



USAID FIRMS PROJECT

Institutional Reforms of Planning and Development Department, Khyber Pakhtunkhwa

July, 2014

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Institutional Reforms of Planning and Development Department, Khyber Pakhtunkhwa

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Abstract:

FIRMS has commissioned a project to undertake institutional reforms of P&D Department and recommend processes in order to meet the Department's growing institutional needs as well as areas of technical assistance. This is the final report for the project knitting together all earlier pieces of work in a consolidated form

Acronyms

BEE	Business Enabling Environment
CDS	Comprehensive Development Strategy
CDWP	The Central Development Working Party
ECNEC	Executive Committee of National Economic Council
EG	Economic Growth
GDP	Gross Domestic Product
KP	Khyber Pakhtunkhwa
OPM	Oxford Policy Management
P&D	Planning & Development
P&DD	Planning and Development Department
PCNA	Post Crisis Needs Assessment
SOW	Scope of Work
US	United States
USAID	United States Agency for International Development

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Executive Summary

The USAID funded Firms project has been working towards improving government service delivery and under its Business Enabling Environment (BEE) component, one of the key activities is to improve the capabilities of the government at the district, provincial and national levels to accelerate and facilitate economic opportunities. Furthermore the newly inducted KP government has set an aggressive reform and development agenda. However, limitations in institutional capacities coupled with archaic regulatory frameworks and compliance regimes impede the execution of the province's plans.

In order to support KP Government to achieve its growth targets, FIRMS has commissioned a project for institutional capacity development of P&D Department and recommend processes in order to meet the Department's growing institutional needs as well as geographical and programmatic areas of technical assistance. This report presents the technical assistance matrix for institutional reforms of P&D.

During earlier phases of the project, literature review and stakeholder consultations helped in identifying five broad themes for institutional reforms. These include: strengthening planning capacity at district level; strengthening governance arrangements of P&D; developing requisite capacity in P&D to drive economic growth agenda of the government; developing capacity to undertake public-private partnerships and institutional development of Bureau of Statistics.

Some of the key recommendations of the reports include:

- Strengthening district planning institutional structure through one of the two options – employing planning staff by P&D Department on the lines of 2001 local government system or using the Local Government officials through extensive support by P&D Department to ensure instituting an effective planning regime.
- Strengthening governance arrangements at P&D through creation of a high powered P&D Board and broadening the scope of functions to drive development agenda in the province
- Establishment of an Economic Growth Unit in P&D to drive various economic growth initiatives through coordination and collaboration with various line departments
- Establishment of a Public Private Partnership Unit to drive PPP agenda in the province, under the newly promulgated PPP Act 2014
- Changes in institutional architecture of Bureau of Statistics along with broadening its scope of functions and recommending autonomous status for the organization, in line with the recommendations evolving out of a separate diagnostic exercise.

1. Introduction & Background

The USAID funded Firms project has been working towards improving government service delivery and under its Business Enabling Environment (BEE) component, one of the key activities is to improve the capabilities of the government at the district, provincial and national levels to accelerate and facilitate economic opportunities. The Khyber Pakhtunkhwa (KP)'s service delivery institutional structure has been facing a number of challenges including poor productivity, inefficiency, degrading physical and social infrastructure, lack of functional specificity and accessibility and resource scarcity. To improve this situation, there is a need to make governance more transparent, participatory, accountable and in line with the needs of modern governance.

The newly inducted KP government has set an aggressive reform and development agenda. However, limitations in institutional capacities coupled with archaic regulatory frameworks and compliance regimes impede the execution of the province's plans. The Planning and Development (P&D) Department is supposed to play a key role in synergizing the work done by various departments and agencies through effective planning and optimal resource allocation in line with developmental priorities. However, at present P&D is not performing this role in an optimal fashion. Government of KP has therefore prioritized the restructuring of its P&D department so as to build the requisite institutional capacity to play its envisioned role in institutional development, regulatory and structural reforms, and oversight of the development mandate of the government. These reforms are expected to result in better coordination amongst various departments of KP, lead to effective planning of the overall development agenda of the province and provide better development results in the province

In order to further this objective, FIRMS has commissioned a project to develop a feasible action plan to build the human resource capacity of P&D department and recommend processes in order to meet the department's growing human resource needs as well as geographical and programmatic areas of technical assistance. This report puts forward an action plan document for the institutional reforms at P&D.

2. Literature Review

During the inception phase, the consultants extensively reviewed the existing literature and took account of any previous work. As part of this literature review, existing policy and strategy documents of KP Government were also studied to analyze government's priorities and identify the relevant strengths that need to be built in the institutional architecture of P&D Department. Inevitably all the reports highlighted various areas, ambitions, objectives and goals, which would require capacity building to create a strong planning backbone in the province.

Comprehensive Development Strategy 2010 – 2017

The Comprehensive Development Strategy (CDS) 2010-17 was developed to crystallize the vision and strategic direction of the Government of KP and to propose a strategy for poverty reduction and employment creation in the province through various measures. One of the key pillars of CDS was to improve capacities. It was envisaged that implementation of CDS would be co-ordinated by a CDS Co-ordination Cell in the P&DD to ensure that provincial ADP would reflect the CDS priorities. The coordination and monitoring of CDS implementation was proposed to be overseen by the office of the Chief Economist located in the P&D. However, the institutional structure proposed in CDS could not be implemented fully and later on was tagged on to the work done under PCNA.

Post Crisis Needs Assessment

The PCNA was done in 2010 before the deadly floods to quantify the impact of the armed conflict and the exercise was supported by ADB, UNDP and a number of other donor agencies. The PCNA laid out four strategic objectives for the government including building responsiveness and effectiveness of the state to restore citizen trust; stimulate livelihood and employment opportunities; ensuring delivery of basic services; and countering radicalization. In order to achieve these objectives, a few cross-cutting issues were also identified, with capacity development being the most important amongst them. The report acknowledged that 'deficit of individual and institutional capacity is a crisis driver'.

The PCNA implementation is being done through an Implementation Support Unit (also known as Governance Support Unit managing Governance Support Project and other programs/projects), working under the umbrella of P&D.

Economic Growth Strategy

The Economic Growth Strategy (EGS) of KP further built on the priorities set under the Comprehensive Development Strategy (CDS) of the province, launched in 2010. CDS was in line with the national Poverty Reduction Strategy Paper (II) and laid out a comprehensive provincial development strategy encompassing areas like public finance, governance, social development, food policy, agriculture, employment, irrigation, power and industrial development. The EGS then presented a framework to stimulate growth in potential 'growth/priority sectors' of the economy through enhanced public investments and complementary sectoral policies. Some of the productive growth sectors identified

by this strategy include industries, minerals development, oil & gas, value addition in agriculture, tourism, science and technology and information technology. The strategy also identified energy, irrigation and transport as critical supporting infrastructure to implement the strategy. Most importantly the strategy stressed the need of government taking the role of a facilitator to private businesses.

The framework put forward by the Economic Growth Strategy (please see figure below) clearly requires effective coordination amongst a number of agencies and consistent and cross-cutting focus on economic growth. P&D Department would have to play a pivotal role, if such a strategy has to be implemented.

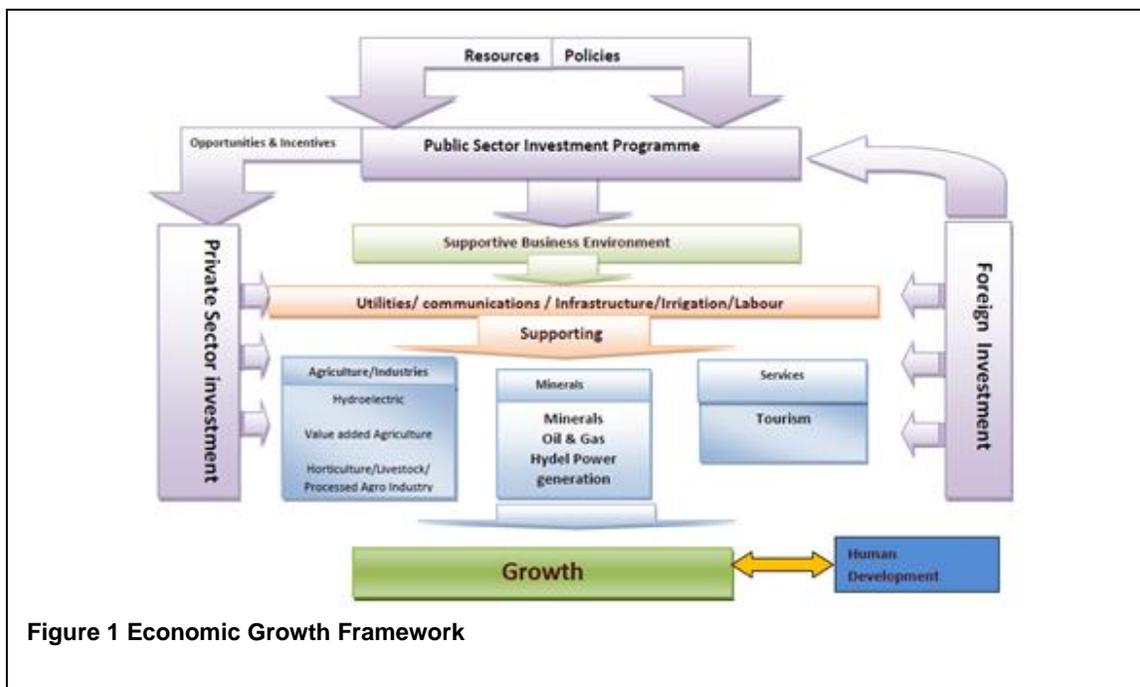


Figure 1 Economic Growth Framework

Source: Economic Growth Strategy, Khyber Pakhtunkhwa

Khyber Pakhtunkhwa Public Private Partnership Act 2014

Khyber Pakhtunkhwa Public Private Partnership Act 2014 was recently promulgated to establish a favorable legislative framework to promote and facilitate the implementation of privately financed infrastructure projects in the province through PPP. The PPP Act envisages a central role for P&D Department with Secretary P&D chairing the PPP Unit, which is to be housed in the P&D Department. Furthermore, the PPP opportunities ideally have to be conceptualized from the provincial master plans so that the government makes an informed decision as per clearly laid out criteria as to where to seek private financing in its wide portfolio of development projects. This calls for building the requisite capacity in the P&D so that this new role can be effectively performed by the Department.

Implementing 18th Amendment in KP

This report was developed by Oxford Policy Management in 2011 in the wake of 18th Amendment in the Constitution of Pakistan and was aimed at assisting the Government

of Khyber Pakhtunkhwa in identifying key areas for action and to help carve out a strategic approach towards implementation of the Eighteenth Amendment. The report highlighted a number of features and implications of 18th Amendment where the provincial government would have an enhanced mandate and would need some capacity development (Please see box below). Some of the areas relevant to P&D would include coordinate with line departments and ensure resource allocation as per the sector priorities of the devolved subjects; build adequate planning capacity at the local government level, in the wake of local government strengthening; forecasting development needs and develop borrowing/financing plans to capitalize the funding available from development partners, etc.

Features and Implications of the 18th Amendment

- Policymaking in devolved subjects such as health, education, population welfare, labour and social safety nets is now a provincial responsibility. Federal policies on these subjects are now redundant.
- Provinces are now allowed to borrow directly from development partners, against their Provincial Consolidated Fund.
- Cabinet size has been capped at 11% of total membership, calling for a review and consolidation of functions performed by divisions at federal and departments at provincial levels.
- Provinces are required to establish local governments and to devolve administrative and financial powers to elected representatives at the local level.
- An expanded provincial remit requires more effective grievance redress mechanisms at provincial and local levels.
- With the transfer of human resources from federal to province levels, as a result of devolution, human resource management functions including fixation of seniority, terms and conditions, etc. will now be determined by the provincial governments.
- Following the functional devolution, provinces face higher wage bills and pension liabilities as well as higher operations and maintenance costs. This in turn will lead to revisions of medium-term provincial and federal development frameworks.
- More than 100 major and minor laws would need to be amended or repealed, in addition to changes in a large number of subordinate legislations and the Rules of Business.

Source: Implementing the 18th Amendment in Khyber Pakhtunkhwa Defining a Strategic Approach; Farrukh Moriani; February 2011

These features clearly underscored the need for having a stronger planning capacity; sector coordination; resource allocation, forecasting and mobilization and beefing up planning capacity at the local government level.

Revitalizing the Planning Commission¹

It is also important to look at the planning function at the national level and how the Planning Commission envisages its role centrally as well as vis-à-vis provinces. International Growth Center has developed a report on revitalizing the Planning Commission and has discussed the subject in detail. The report underscores the need for this revitalization, especially in the wake of passage of the 18th amendment to the Constitution of Pakistan, which has delegated responsibility for several important economic sectors to the provinces.

