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Recommendations for Improving Project
Planning, Budgeting and Management
Systems Coordination

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PREPARED FOR
USAID MISSION TO PAKISTAN

BY

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Background

This report is the result of a six week diagnostic review of development project planning, budgeting and management procedures used by the Government of Pakistan (GOP) and the United States Agency for International Development (USAID). This effort was commissioned by USAID to determine the impact of systems deficiencies on the implementation of its extensive foreign aid program in Pakistan. Since previous studies, by USAID and other donors, had concentrated on project preparation and approval problems, this diagnostic review was to focus on systems and procedures related to budgetary management and financial reporting. One explicit output of this review was the scope of work for a long-term technical assistance project to further analyze preliminary findings and provide systems development and implementation support to the GOP.

Through interviews with GOP and USAID officials, analysis of planning and budget documents and review of previous assessments the following principal findings have been made:

1. There is an unplanned and uncoordinated investment in computer hardware and software by both USAID and the GOP
2. No common financial framework exists within the GOP for donor-financed projects. Cost estimating and reporting forms are inconsistent and contradictory

3. There is no systematic approach for project tracking, performance monitoring or accountability assessment
4. There has been a lack of appreciation, by USAID and the GOP, of the other's planning, budgeting and implementation requirements
5. A unified, and integrated data base, is essential to the future administration of the GOP's development program
6. Project level management is either non-existent or extremely weak. Both USAID and the GOP should concentrate resources on building capacity and promoting "alignment" at the project level.

A series of recommendations, aimed at these areas, has been provided for consideration by GOP and USAID officials. Scopes of work for three management systems development projects are included as Annexes. I, II, & III.

The International Science & Technology Institute, and its consultant, John Dalton, appreciate the cooperation of the numerous GOP and USAID professionals who shared their views and provided very helpful guidance. Special thanks to Mr. Mohammed Hussain, Chief, Development Authorization/Plan Coordination, Planning & Development Division for providing direction & counsel throughout the project.

SECTION 1

RECOMMENDATION FOR ACTION BY THE GOVERNMENT OF PAKISTAN'S MINISTRY OF PLANNING, FINANCE AND ECONOMIC AFFAIRS

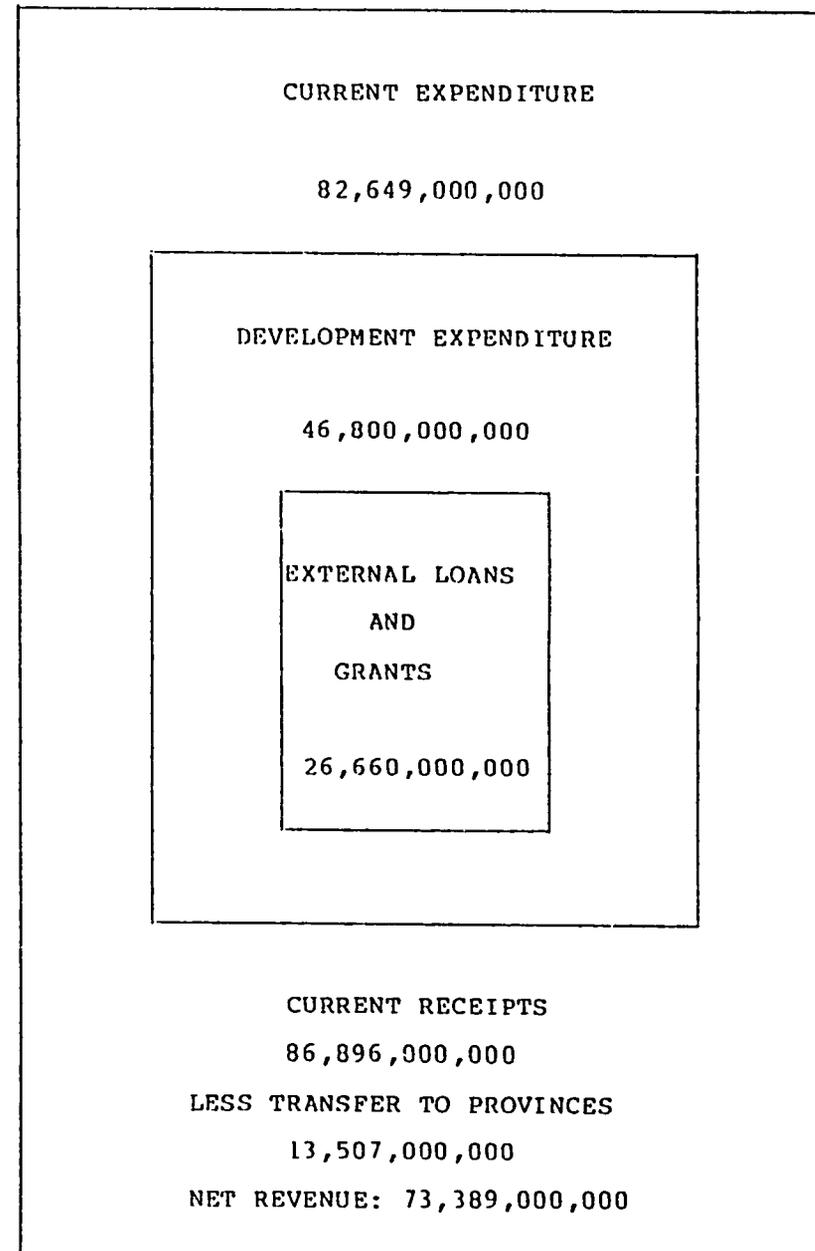
This section of the report contains six recommendations for implementation by the Government of Pakistan through its Ministry of Planning, Finance and Economic Affairs. The significant policy and management implications represented in some of these recommendations can only be addressed by the Minister, Dr. Mahbubul Haq, himself.

The recommendations are intended to assist the GOP establish unified, integrated and cost effective systems for development project management. Procedural recommendations to a) promote timely implementation of foreign assisted projects and b) assure the realization of associated receipts, are matters for immediate attention during the 1985-86 fiscal period. The importance of external resource flows to the development program is depicted in Exhibit 1. These figures are well-known to GOP professional administrators, but the relative magnitude and budgetary impact of these external resources is worth reviewing now, as the first quarter of the fiscal year draws to a close.

The most important recommendation contained in this report deals with a computer systems planning project as the vehicle for constructing a comprehensive data base and assuring "alignment" between GOP data and

The Significance of Foreign Aid to Development Project Implementation (1985-86)

1. Current expenditures exceed net revenue by 9,260 million rupees
2. External resources of 26,600 million rupees is 87% of total resources of 30,594 million rupees
3. Budget gap of 13,600 million rupees is 33% of ADP
4. Federal share of ADP is 72%
5. Provincial share of ADP is 28% or 9,950 million rupees.
6. Provincial shares of total ADP
 - . Punjab - 11%
 - . Sind - 4.5%
 - . NWFP - 3.5%
 - . Baluchistan - 2%
7. Autonomous bodies command 45% of total ADP



systems and those of foreign donors. Immediate and decisive action is needed to prevent policy fragmentation, duplication of resources and permanent systems misalignment.

The specific recommendations offered for consideration by the GOP are:

1. Prepare an overall systems plan for automating the Ministry of Planning, Finance and Economic Affairs.
2. Build upon the new Ministry structure of Planning, Finance and Economic Affairs to a) establish a single, consistent set of cost estimating forms, b) develop a consolidated data base and c) share skilled resources more effectively.
3. Institute a system of donor-specific demands within the GOP budget structure to assure proper attention to externally financed development projects.
4. Require expenditure programming for projects within donor-specific demands and release funds on the basis of these plans, not only on a percentage basis.
5. Concentrate on the development at EAD of a consolidated financial/performance reporting and monitoring system.

6. Establish a Project Manager classification, within the gazetted class of officers, to initiate provincial and federal development projects, train implementing agency personnel and institute model financial and performance management systems.

1. PREPARE AN OVERALL SYSTEMS PLAN FOR AUTOMATING THE MINISTRY OF PLANNING, FINANCE AND ECONOMIC AFFAIRS.

The recent consolidation within a single organization structure of the related functions of planning, finance and economic analysis has the potential of bringing about a unified and integrated system of development administration in Pakistan. At the present time each of the three Divisions which have been united in the single Ministry of Planning, Finance and Economic Affairs operates as an independent organization, pursuing objectives which are largely confined to the most narrow interpretation of its mission. The current structure works against itself, assuring cost inefficiencies, policy conflicts, systems duplication and fragmentation of the development projects data base. The potentially powerful alliance of these functions into an integrated structure cannot be achieved until the existing bureaucratic barriers between Divisions are broken down.

Computerization may not always provide a net benefit to an organization, particularly if the introduction of new computer technology will reduce the value of previous hardware/software investments. The Planning and Development Division has ordered a NCR mini-computer and will design specialized software to track development project proposals (PC-I/II) and monitor the progress of approved projects. The technology selected by PSD is incompatible with the Ministry's existing IBM/4331 mainframe computer located in the Finance Division. Once this segregated approach

becomes operational, it will not be possible for Finance and P&D to share information concerning the cost and performance of development projects. In effect, there will be two independent, overlapping data bases. What should be a consolidated data base, consistent with the multi-functional character of the Ministry, will be fragmented into segments corresponding to the organizational arrangement existing prior to the establishment of the current Ministry structure.

