



Financial Management
Procurement Management
Monitoring & Evaluation
Human Resource Management

Manuals / Curriculum for JMC, MMC AND SMC

Trainers / Trainees Manual

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EXECUTIVE SUMMARY

Since the past many decades, there has been immense focus on the restructuring and reengineering of systems and processes in WAPDA and its associated organizations. The creation of more than 20 different organizations involved in the water and power sector such as WAPDA, PEPCO, PPIB, AEDB, NTDC, GENCOs, PITC and DISCOs broadened scope for governance failures and mismanagement of resources.

Pakistan's energy crisis has gained impetus due to a multitude of factors and the amalgamation of issues which circumscribe to suboptimal policies, lack of institutional coherence, mis-governance, mismatch of technology and human resource, archaic processes and systems what are not in coherence with the 21st century approaches. In the drawback of this scenario, there have also been many successes. This is manifested in the inherent capacity and potential of WAPDA / PEPCO and its array of semi-autonomous organizations. Amongst these initiatives the creation of WAPDA Administrative Staff College (WASC) tends to stand out as an institution which could play the backbone role for WAPDA, GENCO, DISCOs, PEPCO and their associated companies and projects – creating a bridge of positivity and constructive knowledge sharing through innovative and cutting edge capacity building.

The fundamental structure of WASC was laid in the late 1980s along with technical input into the development of courses and modules coherent with the needs of WAPDA pertaining to the 20th century. There have been subsequent isolated interventions whereby certain processes of WASC have been fine-tuned, however the challenges of the 21st century and the change of dynamics emerging from the dismemberment of WAPDA into many smaller organizations, has created a gap not only for WAPDA but also for WASC.

It is under these circumstances that The Assessment and Strengthening Program (ASP) in partnership with the WAPDA Administrative Staff College (WASC) in implementing a Capacity Building Plan (CBP) to update the college's curriculum and courses as per the latest standards and practices. The objective of the CBP is to strengthen the capacity of WASC and bring it in line with the international best practices.

The program is divided into two stages, whereby stage – 1 envisages the Baseline Evaluation of training design, delivery and curriculum for the various courses such as JMC, MMC and SMC are rendered at WASC. The findings of stage – 1 will facilitate the comprehensive further evaluation of end user stakeholders followed by the development/up-gradation of Financial Management, Procurement Management, Monitoring & Evaluation, and Human Resource Management courses which are going to be carried out during the stage – 2 of the CBP. International best practices in the field of financial management, human resource management and procurement management were also studied with an intention of enhancing the standard of the training programs. This report baseline provides a comprehensive overview of all these steps executed in this context.

This report lays down the approach towards carrying out a stakeholder evaluation of WASC i.e. stage -1 of CBP. For this purpose, the existing Financial Management, Procurement Management and Human Resource Management modules were reviewed along with a comprehensive Block Program Review of the JMC, MMC and SMC tentamounting to the emergence of an “As IT” situation, thereby creating a baseline for Stage II intervention. The Stage II intervention would include:-

1. Further fine-tuning and augmenting the 'AS IS' analysis and evaluation of WASC Block Program along with the subjects of HRM, FM and Procurement Management based upon Available Literature Review, Faculty interviews and Structured FGD interviews.
2. TNA/LNA of JMC, MMC and SMC current participants and feedback workshop participants.(Stage-2 Deliverable)
3. END USER INPUT AND NEED ANALYSIS based upon the feedback of the CEO,s/ CFO,s/ DG HRM's and other important officials of WAPDA/PEPCO related and associated companies ----- List to be provided by WAPDA-----
-- (STAGE -2 Deliverable)
4. Feedback of WASC Faculty and need analysis which would lead to the development of a customized TOT and Training Schedule for the Faculty-----also rationalization of resources in consonance with the evaluation and proposals of Consultant Team -----(Stage -2 Deliverable)
5. Comprehensive evaluation and recommendatory report submission by Consultants Team based upon the Stage-1 Intervention and the feedback conducted as per Para (a), (b),(c),and (d).----- Stage -2 Deliverable.
6. Development of New Curriculum and Block Programs for JMC, MMC and SMC. New Modules to be developed on HRM, FM, PM and M&E Subjects by Consultant team----- Stage -2 Deliverable.
7. TOT Delivery and Imparting Training on the newly developed Modules.-----
----- Stage-2 Deliverable.

The execution of the above would lead to a “To Be” recalibrated framework for Wapda Administrative Staff College and a globally aligned curriculum.