¹ Revitalizing the Planning Commission; Khalid Ikram; International Growth Center; 2011

While making a number of other recommendations, the report specifically suggest a number of things, which have a direct bearing on where the planning focus should be to align national economic objectives. For instance, according to the report, the Planning Commission should:

- Be selective in its planning targets—by rigorously prioritizing what goals must be met and which must be provided all necessary resources, and those that are of less importance;
- Substantially develop its capacity to formulate policies—by training and expanding its staff; and harnessing outside resources, such as consultants, think tanks, and universities;
- Work with other institutions (such as the State Bank of Pakistan, the Ministry of Finance, the Federal Bureau of Statistics) to address areas of common concern (such as developing a macroeconomic model and generating a unified set of macroeconomic projections);
- Improve co-operation between the public and private sectors by bringing together important elements of the government and the private sectors

All these areas mark the strategic direction of national planning function and provide a roadmap to the provincial planning and development departments.

Furthermore, the report also recommends substantially increasing interaction of Planning Commission with the provincial planning departments. This at one hand requires a more pro-active role of Planning Commission but on the other also calls for building corresponding capacity at the provincial level. The report also highlights that after the passage of the 18th amendment to the Constitution of Pakistan, several key sectors—such as agriculture, education, and health—have become the responsibility of the provinces and in order to manage the planning of such sectors, the Planning Commission would have to interact much more intensively with the provincial planning departments on economic and sectoral plans and policies. According to the report, the present interaction appears to be especially weak regarding economic policies. The report also suggests that Planning Commission would also have to work with the Federal Bureau of Statistics to help the provincial statistical departments develop the data—such as provincial GDP, investment (both public and private), savings, and so on—that are necessary for planning.

The report states: “If overall plans are to be realistic, provincial plans will have to be realistic. I have dwelt in some detail about weaknesses, especially staff weaknesses, in the Planning Commission. These weaknesses are multiplied many times in the provincial planning departments. This makes it difficult to formulate good plans in the provinces and to interact productively with the Planning Commission. And yet, if the country’s Plan is to be successful, the provincial plans must be improved. Thus the challenge for the Planning Commission is to help the provinces strengthen their planning departments at the same time as it must strengthen itself, with both sets of government’s trying to recruit similar expertise in several areas from a rather limited pool.”

The report further recommends a substantial degree of direct coordination between the planning departments of the different provinces.

Medium Term Strategy for Inclusive Growth (Draft)²

Very recently, the Government of KP has developed a medium term strategy for inclusive growth. The draft document also highlights a number of issues that would require beefing up capacity of Planning and Development Department. One of these key areas is the need for having more robust expenditure management capacity especially for development funds, in the wake of expanded fiscal space available with the provinces. This increased fiscal space is attributed to the 7th National Finance Commission (NFC) Award which provides for increased allocations for provinces; additional revenue from the federal government from the transfer of 1% of the undivided divisible pool as compensation against war on terror; and the payment of arrears by the Federal Government hydro-electric profits. This in turn has raised the province's share of federal revenue sharply, from about 7% of provincial GDP to 8.7% in 2009-10 and 11.3% in 2010-11, resulting in increase in KP's fiscal space by 3.5% of GDP between 2006-07 and 2010-11. Some of the specific areas for P&D's capacity building, as highlighted in the report, include fully implementing output-based budget allocation for all new schemes and moving away from traditional split of current and development budgets and realignment of allocations as per development objectives; and strengthening project design of new schemes by empowering Planning & Development department.

Diagnostic Report on P&D

In 2011, Oxford Policy Management undertook a diagnostic study to review the Planning and Development Department (P&DD) of Khyber Pakhtunkhwa and make recommendations to strengthen it, after taking stock of the internal and external pressures, making a case for change in the department while also drawing comparison with other provincial governments within Pakistan.

The report acknowledged that currently the P&DD appears to be more focused on routine government work such as administration of the Annual Development Plan (ADP) process and has little or no involvement in the strategic planning process. The report highlighted that P&DD should play a leading role on economic development, leaving social policy to be led by the relative line Departments, and collaborate with private sector development institutions. It should also have a strong link to budgetary process and should be involved in land-use planning and top-down and bottom-up planning and strong links with the district level and with line departments. This would be possible only in the presence of reliable data and requisite skills and capacity of staff.

The report recommended that in order to achieve these goals, the P&DD should go through a 'transformational change involving its focus, mandate, culture, interaction with stakeholders and structure'. Some of the specific recommendations given by the report are summarized below.

² Reclaiming Prosperity in Khyber-Pakhtunkhwa - A Medium Term Strategy for Inclusive Growth; May 6, 2014; International Growth Centre

KEY RECOMMENDATIONS
OPM DIAGNOSTIC REPORT 2011

- Production of a clear vision statement for the future providing a focus for all the staff and their activities, as well as producing a subsequent list of supporting functions
- Establishment of a strategic planning unit in P&DD to design and implementing a major new mid-term emphasis on economic growth
- Changing the overall shape of P&DD to reflect the change in balance of skills and role that will be required in the future
- Establishing a common senior official for both the P&DD and the Finance Department and establishing secondments and a linked career path that allows senior officials to move between Finance and Planning
- Creation of Planning and Development Policy Board an Operations Board and a Think Tank
- Developing new thinking and vision on the issue of land use planning and attracting international investment and industry to KP
- Revisiting P&DD's current list of functions and establishing the potential for reallocating as many as possible to the district level, supplemented by capacity development at the district level
- Design of a medium-to-long term development program to secure the required skills, experience and specialisms necessary in the new department and ensure that there is an appropriate career path for the relevant staff

3. Key Themes for Institutional Reforms

Earlier reports, especially the OPM Diagnostic Report touched upon a number of key themes for future capacity development of Planning and Development Department. Moreover, other strategy papers and reports have also indicated areas where the Government of KP would like to move in near future. These areas include the following:

- Ensuring optimal resource allocation aligned with development objectives
- Play a pivotal role in implementation of various cross-sectoral strategies and plans (such as PCNA, CDS, etc.)
- Monitor and evaluate various development programs and strategies to ensure appropriate funds utilization and forecast future financing needs
- Develop focus on economic growth and drive the priorities through various line departments
- Building the requisite capacity to implement public-private partnership framework
- Coordinate with line departments and ensure resource allocation as per the sector priorities of the devolved subjects;
- Build adequate planning capacity at the local government level, in the wake of local government strengthening;
- Forecasting development needs and develop borrowing/financing plans to capitalize the funding available from development partners, etc.
- Work with other institutions (such as the State Bank of Pakistan, the Ministry of Finance, the Federal Bureau of Statistics) to address areas of common concern (such as developing a macroeconomic model and generating a unified set of macroeconomic projections);
- Improve co-operation between the public and private sectors by bringing together important elements of the government and the private sectors
- Substantially increasing interaction with Planning Commission
- Fully implement output-based budget allocation for all new schemes and moving away from traditional split of current and development budgets;
- Strengthen project design of new schemes by empowering Planning & Development department.

- Develop a clear vision for the future, providing a focus for all the staff and their activities
- Establishment of a strategic planning unit in P&DD to design and implementing a major new mid-term emphasis on economic growth
- Empowering and strengthening the P&D Department to get requisite traction to drive the medium-to-long term development agenda in the province

Some of these areas may require an active role to be played by P&DD and therefore there may be a need to build up the capacity of the department in these requisite areas. Based on discussions and consultations with P&DD officials, following critical themes were highlighted, to be focused on in the capacity development plan for the Department.

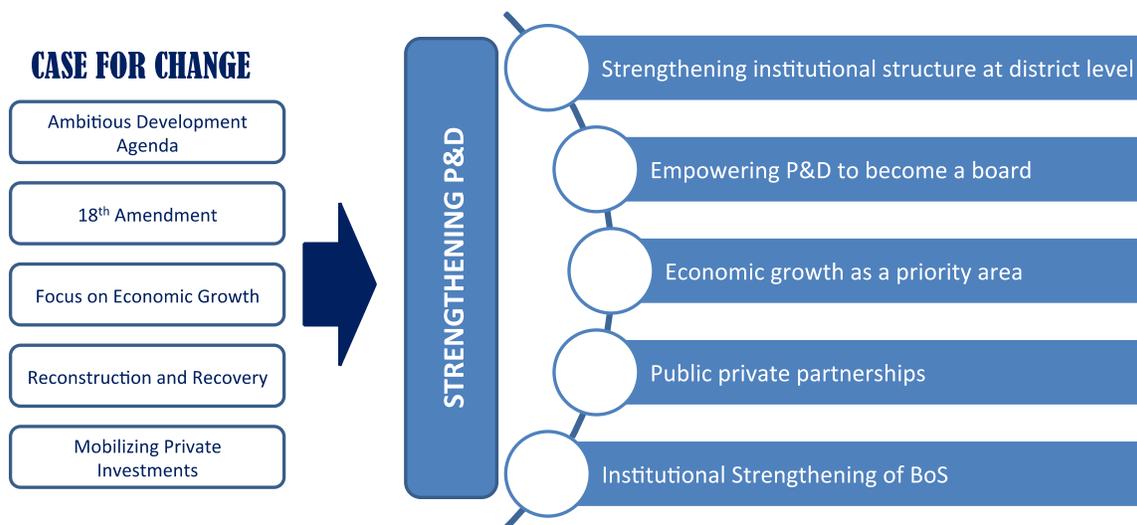


Figure 2 Critical To Be Focused On In the Capacity Development Plan for the Department

3.1 District and Department Level Planning Institutional Structure

With KP Local Government Act in place and increasing focus on decentralization, the district level planning institutional capacity would become all the more important. The LG Act mandates the Government to direct at least 30 percent of the provincial development funds to districts. This requires adequate capacity development in districts to develop ADP in line with future development needs of the area and efficient spending of development funds.

In order to provide this requisite planning capacity at the district level, there can be two distinct options. One could be to go for pre-2001 model and strengthen the planning function performed by officials of Directorate General of Local Government. The other option could be to build on the post-2001 model on the lines of offices of EDO (F&P) and DO (Planning).

3.1.1 Option 1 – Establishing Planning Offices in Districts

In Local Government Ordinance 2001, the District Coordination Officer had the overall responsibility for coordinating the activities of the groups of offices for coherent planning and synergistic development but the core planning function was performed by Executive District Officer (Finance & Planning), supported by District Officer (Planning). Similarly, at the TMA level, Tehsil Officer (Planning) was responsible for coordination of development plans and projects with Union Administration, Village Councils and other local governments. Moreover, Section 109 of LGO 2001 dealt with application of funds and provided for expenditure and transfer for funds by the local government. Section 119 also provided a novel concept of bottom-up planning through Citizen Community Boards.

Under the Khyber Pakhtunkhwa Local Government Act 2013, the district government would consist of a district council and district administration, which in turn would constitute devolved offices. The list of devolved offices has been specified in the first Schedule of the law. The list of devolved offices also includes “Coordination, Human Resource Management, Planning, Development, Finance and Budgeting functions”, thus providing a foundation for establishing planning function at the district level.

One option could be to revive this option, through making use of the provision in KPLGA 2013 and developing rules and regulations to post planning staff in the positions created in the Planning office. The P&D Department can then make use of its resources to man these offices and a number of officials occupying similar positions in district in post 2001 system can be deputed. P&D, in this case, would be the parent department for these officials. It should however be ensured that departmental interference, beyond provision of resources, laying down service rules and doing other ancillary work, is minimal to maintain the spirit of devolution to the grassroots level.

The proposed functions for planning officials in districts would include the following:

- Coordination and integration of various sector development plans
- Preparing development plans and proposing budgetary allocations for their execution
- Implementing approved plans and policies
- Preparing proposals for expenditures necessary for the proper conduct of programs, projects, services and other activities;
- Appraisal, evaluation, and monitoring of development schemes in physical and financial terms;
- Performing the role of Planning Officer and undertaking overall planning of development works of the local government;
- Monitoring of development projects; and
- Consolidation of annual development program

3.1.2 Option 2 – Strengthening Directorate General Local Government

In pre-2001 local government system, the office of Director Local Government and ADLG at the district level used to perform a similar function but at a much smaller scale. These offices were part of the Directorate General of Local Government. The Directorate General and field offices of Directorate of Local Government, Elections and Rural Development were abolished as part of the devolution process of 2000-01. A skeleton Directorate General (Development and Monitoring) was established in 2002, at the provincial level to perform the overall coordination. In 2013 however, with new local government legislation in place, the Directorate General, Local Government, Elections and Rural Development has been re-established.

The Directorate General works under the provincial Local Government Department and has 25 offices of Assistant Directors LG&RDD working under it in various districts. Amongst other functions, the ADLGs are supposed to play an instrumental role in executing development schemes in the districts, including special projects. The Directorate General is responsible for monitoring and evaluation of the developmental schemes executed by the ADLGs.

Another option could be to let ADLGs perform the planning function in a much more elaborate fashion, with due support from the Planning and Development Department.

3.1.3 Formulation of Rules under KPLGA 2013

According to Section 5(4) of Khyber Pakhtunkhwa Local Government Act 2013,

“Government shall prescribe rules of business for local governments notifying structure and working of local government administration, groups of offices, allocation of business, appointment, posting, promotion and transfer of officers and officials, performance evaluation, channels of communication, coordination of local council business, consultation between offices and incidental matters for smooth and efficient disposal of official business.”

Under this provision, there would be a need to develop detailed rules for working of planning officers or ADLGs in the districts, depending upon which option the government opts for, for conduct of their day-to-day business.