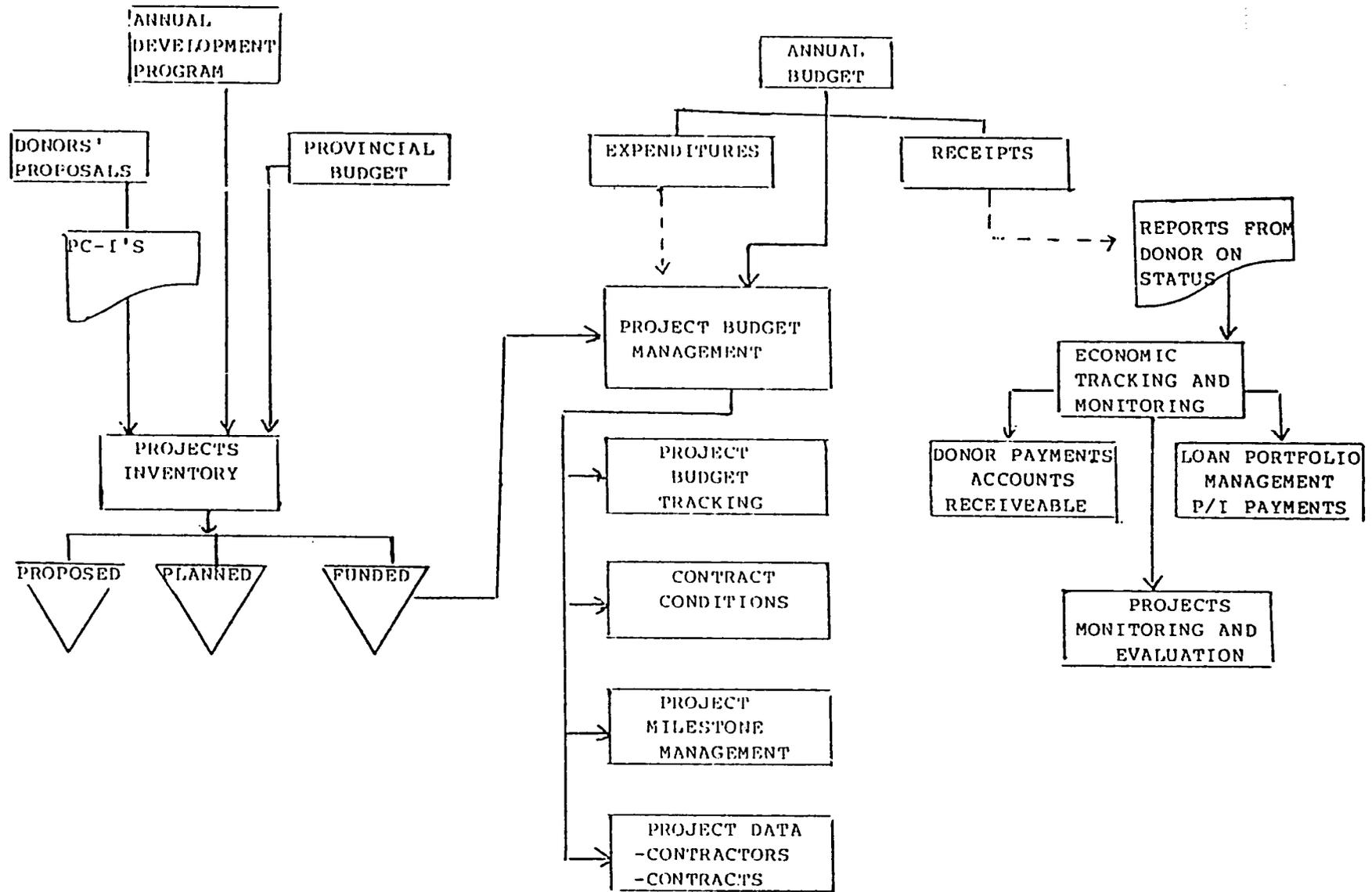
The Ministry's Economic Affairs Division has received a grant from UNDP to acquire an IBM/AT microcomputer. Initially the debt management functions are to be automated, although it is anticipated that other EAD functions will be computerized, as well. No plans exist, however, to link this technology with the Finance Division's IBM mainframe, notwithstanding the fact that a) EAD provides debt service data to the Finance Division (Budget Wing) as part of the annual budget exercise, and b) IBM's product line has been designed to facilitate mainframe to micro computer linkages.

The point of this commentary is not to criticize individual agencies of the national government for acquiring computer resources, but rather to point out that without proper planning and coordination the apparent positive effect of one action can have serious negative consequences for other elements of the system. It is ironic that the government Division which prides itself on the fact that development project approvals can only be secured after consideration of the project's effect on other investments, should acquire so critical a resource as a computer without regard to these same standards.

The most important recommendation contained in this report is for the Ministry to prepare a systems plan and use it as the basis for acquiring the computer hardware/software needed to build a consolidated data base. A major part of the plan will deal with the requirements for the Annual Development Programme. Exhibit 2 depicts the major file structure for an integrated development project management information system. Note that within this unified structure the unique data management requirements of each of the three Divisions will be satisfied. The three major components of the system are:

- Projects Inventory Management System- administered by the Planning and Development Division, this part of the system would provide the capacity to identify and track the status of both proposed and approved development projects.
- Project Budget Management System - administered by the Finance Division as a sub-system of its own budgeting and expenditure monitoring system. Development project budgets, outputs and beneficiaries would be tracked from project inception to completion.
- Economic Monitoring and Tracking System -administered by the Economic Affairs Division this part of the system would encompass debt management, accounts receivable and financial monitoring functions.

MANAGEMENT INFORMATION SYSTEM



Each "system", however is part of a unified data base, supported by one data base management software package. The Finance Division has recently acquired a package with the best price-to-performance ratio on the market. SAS, a product of the SAS Institute of Cary, North Carolina is an excellent tool for government data processing. Without prejudicing the recommended systems planning effort this product has the endorsement of over 15,000 mainframe computer users worldwide.

Systems planning, and follow-up implementation, is an expensive undertaking. Since much of the focus will be on the development programme, external financial support should be solicited. Each of the X four major donors (IBRD, ADB, USAID, OECF) should be requested to provide 20% of the cost, with the GOP contributing a full partnership share. An effort such as this could require up to 24 months to reach the detail design stage with costs exceeding \$1.5 million.

2. BUILD UPON THE NEW MINISTRY STRUCTURE OF PLANNING, FINANCE AND ECONOMIC AFFAIRS TO: A) ESTABLISH A SINGLE, CONSISTENT SET OF COST ESTIMATING FORMS, B) DEVELOP A CONSOLIDATED DATA BASE, AND C) SHARE SKILLED RESOURCES MORE EFFECTIVELY.

IF policy coordination and systems integration are true objectives of the new Ministry structure, one of the first actions by the Minister should be the elimination of inconsistent and duplicative project cost estimation formats. Representatives from each of the three Divisions

should be assigned the task of developing a unified and consistent package of financial input forms so that development project funding requirements, particularly for projects financed by foreign donors, can be identified in a timely and accurate manner. The current procedure - each Division independently collecting financial data and then "coordinating" with the other two Divisions to verify the accuracy of its own data - is unnecessary, confusing, wasteful of valuable time and manpower resources and prone to error. The development of a "package" of financial forms should also motivate the Ministry to recognize the necessity of developing and maintaining a unified data base.

One of the ^winfortunate by-products of the current "coordinated" approach to determining the Annual Budget is the fact that the Annual Development Programme is prepared, received and adopted without adequate reference to the availability of resources actually needed to implement project plans. As a consequence, time which should be devoted to project planning and programming is committed to the process of scaling back budgets, adjusting allocations, reassigning priorities and performing similar administrative tasks which delay project initiation and, for foreign aided projects, make it difficult to achieve the disbursement levels needed to achieve foreign exchange receipts estimates. X

It is proposed that the Ministry of Planning, Finance and Economic Affairs take the following steps designed to capitalize on its new mandate.

- a. Undertake a special project, supported by foreign donors, to develop a unified proforma for development project budget cost estimates.
- b. Establish a single, Ministry-wide Computer Cell with authority to develop standards, define requirements and mandate compatibility.

Each of these is explained below and, where appropriate, cross-referenced to other recommendations in this report.

- a. Undertake a special project, supported by foreign donors, to develop a unified proforma for development project budget cost estimates.

Analyzing the financial status of foreign assisted projects is made more difficult as a consequence of the inconsistent time-frames and accounting approach reflected on the input forms employed by the Ministry's three Divisions. The irreconcilability of these formats accounts, no doubt, for the discrepancies for the 1985-86 period in the Estimates of Foreign Assistance document (based on EAD data) as compared to either the Demands for Grants and Appropriations (Finance) or the Public Sector Development Programme (Planning and Development). One may also presume that these flaws in the initial data base tend to lengthen the time required to arrive at accurate revenue and expenditure estimates. The prospects for omissions and miscalculation are obviously greater under the current approach, using the existing proformas.

For example, the Statement of Foreign Aid Disbursements, the principal data input format promulgated by EAD, is intended as the primary document for representing 1) actual foreign aid "pipeline" (as of June 30 of the prior period), 2) projected pipeline balance at the end of the current fiscal year and 3) estimates of foreign aid disbursements, in the currency of the donor and the equivalent rupee value of these disbursements. Problems with the form abound. The calculation of actual "pipeline" is arrived at by subtracting GOP disbursements for a single year from the "allocation". This term is not defined, but it is presumed to represent the total loan/project obligation. It is also assumed that actual disbursements through the close of the prior period (June 30) are to be subtracted, not merely the actual disbursements for the previous fiscal year. Otherwise "pipeline" estimates would be substantially misstated. Even at that, direct disbursements by donors do not seem to be factored into the equation of "pipeline". The utility of the calculated result is questionable. Second, the calculation of projected pipeline is on the basis of estimated disbursements rather than expenditures (i.e. including accruals). Since both Planning & Development and Finance use expenditure estimates as the means of projecting budgets for the current year, it is impossible to reconcile EAD data to the data submitted to and utilized by these other agencies. Third, the calculation of rupee cover requirements, being based on disbursements, is understated for budgetary purposes, and not easily correlated with information concurrently submitted to P&D and/or Finance.

