and India follow the same governance legacy, the patterns of governance are more or less the same. Perhaps the effort to place PMUs in the ministries is reflective of the same mechanism. However it has not yielded results in Pakistan.</p>
<p style="text-align: center;"><b>SOUTH AFRICA</b></p> <p>In South Africa the government has published a guide for establishment of PMUs which is revised annually. The model of the PMU is decided by the municipality as per their requirement and is approved by the national level ministry. The consultations with the local governments are necessary and institutionalized. This guide outlines the responsibilities of various government departments as well as tiers removing discrepancies and confusions in specific duties. During the implementation of projects, concept of 'shared services' is prevalent that facilitates cooperation between municipalities and departments to achieve development targets. The functions of PMU include issues pertaining to legal, financial and technical sectors.</p>	<p>Planning Commission's Guidelines for Project Management can be said as the similar manual as that of South Africa. But PMU specific guidelines are missing in the Pakistani document. The bottom up approach for introduction and implementation of projects is ideal and that is the reason why project management in South Africa has been successful. Pakistan is undergoing the process of decentralization and it is hoped that ultimately projects would be visualized, designed and implemented by the local governments in future.</p>

## **CHAPTER 6**

# **CONCLUSION AND WAY FORWARD**

## **Conclusion and Way Forward**

This study has categorically established that PMUs are dedicated set-ups required to provide institutional support to government initiatives in specified areas. Their utility has not diminished with the passage of time. However, it is very pertinent to understand that PMUs have failed to integrate with the existing government networks. It has also been noted that PMUs in spite of being a useful entity have not transmitted their capabilities and lessons learnt to the executing agencies in order to ensure sustainability of interventions. The main reason for this lapse has been lack of understanding about the intent and purpose of PMUs. The ministries in an attempt to exercise authority over the PMUs create bottlenecks and PMUs in response to this attitude fail to integrate into one team.

This study has also reached a conclusion that vision to establish or not to establish a PMU in a certain project should come from the government. They should steer the whole process from oversight point of view while delegating full authority and powers to Project Directors for fast track decisions. The capacity of the staff for PMUs has surfaced as one of the most problematic issues. It is surprising to note that in spite of a whole range of training institutes and opportunities for capacity building, there has been no big improvement in the quality of Human Resource in the sector. The study has indicated that it is perhaps because trainings are not demand driven. Neither the departments work out their need analysis for their required manpower in specified skills and nor the individual officers are encouraged to build a career in sectors of their choice. The opportunities of trainings are availed by the irrelevant without any clear purpose connected with the organization or with the individual. This study has suggested a full-fledged Capacity Plan for the PMUs that can be perused at Annex-I. This is an effort to utilize and envision the existing government structures to prepare a nursery of required professionals for the next decade.

This study is first of its kind undertaken on the subject in the context of Pakistan. The development sector in the country is undergoing transition. The growing realization about more devolution at grass-root level is bound to create and introduce new stakeholders for future. We anticipate new key players in project management exercise from the civil society and the private sector to join hands with the government. Planning process in Pakistan is at crossroads as new concepts are in the offing. PMU at this critical juncture offers a platform for all relevant professionals and functionaries to contribute in better service delivery.

Although this study has suggested a set of reforms to streamline GOP's approach about PMU but this is not the end in itself. The reforms in this sector should be an ongoing process inbuilt and inherent in the processes evolving from the Planning Commission. If this document is able to ignite a good debate among the development sector organizations and professionals on the futuristic trends and needs of PMUs, the purpose of research and deliberation would be served.

# ANNEXURES

## **Annex I: Literature Review**

Planning Commission being the fountainhead of the whole planning and development matrix in the country remained the center of discussion during the study. A review of literature available with the Planning Commission generated from time to time was conducted in depth. Planning Commission Guidelines<sup>59</sup> available for implementation of aided and non-aided projects were studied in detail. Interestingly there has been no mention of a separate PMU in these guidelines that could give this study an insight about the government approach about the mechanism. The other document considered was Handbook on Planning Commission<sup>60</sup> that carries a lot of information on Project Development, appraisal, selection, Implementation and M&E. It refers that PMU/PIU is required to conduct day to day activities concerning coordination and implementation of projects.<sup>61</sup> Besides this there has been no consolidated or self contained discussion on PMUs in any of the published documents by PC. There were mentions of an Infrastructure Management Unit (IMU) established in PC but there were no revelations as to how this experience has been at PC.