3.1.4 Job Descriptions and Performance Management Plan

In case of Option 1, each district would have a Planning Officer, on the model of 2001 Local Government system. Although the functions of such officials would be broadly identified in the Capacity Building Action Plan document (subsequent deliverable), there is a need to make detailed job description of such officials, to streamline their work. Similarly, in case of Option 2, the existing Assistant Directors of Local Government would take on the planning jobs, more or less on the line of pre-2001 Local Government system. However, given the quantum of funds and increased responsibilities in 2013 local government regime, there is a need to make detailed job description.

Once the job description are completed, a performance management plan needs to be developed for these officials, with clearly defined key performance indicators (KPIs) as well as measures of success. This would ensure effective planning regime at this level,

which would be a key, considering the increasing expenditure expectations by the local governments. The performance management plan should include both quantitative and qualitative measures. While there is a need to ensure development spent in line with resource allocation by the provincial government (as well as revenue mobilization at the local government level), the quality important must also be considered so that resource allocation priorities are clear and are in line with development objectives. Even releases should be linked to satisfactory progress on ground to ensure transparency and efficient work regime.

3.1.5 P&D as Center of Excellence

In either of the options, P&DD can act as a center of excellence to build capacity of district level planning staff and beef up their strength where needed. P&D can also provide specialized resources for specific planning needs such as infrastructure planning, sector development plans, public-private partnerships, economic growth and private sector development, etc.

3.1.6 Planning Manual for P&D

Within the ambit of new local government legislation, the P&D would need to develop a comprehensive planning manual, which could be used by all line departments as well as by district governments. The manual would cover all rules & regulations; roles and responsibilities and other details on working of the planning regime across the province.

3.2 Strengthening Governance Arrangements

Planning and Development Board Punjab is considered a successful model, in terms of having an empowered institutional setup. In KP, although the P&D is not structured along the line of Punjab Board, on closer examination it appears that at present it is also not functioning quite differently. While the P&D Board is headed by Chairman, the P&D Department at KP, besides having a Secretary, works under the office of Additional Chief Secretary, who also heads the PDWP. Similarly, different sectors have respective Chiefs, but they are considered more as process owners rather than sector leads. Transforming the existing structure to a Board composition, may not materially change the processes but is likely to bring the leadership focus on the department, will give it more traction and is likely to induce a change towards more long-term sector planning.

3.2.1 Creation of Planning & Development Board in KP

One of the recommendations put forward by a recent diagnostic study on Planning and Development Department, KP³ was creation of Planning and Development Policy Board; Operations Board and a Think Tank to further support the planning function in the province. There has been further discussion with P&D management on this and there is a strong interest to implement this recommendation with some modification. It has been discussed to explore further empowering the P&DD and make it a high-powered board, more on the model of how P&D Board is structured in Punjab, rather than creating three

³ Oxford Policy Management's Diagnostic Report; By Kevin Duran and Sher Shah Khan

new bodies at once. P&DD feels that a similar model is likely to make the department's functioning more autonomous and would give the necessary traction to it in the provincial government to undertake reform efforts.

It is therefore proposed that a high-powered Planning and Development Board is established

in Khyber Pakhtunkhwa to act as the main development forum in the province and provide major thrust to realize government's development ambition. The Board should be headed by a Chairman. Considering the existing institutional structure of KP Government, the Additional Chief Secretary can also act as the Chairman of the Board. The Board should have the following members:

- Member Infrastructure Development
- Member Social Sectors
- Member Services Sector
- Member Production Sectors
- Member Economic Growth
- Secretary Planning and Development (Secretary to the Board)

The proposed structure is in line with Punjab model, with two key differences. Firstly, there is no dedicated member for public private partnerships and secondly there is a dedicated member for economic growth. The Secretary would remain as administrative head of the Planning & Development Departments.

These members would be further assisted by Senior Chiefs/Chiefs of Sections, as per the proposed modified organization structure.

Planning and Development Board – Punjab

P&D Board Punjab is the main development arm of the province, leading the expenditure management of Annual Development Fund. It is interesting to note that there is apparently no act or supporting Rules of Business empowering the P&D Board Punjab in its present functioning. The present shape and form has evolved over the years and anecdotal evidence suggests that this may have shaped out of the West Pakistan Planning and Development Board post 1971. However, irrespective of the regulatory framework, P&D Board historically has been considered an effective and powerful planning body in the province headed by a senior civil servant who is generally a level above (BPS 21) the provincial Secretaries (BPS 20). Moreover, besides seniority, the Chairman P&D Board also heads the PDWP, taking major development decisions. Different sectors such as infrastructure and social services have respective members in the Board, representing and taking lead on these areas.

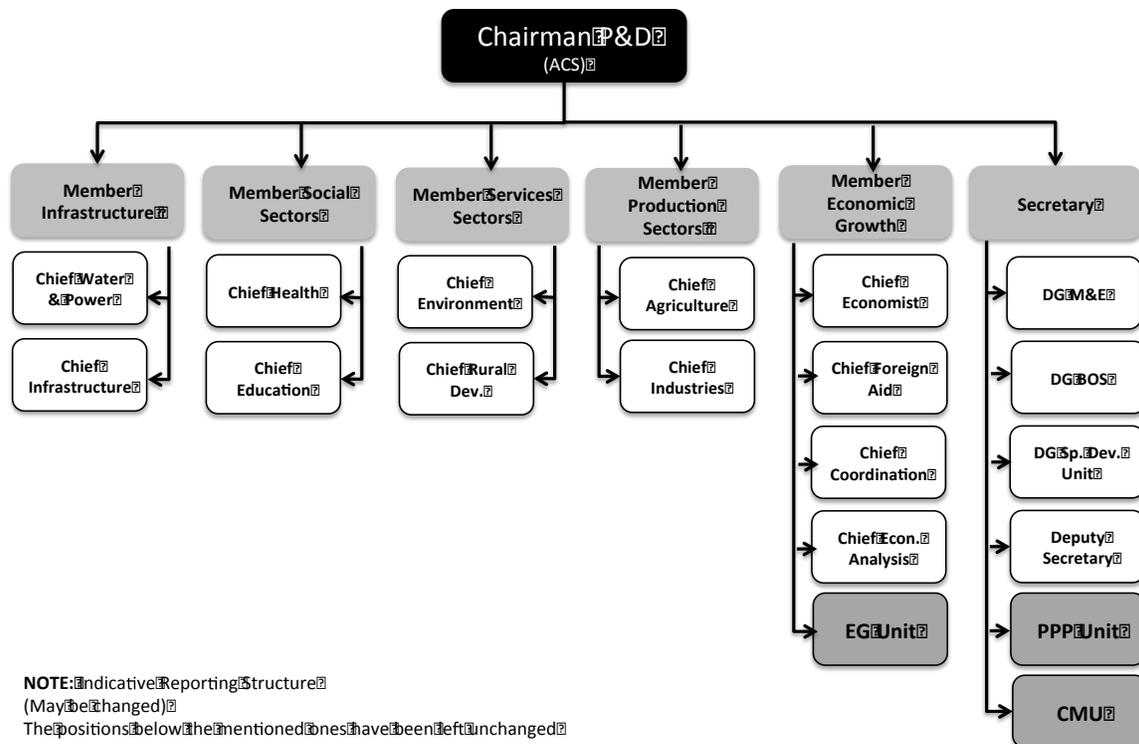


Figure 3 Organizational Structure P & D

3.2.2 Broadening the Scope of Functions

Existing functions of Planning & Development Department include the following:

1. Formulation, approval and review of Annual Development Plan
2. Allocation of development outlays
3. Socio-economic impact analysis
4. Monitoring and evaluation of development schemes
5. Publicizing developmental plans
6. Compilation of provincial statistical data
7. Secretariat work for PDWP/CDWP/ECNEC/NEC, etc.
8. Strategy for investment priorities based on the availability of internal and external resources
9. Coordination with Federal Government, donor agencies and district governments
10. Foreign assistance for development related matters
11. Representing Province at National Development Forums
12. Lead Steering Committees and PRBs of various foreign funded mega projects
13. Policy planning & guidelines on development programs
14. Foreign trainings & visits
15. Representation on departmental development committees.
16. Plan/project reviews

Besides these functions for P&D Department, the proposed P&D Board should have the following functions:

- *Formulation of provincial government vision, policies and strategies for economic planning and development*
- *Driving economic growth and development in the province*
- *Providing an umbrella forum for P&D to develop short and medium term development plans*
- *Acting as Provincial Development Working Party for the province*
- *Providing catalyst for different departments/sectors to improve the pace and quality of economic development*
- *Decide on resource allocation, re-appropriation of development funds, appropriations from block allocations and disbursement of supplementary grants*
- *Ensuring effective international aid coordination*
- *Driving the public private partnership agenda*

3.3 Economic Growth as a Priority Area

Economic growth has come out as a priority area from a number of recent policy and strategy documents of KP government. Even more recently, the government has come up with an economic growth strategy. KP's economic growth strategy is the key instrument for fulfilling the elected government's mandate to improve citizens' living standards and creating opportunities for a promising future.

The starting point of the growth strategy is to set a realistically ambitious medium term economic growth target. The benchmark for this is the federal government's projected medium term national growth target of 7.5%, which in turn will require a staggering increase in total investment from 14% of GDP in 2013 to 26% in 2020. Much of this is expected to be private investment, which is projected to rise from 8.7% of GDP in 2013 to 19% in 2020.

KP has been at some disadvantage, when compared with national averages. For instance, in 2013, the average income in KP was 10% lower than the average Pakistani's income. Matching federal government's national growth and investment targets however, will mean that going forward KP's citizens will enjoy the same income level as the average Pakistani. The economic growth strategy also highlights that economic growth and living standards in KP could be significantly higher than the national average if the benefits of regional trade are fully realized including making the transition from a trading hub to a manufacturing hub.

KP's economic growth strategy identifies a number of challenges that need to be addressed to unleash economic growth in the province. Some of these challenges include: sluggish historic economic growth mostly lagging behind the national average (with the exception of the period 2008-12); dismally low labor force participation (currently 37% as compared to the national average of 46%); high unemployment rate of 9%; and poor progress of Millennium Development Goals (MDG) with 39% population still below the poverty line.

On the other hand, the strategy has also highlighted a number of growth drivers including rapid urbanization; potential to enhance regional trade and connectivity; high remittances and increased federal fiscal transfers. If KP has to capitalize on these drivers, and support economic, it must focus on stimulating growth in selected priority sectors. The strategy also lists these sectors, which include:

- Manufacturing & construction
- Agriculture & livestock
- Mining; and
- Tourism

In the existing P&D structure there does not seem to be adequate capacity to lead on this thematic area and therefore there is a need to build capacity in this space. This capacity can either be created through a new structure within the department or through recalibration of some existing unit.

It is proposed that with the creation of new P&D Board, a position for Member Economic Growth be created in the Board, with a dedicated economic growth unit reporting to him.

The key areas of work in this stream would include the following:

- Skills development & inclusive growth
- Regional development
- Investment climate and policy for enabling business environment
- Private sector development and support

In addition, the proposed Economic Growth Unit should closely work with sector leads, who can be the focal persons, either from other sections of P&D or from certain line departments. This would ensure alignment across all sectors.

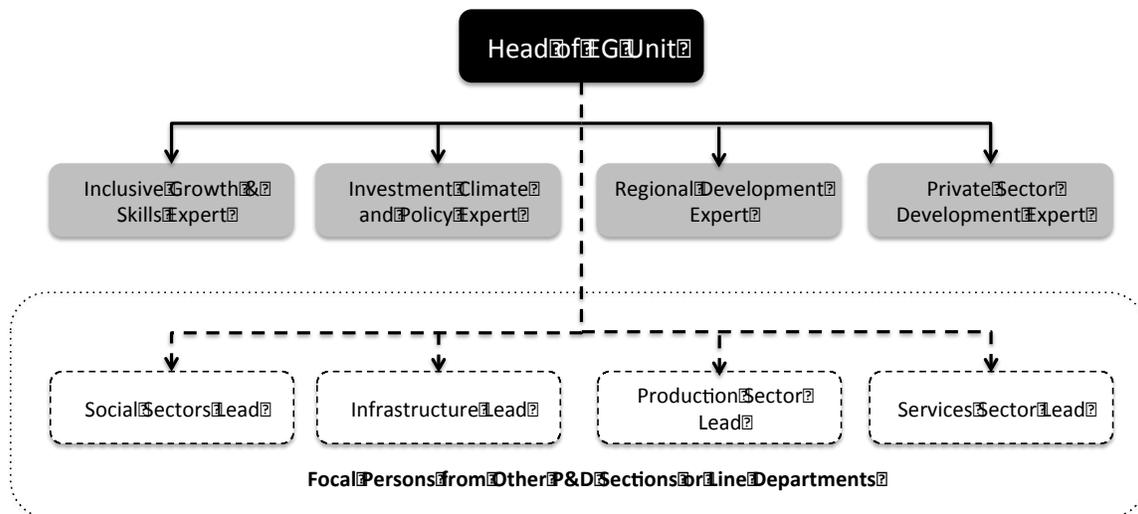


Figure 4 Focal Persons from Other Sections of P&D

3.3.1 Functions of EG Unit

The key functions of EG Unit would include the following:

- Calibration of Private Sector Support
- Public Private Dialogue
- Regional Development
- Enabling Policy Framework
- Inclusive Growth and Skills Development

3.3.1.1 Calibration of Private Sector Support

The role of the government is now to design appropriate interventions to propel growth and investment in priority sectors. This in turn would need a careful review of all existing and future government support and calibrate it in line with economic growth objectives. Many frameworks are available to calibrate such private sector support and the most relevant one, given our context, is given by Rodrik⁴. According to him, all such interventions for private sector support should comply with certain design principles such as having a sunset clause and an exit strategy; targeted interventions with clear objectives, performance indicators and monitoring and evaluation mechanisms; should be designed on the basis of stakeholder consultation and participation and be transparent; should involve whole or partial cost recovery; have simple design to implement and manage; and have flexibility to adjust and scale-up. The job of P&D therefore is to apply such frameworks across the development portfolio and ensure an efficient spent of ADP in line with economic growth strategy.