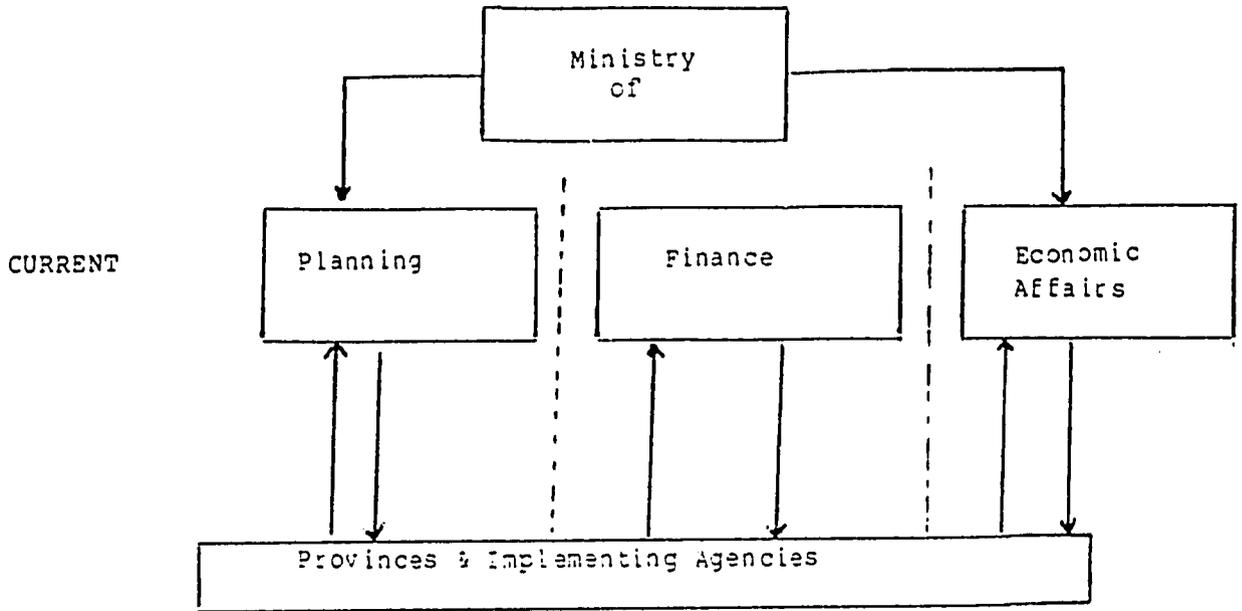
Greater consistency - in terminology, timeframe and financial focus - among all of the forms and documents promulgated by national government agencies will promote a more efficient utilization of agency manpower and will focus the attention of approving authorities on the implication of the data, rather than on a determination of its accuracy.

Further analysis should be directed to the development of a single "package" of budgetary forms, encompassing all of the data needs of the Ministry of Planning, Finance and Economic Affairs, to be distributed to implementing agencies and used for the annual development program/budget preparation exercise. Standard definitions, timeframes, financial focus etc. should be employed. When completed by implementing agencies this package of forms could be submitted to a central point. At that time, individual forms in the "package" could be distributed to the separate Divisions within the Ministry for more intensive analysis. The internal consistency of the data could then be verified and true coordination could be achieved.

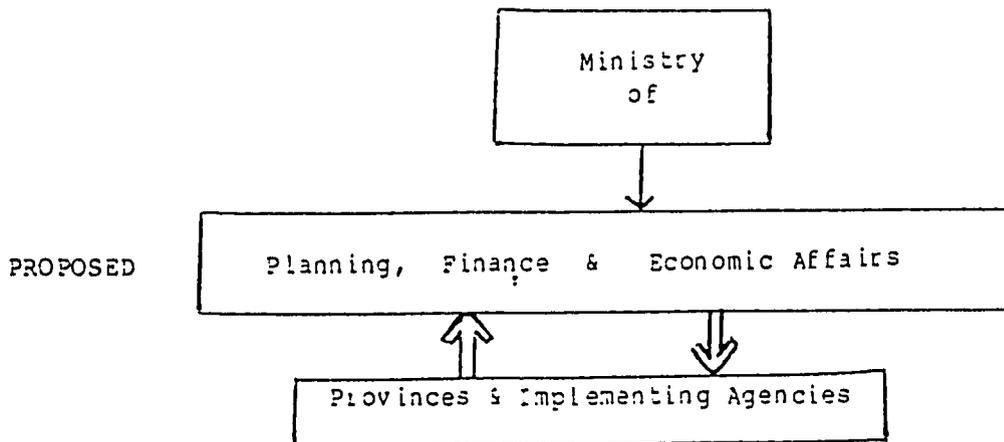
Exhibit 3, Impact of Data Flow on the Management & Organization Structure indicates how the current pattern of information exchange between implementing agencies and Missions within the Ministry of Planning, Finance and Economic Affairs reinforces the vertical, independent divisions within the Ministry. By developing a unified package of input forms the effect of these artificial barriers will be minimized.

IMPACT OF DATA FLOW ON THE MANAGEMENT & ORGANIZATION STRUCTURE

A. Segmented Structure Inhibits Policy & Management Coordination



B. Policy & Management Integration Through Revised Data Flow



An effort such as this requires a firm commitment by the Minister, Mahbubul Haq, and active participation by senior level personnel in defining the financial and statistical data required for planning and budgeting purposes. While consultants could support this effort and provide a sounding board for governmental suggestions, responsibility for the success of the project should rest within the Ministry.

At least one year will be needed to complete the effort. This will assure a distribution of the package in December 1986 for the FY 86-87 period. This time period is recommended since defining requirements and preparing appropriate proformas and instructions cannot be accomplished without consideration of the impact on data processing systems (existing or planned) as well as, manpower allocations and financial accounting/reporting procedures. These issues will need careful consideration during the period set aside for developing the budget forms package.

Annex III, at the end of this report contains a description and general scope of work for a Project Budgeting, Reporting and Monitoring Procedures effort.

- b. Establish a single Ministry wide computer cell with authority to develop standards, define requirements and mandate compatibility.

It is very difficult to recruit, hire and retain personnel with computer experience. The Minister announced in his Budget Message a stipend of

Rs.6000 for computer professionals as an attempt to bridge the considerable gap between public and private sector pay scales. In time this should produce some positive results.

In the meantime, internal competition for scarce technical resources (e.g. between Finance, P&D and EAD) will only frustrate GOP attempts to computerize management functions. Even now the excellent Finance Division data center, organized initially by Javed Talat and now administered by Mohammad Nasrul Aziz, is seriously understaffed. Should P&D and EAD organize independent computer centers or computer cells which compete with Finance, the already thin veneer of technical expertise will crack under the strain of excessive demand.

A single, Ministry-wide computer cell should be established. It will serve as a transitional approach for developing computer experience. After several years a cadre of computer professionals, trained on both mainframe and microcomputer operations, will be available to respond to the internal needs of the Ministry. For the present, the principal rationale supporting a single computer cell is the need for the Ministry to: a) consolidate its technical manpower resources, and b) act as project manager for the Ministry's systems planning and computerization initiatives.

3. INSTITUTE A SYSTEM OF DONOR-SPECIFIC DEMANDS WITHIN THE GOP BUDGET STRUCTURE TO ASSURE PROPER ATTENTION TO EXTERNALLY FINANCED DEVELOPMENT PROJECTS.

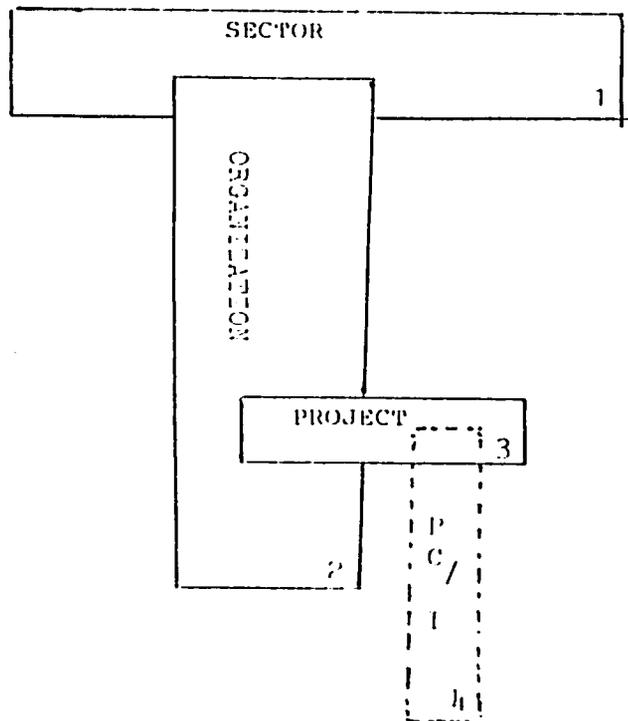
The expenditure portion of the Annual Budget of the Government of Pakistan consists of a series of "DEMANDS", i.e. estimates of expenditures by an organizational unit of government. Expenditures are classified by function (broad statements of purpose) and object (detailed cost categories corresponding to the accounting structure). Neither sector nor project cost estimates are displayed in the budget document. The Annual Development Programme document, on the other hand, is organized by sector, organizational unit and project. No detailed project level expenditure estimates are reflected in the ADP.

Exhibit 4 - compares the Data Structure of these two documents. Because the Annual Budget does not separately identify project level costs, it is difficult to determine the amount of rupee cover or rupee counterpart funds actually appropriated to a development project.

Funds are released by the Finance Division to implementing agencies in accordance with the demand structure. Generally funds are released on a strict percentage basis although small projects and/or special circumstances (such as the acquisition of a vehicle in the first month of the fiscal year) can be given a lump sum release.