There are quite a good number of circulars, notifications and letters issued by the PC in connection with project management that have been collected in the online edition of the Guidelines for Project Management. An effort was made to find out as to what those instructions in piecemeal say about the PMUs. Interestingly all official correspondence made among the government ministries is silent on the subject. There has been much ado about PMU in day to day conversations but no authentic deliberation in black and white in Pakistani context was found. Selected government projects and their implementation units/ PMUs were focused to know their strengths and weaknesses. A lot of material that contains official files and record of correspondence was studied in order to know the impediments faced by PMUs during the course of implementation. One case study included in this document explains the procedural bottlenecks faced by a PMU that sheds enough light on the issues and options in PMU strategy.

Inspiration was taken from Khalid Ikram (2011) who has hit the nail upon the head by specifying the role of Planning Commission in the wake of new challenges faced by the development sector. It was very helpful to know the direction of donors on the subject in the Special Evaluation Study undertaken by ADB (2005).<sup>62</sup> The study undertaken by World Bank also helped in understanding the characteristics of PMU.<sup>63</sup> All these valuable documents urged the project and planning managers to give priority to implementation patterns but in Pakistan's context we have been unable to understand as to how this argument can be linked with the system of governance in Pakistan. Some best practices in the world such as in South Africa<sup>64</sup> and Indonesia<sup>65</sup> seemed to touch our heart as the issues and practices seemed to be in close affinity with that of Pakistan. PC's Framework of Economic Growth was also found productive as it helped in connecting the

---

<sup>59</sup> Approved by ECNEC on April 24, 2012.

<sup>60</sup> Handbook on Planning Commission, P&D, Division, Islamabad. Published May 2008.

<sup>61</sup> Ibid. p.79

<sup>62</sup> The role of Project Implementation Units, Special Evaluation Study, SST:REG 2005-02, Operations and Evaluations Department, Asian Development Bank, April 2005.

<sup>63</sup> Guidance note for project management, Strengthening institutional capacity during project implementation, Operations Policy and Country Services Department, World Bank.

<sup>64</sup> Guide for the establishment of PMU, Provincial and local government department, Republic of South Africa, March, 2007.

<sup>65</sup> Project Management Guideline, Strengthening national systems for better account for development, NDPA, Indonesia, (2009).

whole research with sectors prioritized in the development process for future needs. During the period, collection of material for research was undertaken and review of existing material was made in detail. The field mapping undertaken seems to be more rewarding on the PMU as the subject is more narrowly placed which made it an easier candidate for microscopic study. The project cycle is a very vast area and its sub-topics fast move between policy and procedural domains and could not be fully comprehended without a detailed dialogue with the policy makers. These meetings were held in the four provinces as well as in Islamabad. Project cycle mapping was undertaken in KPK province and in Punjab that gave almost identical results. Data collected thus was divided in four main categories concerning the functions of PMU; implementation and operation, Human Resource, Monitoring & Evaluation and Capacity Building. The feedback was translated into main issues in the said categories and all information was correlated and linked with the existing procedures, rules and practices. This analysis enabled the study to point out areas of intervention where reforms were required.

## **Annex II: List of Stakeholders Interviewed**

### **Government Officials of Balochistan**

<b>#</b>	<b>Name of Officer</b>	<b>Position</b>	<b>Interview Conducted on</b>
1	Mr. Mahfooz Ali Khan	AG Balochistan (Ex Secretary Finance & PD of ADB Projects)	Nov 25 <sup>th</sup> 2011
2	Mr. Sarwar Jawaid	Sr. MBR / Ex PD RAHA (UNDP) Project	Dec 1 <sup>st</sup> 2011
3	Mr. Dostain Jamaldini	Secretary Finance	Dec 8 <sup>th</sup> 2011
4	Hafiz Abdul Majid	Additional Secretary Finance GOB / PD of IFAD Project	Nov, 23, 2011
5	Mr. Zahid Saleem	Chief Foreign Aid P&D Department GOB	Nov 25 <sup>th</sup> , 2011
6	Mr. Syed Arif Shah	Chief Programing P&DD / Consultant of ADB	Nov 26, 2011