3.3.1.2 Public Private Dialogue

One of the key functions of EG Unit would be to ensure effectively undertaking stakeholder consultations through a well-designed robust public private dialogue (PPD) mechanism to 'ensure more inclusive and sustainable policy reforms through a structured and participatory reform process'. While the exact design of the mechanism cannot be ascertained at this stage, the EG Unit should ensure that the dialogue takes place at multiple levels including regional as well as sector levels to not only focus on broader reform and development but also on sector-specific constraints.

The key objective of such a dialogue process is to facilitate investment climate reforms, creating momentum, and accelerating the reform process. On a more practical level, the dialogue can help identify need for new legislation, amendments in existing legislation, removal or simplification of regulations and controls, standardization of procedures across different jurisdictions and establishment of new institutions. It can also promote transparency, good governance, openness and rigorous cost-benefit analysis, through creating pressure of public scrutiny.

⁴ Normalizing Industrial Policy; By Dani Rodrik;
Industrial Policy for 21st Century; By Dani Rodrik

Public-private dialogue is particularly helpful in post-conflict and crisis environments like Khyber Pakhtunkhwa to support rebuilding of economy through private sector development and focusing on specific and tangible issues of entrepreneurship, economic reconstruction and investment climate improvement, leading to job creation and poverty.

Once the EG Unit is established, it can also create a permanent forum for private sector consultations for regular and periodic dialogue. This could also be done through involvement of chambers of commerce and industries, industry associations and individual enterprises. It must be noted that the public private dialogue should be held at multiple levels and through various agencies and departments and the EG Unit should drive and support it, but the process should be embedded in all focal departments, working on private sector development.

3.3.1.3 Regional Development

Different regions of Khyber Pakhtunkhwa enjoy different assets and varying economic potential. To support economic growth in these areas, there is a need to look at these areas as distinct regions and develop multi-sectoral strategies to support economic growth in them. Presently, there is a vacuum in this space and there is no single institutional driver for regional development in KP. The EG Unit should take on this role and work with various line departments as well as local governments to develop regional development strategies to identify complementarities and need for synergistic investments. Such strategies would then help in better calibrating the provincial and district ADPs as well as would facilitate donor financing in these areas.

3.3.1.4 Enabling Policy Framework

One of the key functions of the government to support private sector development and growth is to provide an enabling policy framework and favorable investment climate. Investment climate covers a number of factors that determine attractiveness for investors such as the cost of interface with the government as a regulator, availability of reliable energy and transport, the legal environment for contract enforcement, etc. The Cost of Doing Business, undertaken by the World Bank provides a good benchmark for measuring enabling policy environment by tracking a number of parameters such as time and costs incurred to meet government regulations for starting a business; dealing with construction permits; registering a property; paying taxes; trading across borders and enforcing contracts, etc. The last survey conducted at the sub-national level ranked Peshawar at 8th position in Pakistan, well below other competing cities. There is therefore a need to address such policy bottlenecks and to facilitate private investment. The EG Unit would closely monitor all regulations affecting private sector and would work with other departments as well as the federal government on a regular basis to ensure pro-investment policy reforms.

3.3.1.5 Inclusive Growth

Healthy, educated and better skilled workers are the most critical interventions for inclusive growth. While KP's economic growth strategy identifies a number of

recommendations in the areas of education and health, it also underscores skills development as a key focus area and the need to capitalize on the youth bulge. One of the functions of EG Unit should be to lead on the skill development side, through coordination with TEVTA and other agencies. KP Government has already targeted increase of 50% in budget for this sector but the capacity to achieve this spend is also limited at the moment. The Growth Strategy recommends formulation of a provincial Skills Policy and the formation of a high level Policy and Advisory Committee with representation from key members of Cabinet, the business community, leading and supporting departments, skills experts and private providers. The Committee would align skills initiatives with growth priorities, set medium to long-term targets and monitor progress on the agenda. It would also coordinate provincial, donor and federal skills programs and strengthen industry linkages. It is proposed that the EG Unit should drive the formation of this Committee and to support work under it. The EG Unit can also work for corporatizing of KP-TEVTA as well as establishment of Skills Development Fund.

3.4 Public Private Partnerships

Government of KP has recently enacted the Khyber Pakhtunkhwa Public Private Partnership Act, 2014, which required establishment of a PPP Unit in P&DD, headed by the secretary. This would also needs building capacity in the department, so that it can adequately take on this role and support the Secretary in spearheading the PPP efforts in the province. Some of the capacity that would need to be developed would include areas like: procurement and project preparation; transaction advisory; risk management; contract development and management; financial/tariff negotiations; project appraisal, etc. Although many of these functions would have to be performed by the line departments, acting as PPP Nodes under the PPP Act, the PPP Unit would have to act as a resource center and would be entrusted to build the capacity of these PPP Nodes and it would be critical to develop such capacities within P&D.

Public Private Partnerships Unit: Section 5 of the PPP Act 2014 calls for establishing the PPP Unit, under the chairmanship of the Secretary to Government Planning and Development Department, with permanent members not below the rank of Additional Secretary, nominated from the Finance Department and Law, Parliamentary Affairs and Human Rights Department and other co-opted members. The proposed functions of PPP Unit include the following:

- Serve as the secretariat and technical arm of the Committee;
- Provide technical, financial and legal expertise to the Committee and any PPP Node established under this Act;
- Serve as a resource centre on matters relating to Public Private Partnerships;
- Conduct civic education to promote the awareness and understanding of the Public Private Partnerships process amongst stakeholders;
- Provide capacity building to, and advise contracting authorities or other parties involved in the planning, coordinating, undertaking or monitoring of Projects under this Act;
- Rate, compile and maintain an inventory of Public Private Partnership Projects that are highly rated and which are likely to attract private sector investment;
- Develop an open, transparent, efficient and equitable process based on principles of social justice, equity and maintenance of Ecological balance for ensure sustainability through holistic approach for managing the identification,

- screening, prioritization, development, procurement, implementation and monitoring of Projects, and ensure that the process is applied consistently to all Projects;
- Conduct research and gap analysis to ensure continuous performance improvement in the implementation of Public Private Partnerships;
 - Collate, analyze and disseminate information including data on the liabilities of the Government in relation to a Project;
 - Make recommendations on the approval or rejection of a Project, prior to submission to the Committee for approval;
 - Assist contracting authorities, where it considers it necessary, to design, identify, select, prioritize, appraise, evaluate and negotiate infrastructure and development Projects; and
 - Maintain a record of all Project documentation;
 - Review and assess requests for Government support in relation to a Project and advise the Committee on the support that should be accorded in relation to a Project;
 - Assist the Committee in formulating guidelines and standard documentation required under this Act;
 - Liaise and supervise the contracting authorities in their roles in the various stages of a Project cycle;
 - Ensure that the tendering process relating to a Project conforms with this Act and to procurement best practices;
 - Put in place measures to eliminate constraints limiting the realization of benefits expected from a Public Private Partnership;
 - Monitor contingent liabilities and accounting and budgetary issues related to Public Private Partnerships with the relevant offices within the Department responsible for finance; and
 - Carry out such other functions as may be conferred on it by the Committee from time to time under this Act.

It is quite evident from the given scope that the functions assigned to PPP Unit are quite elaborate and would need dedicated capacity to perform these functions effectively. To fulfill this mandate, the PPP Unit should perform the roles of a PPP catalyst and advocate, knowledge manager, and policy and project advisor. During the next few years, the PPP Unit will have to provide a strong support to the line departments their tasks and train their staff until their capacity has been adequately built up to act on their own. Another important responsibility of the PPP Unit will be to ensure adequate information on private sector participation in infrastructure development among the various stakeholders. That would include, on the supply side, enhancing the awareness of Government of KP's policies and strategies among investors, and serving as a conduit for conveying investor concerns, and on the demand side, providing an opportunity to NGOs and general public for being informed and expressing their concerns about private sector participation in infrastructure development and the delivery of social and infrastructure services. To disseminate among all stakeholders the relevant information, including a pipeline of potential PPP projects and status reports on the more advanced ones, the PPP Unit should develop and maintain a PPP website.

In order to support the function, the following structure of PPP Unit is proposed. The number of professional staff in the PPP Unit should initially be kept relatively small to minimize costs and avoid excessive bureaucracy. Instead, the PPP Unit should rather

make use of external consultants in areas requiring specific expertise. However, if the number of PPP projects increases in the future, additional staff positions should be added on a needs basis.

The organization chart reflects two important considerations: (i) Government of KP's focus on infrastructure and social sectors as the most urgent areas for private sector investment and expertise; and (ii) the key roles to be played by the PPP Unit in policy advice, project evaluation and capacity building.

The following 11 professional staff positions are recommended, besides the Head of PPP Unit (Secretary P&D)

- Legal Counsel;
- Financial Advisor
- Four Deputy Directors – Infrastructure; Social Services; Capacity Building & Policy Support; and Administration
- Five Assistant Directors – Infrastructure; Social Services; Capacity Building; Policy Support; and Administration

The PPP Unit should be staffed through competitive process from the public and private sectors. To attract candidates from the private sector, the salary scale should be adjusted accordingly.

An extensive capacity-building program should be designed for the PPP Unit staff. The program should consist of overseas and local training courses and workshops, as well as a more sustained on-the-job support by consultants during the first year of operation. Funding for the capacity-building program should be sought from both multilateral development institutions such as USAID, ADB, IFC and the World Bank, and bilateral donors. There are good prospects for gaining access to such funding opportunities, as private sector participation in infrastructure development, in particular through PPPs, has been high on the donor agenda.

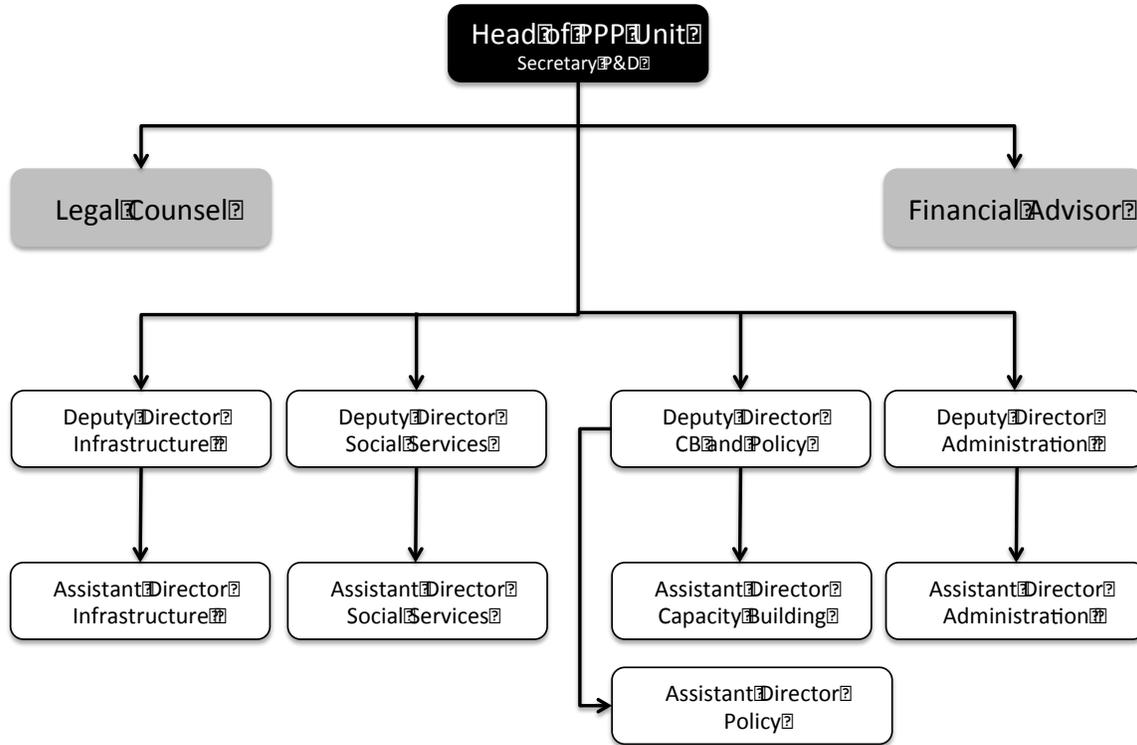


Figure 5: Organizational Structure of PPP Unit

3.4.1 Establishment of Viability Gap Fund

In order for PPP framework to work effectively in KP, there is a need for establishment of a Viability Gap Fund to supplement funding for those projects, which are not commercially viable (because of affordability constraints imposed on tariffs) but have a strong economic and social justification. Government of KP should establish the VGF, which would provide explicit performance driven subsidies, based on the private service provider achieving measurable outputs and targeted towards socio-economically disadvantaged users or groups of users. The Government will also need to develop clearly laid out VGF guidelines setting the eligibility criteria and limits for VGF; describing in detail the procedures for applying for, approving, disbursing and monitoring the subsidy; and presenting the institutional arrangements, which may ultimately include a dedicated VGF company.