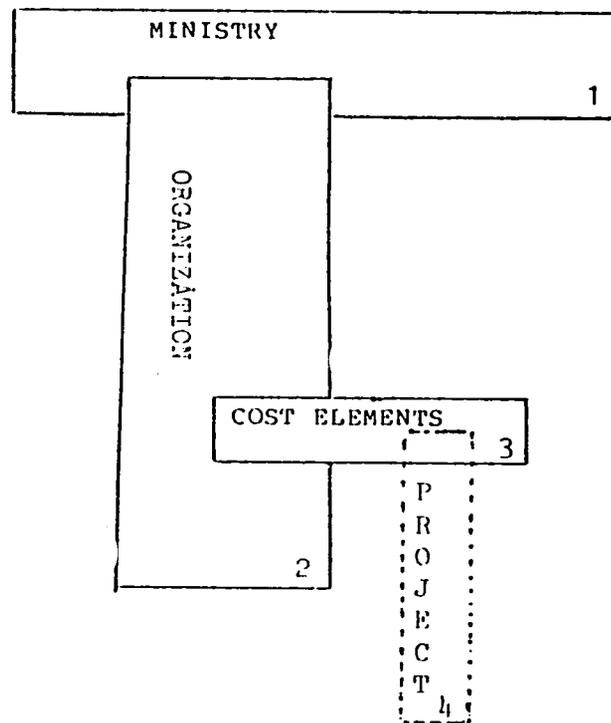
DATA STRUCTURE

ANNUAL DEVELOPMENT PROGRAMME



Projects by Sponsoring Agency within Sector

ANNUAL BUDGET



Expenditure Estimates by Implementing Agency within Ministry

Once received by the Financial Advisor these releases are used to cover both current costs and development expenditures. This discretionary authority of the Finance Advisor makes it difficult to know with any certainty if funds released by the central government are reaching a development project. In all likelihood, particularly for releases late in the fiscal year, funds are used to cover current costs; development project activity is postponed. In years when receipts estimates fail to meet expectations, development activity could be delayed even earlier in the fiscal year.

To correct this situation, it is recommended that development expenditures for donor-financed projects be separately identified as a DEMAND within the appropriation structure of the government's budget. All projects for a single donor would be aggregated into a DEMAND and reflected by Ministry. Through a demand/project coding system it would be possible to identify the economic sector which these development expenditures were intended to serve, thus forging a closer linkage between the Budget and the ADP.

The justification for this recommendation (even though likely to produce a much thicker budget document) is based on the fact that release of funds are made by DEMAND. If development project expenditures are separately identified within their own DEMAND, the adverse effect from the exercise of discretionary authority by Finance Advisors will be eliminated.

4. REQUIRE EXPENDITURE PROGRAMMING FOR PROJECTS WITHIN DONOR-SPECIFIC DEMANDS AND RELEASE FUNDS ON THE BASIS OF THESE PLANS, NOT ONLY ON A PERCENTAGE BASIS.

Development expenditures, unlike current costs, are not evenly distributed over the course of the year. First quarter expenditure (during the project planning phase) may be relatively low while second and third quarter costs may significantly exceed nominal percentages. Currently, no mechanism exists in the GOP to correlate releases to anticipated development expenditure levels. Development projects, assuming they are allocated funds by the Financial Advisor, are constrained by the percentage of funds approach.

As a corollary to the previous recommendation concerning donor-specific DEMANDS and releases, a system of advance expenditure programming should be initiated. Beginning in late May agencies implementing development projects will submit to the Finance Division the anticipated monthly expenditure levels for each of the approved objects of expenditure. These figures will be entered into the computer and used as the basis for releasing funds.

The Finance Division is now developing a computerized expenditure monitoring system. It will have the capacity to track expenditures and compare actual to anticipated costs. The advance programming recommendation will be accommodated within this system and utilized as the baseline for performance monitoring by the Divisions within the Ministry.

Advance programming should be initiated for major development projects in the 1986-87 fiscal period. A broad cross-section of projects, representing each of the major donors and both Federal and Provincial agencies, should be covered by this requirement. In preparation for this effort the Finance Division, with the assistance of both P&D and EAD, should develop the proforma needed for this purpose. Care should be taken to restrict the process to its primary purpose - expenditure programming - and not create a mini PC-I type of exercise.

Workshops and seminars will need to be developed and conducted to promote a consistent understanding of the process and its objectives.

Implementing agencies will need to be acutely aware of the GOP's resource constraints. Releases of funds which are not expended in a timely manner could necessitate short term borrowing and thereby cancel out the substantial benefits from programmed releases.

5. CONCENTRATE ON THE DEVELOPMENT BY EAD OF A CONSOLIDATED FOREIGN ASSISTED PROJECT FINANCIAL/PERFORMANCE REPORTING AND MONITORING SYSTEM.

Foreign assisted project implementation delays have contributed to an expanding pipeline and caused significant declines in the net transfer of resources to the Government of Pakistan. There are numerous causes cited and no lack of prescriptions to address the problem. This report is but

one of a number of attempts by donors and the government itself to analyse the issue.

The Economic Affairs Division of the Ministry of Planning, Finance and Economic Affairs maintains close relationships with external donors and is responsible for maintaining records of the financial transactions associated with the government's external debt. Despite this activity and some implied responsibility for "pipeline problems", the crucial linkage between implementing agency performance and the flow of funds is not addressed by EAD. This flaw in the logic of the system should be reviewed by the Minister to determine the most appropriate means of providing EAD with the manpower and other resources needed to monitor development projects and, for slow performers, provide on-site technical assistance to assure that receipt estimates are realized.

The immediate importance of this recommendation is based on the following:

The 1985-86 budget estimates of external resources seems optimistic when compared to previous years' actual receipts. External debt servicing requirements are significantly higher than previous years since many loan repayment grace periods have expired.

EAD should develop and implement a monitoring and reporting system aimed specifically at external receipts realization. Using the data submitted in December/January as the starting point, EAD staff should identify 15

or 20 major projects which are behind schedule and therefore unlikely to produce anticipated revenues in the current fiscal year. Through consultation with implementing agency personnel, corrective actions should be initiated and performance closely monitored.

In some cases progress indicators for development projects will be positive but withdrawal documents will not have been submitted. If necessary, field visits should be conducted and the necessary documentation actually prepared by EAD. Donors should be contacted to "encourage" agency personnel to fully cooperate with EAD staff.

6. ESTABLISH A PROJECT MANAGER CLASSIFICATION, WITHIN THE GAZETTED CLASS OF OFFICERS, TO INITIATE PROVINCIAL AND FEDERAL DEVELOPMENT PROJECTS, TRAIN IMPLEMENTING AGENCY PERSONNEL AND INSTITUTE MODEL FINANCIAL AND PERFORMANCE MANAGEMENT SYSTEMS.

The weakest link in Pakistan's approach to development administration exists at the project level. In interview after interview, both at the Federal and Provincial level, by GOP and USAID professionals alike, the lack of qualified management and technical personnel was cited as a direct cause of the following problems:

- . Delay in project initiation
- . Lack of scheduling and poor estimation of resource requirements

- . Failure to prepare and submit donor-required withdrawal forms
- . Inadequate construction specifications
- . Shoddy construction
- . Poor field monitoring and supervision

Filling this void should be a top priority for the Government of Pakistan. The value of all other investments-in computers, management systems, financial standards, etc. - will be diminished unless a foundation of effective, accountable project management is established. The solution is more and better qualified public servants and only the national government has the resources and broad perspective to resolve this problem. Elsewhere in this report, it is recommended that the United States Agency for International Development (USAID) develop microcomputer software specifically dedicated to improved project management. Such a resource will be an invaluable tool, provided there are qualified project managers available to utilize the software and benefit from its capabilities.

To address this problem, it is recommended that a professional classification of Project Manager be created at Grade level 17/18. The individuals recruited for this position should be experienced professionals from a variety of educational and technical backgrounds, including civil engineering, planning, general management, economics,

architecture, etc. Their specific functions would include:

- . initiating project activity and establishing administrative schedules
- . recruiting and interviewing candidates for project staff positions
- . modifying standard tender documents to meet specific project objectives
- . training implementing agency staff on the preparation of withdrawal forms and other internal, manual reports
- . installing model project management software on project-level microcomputers and training staff on its use
- . coordinating with the financial advisors concerning the flow and deposit of project funds
- . follow-up with technical assistance, as required.

With a staff of 20 professionals, each assigned to a project for a four to six month period, it would be possible to service the management needs of 50 to 60 projects each year.

Financing such an arrangement would necessitate an initial appropriation by the GOP but the direct cost of on-site assistance would be charged to the budget of the project to which the service was provided. The fee for this effort could be strictly on a cost reimbursement basis or include an additional sum to cover the administrative expenses of the central government.

Administratively, this function should be assigned to the Planning & Development Division. The Projects Wing's charter could be expanded to encompass this activity, provided that it does not compromise the independence of its monitoring operations.

SECTION 2

RECOMMENDATIONS FOR ACTION BY THE DIRECTOR OF USAID'S MISSION TO THE GOVERNMENT OF PAKISTAN

This section contains eight recommendations for USAID consideration, as follows:

1. Invest in a long-term project leading to the preparation and implementation of a systems plan which the GOP can utilize as a hardware/software acquisition and systems development guide.
2. Establish project design objectives, procedures and outputs which promote closer GOP/USAID systems alignment and eliminate delays in project approval.
3. Work with the GOP to establish flexible financing mechanisms and budgetary management procedures which highlight donor assisted projects.
4. Effectively utilize existing project management, monitoring and financial control resources.
5. Dedicate much more staff time to project management and monitoring, particularly of the underlying financial documents which depict actual resource commitments.

6. Establish Mission-wide policies and procedures for the provision of microcomputers to GOP implementing agencies.
7. Acquire the management and technical expertise needed to develop and disseminate a standard project management approach, including micro computer software, which: a) responds to both USAID and GOP needs and b) promotes alignment at the lowest common point of interest in the USAID/GOP relationship.
8. Encourage and, if appropriate, provide financial support for a short term project to help the GOP redesign the basic project budget/cost estimation, funds release and reporting forms.

These recommendations will promote much closer coordination between the USAID and the GOP. To a large extent they propose a redirection of existing resources and/or the application of accepted principles rather than the introduction of new and untested methodologies. The emphasis on practical, operation considerations is intended to encourage acceptance and timely implementation by existing Mission personnel.