### **List of Project Directors of Balochistan**

<b>#</b>	<b>Name of PD</b>	<b>Project/Position</b>	<b>Donor</b>	<b>Interview Conducted on</b>
1.	Mr. Shoaib Khan	PD Balochistan Small Scale Irrigation Project	WB	Oct 21 <sup>st</sup> , 2011
2.	Mr. Javed Ahmed	PD Clean Drinking Water (PHE)	Fed PSDP	Nov 24, 2011
3.	Mr. Zafarullah	PD PPIU Monitoring CDW for all	Fed PSDP	Nov 29, 2011
4.	Professor Abdul Malik	PD Restructuring Technical Education Project	ADB	Oct 22 <sup>nd</sup> , 2011

### **List of Senior Executives of Balochistan**

<b>#</b>	<b>Name of PD</b>	<b>Project/Position</b>	<b>Donor</b>	<b>Interview Conducted on</b>
1.	Mr. Irfan Awan	MD Society NGO	NGO	Oct 21 <sup>st</sup> , 2011
2.	Shabir Ahmed	Manager M&E Support of Primary Education (BEF)	WB	Dec 1, 2011
3.	Mr. Saleem Raza	Ex PD Balochistan Road Sector Development Project	ADB	Nov 30, 2011
4.	Abdul Rahim Kasi	M&E Specialist SPRSM	UNDP	Oct 21 <sup>st</sup> , 2011

**List of Government Officials, Sind Province:**

#	Name of Officer	Position
1.	Mr.Qaisar Bengali	Expert / Advisor to GOP
2	Ms. Naheed Shah Durrani	DMG Officer of BS-20/Ex Secretary Education, GoS
3	Mr. Fazal Nizamani	Senior Chief, Water & Power, P&DD, Sindh
4	Mr. Khair Muhammad Bhutto	DG Drought Emergency Relief Assistance, Sindh
5	Mr. Ghulam Sarwar Khero	Provincial Director ASP Sindh/Ex ACS (Dev), GoS
6	Mr. Hassan Ali Din Muhammad	PO ACV/Ex Chief, Foreign Aid Section, P&DD, GoS

**List of Project Directors (Donor Assistance) Sindh Province**

#	Name of PD	Project/Position	Donor
1	Mr. Agha Zafarullah Durrani	DG Agriculture Engineering & Water Management	WB
2	Mr. Fatah Mari	Project Coordinator Sindh Water Sector Improvement Project	WB
3	Mr. Muhammad Umer Memon	PD Sindh Costal Community Development Program	ADB
4	Mr. Akbar Shah Rashdi	Ex PD Sindh Road Sector Development Project	ADB
5	Dr. Riaz Ahmad Memon	PD Peoples' Primary Healthcare Initiative Sindh	GoS
6	Mr. Kabir Kazi	PD Sindh Cities Improvement Program	ADB

**List of Government Officials at Islamabad**

#	Name of Officer	Position
1	Dr. Saba Gul Khattak	Member Social Sector Planning Commission
2	Mr. Shah Nawaz Husain	Chief PIA Planning Commission
3	Chaudhry Muhammad Ashraf	Director General PPMI, Planning Commission

**List of Project Directors (Govt/Donor) Punjab Province**

<b>#</b>	<b>Name of PD</b>	<b>Project/Position</b>	<b>Donor</b>
1	Mr. Abdullah Sumbal	PD Punjab Resources Management	ADB
2	Mr. Abid Badollah	Research officer P&D	GoP