3.4.2 Establishment of Infrastructure Fund

For most of the PPP projects, especially in the infrastructure sector, long-term financing is required in the form of both equity and debt. PPPs in Pakistan are still a new concept and commercial banks and lending institutions have not had any substantial local experience in funding such projects. Moreover, PPP projects entail greater risks for the private sector and require significantly larger investments and participation beyond the construction period. In order to supplement the commercial finance available, Government of KP would need to establish an Infrastructure Fund, which would make

equity contributions to PPP projects or provide residual 15-20 year funding at commercial rates, if the financing needs of the private sponsors cannot be fully met by the market.

3.4.3 Project Development Facility

In order to ensure adequate preparation of PPP projects by line departments, the Government of KP would need to establish a Project Development Facility to provide resources for project preparation. This could be replenishing facility and the successful bidder for each project can reimburse the cost of project development.

3.4.4 Establishment of Risk Guarantee Fund

Many of the PPP projects require substantial risk sharing by the government. In order to manage these liabilities, Government of KP would also need to establish a Risk Guarantee Fund. The fund would be an entity separate from the Government's consolidated account and would be capitalized upfront. Moreover, the fund would not issue guarantees that create an exposure or contingent liability higher than its capital, thus providing a cap on the total value of government guarantees. Also, the Risk Guarantee Fund would issue guarantees only for risks that the Government can influence, or which are uncontrollable and uninsurable.

3.5 Institutional Strengthening of BoS

Another area, which would need substantial capacity development support, is Bureau of Statistics, which acts as a data repository for the P&DD. To ensure effective medium-to-long term planning, the Department needs a consistent flow of credible insightful information. While BOS has been developing annual development statistics for the province for years, there are some capacity gaps, which have been identified through a separate diagnostic exercise.

Based on recommendations of the diagnostic report, it is proposed to restructure the organization into three wings: Finance, Administration and Client Services Wing; Technical Wing; and Survey and Research Operations Wing. Each Wing should ideally be headed by a Director of BPS-19. The field establishments, discussed later in the report, should also fall under Survey and Research Operations. The broad functions of each Wing are summarized below:

3.5.1 Finance, Administration and Client Services Wing

This Wing would look after the finance, administration and general services of the BoS, besides dealing with the service issues of the staff and their capacity development. The same Wing would also be responsible for Client Services through creation of interactive databases and technology platforms, appropriate publications and client support. It is proposed that the Wing should have four sections:

- Finance and Budgeting
- Administration and General Services

- Publications and Client Services
- Information Technology

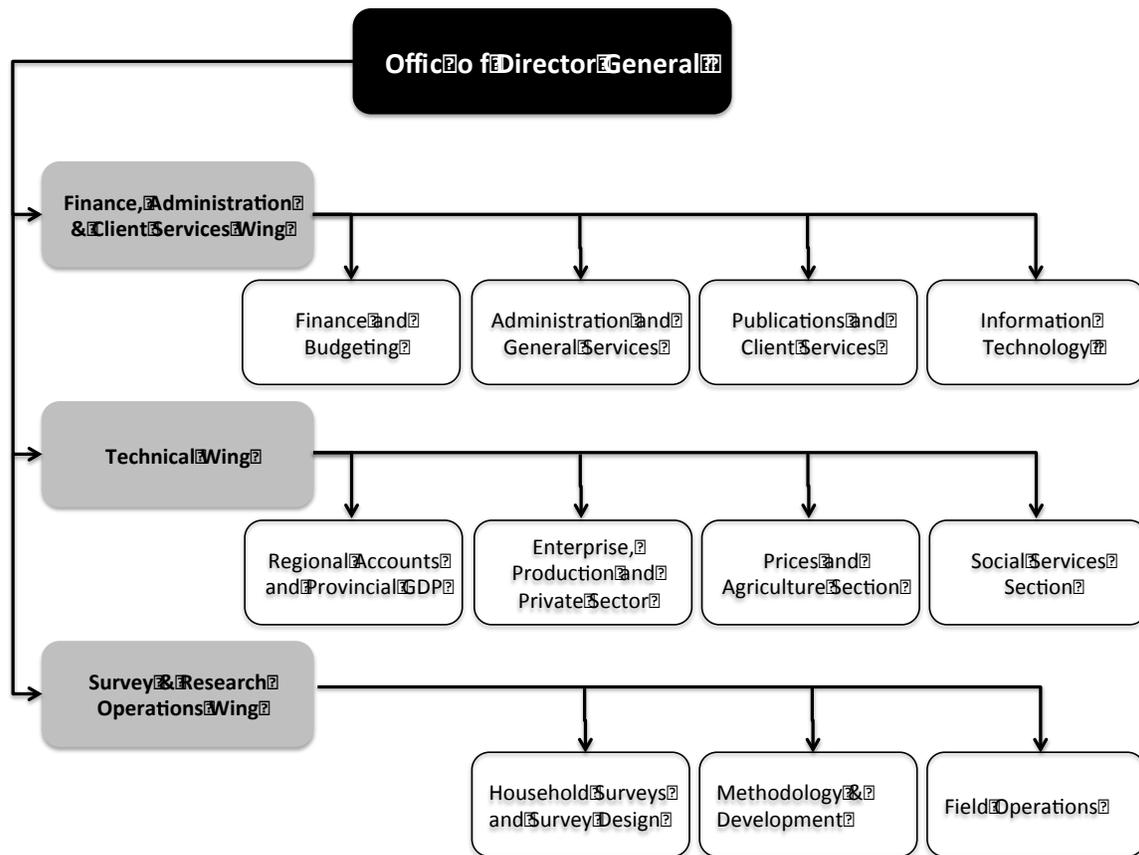


Figure 6 Finance, Administration and Client Services Wing Structure

3.5.2 Technical Wing

Technical Wing would deal with the collation of economic and social statistics obtained from all secondary and primary sources. Going forward, the same Wing would also assume the role of economic analysis and also standards setting for statistical system in the province. This Wing would also work with other line departments for developing their capacity. The Wing would have the following sections:

- Regional Accounts and Provincial GDP
- Enterprise, Production and Private Sector Services
- Prices and Agriculture Section
- Social Services Section

3.5.3 Survey and Research Operations Wing

The Survey and Research Operations Wing would cover all survey operations including the maintenance of sampling frames, business registers, survey design and other data gathering operations. A key function would pertain to obtaining data from other agencies.

This Wing would also be responsible for managing field operations. The Wing would have the following sections:

- Household Surveys and Survey Design
- Methodology & Development
- Field Operations

3.5.4 Capacity Development of BoS Staff and Line Departments

The institutional reforms of BoS would depend on the capacity of the staff and therefore the capacity development would be a critical and integral part of the process. The key would be to embed the capacity development as a continuous activity within the organizational fabric. The capacity development function should be performed both internally and externally. Internally, BoS should develop some in-house capacity to train its field staff on an ongoing basis. BoS may also consider entering into arrangements with a local academic institution to set up a program for continuing staff training. The same training program can also be used for developing capacity of other line departments. The BoS can also seek donor assistance for specialized training courses at leading local universities such as LUMS or IBA or even at international universities. Some of the areas of capacity building should include sampling design and application; data analysis; report writing; statistical package for social sciences; calculation of CPI, WPI and SPI; calculation of regional GDP, etc.

3.5.5 Services Rules for BoS Staff

Currently there is lack of career development opportunities in BOS in terms of promotion and absence of a proper service structure. For instance, as per existing Service Rules, the Statistical Officers already in BPS-17 get promoted to Assistant Director (BPS-17) after completion of three years service tenure in the same pay scale, which in fact is not a promotion and has created enormous reporting problems. Similarly, there is a single post of Deputy Director (BPS-18) for promotion of Assistant Directors and Statistical Officers. The Statistical Officers have to again spend six years as Assistant Director (BPS-17), which is demotivating for employees. The nomenclature such as Senior and Junior Statistical Computer in BPS-6 and 5 is another misnomer. Though it has been re-designated as Statistical Assistant (BPS-11) in other provinces as well as FBS, but such structure still exists at much lower level. Therefore, a key step going forward would be to develop, approve and notify service rules for BoS staff, catering for notifying provincial statistical cadres for employees of BoS. The service rules should also build in appropriate career development opportunities to keep the employees motivated.

3.5.6 Strengthening Field Presence

Since a lot of BoS work depends upon data collection from the districts, there is a need to establish and strengthen field offices at district or divisional level for collection of data from the districts. The field staff would play an instrumental role in carrying out sample surveys. The field offices should have teams of enumerators/interviewers to conduct survey operations. The field staff would also have other related functions such as updating of the sample frame, the business register and data entry. The field staff would also play a critical role, in the wake of new local government system and the government's ambition to channel a significant development funding to local

governments. The field staff would therefore also cater to the data needs of the local governments.

The field offices will be responsible for:

- Collection of prices data of essential food and non-food items on weekly basis.
- Collect data on Monthly Survey of Industrial Production and Employment Report and other publications
- Ensure timely collection of secondary data from various district line departments thus addressing the delay in release of publications.
- Improve scope and coverage of statistical information in general
- Support Crop Reporting Services of Agriculture Department in the collection of agriculture related data
- Undertake all other data collection efforts to support any surveys
- Cater to the data needs of local governments

3.6 Staffing and Recruitment

The institutional development plan laid out in this report would also need some recruitment and staffing. Staffing can be done through normal transfer and posting procedures. For new recruitments, transparent and objective recruitment processes will need to be applied to acquire the right talent for the job. Ideally, all recruitments of BPS-16 and above should be undertaken through provincial Public Services Commission, while other recruitments at lower level should be done through an independent panel, with clearly laid out objective criteria. The staff to be hired would need the basic relevant qualifications.

Following positions would require staffing and recruitment in each reform area:

3.6.1 District Level Planning Institutional Structure

OPTION 1

In this case, the P&D Department would position Planning Officers in each district. Planning is part of one devolved office, under the new KP Local Government Act 2013 and the office needs to be structured. A similar model to 2001 local government system can be adopted, where the Planning Officers perform the role of defunct District Officer (Planning). These positions would be in BPS-17/18 and one position would be assigned to each district. These positions would also need support staff and hence a provision of one support staff per district is provided below. These Planning Officers may belong to Planning cadre of P&D but would work under the local government and would report to district administration.

Table 1 District Level Planning Structure

Position	Number of Positions	Proposed BPS	Staffing Modality	Funding
District Planning Officer	25	BPS-17/18	Posting & transfers	LG Funding / SNE
Support Staff	25	-	Posting & transfers	LG Funding / SNE

OPTION 2

Under Option 2, the core planning function would be performed by Assistant Director Local Government, whose positions are already existent in each district. In this case therefore, no new staffing and recruitment would be required. P&D Department in this case would only provide technical support to these local government officials.

3.6.2 Strengthening Governance Arrangements

Under strengthening governance arrangements, it is proposed to create a high-powered Planning & Development Board in Punjab on the pattern of Punjab. In this case, therefore, a new position of Chairman P&D would be created, which could be manned by the existing Additional Chief Secretary. But under the Chairman, five positions of members have been proposed. These positions can be filled by promotion of existing Chiefs or through posting by the Government of Khyber Pakhtunkhwa. All these positions would be in BPS-20 and the provision of one support staff per member has been given below, which may be modified by the government.

Table 2 Structure of Planning & Development Board in Punjab

Position	Number of Positions	Proposed BPS	Staffing Modality	Funding
Member Infrastructure Development	1	BPS-20	Posting & transfers	SNE
Member Social Sectors	1	BPS-20	Posting & transfers	SNE
Member Services Sector	1	BPS-20	Posting & transfers	SNE
Member Production Sectors	1	BPS-20	Posting & transfers	SNE
Member Economic Growth	1	BPS-20	Posting & transfers	SNE
Support Staff	10	-	Posting & transfers	SNE

3.6.3 Economic Growth as a Priority Area - EG Unit

Under the economic growth reform area, it is proposed to create a dedicated Economic Growth Unit, reporting to the newly proposed position of Member Economic Growth. The Unit would be headed by a Head and would comprise four full-time technical experts. In addition, four focal persons would also work intermittently with the Unit, while residing in their parent offices, which could either be another Section in P&D or another line department. The Head of EG Unit may be kept in MP-1 or equivalent grade, whereas the technical experts may be kept in MP-2 or equivalent grade.