Most of the recommended actions envisage much greater interchanges between USAID staff and their GOP counterparts. Coordination is very time consuming and labor intensive. The staffing level of the Mission will need to be reviewed to determine if the type of joint venture approach implicit in the recommendations can be accommodated.

Another principal objective of the recommendations is the establishment of mechanisms which unify the entire portfolio. The terms of consistent project management information sharing, transferability of skills and institutionalization of lessons learned cut across the recommendations. Leadership from the Mission Director and staff offices is essential to the attainment of these objectives.

Several system development investments are also suggested. USAID's leadership is required to "sell" the other donors on the concept of systems planning as an alternative to uncoordinated computerization. Not only will this planning exercise increase the value of AID's investments in project management systems but it will also provide the vehicle for improved systems alignment within the GOP's management structure itself.

1. INVEST IN A LONG-TERM PROJECT LEADING TO THE PREPARATION AND IMPLEMENTATION OF A SYSTEMS PLAN WHICH THE GOP CAN UTILIZE AS A HARDWARE/SOFTWARE ACQUISITION AND SYSTEMS DEVELOPMENT GUIDE.

The single most important recommendation arising from this diagnostic review of GOP and USAID project budgeting, monitoring and management procedures is for the Ministry of Planning, Finance and Economic Affairs to prepare a systems plan based upon a comprehensive definition of functional requirements, transaction volumes, technologies available, resource requirements and implementation timeframes. Support for this

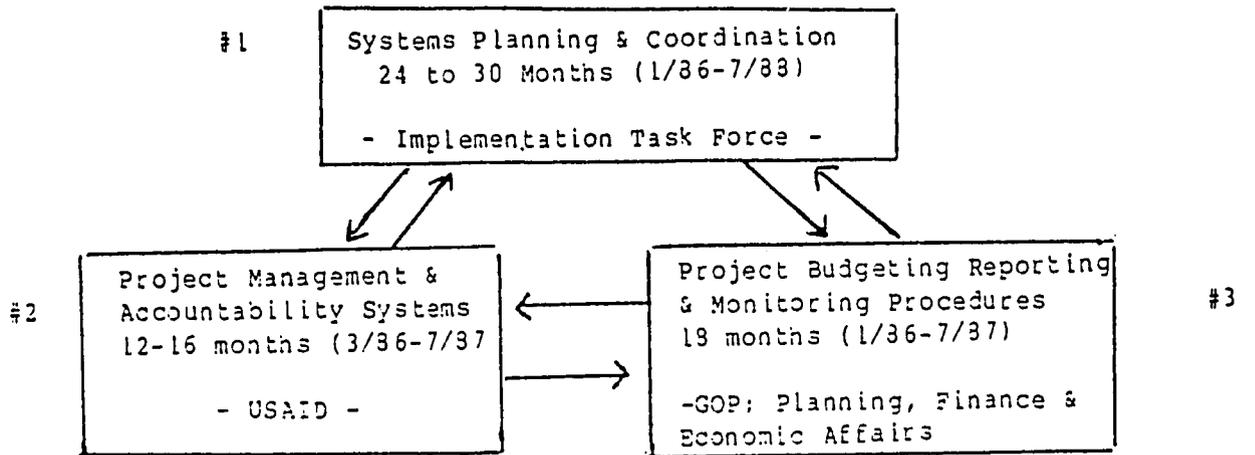
effort, by USAID and other donors, is essential. Should the GOP approach planning and management systems implementations in an unplanned, ad hoc, disjointed and uncoordinated fashion (as present trends would suggest), donor and GOP analysts alike will be unable to accurately determine the financial and performance status of development projects.

The systems planning project is the vehicle by which the issues of misalignment: 1) within GOP planning, budgeting and management systems and 2) between these GOP systems and USAID's own processes, can be most effectively addressed. Exhibit 5, depicts the relationship of this systems planning effort to the two other short-term management analysis projects recommended for funding and technical support.

The Systems Planning & Coordination project will entail a minimum time commitment of two years and could cost over \$1.5 million to complete. The cost of this effort should be shared among the major donors. USAID's annual share of the costs would be about \$200,000. The GOP should provide a cash match and of course, direct the technical consultants. The donors' contribution should be coordinated through the Implementation Task Force, headed by the World Bank. A Project Coordinator should be retained by the Task Force and provided office space at the Ministry. If a single Computer Cell is established, as recommended, these professionals should play an active role in the development of systems plans and help to determine priority actions.

Annex I contains a description of the systems planning project which identifies the resources required to support implementation and outlines the general scope of work for such a project.

Financial Systems Coordination and Management Development Projects



Project Components, Timeframes and Lead Agency Designations

2. ESTABLISH PROJECT DESIGN OBJECTIVES, PROCEDURES AND OUTPUTS WHICH PROMOTE CLOSER GOP/USAID SYSTEMS ALIGNMENT AND ELIMINATE DELAYS IN PROJECT APPROVAL

One of the findings of this diagnostic review of "systems alignment" issues was that the lack of understanding, on the part of both USAID and the GOP, of important features of each other's operating procedures was a principal cause of delay in project initiation and implementation. To assure that there is no repetition of these delays the following actions are recommended:

- a. Involvement and commitment by the "appropriate" GOP officials at all stages of project design.
- b. Joint and concurrent USAID/GOP preparation of the Project Paper and the PC-I.
- c. Expenditure projections based on more realistic assessments of the time needed to satisfy GOP and USAID requirements.
- d. Development of a USAID to GOP "budget crosswalk".

These steps will necessitate a greater time commitment and more direct involvement by USAID personnel throughout the project design period. Additional time may also be necessary to coordinate with GOP personnel and assure a meeting of the minds concerning key aspects of the project. This "joint venture" approach is vital to the success of the Mission's portfolio.

a. Commitment by appropriate GOP officials

In some cases, delays in project implementation were traced to a tactical error during the design stage i.e. key GOP personnel were not involved in the review process and therefore did not give their formal endorsement to the project. Without "ownership" on the part of senior officials in implementing agencies, there is little likelihood of success. Frequent briefings for the highest level in the GOP implementing agency must become a standard procedure. At the outset of the design stage a list of the key actors should be prepared and a meeting schedule developed to assure opportunity for input, review and approval. If a project involves Federal/Provincial coordination the approval of all key items in the project approach and financing plan should be specifically approved and incorporated within the PC-I and annual ADP and Budget submissions.

b. PC-I as Output from Project Design

Much of the frustration expressed by USAID concerning implementation delay has been attributed to the PC-I review and approval procedure. This extremely detailed and time-consuming procedure was often initiated after completion of Project Papers and, sometimes, even after joint signatory approvals on the Project Agreement had been secured. Through World Bank funding the GOP is reviewing the format and processing of PC-I's. While there may be some improvement in this process by 1967, there is no doubt that detailed, intensive review of projects will remain

a GOP priority. Host country officials, while open to change, nonetheless state, with conviction, the premise that Pakistan can not afford to initiate risky projects or commit itself to unknown, future recurring costs.

Accordingly, it is recommended that project design teams produce a project-specific PC-I as an interim product in the development of the Project Paper. Since project design will be a joint (GOP/USAID) venture this procedure should be relatively easy to follow. A word of caution: The PC-I does not accommodate cost estimates rounded to the nearest \$250,000 level. Budget estimates cannot be prepared as the concluding chapter to a process heavily weighted in favor of narrative exposition (as USAID's PP's tend to be) but, rather, must flow from a detailed outline, such as the "log frame" and respond to the GOP's perceived needs for cost detail. If such a process is utilized, even serial development and approval of the Project Paper and PC-I will not produce the delays and frustration which characterized prior design efforts.

c. More Realistic Expenditure Estimates

Pressure to obligate, commit and disburse USAID project funds seems to produce overly optimistic expenditure projections and create a level of expectation which, when unmet, is sometimes attributed to "GOP implementation delays". The experience gained by USAID personnel over the last three years, and the adaption of recommendations contained in

this report, should encourage more realistic financial programming. The specific recommendations dealing with the mandatory preparation of quarterly estimates and their inclusion within the Mission Accounting and Control System will also assist the Director to monitor progress against a consistent data base.

d. Development of a USAID to GOP "Budget Matrix"

One of the fundamental requirements for effectively aligning USAID/GOP budgetary systems is the establishment of a common financial frame of reference. Such a framework will permit USAID Project Officers: a) to identify the specific GOP appropriations which have been authorized for each project and b) to relate these expenditure projections to similar USAID project cost categories contained in the Project Grant Agreement. Subsequently, actual expenditures by GOP implementing agencies could be identified and compared to data reported to USAID.

The GOP has a uniform chart of accounts which identifies costs according to the following classifications: Object - Function - Division/Department. This hierarchial structure is used for GOP budgeting, accounting and reporting purposes.

AID's Project Grant Agreement (ProAg) contains the financial commitments for both the United States Government and the Government of Pakistan. The costs figures reflected in this document are at a fairly high level

of aggregation. Significantly, neither the USAID nor GOP budget figures contained in Annex I of the ProAg correspond to the GOP's Uniform Chart of Accounts by which actual expenditures will be recorded. When the Government of Pakistan converts the project budget to its own uniform accounting structure, the ProAg figures lose their reliability as a reference point for project management, monitoring and cost reporting.

In fact, the review and approval by USAID project officers of Quarterly Financial Reports based on activity budget classifications not actually employed for the GOP's own appropriation control proposes, represents a significant project management and accountability issue. Currently, it is not possible to relate reported expenditures (per USAID's quarterly financial report form) to actual expenditure data from the GOP's own cost reporting systems. While subsequent audits may verify that USAID funds were properly spent, the expenditure data, as currently reported, cannot be utilized as a performance monitoring resource by USAID project officers.

Exhibit 6 is a "Budget Matrix", consisting of the Activity Budget Classification typically used by AID and the corresponding object classification within the GOP's Chart of Accounts. It should be noted that implementing agencies may exercise some discretion in the specific line item within which funds are budgeted. But the principle that rupee cover for foreign aid and local counterpart must be budgeted within a specific GOP budget/accounting classification applies to every expenditure.