### ***Annex III: Table of Recommendations***

<b>Sr.No</b>	<b>Issues</b>	<b>Recommendations</b>
	<b>Issues in Establishment</b>	
1	Rules, Regulations and Guidelines on PMU establishment are not clear.	Standing instructions or guidelines may be issued on PMU establishment. The same may be reflected in the Manual for Development Projects.
2	At the Project Design stage, requirement of a PMU is not worked out and reflected in the PCI.	PC-I performa may be revised to clearly describe the need for PMU where required. ToRs of the PMU may also be described in the PC-I Performa.
3	Account opening Procedure of Revolving Fund Account (RFA) /Assignment Account is complicated and time consuming	A central point (One Window Operation) where representatives from MoF, AGPR and NBP jointly address delay issues in Assignment Account Opening procedure. This central point can be opened in the NBP.
4	Organized information on PMU related , rules and procedures is not available.	A booklet on PMUs may be compiled carrying simplified information on existing rules, stages on matters such as Finance, HR, M&E, Procurement, utilization of funds and timelines. The Booklet should be updated annually and should be available online.
	<b>Political Interference</b>	
5	Political Interference in recruitment of project staff in PMUs is frequent. As a result, less qualified people are recruited	Recruitment of the Project Staff should be subject to confirmation by the Project Steering Committee
6	Political or other pressures to regularize project staff after closure of project	It is proposed that staff may be regularized, if, they have served the Project for consecutive five years without fail and with excellent Annual Appraisal Report.
8	Delay in Project start up due to law & order situation	Security Analysis may be incorporated as separate section in PC I. Guidelines can be issued based on UN or OECD guidelines
9	Resistance by local communities especially in Conflict Areas on outsiders working in PMUs.	Clear decisions to recruit local people for key positions in projects. Required changes to make for local community participation in projects .

**Annex III: Table of Recommendations**

Sr.No	Issues	Recommendations
	<b>Financial Matters</b>	
10	PMU are unable to utilize funds in time.	Approval requirement should be removed for activities and cash plans already reflected in the approved PC-I.  Development Projects should be exempted from Finance Division's Ban on purchases and expenditures.
11	Project Director takes over after the terms and conditions of projects negotiated and finalized	A Permanent Project Director may be appointed during the loan negotiation period
12	Counterpart funds are not provided in time and government instructions are not strict and clear	The process to release counterpart funds by Finance should be governed by appropriate legislation by the respective governments in order to bind the governments to extend the amount in the first quarter after approval
13	Disagreement between Government and donors on PPRA rules	EAD to take up the case of adoption of PPRA procedures by all donors and IFIs in line with Paris Declaration
14	Undue checks on Procurement Transactions create hurdles in timely completion of process.	Introduction of online bidding, tendering and procurement process in line with OECD guidelines to improve speed and transparency in transactions.
15	Location of the PMUs is not decided keeping in view the convenience of the staff and availability of the building. Location is not decided in line with requirements of the project	PMU for Policy Social Sectors projects should be established in close proximity with the ministries and departments  PMUs for Infrastructure Sector projects should be located at the project site.
16	Lack of clarity in Land Acquisition Procedures Delayed land acquisition due to unclear rules	Creation of a special fund at the P&Ds to enable PMUs/ EAs to procure land at an advance stage
17	Delay in release of funds for land acquisition.	Provision of creation of a special fund enabling PMUs/ EAs to procure land at an early stage of project design.
18	Orderly Closure of Projects	Guidelines for the orderly closure of Projects/PMUs should be issued.
	<b>H.R. Management</b>	
19	Merit is violated in selection of staff .	The composition of the selection committee should be enhanced to include donors, (in case of donor projects), Planning Commission, EAD and /P&DD may be involved.
20	Appointment of Project Director is allowed for projects worth Rs. 1000 million or above.	The ceiling for appointment of PDs should be brought down to Rs. 500 million and provinces should not be asked to get clearance from CDWP and ECNEC for their projects.