Table 3 Proposed Economic Growth Unit

Position	Number of Positions	Proposed BPS	Staffing Modality	Funding
Head of EG Unit	1	MP-1 / Equivalent	Recruitment	PC-1
Inclusive Growth & Skills Expert	1	MP-2 / Equivalent	Recruitment	PC-1
Regional Development Expert	1	MP-2 / Equivalent	Recruitment	PC-1
Investment Climate & Policy Expert	1	MP-2 / Equivalent	Recruitment	PC-1
Private Sector Development Expert	1	MP-2 / Equivalent	Recruitment	PC-1

3.6.4 Public Private Partnerships Unit

The provision of creating a public private partnership unit is given in the KP PPP Act 2014, which is to be headed by the Secretary P&D. The structure of PPP Unit is not stipulated in the law and it is therefore proposed to create eleven new positions under the Secretary, given the expansive scope of work of the Unit. These would include a position each for Legal Counsel and Financial Advisor in MP-1 or equivalent grade; four positions of Deputy Directors in MP-2 or equivalent grades; and five positions of Assistant Directors in MP-3 or equivalent grades. The four Deputy Directors would take care of Infrastructure; Social Services; Capacity Building & Policy Support; and Administration, whereas the five Assistant Directors would be responsible for Infrastructure; Social Services; Capacity Building; Policy Support; and Administration.

Table 4 Stipulated Public Private Partnerships Unit

Position	Number of Positions	Proposed BPS	Staffing Modality	Funding
Legal Counsel	1	MP-1 / Equivalent	Recruitment	PC-1
Financial Advisor	1	MP-1/ Equivalent	Recruitment	PC-1
Deputy Director	4	MP-2/ Equivalent	Recruitment	PC-1
Assistant Director	5	MP-3/ Equivalent	Recruitment	PC-1

3.6.5 Institutional Strengthening of BOS

For institutional strengthening of Bureau of Statistics, it is proposed to upgrade the current position of Director into a BPS-20 Director General position with three new Directors reporting to him in BS-19. These would be assisted by 11 Deputy Directors in the headquarter and a few additional positions in the field. The three Directors would manage Finance, Administration and Client Services Wing; Technical Wing; and Survey and Research Operations Wing. The eleven Deputy Directors in the headquarters would take care of the following sections.

- Finance and Budgeting
- Administration and General Services
- Publications and Client Services
- Information Technology
- Regional Accounts and Provincial GDP
- Enterprise, Production and Private Sector Services
- Prices and Agriculture Section
- Social Services Section
- Household Surveys and Survey Design
- Methodology & Development
- Field Operations

Table 5 Proposed Additions to Strengthen Bureau of Statistics

Position	Number of Positions	Proposed BPS	Staffing Modality	Funding
Director General	1	BPS-20	Posting & transfers	PC-1
Director	3	BPS-19	Posting & transfers	PC-1
Deputy Director	11 + Divisions	BPS-18	Posting & transfers	PC-1

3.6.6 Establishment of Change Management Unit⁵

Government of KP is also working to establish a Change Management Unit. Implementation various institutional reforms, within and outside P&D, would entail important changes in the working systems and structures of the implementing departments. The line departments have to align their institutional structure with the ambitious reform agenda of the provincial government. These needs have necessitated the establishment of a dedicated Change Management Unit within provincial government for enhancing the reform implementation capacity within responsible sectors and departments. The Change Management Unit will enable oversight and steering of the reform process within provincial government in a systematic manner and will also enable implementing departments to bring about requisite procedural and structural changes for complimenting reform implementation. In short, Change Management Unit will provide a

⁵ "Establishment of Change Management Unit"; Mehboob, Rizwan; USAID FIRMS Project

dedicated institutional mechanism to provincial government for tracking reform implementation on sustainable basis.

The Change Management Unit has also identified a number of human resource requirements, which are laid out in the referenced project documents. These requirements include the following:

- Governance Expert – 2 Years Position
- Human Resource Development Expert – 2 Years Position
- Private Sector Development Expert – 2 Years Position
- Management Information System Expert – 2 Years Position
- Change Management Expert – 2 Years Position

3.7 Financing Arrangements

A number of reforms highlighted in these reports involve staffing and recruitment on new positions. This would have cost implications. It is proposed that for strengthening planning institutional structure in districts, in case the government decides to go for Option 1, which involves deputing Planning Officers, the cost for such officials should come from local government budgets. For new positions to be created in Planning and Development Board, it is proposed that these positions should be made permanent part of P&D, through a request for Statement of New Expenditure (SNE). For other reforms such as establishment of Economic Growth Unit, PPP Unit and even for new positions in Bureau of Statistics, it is better to undertake these initially through development expenditure. This would ensure quick disbursement, easier process as well as the flexibility in initial years to tweak the structure in line with institutional needs. Once the development funding is over, the same structure can be permanently embedded in the government. For this purpose, the PC-1 would need to be developed for all these projects. These can also be financed through a single PC-1 for institutional capacity enhancement of P&D. In any case, these PC-1s should also cover all other costs, such as recurring as well as initial capital expenditure.

3.8 Regulatory and Policy Framework

In order to institutionalize these reforms, a number of policy and regulatory changes would also be required.

In case of strengthening district-planning infrastructure, if the government goes for Option 1, there is a need to develop rules under KP Local Government Act 2013. Similarly, for P&D Board, Rules of Business would have to be amended after approval by the competent authority. Similarly rules of business would have to be amended and new rules drafted for changes in Bureau of Statistics as well as for creation of Economic Growth Unit. For PPP Unit, new rules would be drafted under the KP PPP Act 2014.

3.9 Capacity Development

Given the scope of institutional reforms in P&D, capacity development would take a center stage role to ensure that the reform are embedded within the institutional

architecture of P&D and due support is provided to all new positions. This would on one hand require development of all new rules, regulations, guidelines, etc., as highlighted in the technical assistance matrix and would need initial on-boarding and induction programs on the other. On the top of it, the P&D would need to continually assess the skill gaps in the new functions and offices and provide the requisite capacity to bridge these gaps.

Demand Driven Capacity Development – As mentioned earlier, the capacity development efforts should be based on a continuous assessment of skill gaps and developing tailored solutions to bridge them to ensure that the capacity development exercise is in line with what is required at each level. This would specially be important for Economic Growth unit, PPP Unit and the Bureau of Statistics.

Private Sector Engagement – The government also needs to recognize that it may not be the best provider for all services and especially in the area of capacity development, it needs to make use of leading private sector partners, which have demonstrated their excellence over the years. This would bring in a paradigm shift in government’s training mechanisms. This could therefore include forging partnerships with institutions like University of Peshawar, LUMS, IBA or even with leading international institutions like National University of Singapore, etc. A similar model has also been explored earlier in Punjab.

Strengthening Lower Governance Tiers – Traditionally capacity development efforts have been placed on senior and middle tiers, without any focus on lower governance tiers. Unfortunately, these lower tiers are critical in effective functioning of any department. Going forward, this marks one of the top priority areas of the government to strengthen these tiers within Planning and Development Department and build their capacity.

3.10 Implementation Plan

Role of ACS and Secretary P&D- Presently the top team of Planning and Development Department, including the Additional Chief Secretary, Secretary Planning and Development Department and Chief Economist are fully committed to undertaking institutional reforms at P&D. Considering that the institutional reforms would bring in many new changes and therefore lower appetite for reforms at the lower level, the ACS, Secretary and the Chief Economist need to drive these reform efforts.

Capacity Development of Chief Foreign Aid – Since a number of bilateral and multilateral donors are presently interested in reforms and are providing support in different areas, it is critical to synergize these efforts and make best use of available resources and assistance. In order to achieve this, the office of Chief Foreign Aid is of critical importance and there is a need to develop capacity of this section, may be through provision of a few technical experts in the Section.

Institutional Reform Champions - In order to create a broad-based ownership of these reforms, the Government needs to nominate a Governance Reform Champion for each of the five reform areas. These champions would be senior civil servants from within various provincial line departments. They champions would ensure removing any

hurdles in reforms implementation and would advise P&D in devising appropriate strategies to address key challenges.

Detailed Resourcing Plan – P&D also needs to develop a detailed resource plan to fully undertake the proposed institutional reform plan. There is a need to ensure flow of development funding for these reforms as well as to synergize resources from other means and for this purpose, the resource plan will cover government’s resources, donor support, private investment, etc.

Implementation Plan Sign-off - Although this implementation plan sets up the broader framework for the institutional reform program implementation and a more detailed reform area-wise implementation plan is also annexed at this document (and also submitted earlier), there is a need to further tweak this plan in line with government’s ambition. Once it is finalized, there is a need to adhere to these timelines to keep the momentum going.

TA Mobilization Plan – The chief Foreign Aid also need to develop a TA Mobilization Plan. Broader areas of technical assistance needs have been identified (submitted earlier). Technical gaps and needs in each reform area can be addressed through TA support provided by P&D and international donors.

Establishment of Change Management Unit – Government of KP is already working to establish a Change Management Unit. The Change Management Unit will provide a dedicated institutional mechanism to provincial government for tracking reform implementation on sustainable basis. It is expected that the CMU will lead on the communication and change management plan. CMU needs to develop a comprehensive communication and change management plan to successfully undertake the institutional reform interventions in P&D. This would include a comprehensive stakeholder mapping exercise, including both internal and external stakeholders; identifying communication needs for each stakeholder group; design of communication campaigns to address the communication needs; and communication campaign roll-out.

Monitoring and Evaluation - Effective monitoring and evaluation will form the core of this reform exercise and once the reforms are completed, a detailed monitoring plan needs to be developed based on clear benchmarks and periodic monitoring and evaluation. The monitoring can be supplemented through a detailed evaluation plan, including timing/requirement for all 3rd party evaluations.

4. Key Milestones – Inductions, Recruitments & Staffing

Institutional Strengthening Work Plan –P&D	Start	End
I. Strengthening District Planning Structure		
A) Policy Approval	Q3 2014	Q3 2014
B) Summaries and Changes in Rules of Business	Q4 2014	Q4 2014
C) Job Descriptions Development	Q4 2014	Q4 2014
D) Qualifications and Criteria Determination	Q4 2014	Q4 2014
E) Coordination with Relevant Parent Departments	Q1 2015	Q1 2015
F) Recruitments & Staffing	Q2 2015	Q2 2015
II. Strengthening Governance Arrangements of P&D		
A) Policy Approval	Q3 2014	Q3 2014
B) Summaries and Changes in Rules of Business	Q4 2014	Q4 2014
C) Job Descriptions Development	Q4 2014	Q4 2014
D) Qualifications and Criteria Determination	Q4 2014	Q4 2014
E) Staffing & Recruitment	Q1 2015	Q2 2015
III. Institutional Capacity for Economic Growth		
A) Policy Approval	Q3 2014	Q3 2014
B) Summaries and Changes in Rules of Business	Q4 2014	Q4 2014
C) PC-1 Development & Approval	Q4 2014	Q4 2014
D) Job Descriptions Development	Q4 2014	Q4 2014
E) Qualifications and Criteria Determination	Q1 2015	Q1 2015
F) Coordination with Relevant Parent Departments	Q1 2015	Q1 2015
G) Recruitments & Staffing	Q2 2015	Q2 2015
IV. Institutional Architecture of Public Private Partnerships		
A) Policy Approval	Q3 2014	Q3 2014
B) Summaries and Changes in Rules of Business	Q4 2014	Q4 2014
C) PC-1 Development & Approval	Q4 2014	Q4 2014
D) Job Descriptions Development	Q4 2014	Q4 2014
E) Qualifications and Criteria Determination	Q1 2015	Q1 2015
F) Coordination with Relevant Parent Departments	Q1 2015	Q1 2015
G) Recruitments & Staffing	Q2 2015	Q2 2015

V. Institutional Strengthening of Bureau of Statistics		
A) Policy Approval	Q3 2014	Q3 2014
B) Summaries and Changes in Rules of Business	Q4 2014	Q4 2014
C) PC-1 Development & Approval	Q4 2014	Q4 2014
D) Job Descriptions Development	Q4 2014	Q4 2014
E) Qualifications and Criteria Determination	Q1 2015	Q1 2015
F) Coordination with Relevant Parent Departments	Q1 2015	Q1 2015
G) Recruitments & Staffing	Q2 2015	Q2 2015