The functional classification of costs within the GOP's budget structure provides an additional level of detail for project officers interested in tracking costs through the GOP budgeting/accounting control systems. For example, some of the detailed functions reflected in the GOP appropriations structure include:

- 312 - Highways, Roads and Bridges
- 326 - Anti-Malaria Programme
- 385 - Geologic Survey
- 424 - Mother and Child Health
- 430 - Population Planning
- 472 - Social Welfare Measures
- 517 - Forestry
- 523 - Canal Irrigation
- 563 - Integrated Rural Development Program

For analytical purpose, individual officers may find it useful to reference cost information at this level, rather than by object of expenditure. At whatever level selected, project officers can review budget data in the GOP's Demands for Grants and Appropriations document.

BUDGET MATRIX: USAID TO GOP

	<u>USAID ACTIVITY ELEMENTS</u>				
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
GOP Objects	Technical Assistance	Training	Commodities	Other	Contingency
000 Establishment Charges					
100 Purchase of Durable Goods					
200 Pre-Investment Direct Analysis					
300 Construction of Works					
400 Repairs and Maintenance					
500 Commodities & Services					
600 Transfer Payments					
700 Investments					
800 Loans & Repayments					
900 Miscellaneous					

Either when the Project Paper is finalized or the Project Agreement signed, a project - specific "Budget Matrix" should be developed by the assigned project officer. This will necessitate close coordination between USAID personnel and the technical staff/financial advisors of the GOP implementing agency. The benefits of this approach include:

- creating a mutual understanding, in financial terms, of the implementation approach to be followed;
- opening lines of communication from USAID to the technical and financial counterparts within the GOP;
- developing file documentation which a) promotes administrative continuity and b) provides a cross-reference to Project Implementation Letters.

From time to time it will be necessary to amend the MATRIX consistent with actual events. Changes in the pace and scope of implementation by GOP line agencies should be reflected in this amended version. At a minimum, this working document should be updated annually and used as the basis for USAID sponsored discussions on implementation progress.

3. WORK WITH THE GOP TO ESTABLISH FLEXIBLE FINANCING MECHANISMS AND BUDGETARY MANAGEMENT PROCEDURES WHICH HIGHLIGHT DONOR ASSISTED PROJECTS.

USAID should establish a Development Opportunities Fund with the specific objective of providing resources to directly finance activities not

originally included in Project Papers or Pro Ags, but identified during the implementation period as essential to project progress . In the Pakistan context of strict interpretation of the PC-I and resource constraints it is very difficult to make mid-course corrections. Amendments to the Pro Ags, without corresponding amendment to the PC-I itself, have no practical effect. By creating a flexible fund to supplement the budget of approved projects, the need for contractual amendments and renegotiation of project scope will be greatly reduced.

On the GOP side a comparable funding facility will be needed. The GOP would need to capitalize the fund with a nominal appropriation of two million rupees, recognizing that all disbursements will be recovered from USAID and subsequently credited to the Fund.

Consultation with the GOP will be necessary to minimize procedural obstacles. For example, an accounting mechanism needs to be established so that receipts are recorded centrally and then re-granted to an executing agency for disbursement. Authority to administer such a fund includes responsibility for maintaining the accounting records for all transactions. The actual cost of providing the accounting services should be an eligible cost to the Development Opportunities Fund, based upon an agreed rate per transaction.

One other procedural, perhaps even constitutional, obstacle relates to the capacity of the implementing agency to receive and disburse funds in

excess of appropriation levels. The Finance Division, Accountant General Pakistan Revenue and the Auditor General should be requested to define the requirements for such arrangements so that this obstacle does not affect the flow of funds.

Previously it was recommended that the GOP modify their budget structure to facilitate foreign assisted project monitoring, accounting, management and reporting. Donor-specific "DEMANDS" will enable the GOP to identify problem projects and provide the technical and financial assistance needed to put the project back on schedule. Implementation of this recommendation by the GOP could take several months. As an interim measure, a system of sub-releases could be initiated. Externally financed projects could be provided with a specific earmark within a release. The Finance Advisor would be required to allocate those earmarked funds to the account of the specified project. This operational procedure would, at a minimum, assure that resources were available for project purposes.

Once a sub-release system is initiated a common foundation for financial accounting and expenditure reporting will have been constructed. Project officers will be able to monitor both financial and performance status when conducting field visits. This is a considerable improvement over current procedures.

4. UTILIZE EXISTING PROJECT MANAGEMENT, MONITORING AND FINANCIAL CONTROL RESOURCES.

At an operational level, closer USAID/GOP and development project coordination could be promoted by effective utilization of AID's internal documents and management systems. Specific recommendations in this section relate to:

- a. Expansion and standardization of USAID budget categories
- b. Use of the Project Agreement for management systems development
- c. Utilization of MACS for improved financial forecasting and monitoring
- d. Communication of project management principles in Project Implementation Letters.

Responsibility for implementation of these recommendations should be assigned to the Project Development & Monitoring Office with input from RLA, FM & PRO. Each of the four recommendations is discussed below.

a. Expand and Standardize USAID Budget Categories

The budget categories in the project grant agreement should communicate the major purposes to be served by the indicated level of expenditure. Both USAID and GOP officials should be able to analyze these cost projections and understand the thrust and potential impact of development expenditures. The current budget categories are much too broad to serve

this end. Perhaps in other country settings where lines of communication, system linkages, institutional relationships and mutuality of development purpose are firmly established, these broad categories may be appropriate. In the context of USAID's program in Pakistan, however, it may be necessary to sacrifice internal financial flexibility in favor of somewhat narrower, but more clearly articulated financial objectives. Exhibit 7, is one example of a more detailed categorization of expenditures. This is not a final or complete listing, more analysis is necessary and consensus among prior officers will take time. In fact the RLA offers a strong argument against including broader categories in the Pro Ag., suggesting instead that the most appropriate way to communicate more detailed information is through a Project Implementation Letter. By whatever means communicated, the principle that these budget categories must form a GOP/USAID linkage, should be the primary rationale for development of a more expansive final list and a consistent numbering scheme. This latter feature will facilitate retrieval from the data base and provide the Mission Director with useful summary level cost information which cuts across the entire portfolio.

b. Use the Pro Ag. to Foster Communication and Project Management.

Some extremely useful, but seemingly overlooked, administrative principles are articulated in the Project Agreement document itself. By creatively applying the following standard provisions of the Pro Ag.

EXPANDED LIST OF BUDGET ELEMENTS

1. Current list of "Elements"

Based on a review of a selected sample of Project Papers, Project Agreements and MACS-generated Project Ledgers, the following is a typical list of budget elements:

Technical Assistance

Training

Commodities

Other

Contingency

Civil Works

2. Suggested Modifications and Standardized Numbering

- 01 Project Management & Support
- 02 Technical Experts
- 03 In-Country Training
- 04 Other Training
- 05 Computer Technology
- 06 Vehicles
- 07 Commodities
- 08 Construction Materials
- 09 Construction Equipment
- 10 General Administration
- 11 Contingency Reserve
- 12 Miscellaneous

USAID could encourage project officers to become more oriented toward project management and encourage GOP implementing agencies to institute improved financial and management control procedures:

1. Incremental nature of project (Section 2.2)
2. Grantee resources for the project (Section 3.2)
3. Conditions precedent (Article 4)
4. Project evaluation (Section 5.1)
5. Disbursement for foreign exchange costs (Section 8.1)
6. Project outputs (Annex 1)
7. Implementation plan (Annex 1)
8. Project Implementation Letters (Annex 2, Article A)
9. Consultation (Annex 2, section 3.1)
10. Execution of project (Annex 2, section 3.2)

Building positive linkages through application of the Pro Ag's standard provisions should not be perceived as an extension of USAID's supervisory authority into the management domain reserved to the GOP. Each of the recommended procedures serves USAID/GOP mutual interests to institute more effective project related communication, coordination and management procedures.

1. Incremental Nature of Project

The basic language of section 2.2 (b) that "AID, based upon consultation with the grantee, may specify in project implementation letters appropriate time periods for the utilization of funds granted by AID under each individual increment of assistance" creates an opportunity to encourage the development and use of project management tools appropriate to the individual project.

At a minimum project officers could work closely with implementing agency staff to develop project milestones for the succeeding year. This need not be an elaborate network approach (e.g. PERT, CPM) but rather a simple GANTT chart indicating elapsed time and anticipated expenditures. From this chart it should be a relatively simple step to calculate quarterly expenditures for inclusion within MACS.

2. Grantee Resources for the Project

Identifying amounts appropriated as either rupee cover (funds provided by the GOP for which USAID reimbursement is planned) or rupee counterpart (the GOP's share of project costs; either new appropriations or in-kind contributions) is a difficult exercise. With the cooperation of implementing agency personnel, in response to the authority of the Project Agreement, it should be possible to request from GOP implementing agencies a certification of appropriation levels. If advance expenditure

programming is implemented by the GOP these figures should be available for each quarter of the project year (recognizing that the mis-match of GOP and US fiscal years makes an exact alignment impossible).

3. Conditions Precedent

CP's should be outputs of the management planning phase suggested in 1 (above) and/or derived from improved Project Paper/PC-I coordination, not arbitrary deadlines proposed out of context.

4. Project Evaluation

Under the authority of this section a monitoring plan should be developed and reviewed with the GOP. To date, as PDM points out, there has not been sufficient activity in many projects to warrant monitoring, other than through field observations. Now, however, as the portfolio matures, project specific monitoring plans, consistent with the Mission's monitoring strategy, should be prepared.

5. Disbursement for Foreign Exchange Costs

To the greatest possible extent, consistent with the overall objective of creating a sense of project "ownership" within GOP agencies, USAID should encourage direct procurement by the GOP with subsequent reimbursement by USAID. Past reviews of GOP systems problems have indicated problems in this area, although USAID itself had no direct, adverse experience from poor procurement administration.