This report has been prepared with contributions and insights from a number of entities and stakeholders. The assistance of GM Training WAPDA, Principal and Faculty of WASC, Steering Committee of the CBP, participants of the feedback workshop and ASP-RSPN officials in formulizing this report is also recognized and greatly appreciated.Revised block curriculum has been conceived after taking due cognizance of end user input, technical gap analysis, personal interaction at various level, allocation of block timings to procurement management subject by WASC, candid view about WASC faculty / visiting faculty,future challenges of WAPDA Associated Companies due to restructuring and desires of the donor agencies to have transparent procurement management system and future challenges at national / international level have been kept in view

2. Revised curriculum has been drafted in a way that it should not affect the overall block timings allocated to procurement management in JMC, MMC and SMC. Curriculum of JMC has been kept heavier because this is the first course of management after induction of officers. Relevant brainstorming questions, role plays and various scenarios have been incorporated to have interest in the course instead of having monotony. In MMC, essential theoretical subjects have been kept and very basics have been omitted,instead visits have been planned to PPRA and Procurement Agencies. In SMC, contract management has been included as a theoretical subject. In addition, few new subjects have been introduced

The Baseline Evaluation Report on WAPDA Administrative Staff College (WASC) provides deep insight into the training curriculum included in the Block Program pertaining to the discipline of Financial Management. It was concluded in the said report that the courses on Financial Management did not cover the on-job requirements envisaged through the SOPs designed for specialized positions. Various corporate entities created by WAPDA in Generation, Transmission and Distribution sub-sectors of Power sector was a transition from power utility under the government control to more sovereign corporate entities with independent Board of Directors. The employees of WAPDA, who now found themselves working under an entirely different culture, need to embrace this change, assimilate themselves and emerge as efficient corporate executives fully equipped with knowledge and skills of modern concepts of management of assets of their companies and adapt themselves to the requirements of the changing world around them.

In order to effectively embed the power sector employees in the emerging corporate scenario, it is imperative to use training as “an agent of change”. The Baseline Evaluation Report touched upon various areas for intervention through training. One such area is the Financial Management.

It needs to be kept in mind that various training programs viz JMC, MMC and SMC offered by WASC are for executives drawn from a broad spectrum of managerial cadres. They are not necessarily practitioners of accounting and finance but they do need to understand the impact of various day-to-day decisions and transactions on the profitability of their respective companies, for in the changing environment it is the deep sensitivity for cost and benefit in decision-making that matters.

The corporate entities created in various sub-sectors of Power sector have hired chief finance officers (CFOs) or finance directors from the market with professional background. They, including other end-users, provided very useful input for designing a revised curriculum of Financial Management for JMC, MMC and SMC at WASC.

An effective M&E system is crucial for ensuring relevance, efficiency, effectiveness and sustainability of projects. An M&E system helps us in:

- Reviewing progress of project
- Identifying problems in planning and/or implementation
- Making adjustments in the design and implementation strategy of the project so that

Monitoring and evaluation are two distinct sets of organisational activities i.e. monitoring and evaluation. They are related but not identical. Monitoring is a management tool which provides a useful base for evaluation.

Monitoring is commonly defined as a process of systematic collection and analysis of data/information about performance of a project or an organization. It enables project management teams to determine whether the project is being implemented in accordance

with plan, whether available resources are sufficient being well used, and whether the capacity project/organisation has, is adequate and appropriate. In short, monitoring serves following purposes:

- to keep project progress on track – i.e. scope, time, cost and quality
- to ensure the efficiency and effectiveness of a project or organizations

On the other hand evaluation is commonly considered as assessment of actual project impacts against the agreed strategic plans. Basic objectives of evaluation are to:

- assess the degree to which objectives have been achieved – comparing the actual project outcomes and impacts against set targets.
- document the lessons learned for future projects.

Human Resource Management can broadly be defined as a strategic and coherent approach to the management of the organization's most valued assets - the people working there, who individually and collectively contribute to the achievement of its objectives of sustainable competitive advantage. It involves all management decisions and actions that affect the relationship between organizations and employees. It further relates to the total set of knowledge, skills and attitudes that an organization needs to compete. It involves concerns for and action in the people, including: selection, training and development, employee relations and compensation. Such actions may be bound together by the creation of an HRM philosophy.

Human Resource Management enhances productivity and the effectiveness of organizations. Research shows that when organizations employ such personnel practices as internal career ladder, formal training systems, results-oriented performance appraisal, employment security, employee voice/participation, broadly defined jobs, and performance-based compensation, they are more able to achieve their goals and objectives.

In the first part of the Review, present job requirement of WAPDA employees have been analyzed and mentioned in detail coupled with the human resource management trainings modalities and mechanics. Detailed comments of the participants along with analysis of questions have also been considered and analyzed.

The next part of the review enlists the synchronization between the SOPs pertaining to the job and the HRM related training. In this part, the satisfaction of the contents of the HRM training has been analyzed along with the comments of the participants.