5. Technical Assistance Matrix

REFORM AREA: Strengthening District Planning Structure	
TECHNICAL ASSISTANCE NEED	DETAILS
OPTION 1	
Job Descriptions of Planning Officers	In case of Option 1, each district would have a Planning Officer, on the model of 2001 Local Government system. Although the functions of such officials would be broadly identified in the Capacity Building Action Plan document (subsequent deliverable), there is a need to make detailed job description of such officials, to streamline their work.
Performance Management Plan	Once the job description are completed, a performance management plan needs to be developed for district planning offices, with clearly defined key performance indicators (KPIs) as well as measures of success. This would ensure effective planning regime at this level, which would be a key, considering the increasing expenditure expectations by the local governments. The performance management plan should include both quantitative and qualitative measures. While there is a need to ensure development spent in line with resource allocation by the provincial government (as well as revenue mobilization at the local government level), the quality important must also be considered so that resource allocation priorities are clear and are in line with development objectives. Even releases should be linked to satisfactory progress on ground to ensure transparency and efficient work regime.
Formulation of Rules under KPLGA 2013	According to Section 5(4) of Khyber Pakhtunkhwa Local Government Act 2013, "Government shall prescribe rules of business for local governments notifying structure and working of local government administration, groups of offices, allocation of business, appointment, posting, promotion and transfer of officers and officials, performance evaluation, channels of communication, coordination of local council business, consultation between offices and incidental matters for smooth and efficient disposal of official business.". Under this provision, there would be a need to develop detailed rules for working of planning officers in the districts for conduct of their day-to-day business.
Designing Induction Training Program for Planning Officers	It is expected that many positions of planning officers would be occupied by officials, previously working in similar positions, but even then a number of changes would be instituted this time. For instance, the quantum of development spent would be increased manifold, in line with the expectations set under the KP Local Government Act 2013. This would require a much improved skill set in terms of project appraisal, review, monitoring and evaluation, etc. Moreover, the rules made under the new legislation would be modified. These officers would also have to work in close coordination with Assistant Directors Local Government. All this would require a well thought out, comprehensive induction plan for these officials so that they hit the ground running and know their job responsibilities as well as standard operating procedures quite well.
On-Job Training of Planning Officers	Once the new system is in place, there would be a need to continually develop and beef up the capacity of planning officials to

REFORM AREA: Strengthening District Planning Structure	
TECHNICAL ASSISTANCE NEED	DETAILS
OPTION 1	
	facilitate them in efficient working as well as to keep up the pace with increased resource envelope available to them. It is expected that gradually, the resource envelope would increase due to: a) increasing share of local governments in ADP; b) increase in size of ADP; and c) increase in own source revenue mobilization. The capacity development of such officials should focus on annual development plan formulation; medium term budgetary and development frameworks; project review and appraisal; monitoring and evaluation; use of technology, etc.
OPTION 2	
Job Descriptions of ADLG related to Planning	In case of Option 2, the existing Assistant Directors of Local Government would take on the planning jobs, more or less on the line of pre-2001 Local Government system. However, given the quantum of funds and increased responsibilities in 2013 local government regime, there is a need to make detailed job description of such officials, to streamline their work.
Performance Management Plan	Once the job description are completed, a performance management plan needs to be developed for planning functions performed by ADLGs, with clearly defined key performance indicators (KPIs) as well as measures of success. This would ensure effective planning regime at this level, which would be a key, considering the increasing expenditure expectations by the local governments. The performance management plan should include both quantitative and qualitative measures. While there is a need to ensure development spent in line with resource allocation by the provincial government (as well as revenue mobilization at the local government level), the quality important must also be considered so that resource allocation priorities are clear and are in line with development objectives. Even releases should be linked to satisfactory progress on ground to ensure transparency and efficient work regime.
Rules under KPLGA 2013	According to Section 5(4) of Khyber Pakhtunkhwa Local Government Act 2013, "Government shall prescribe rules of business for local governments notifying structure and working of local government administration, groups of offices, allocation of business, appointment, posting, promotion and transfer of officers and officials, performance evaluation, channels of communication, coordination of local council business, consultation between offices and incidental matters for smooth and efficient disposal of official business.". Under this provision, there would be a need to develop detailed rules for planning function to be performed by ADLGs in the districts for conduct of their day-to-day business.
On-Job Training of ADLG	Once the new system is in place, there would be a need to continually develop and beef up the planning capacity of ADLGs to facilitate them in efficient working as well as to keep up the pace with increased resource envelope available to them. It is expected that gradually, the resource envelope would increase due to: a) increasing share of local governments in ADP; b) increase in size of ADP; and c) increase in own source revenue mobilization. The capacity development of such officials should focus on annual development plan formulation; medium term budgetary and development frameworks; project review and appraisal; monitoring

REFORM AREA: Strengthening District Planning Structure	
TECHNICAL ASSISTANCE NEED	DETAILS
OPTION 1	
and evaluation; use of technology, etc.	
Others	
P&D Center of Excellence and Resource Center – Action Plan	For either of Option 1 or 2, the Planning & Development Department would need to act as a center of excellence to drive institutionalization of a robust planning regime at the district level. This would be done through provision of SOPs, policies, regulations, template as well as technology solutions to enhance visibility, efficiency and transparency. The P&D would also need to drive the capacity development of planning institutional layer at the district level. This in turn would need a detailed concept note, an action plan as well as on-ground support for P&D through technical assistance.
Planning Manual for P&D	Within the ambit of new local government legislation, the P&D would need to develop a comprehensive planning manual, which could be used by all line departments as well as by district governments. The manual would cover all rules & regulations; roles and responsibilities and other details on working of the planning regime across the province.
Support for Change in Rules of Business	There may be a need to make appropriate changes in the Rules of Business for Planning & Development Department and hence the need to draft revised rules.
Change Management Plan	The institutional reforms would create new roles and responsibilities for a number of officials both within P&D and Local Government departments as well as within the local governments. For these changes to take place successfully and get embedded in the government's institutional architecture sustainably, a comprehensive change management plan would need to be developed and rolled out.

REFORM AREA: Strengthening Governance Arrangements	
TECHNICAL ASSISTANCE NEED	DETAILS
Job Descriptions and Performance Management System	Once the P&D Board is created with a number of new positions instituted, the role of these members of the Board are expected to be much broader than the present Section Chiefs. These members would need to drive development strategies within their respective domains and introduce sector development approaches to coordinate development efforts by relevant line departments and other agencies. Therefore, there is a need to make detailed job description of such officials, to streamline their work. Once the job descriptions are completed, a performance management plan needs to be developed for these members of the P&D Board, with clearly defined key performance indicators (KPIs) as well as measures of success.
Change Management Plan	The creation of P&D Board would create new roles and responsibilities for a number of officials within P&D and would introduce a new way of working. For these changes to take place successfully and get embedded in the government's institutional architecture sustainably, a comprehensive change management plan would need to be developed and rolled out.
Support for Change in Rules of Business	Although the creation of P&D Board is being proposed on Punjab model, it is interesting to note that the P&D Board in Punjab is working without any rules of business and merely on legacy. In KP

REFORM AREA: Strengthening Governance Arrangements	
TECHNICAL ASSISTANCE NEED	DETAILS
	however, there would be a need to make appropriate changes in the Rules of Business for Planning & Development Department and hence the need to draft revised rules.

REFORM AREA: Economic Growth	
TECHNICAL ASSISTANCE NEED	DETAILS
Establishment of EG Unit – Logistical and Capacity Development Support	Once the Economic Growth Unit is created, it would need strong support in a number of areas to make it a vibrant entity. Such support may be need in logistics, capacity development, technical and policy input, developing sector strategies, etc. All these areas would therefore need substantial technical assistance.
Job Descriptions and Performance Management System	Once the EG Unit is created with a number of new positions instituted, there would be a need to make detailed job description of such officials, to streamline their work. Once the job descriptions are completed, a performance management plan needs to be developed for these officials, with clearly defined key performance indicators (KPIs) as well as measures of success.
Concept Note and PC-1 Development	Although the Capacity Building Plan Action Document (the subsequent deliverable) would lay out the broad concept of the proposed Economic Growth Unit, there would be a need to develop detailed concept note for the unit as well as PC-1 to seek initial development funding.
Cost of Doing Business Reform Plan	One of the key functions of the Economic Growth Unit would be to work towards improving investment climate in the province and reduce cost of doing business. This in turn would require development of Policy Reform Plan and its roll out, which would include mapping out all policy and regulatory bottlenecks, developing new and revised policies and regulations and implementing them. This would also require tracking key policy parameters in various districts of KP.
Regional Development Strategies	One of the roles of EG Unit would be to look at various regions of KP and develop multi-sectoral strategies to support economic growth in them. This would involve working with various line departments as well as local governments to develop regional development strategies to identify complementarities and need for synergistic investments.
Inclusive Growth Plan	The EG Unit would also need to put in place an inclusive growth plan and track progress by relevant social services line department. The EG Unit would need to track key parameters such as MDGs, etc. and provide technical assistance to line departments and local governments to bridge any competency or technical gap.
Private Sector Support Project Appraisal Toolkit	The EG Unit would ensure calibration and prioritization of all kind of private sector support provided by the Government of KP, which in turn would require development of a Private Sector Support Project Appraisal Toolkit to help the relevant officials make informed decisions in line with the economic growth objectives of the province.
Public Private Dialogue Forum	Public private dialogue (PPD) would form the crux of private sector development work to be done by the EG Unit. For this purpose, the EG Unit would need to create a forum to ensure regular and periodic public private dialogue at various levels.
Skills Development Policy	KP's Economic Growth Policy mentions the need for development

REFORM AREA: Economic Growth	
TECHNICAL ASSISTANCE NEED	DETAILS
	of a comprehensive skills development policy to provide policy direction for skill development of youth in the province and to capitalize on youth bulge. The policy would ensure appropriate resource allocation and ensuring supply demand gap in the market.
Skills Policy and Advisory Committee	In order to support skills development work in the province, appropriate institutional mechanisms need to be in place. The Skills Policy and Advisory Committee would provide such a platform to drive skill development work in the province and it is proposed that EG Unit should be instrumental in bringing this Committee to life.
Corporatizing of KP-TEVTA	In order to make KP-TEVTA a vibrant organization and revamp its existing vocational and technical training regime, the corporatization of KP-TEVTA has been proposed in KP's Economic Growth Strategy. It is envisaged that EG Unit should drive this and would need technical assistance to undertake this successfully.
Establishment of Skills Development Fund	For sustainable funding of skills development intervention in Khyber Pakhtunkhwa, there is a need to establish a Skills Development Fund. Although this would be an autonomous entity, the EG Unit would drive this intervention. For this number technical assistance would be needed in a number of areas, such as seed money provision, development of rules, disbursement procedures, etc.

REFORM AREA: Public Private Partnerships	
TECHNICAL ASSISTANCE NEED	DETAILS
PPP Unit – Logistical and Other Support Establishment	Once the Public Private Partnership Unit is created, it would need strong support in a number of areas to make it a vibrant entity. Such support may be need in logistics, capacity development, technical and policy input, etc. All these areas would therefore need substantial technical assistance.
Concept Note and PC-1 Development	Although the Capacity Building Plan Action Document (the subsequent deliverable) would lay out the broad concept of the proposed Public Private Partnership Unit, there would be a need to develop detailed concept note for the unit as well as PC-1 to seek initial development funding.
Job Descriptions and Performance Management System	Once the PPP Unit is created with a number of new positions instituted, there would be a need to make detailed job description of such officials, to streamline their work. Once the job descriptions are completed, a performance management plan needs to be developed for these officials, with clearly defined key performance indicators (KPIs) as well as measures of success.
Rules Under PPP Act	The Khyber Pakhtunkhwa Public Private Partnership Act 2014 stipulates in Section 71: "Government may, make rules for carrying out the purposes of this Act." Technical assistance would therefore be required to develop rules under this Act.
PPP Guidelines & Regulations	The Khyber Pakhtunkhwa Public Private Partnership Act 2014 stipulates in Section 72 that "Subject to this Act and the rules made hereunder, the Committee may approve regulations, procedures and guidelines to make operations under this Act, efficient, transparent and effective." Technical assistance would therefore be required in this area as well. This would include development of PPP Project Inception Guidelines; Risk Management Guidelines; Project Development Guidelines; Transaction Execution Guidelines; Viability Gap Funding Guidelines, etc.
Induction and Trainings	Once the PPP unit is established, the staff would be taken on

REFORM AREA: Public Private Partnerships	
TECHNICAL ASSISTANCE NEED	DETAILS
	board. PPP being a new area of work in the province, would need a lot of support and technical input for successful on-boarding of PPP Unit staff. This would include developed of detailed job descriptions, KPIs and measures of success, standard operating procedures, etc.
Investment Roadshows	Once the PPP Project Pipeline of KP has a few developed projects, the PPP Unit would need to generate investors' interest in these projects through local and internal investment road shows. Technical assistance would be needed to showcase these projects, mobilize investors and to attract private capital.
Capacity Development of PPP Nodes	Under the PPP Act 2014, PPP Nodes would be established in various line departments. These nodes would be manned by respective line departments but would need substantial capacity development to introduce them to PPP working and to facilitate them to undertake PPP projects successfully.
Pilot PPP Projects	The success of PPP regime in Khyber Pakhtunkhwa would depend on the initial few PPP transactions are executed. Successful examples in the beginning would earn investors' confidence and would go a long way in attracting private financing to the province. This would need bringing in credible transaction advisors like IFC and successful closure and implementation of pilot PPP projects. This in turn would need technical assistance to support the government.
Viability Gap Fund Establishment	The Government of KP would need to establish a Viability Gap Fund (VGF), which would provide explicit performance driven subsidies, based on the private service provider achieving measurable outputs and targeted towards socio-economically disadvantaged users or groups of users. The Government will also develop clearly laid out VGF guidelines setting the eligibility criteria and limits for VGF; describing in detail the procedures for applying for, approving, disbursing and monitoring the subsidy; and presenting the institutional arrangements, which may ultimately include a dedicated VGF company.
Project Development Facility	In order to meet the resource requirements for PPP projects' preparation and transaction execution, the Government would need to introduce a Project Development Facility to provide these resources to different line departments so that the PPP projects are adequately prepared.
Risk Guarantee Fund Establishment	Many of the PPP projects require substantial risk sharing by the government. In order to manage these liabilities, Government of KP would need to establish a Risk Guarantee Fund. The fund would be an entity separate from the Government's consolidated account and would be capitalized upfront. Moreover, the fund would not issue guarantees that create an exposure or contingent liability higher than its capital, thus providing a cap on the total value of government guarantees. Also, the Risk Guarantee Fund would issue guarantees only for risks that the Government can influence, or which are uncontrollable and uninsurable.