6. Project Outputs

Project officers should develop the relationship of time, expenditure, outputs and beneficiaries for each project during the planning phase (1, above). Interim outputs should be developed to facilitate monitoring. While some may suggest that the coal mine is the single project output, it should be possible to create interim progress and accomplishment indicators. These output projections will greatly facilitate subsequent monitoring and evaluation efforts.

7. Implementation Plan

Based on the "illustrative implementation plan" contained in most Project Agreements, more detailed plans could be prepared and used to monitor project progress. Implementation plans could serve as one of the reference documents for monitoring by project officers. At a minimum, a detailed list of steps should be prepared and the starting and ending dates provided for each.

8. Project Implementation Letters

PILs are identified as the principal means of clarifying statements expressed in the Project Agreement. Generally, these have been administrative confirmations and certification that CP's have been satisfied. A more management oriented utilization of PILs is described later in this section.

9. Consultation

This general covenant to "meet and exchange views on matters of mutual interest" could perhaps be utilized on a scheduled basis to promote cohesiveness across the entire portfolio. One possibility would be to organize a "projects week" and hold plenary sessions for all USAID/GOP project managers at which time overall implementation and coordination issues could be discussed. Individual project problems could be resolved by meetings held over a two-day period. The primary objective is to convey the integrity of the entire portfolio as opposed to a traditional focus on its constituent parts.

10. Execution of the Project

This general expression of "due diligence and efficiency, in conformity with sound technical, financial, and management practices" will be actualized through the development of a standardized project management system, including an improved financial/performance reporting form.

c. Utilize the Financial Forecasting Capability of the Mission Accounting & Control System (MACS)

The Mission Accounting and Control System (MACS) has an extremely effective financial tracking tool which is not being fully utilized by project officers. MACS report numbers P10A and P10B compare actual to

planned expenditures for fiscal year and quarter. The latter, Planned Versus Actual Expenditures By Quarter (PIOB) will track each cost element for the four quarters of the fiscal year. For the system to function, however, each project officer must provide realistic expenditure estimates against which actual disbursements can be compared.

With the introduction of advance programming and expenditure monitoring by the GOP, both USAID direct expenditures and GOP rupee costs will be readily identified. Although expenditure rates are imprecise proxy measures for performance, they do provide one of the key indicators for progress monitoring. At some point it may be useful to either a) develop a complementary set of sub-project numbers for GOP expenditure tracking, (not tied directly to the Mission's accounting data base), or b) write a special COBOL program which can track and report these costs.

While each project office will benefit from this forecasting and tracking system, the most important purpose is to provide Mission management with consistent progress-oriented data applicable to the entire portfolio. Although a number of useful reports are generated by MACS, none will as readily indicate implementation problems as those which reflect the pace and trend of expenditures.

Finally, a word of caution about the use of micro computers to create alternative data bases to MACS. There appears to be a tendency to use Lotus 1-2-3 and Multi-Mate as financial tracking tools for individual

projects and/or offices. Within established parameters this is commendable. But the general needs of the Mission for consistent, reliable, accurate and "sharable" data must take precedence over any specialized applications. MACS is a new and evolving resource which must serve as the foundation of the Mission's information management strategy. This principle needs to be circulated via a Mission Notice.

d. Use Project Implementation Letters to Communicate Project Management Principles

Project Implementation Letters (PILs) are used primarily as an official, legal communication medium between USAID and the Economic Affairs Division of the Government of Pakistan. In accord with the overall thrust of these recommendations, i.e. to create a common USAID/GOP ground for project implementation, the PILs should also be employed to communicate project management standards, reporting procedures, monitoring objectives, microcomputer policies, and other project-related information which reflects the Mission's efforts to assist the GOP to implement projects more effectively.

Currently PIL #1 sets out certain basic legal requirements (signature authority, CP deadlines, etc.). It is recommended that PIL #2 be used to communicate to both EAD and the implementing agency: a) the specific management standards which apply to the project, b) the anticipated monitoring schedule, c) the information exchange practices recommended

for the project, d) technical assistance resource availability and e) reporting requirements.

Subsequently, after the Mission has developed a microcomputer and software development policy a PIL could be used to communicate these principles and describe the process for a joint USAID/GOP capacity building effort. As other portfolio-wide policies are developed or if project specific management resources are available, the PIL should be used to maintain non-legal written lines of communication.

5. DEDICATE MUCH MORE STAFF TIME TO PROJECT MANAGEMENT AND MONITORING, PARTICULARLY OF THE UNDERLYING GOP AND USAID FINANCIAL DOCUMENTS

There is no monitoring policy and, consequently, no monitoring system employed by the USAID Mission in Pakistan to review the financial and performance status of development projects being implemented by GOP's Federal and Provincial agencies. Site visits are conducted and, by intuition or experience, project officers make a status determination. Best intentions notwithstanding, the margin for error in impressionistic monitoring approaches infinity.

To correct this deficiency and assure that monitoring findings can be utilized by the Mission for improved management of the entire portfolio, the following actions are recommended:

- a) PDM will develop an overall monitoring strategy which defines USAID's objectives and establishes a uniform framework within which individual project/office monitoring plans can be accommodated.

- b) Each office will submit to PDM a checklist of typical programmatic concerns which will be reviewed during site monitoring visits.
- c) A site monitoring checklist will be prepared by PDM, in consultation with other offices (e.g. RLA, PRO, FM) which will identify the specific financial, performance and compliance issues to be monitored by USAID technical staff.
- d) A standard trip report "table of contents" will be prepared by PDM and distributed to technical offices. Each monitoring visit will require the preparation of a trip report, a copy of which will be sent to PDM.
- e) An annual project monitoring schedule will be prepared by PDM, in consultations with technical offices, issued as an Office Notice.
- f) Every six months, PDM will prepare an analysis of monitoring reports with specific attention to common, portfolio-wide issues. Based on this review: (i) a Project Implementation Letter could be prepared and issued to the GDP, or (ii) modifications to internal documents or procedures could be recommended.

In addition to those steps the following monitoring/project management issues should be reviewed:

- a) Project officers do not effectively utilize financial documents to monitor project status.
- b) Structured implementation planning, which uses milestones and/or comparable performance indicators, should be introduced.
- c) A financial/performance/output oriented reporting system should be developed and utilized for all projects.

Each of these three issues is discussed below. If the Mission agrees to fund a special project management capacity building project, these matters could be assumed within the coverage of that project.

a) Use of financial documents

Timely implementation of USAID-assisted projects depends on a number of budgetary considerations:

1. Has an appropriation actually been provided for the project?
2. Has counterpart funding been provided and, if in-kind, allocated to the specific objectives of the project?
3. Are funding commitments provided at the appropriate "function-cum-object" level?

4. Is the schedule of expenditures consistent with the anticipated timing of the project?
5. Do actual releases of funds by GOP's Finance Division cover the specific foreign assisted project?
6. Are expenditures actually made in the quarter when funds were released?
7. Are actual disbursements/accruals, as recorded on the accounting records of the implementing agency, used as the basis for the preparation of financial reports to USAID?
8. Are figures reported to AID (using AID activity budget categories) reconcilable to quarterly reports of expenditures submitted to the Planning & Development Division?
9. Are unexpended releases carried forward from quarter to quarter and, subsequently, into the succeeding budget?
10. Do agency resource estimates (containing foreign aid projections by function) include the amounts projected in the ProAg and/or the latest Project Implementation Letter?

Through careful monitoring of relevant GOP budget and accounting documents, Project Officers will be better able to answer these questions and manage projects within their purview. To perform this task most efficiently, however, the Project Officers need to become aware of the format and structure of the GOP's budgeting documents and regularly meet with counterpart contacts to review the financial dimension of their projects. This is not an auditing or accounting system review, but rather an effort to determine if the rate and pace of expenditures

corresponds with observable physical progress. This relationship of financial resource commitments and physical accomplishments is fundamental to any project management and monitoring system.

b) Structured Planning & Implementation Control Tools

Developing management tools which assist Project Officers to: a) monitor activity and b) compare actual progress to anticipated results, at a specific point in time, should be considered by the Mission. The consultant's review did not identify the existence of such a resource, but the fact-finding did not encompass all aspects of USAID's internal procedures. The Project Management and Accountability Systems effort recommended later in this report could serve as the vehicle for introducing a formal, structured approach for monitoring and management.

c) Project Reports

One of the observed weaknesses in the Mission's oversight of GOP projects is in the area of reporting. GOP project managers should be required to submit quarterly financial/performance reports according to a specified USAID format. For projects covered by Fixed Account Reimbursement Agreements, there is a financial reimbursement form used by O/FM. This could serve as one of the "building blocks" to an improved report which deals with performance issues, as well.

Improved monitoring and management cannot be accomplished by fiat. Implementing staff must understand the principles and utilize the resources. Training of project officers in these areas should be scheduled by PDM and technical resources assembled from AID/Washington, other Missions in Asia, or outside contractors.

6. ESTABLISH MISSION-WIDE POLICIES AND PROCEDURES FOR THE PROVISION OF MICROCOMPUTERS TO GOP IMPLEMENTING AGENCIES

The current approach to project computerization is ad hoc, inconsistent and will tend to promote, not resolve, misalignment between USAID and GOP management systems. Many Project Papers provide microcomputer hardware and software assistance to implementing agencies and/or centralized reviewers in the Planning & Development Division. This trend will carry over into the post-87 program when, it is assumed, all projects will be provided with microcomputers. While this will certainly promote good will, it will, as certainly, produce bad results. The introduction of technology, absent a specific USAID management objective, will be unproductive, inefficient and expensive. It is estimated that the Mission will provide nearly \$2 million in microcomputer hardware, software and training assistance to implementing agencies. This level of investment clearly warrants a coordinated and strategic approach.