**Annex III: Table of Recommendations**

Sr.No	Issues	Recommendations
21	No specific qualification requirements for the appointment of PDs.	Qualification & selection criteria should be made for the appointment of PDs. All PDs must have Masters or PhD degree in relevant disciplines with 10 years of experience in project management is proposed
22	Authority of Project Directors in Financial expenditures and appointments.	The letter of appointment or TORs should include details of the administrative and financial powers clearly specifying their autonomy and authority in appointments, expenditures and other forms of utilization of resources.
23	PDs leave the projects before the completion of their tenure as specified in the rules.	Undertaking should be sought from the officer to complete the tenure. Penalty may be imposed if in case of early departure from the project
26	Project Allowance for Officers with dual charge is not sufficient.	Officers with dual charge should get 100% allowance without any discrimination is suggested. Project Allowance should be given 15% incremental increase every year to cater for inflation.
27	Present notification on Market based Salary is outdated and not based on real demand and supply.	Planning Commission may notify positions that need recruitment on market based salary and review the market rates on annual basis in line with rise and fall of inflation.
	<b>M&amp;E</b>	
29	PMUs are more concerned about financials rather than actual progress and impacts.	Physical inspection of the projects should be institutionalized. Strict Monitoring Mechanism should be adopted giving consideration to all four aspects equally i.e. 1) Financial, 2) Physical, 3) Result and 4) Impact.
30	Donor Reporting is not coherent with GOP M&E Systems .	Planning Commission should communicate PC-III Performa as the standard progress monitoring performa for all projects. Progress to donors can also be reported on it. PC III should be shared with donors for their inputs
31	Federal and Provincial regulatory frameworks are not linked with PDs and PMUs.	Planning Commission should bind all PMUs to use PMES software to use as M&E tool. All projects should be linked with Planning Commission's Projects Wing through PMES for online oversight and update.

# APPENDICES

## **Appendix I: Capacity Development Plan of PMU**

Almost all the respondents were of the view that the PMUs should have their own capacity building plan inbuilt in the program or project. This is essential to build capacity of the staff hired that lack skills to do the specific jobs required in the intervention. It was observed that staff hired initially in the project did not have the capacity to work and it only improved during the project life as a result of on the job training. Also because 'there is a tendency of permanent government staff shifting to projects, staff attrition in Government Departments creates capacity gaps'.<sup>66</sup>

One of the respondents from Balochistan during the interview in this study specifically pointed out that major bottleneck in the human resource of PMU was the capacity of the Manager Finance. He is mostly ill equipped to understand the dynamics of international accounting procedures, currency fluctuation, and dispersal procedures. This research found out that accountants and cashiers were hired for such important positions that neither understood government accounts nor were qualified to handle commercial accounts. At times people even without any financial background were hired to manage finances and it naturally reflected on the performance of the project.

It was also found out that majority of the Projects had trained their staff by employing in-house trainings. Alone ADB spent around \$3.2 million on the capacity building of staff of PMUs in Pakistan from 1994 to 2003.<sup>67</sup> But still there are huge gaps. While some projects sent their officers to professional training institutes at the national level this exposure was very limited for many. This study observed that less than 20% of the PDs appointed by the government were actually given a relevant training to run the project and without any such training they were expected to become masters of all disciplines pertaining to project management. Donors can actually play a big role in this aspect. It was told by the practitioners that in infrastructure projects lending agencies have trained three hundred personnel in Baluchistan.

### **Alignment of PC-I with International Guidelines**

PMUs in Pakistan are always perplexed whether they should follow what is written in the PC-I or they should go by the donor guidelines. Most of the time both the documents are not aligned and anomalies occur regularly during the course of implementation. Those who do not understand the documentation process of International Financial Institutions, argue that PC-I Performa as used in the government is not compatible with that of the donors. However, it is a misconception as lending agencies work out the financial details in terms of inputs and outputs with the help of modern tools and techniques. They more precisely make an effort to discuss the same issues in more technical terms that are provided in simple columns as given in the PC-I form. One very valid argument came during the interviews that in spite of asking the donors to adopt our traditional documentation process, GOP should be encouraged to transform their process on modern lines by employing professional human resources, software and tools to create more valid analysis.

---

<sup>66</sup> Views from Sindh Stakeholders survey

<sup>67</sup> Annual Technical Assistance Report, Asian Development Bank, OED,(2004)

### ***In-project training***

Project Staff when in place is not prepared to deliver in required disciplines. During our discussion with the PMUs/Ministries it appears that the staff involved with the execution of the projects lack experience primarily in the following three areas:

- a. Planning.
- b. Financial Management.
- c. Technical/Sectoral Aspects.
- d. Procurement Management.

Even the Project Directors who are appointed in various projects lack the vision and strategy to undertake specific actions. During the survey we found that 56% of the interviewed Project Directors had used no Project Manual to undertake activities.