REFORM AREA: Bureau of Statistics	
TECHNICAL ASSISTANCE NEED	DETAILS
BoS Institutional Strengthening – PC-1 Development	Although the Capacity Building Plan Action Document (the subsequent deliverable) would lay out the broad concept of the

REFORM AREA: Bureau of Statistics	
TECHNICAL ASSISTANCE NEED	DETAILS
	proposed institutional strengthening of BoS, there would be a need to develop detailed PC-1 for the institutional development plan to seek initial development funding.
Job Descriptions and Performance Management System	With institutional strengthening of BoS, a number of new positions would be instituted and there would be a need to make detailed job description of such officials, to streamline their work. Once the job descriptions are completed, a performance management plan needs to be developed for these officials, with clearly defined key performance indicators (KPIs) as well as measures of success.
Calculation of provincial GDP estimates	BoS should start to work with FBS and all provincial BoS to devise a strategy to develop provincial GDP estimates. A good starting point would be the data feeding into national GDP estimates and disaggregating the same to calculate provincial GDP. While it is understandable that such estimates would have gaps, such gaps can however be addressed gradually over time. This approach would also prevent multiple differing estimates and would make the whole exercise much more viable and credible. The same approach has also been tested and tried in a number of countries. In order to undertake this task initially BoS would need technical assistance.
Comprehensive Household Survey	As recommended by institutional development plan, BoS would need to start building on its primary data repository through undertaking a comprehensive household survey at tehsil level. This would also start building and enhancing BoS's current capacity. The scope of such a survey should be defined after reviewing the current development strategies and programs, such as CDS as well as the Economic Growth Strategy and identifying data needs from them. Such a survey can also be built on MICS (Multiple Indicator Cluster Survey), conducted after every two years. This new household survey would be conducted every year with the possibility of a rapid round every six month, providing regular and credible development data on issues of particular interest to the province, setting baseline benchmarks and tracking progress. Technical assistance can be used for initial round of the survey to develop capacity at BoS.
Provincial Statistical Legislation	Building the foundations for a sustainable statistical system requires an appropriate legal framework. BoS operates under the umbrella of federal statistical laws (General Statistics Act 2011, the Census acts and the Factories Acts). There is no specific provincial legislation that empowers BoS to collect data from businesses and households. Technical assistance can be employed to develop new draft legislation.
Service Rules for BoS Staff	Currently there is lack of career development opportunities in BOS in terms of promotion and absence of a proper service structure. Therefore, a key step going forward would be to develop, approve and notify service rules for BoS staff, catering for notifying provincial statistical cadres for employees of BoS. The service rules should also build in appropriate career development opportunities to keep the employees motivated.
Staff Capacity Development Plan	The institutional reforms of BoS would depend on the capacity of the staff and therefore the capacity development would be a critical

REFORM AREA: Bureau of Statistics	
TECHNICAL ASSISTANCE NEED	DETAILS
	and integral part of the process. The key would be to embed the capacity development as a continuous activity within the organizational fabric. The capacity development function should be performed both internally and externally. Internally, BoS should develop some in-house capacity to train its field staff on an ongoing basis. BoS may also consider entering into arrangements with a local academic institution to set up a program for continuing staff training. The same training program can also be used for developing capacity of other line departments. The BoS can also seek donor assistance for specialized training courses at leading local universities such as LUMS or IBA or even at international universities. Some of the areas of capacity building should include sampling design and application; data analysis; report writing; statistical package for social sciences; calculation of CPI, WPI and SPI; calculation of regional GDP, etc.
Technology Support	This would provide the foundation for future work of BoS and is therefore critical. BoS should work towards creating user-friendly databases through collating all available data from FBS and other sources pertaining to KP. This should also be supported by a meta-database (information about the sources, type and quality of the data) and should enable BoS to engage in active data dissemination via a well designed website. The database should enable easy and robust tracking of Millennium Development Goals and other development goals of the provincial government. The proposed database should extract data from multiple sources such as raw data from the FBS on the Census, the Annual Industry Survey and Pakistan Social and Living Standards Measurement Surveys and the Labor Force Survey etc

REFORM AREA: Change Management Unit⁶	
TECHNICAL ASSISTANCE NEED	DETAILS
Deployment of Resources at Change Management Unit	Government of KP is also working to establish a Change Management Unit. The Change Management Unit will provide a dedicated institutional mechanism to provincial government for tracking reform implementation on sustainable basis. There is a need to deploy resources for next two years in the CMU, as per the requirements identified (5 positions).

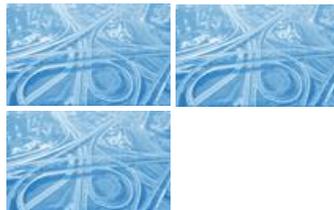
⁶ "Establishment of Change Management Unit"; Mehboob, Rizwan; USAID FIRMS Project

6. Appendices

Appendix -1 Brainstorming Session Presentation Planning & Development



- * Why to Ride?
- * Board the Bus?
- * Learn to Drive?
- * Test Drive?
- * Show Your Skills?
- * The Last Mile?
- * The Finishing Line?





CASE FOR CHANGE

Ambitious Development Agenda

18th Amendment

Focus on Economic Growth

Reconstruction and Recovery

Mobilizing Private Investments



STRENGTHENING P&D

Strengthening Institutional Structure at district level

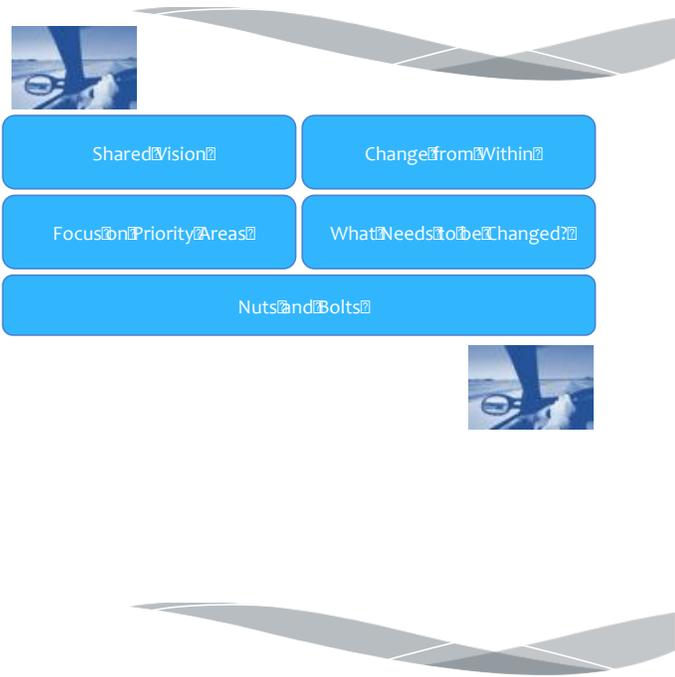
Empowering P&D to become a board

Economic growth as a priority area

Public private partnerships

Other areas such as BOS and M&E







GROUP PRESENTATION & FEEDBACK



- | | |
|------------------------------|-----------------------------------|
| Up-gradation of skills | New Institutional Structure |
| Change in Existing Structure | Equipment, Logistics and Software |
| Policy, Law and Regulations | Technical Assistance |
| Finances | |



BREAKOUT SESSION



GROUP PRESENTATION

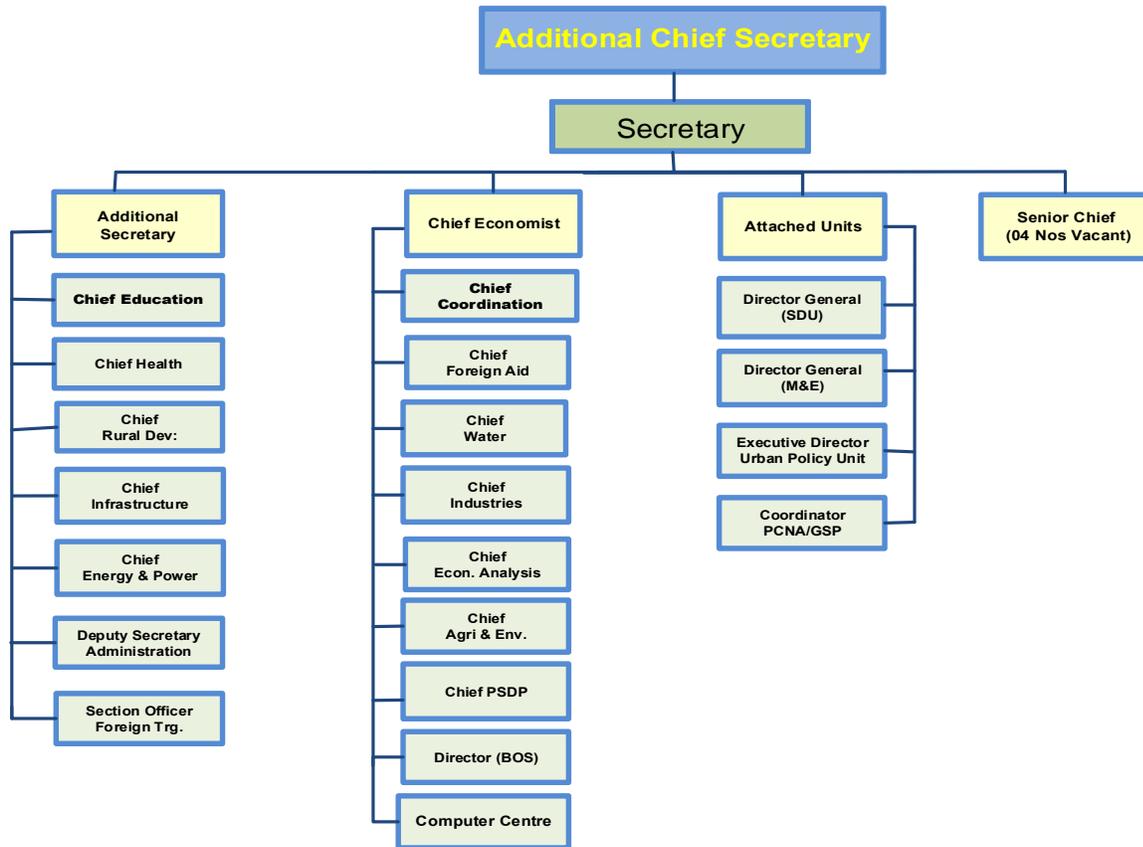


Appendix-2 Existing Rules of Business of Planning and Development

1. Planning and Development including policy, procedure and coordination work relating to the preparation of the Provincial Annual Development Program and its review.
2. Processing of all development schemes, programs and proposals submitted by other
3. Departments including autonomous bodies and making recommendations to Government thereupon; Secretariat functions of the Provincial Development Working Party.
4. Maintaining liaison with the National Planning Agencies.
5. Dealing with Autonomous and Semi-Autonomous Bodies in regard to development planning programs and projects in N.W.F.P.
6. Foreign Aid.
7. Coordination of technical assistance from abroad including training facilities; expert advisory services and equipment.
8. Coordination of training of Local Officers and private sector candidates in foreign countries. Secretariat functions of the Provincial Selection Committee for training abroad.
9. Arrangement of the services of foreign experts/advisors including Secretariat functions of the Provincial Screening Committee for the appointment of foreign expert/advisors.
10. Economic research and matters relating to the Board of Economics Enquiry.
11. Coordination of Provincial statistics in general and all matters relating to the Bureau of Statistics.
12. General Economic appraisal evaluation of progress and performance of Development Schemes and Programs and their critical appraisal.
13. Initiation of measures for giving a suitable publicity to the Development plans and educating the public on the results achieved from time to time.

14. Matters relating to the Regional Development Projects, N.W.F.P.
15. Price Stabilization Policy.
16. Protocol functions in connection with visits of foreign economics missions and delegations; etc.
17. Appropriation and re-appropriation of development grants provided in the budget.

Appendix-3 Existing Organizational Structure of P & D



7. References

- Annual Development Plan 2013 – 2014
- Economic Growth Strategy
- Post Crisis Needs Assessment
- Comprehensive Development Strategy 2010 – 2017
- Firms Project Reports on Agriculture Market Reforms
- Firms Project Reports on Livestock Reforms
- Firms Project Reports on Tourism
- Firms Project Reports on Mines and Minerals Sector Reforms
- Firms Project Reports on Public Private Partnership Framework
- Diagnostic Report on P&D; OPM
- Concept Paper produced by Secretary P&D on strengthening P&D
- Implementing 18th Amendment in KP; By Farrukh Moriani; Oxford Policy Management
- Revitalizing the Planning Commission; International Growth Center
- Reports on MTBF implementation/roll-out in KP
- Monitoring and Evaluation Framework for Integrated Policy, Planning and Budget Process (KP)

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