One of the principal findings of the analysis of GOP systems was the fact that incompatibility of computer hardware/software between the

Divisions of Planning, Finance and Economic Affairs would a) make it impossible to manage information as a tangible resource, b) reinforce existing barriers to policy coordination, and c) fragment the data base, contrary to the espoused objective of coordination and integration. USAID's current non-strategic approach to the provision of computer assistance appears headed for similar consequences. In addition, since none of the offices recommending microcomputers have the technical experience to assure proper utilization, each must rely upon outside technical specialists to design and implement project-specific software. Under such an approach there is little prospect for consistency between applications, economies of scale in software development and/or on-going support to maintain operations.

As soon as possible the Mission Director should take the following steps:

1. Declare a moratorium on the provision of microcomputers and application software to any agency of the GOP.
2. Request each Office Chief to prepare an inventory and status report of existing, proposed and planned microcomputer/software assistance efforts.
3. Convene a meeting to review these submissions and subsequently establish a coordinator (in PRO or PDM) to oversee the development and implementation of a Mission Order relative to the provision of computer assistance.

The Mission Order is a key element in the recommended capacity building project. Until the Mission establishes a framework for "alignment" at the project level any systems modification at the macro-level will have limited impact.

Microcomputers and associated software provided by USAID to GOP implementing agencies must satisfy four criteria:

- meets the new USAID reporting standards and also provides the basis for a) monitoring compliance with CP's and b) tracking performance against progress milestones;
- satisfies the quarterly project status reporting requirements of the GOP;
- serves the internal project management and oversight responsibilities of the implementing agencies, not merely the project manager;
- promotes the long-range objective of standardized technology and software transferability between projects and institutions.

These criteria are designed to promote much closer coordination between USAID and GOP at the project level. Idiosyncratic software - segregated by project, inconsistent with the implementing agency's own objectives, not even transferable to USAID's other projects - will produce a fragmented information management approach, the adverse effects of which will be felt throughout the duration AID's presence in Pakistan.

7. ACQUIRE MANAGEMENT & TECHNICAL EXPERTISE TO DEVELOP AND DISSEMINATE A STANDARD PROJECT MANAGEMENT AND ACCOUNTABILITY SYSTEM

Although this project should be implemented by the Mission irrespective of any other systems planning effort, there are considerable coordination and communication factors which will arise if the GOP: a) endorses the concept of overall systems planning (and requests USAID financial support), or b) undertakes the development of single package of budget input forms. Should either or both of these occur USAID could incorporate this project within the umbrella of the GOP systems planning effort.

Annex III, provides the scope of work and cost considerations for a short term project, Project Management and Accountability Systems. The basic thrust of the project is to establish a uniform, model process which is endorsed by USAID and provided to GOP implementing agencies. Software is one major element of this model system, but basic recordkeeping, project review procedures, cost analysis techniques, etc. are also seen as part of the package of management services to be provided.

There is general agreement that the GOP project manager requires a great deal of support and technical assistance. Add the complications of donor-imposed reporting requirements and project managers are faced with a formidable task. USAID could provide a very great service by communicating management principles and using these as the basis for developing skills training courses.

The management standards developed under this project will need to be communicated and the message reinforced on a regular basis if it is to have any effect. Project officers will need to become more technical assistance oriented and use the management standards to establish a common framework for GGP/USAID coordination.

At the core of this recommended management systems coordination approach is the development of a standard microcomputer software package which meets all of the criteria indicated for microcomputer software (6, above). The software should not require users to know any commands in data base "languages" such as d-Base II/III, nor should it be simplified "templates" for Lotus 1-2-3 or other spreadsheet packages. Rather it should be a fixed system which provides assistance in responding to the USAID management standards.

Individual projects may also have a technical need for microcomputers, e.g. for agricultural data collection or monitoring irrigation stream flows. In the future, these should be built as additions to the basic package. For projects already using USAID-supplied hardware and software the model system should be incorporated within this computer operation.

In the meantime, USAID should develop an "Applications Library" based on the functions being performed by computer at project sites and implementing agency. A concise description of the software's functional

characteristics should be submitted and stored by the Mission. All future specialized software development efforts should be analyzed to determine if existing applications can be modified to satisfy the identified needs. This is a more practical and cost effective approach than assuming that every need is special and unique, requiring outside technical expertise.

Annex III, indicates the technical resources needed for the project. Initially a project coordinator should be retained to determine if software of this type is available (at project sites or through other USAID Missions).

Subsequently, assuming that modification or actual development will be needed under any circumstances, this individual will recruit specialists to assist in the development of appropriate software.

3. ENCOURAGE AND, IF APPROPRIATE, PROVIDE FINANCIAL SUPPORT FOR A SHORT TERM PROJECT TO HELP THE GOP REDESIGN ITS BASIC PROJECT BUDGET/COST ESTIMATION, FUNDS RELEASE AND COST REPORTING FORMS.

Several recommendations for improved USAID/GOP foreign assisted project management systems alignment deal with the development of new GOP Performas. For example, a special project to design an integrated package of cost estimating forms has been recommended to the GOP as a priority for the 1987-88 fiscal year. Primary responsibility for this

effort rests with the GOP professional staff in the Ministry of Planning, Finance and Economic Affairs; but USAID can provide a valuable service by offering the following technical resources:

- Access to the Mission's computer/word processing resources
- Forms design specialists from USAID/Washington
- Management systems analysts
- O/FM accounting and financial management staff to assist the GOP

Forms design requires an understanding of the information needs of the user as well as the information resources available to the agency generating the prescribed form. While USAID specialists could provide advice on the most appropriate format for data presentation the context and content of the data must be provided by GOP specialists.

Accordingly, it is specifically not recommended that USAID provide a team of technical specialists to: a) interview GOP financial and planning staff and b) subsequently provide "mock ups" of forms and instructions. From experience, such an investment has little chance of success.

In addition to the recommended budget package project, new forms will also be necessary if the sub-release and/or the EAD monitoring/reporting recommendations are adopted by the GOP. USAID should be willing to provide specialized resources to these efforts, as well.

Systems Planning & Coordination

Objective: To a) assist the Ministry of Planning, Finance and Economic Affairs to develop a comprehensive plan for automating an integrated project planning, budgeting, reporting and monitoring information system and b) provide guidance and direction to both USAID's Project Management and Accountability Systems project and the GOP's Project Budgeting, Reporting and Monitoring Procedures effort.

Technical Inputs: A three-to-five person team of senior level management systems consultants supplemented, from time to time, by both USAID and GOP computer specialists and systems analysts. An ex-patriate consulting firm should provide the core team and serve as overall coordinator. This team will prepare the System Plan which should be completed by June 1, 1987. It may be necessary, as a precondition to the next phase for the GOP to acquire computer hardware, communication software and/or undertake a variety of site preparation activities. Once this preparatory work is completed, a series of sub-projects will be initiated.

The specialized skills needed to carry out this assignment include:

1. a project manager, public sector systems expert who will serve as the overall project coordinator and report progress to the funding agencies.
2. management systems analysts/design specialists.
3. a computer hardware and data communications/network expert, with broad experience in both distributed data processing and multi-user operations.

Cost Estimate:

This two year effort will cost approximately \$1.5 million, although the development of the basic plan itself, a six month effort, could be accomplished for about \$300,000.

Before any effort begins, the GOP should be provided with consulting support to prepare the detailed terms of reference for the project. This process will take approximately 60 days and involve close contact with key officials and computer systems specialists from the Computer Bureau, Ministry Divisions of Planning, Finance & Economic Affairs and other government offices.

This cost could be approximately \$25,000 for a two person/two month effort.

Project Budgeting, Reporting and Monitoring Procedures

Objective: To develop a consistent set of budgeting/project development cost estimation forms for submission to the Ministry of Planning, Finance & Economic Affairs as part of an expanded Budget Cell.

Technical Inputs: Specialists from each of the three Divisions of the Ministry as well as representatives from the AGPR and Auditor General would constitute the core team responsible for developing the forms. Consideration of data processing and overall systems planning activity will be needed. The data to be submitted in the new "package" would be the primary annual addition to the data base.

External donors may provide technical assistance, particularly as forms design specialists or management systems analysts.

Costs: The direct expense involved would be in staff committed to the project, with some additional costs for travel and computer time utilization.

Project Management and Accountability Systems

Objective: To coordinate and consolidate USAID investments in microcomputer hardware, software, technical support and training for the purpose of designing a standardized package which a) promotes accountability, b) facilitates tracking/monitoring and c) integrates USAID/GOP management systems at the project implementation level.

Technical Inputs: One long-term project coordinator/technical advisor, reporting to the Director and assigned administratively to either the Office of Program or the Office of Project Development and Monitoring, for a 12-16 month period, commencing in early 1986 to define the system requirements, schedule the technical inputs, supervise project performance, and coordinate this effort with on-going work on systems component identified in Annexes #1 and #3.

Three short term (TDY) project management information system software design/development specialists, as follows:

1. Application Software Assessment Specialist: To prepare the functional requirements for the system and determine the capability of "off the shelf" packages to satisfy the established requirements. The assessment should occur in June, 1986 and answer the fundamental "make or buy" question for software development.

2. Software Developer: To either: a) develop "templates" for selected application software packages or b) utilize a microcomputer-oriented software development language (e.g. APL-plus, Pascal), c) to develop project management accountability software. This effort will occur in October, November, December, 1986.

3. Software Documentation & Training Advisor: To work with the system designers (e.g. long term advisor, office chiefs, and project officers) and software developers to document the system, prepare a User's Guide and conduct training seminars for both USAID personnel and GOP project managers.

Cost Estimate:

The direct costs for long and short term advisors, travel, on-site support and other Mission costs will be off-set by cost avoidance in the current portfolio and considerable savings in the post-87 project plan. No "net cost" calculation has been developed. However, the following estimates should be used as the basis for more detailed budget calculations:

.Long Term Advisor	\$5000 - 6000/month
.Software Assessment	\$7500 - (\$250x30 days)
.Software Developer	\$13,500 - (\$300x45 days)
.Documentation	\$12,500 - (+ \$275x45 days)