Lastly, detailed recommendations of the participants have been encapsulated in the comprehensive technical evaluation report and summarized in the baseline evaluation report

Good administration and HR practices have always been an integral part of good governance and service delivery and streamlining the administrative skills has been a major challenge. Public Sector Institutions in this context conduct trainings pertaining to the development of Administrative and HR Skills of its employees. It is imperative that WASC revamps and reengineers the HRM component from a multi-dimensional

perspective so that it can prepare WAPDA / PEPCO officials for the challenges of the 21st century. It is also necessary to develop integrated specialized workshops on the core subjects of Human Resource Management.

1. CONCLUSION

Pakistan in general and WAPDA in particular is attempting to bring about a positive change in the attitudes, behavior and efficiency of its human resource for achieving the goal of good governance and improved service delivery. However, despite numerous reforms this goal has remained ever evasive. Other countries who were much behind Pakistan have developed in leaps and bounds, and the engine for development has been their technocrats. The much maligned public service is the backbone of any administration and provides the steel frame around which the administrative edifice is built. The stronger the steel frame, the stronger the edifice. Weaker the steel frame and the structure will collapse sooner than later.

Over the past decades, the capacity building issue has not been given due importance and has not been addressed in a befitting manner due to lack of uniform, cohesive and workable training strategy. This capacity gap has resulted in poor service delivery and poor governance.

It is understood that often strategies are formulated and not implemented by concerned authorities due to lack of interest and willingness on the part of stakeholders. The present baseline evaluation report is designed to deal with the training issues and to highlight the “AS – IS” situation of Wapda Administrative Staff College.

In order to meet the challenges of change and to ensure sustainability of system improvement, it is imperative that appropriate skills and expertise of the WAPDA employees are enhanced to enable them to perform their functions and discharge their responsibilities efficiently and effectively. Therefore, the WAPDA / WASC focus on developing a vibrant, professional, progressive and responsive technocrat having a holistic appreciation of the work environment and capable of advancing the materialization of the vision WAPDA can only be materialized with a structured approach towards the re-emerging of WASC.

Financial Management

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WAPDA Administrative Staff College Financial Management Training Curriculum

Overview

The Baseline Evaluation Report on WAPDA Administrative Staff College (WASC) provides deep insight into the training curriculum included in the Block Program pertaining to the discipline of Financial Management. It was concluded in the said report that the courses on Financial Management did not cover the on-job requirements envisaged through the SOPs designed for specialized positions. Various corporate entities created by WAPDA in Generation, Transmission and Distribution sub-sectors of Power sector was a transition from power utility under the government control to more sovereign corporate entities with independent Board of Directors. The employees of WAPDA, who now found themselves working under an entirely different culture, need to embrace this change, assimilate themselves and emerge as efficient corporate executives fully equipped with knowledge and skills of modern concepts of management of assets of their companies and adapt themselves to the requirements of the changing world around them.

In order to effectively embed the power sector employees in the emerging corporate scenario, it is imperative to use training as “an agent of change”. The Baseline Evaluation Report touched upon various areas for intervention through training. One such area is the Financial Management.

It needs to be kept in mind that various training programs viz JMC, MMC and SMC offered by WASC are for executives drawn from a broad spectrum of managerial cadres. They are not necessarily practitioners of accounting and finance but they do need to understand the impact of various day-to-day decisions and transactions on the profitability of their respective companies, for in the changing environment it is the deep sensitivity for cost and benefit in decision-making that matters.

The corporate entities created in various sub-sectors of Power sector have hired chief finance officers (CFOs) or finance directors from the market with professional background. They, including other end-users, provided very useful input for designing a revised curriculum of Financial Management for JMC, MMC and SMC at WASC.

After detailed discussions and informal interaction with the end-users, the top and senior management of various companies, it was concluded that the companies’ management desire their junior, middle and senior executives to have:

- Good understanding of principle of accounting and finance,
- Knowledge and ability to interpret financial information,
- Appropriate skill to read through all the financial statements,
- A sense to depart from the legacy systems of government’s rules and procedure and retain, at the same time, some knowledge of the legacy system to interact with the government for development projects, audit and budget related matters,
- The ability to forecast revenues and to plan for growth of business, and

- The ability to discuss and present various issues pertaining to their respective business areas in appropriate financial terminology.

The above objectives were general in nature and were translated into specific objectives while designing the curriculum.

It would not be out of place to discuss some stumbling blocks towards achievement of these objectives, the major of these being the time constraint. The time allocated in the block program for Financial Management is too less to turn around the curriculum from that for officers of a government-controlled organization to that for executives of a competitive and vibrant corporate entity.

Junior Management Course

Specific Training Objectives

This course has been designed for those junior executives of power companies who have no background of Financial Management. At the end of the training, the participants will be able to understand:

- the difference between cash-based and accrual-based accounting system,
- the financial statements; profit and loss account, balance sheet and statement of cash flows,
- the formation of a company, its objectives, governance structure and accountability mechanism,
- Financial planning and forecasting as well as budgeting at national level,
- Financial analysis for understanding corporate entities and making decisions,
- Regulatory framework and guidelines for tariff-setting,
- Taxation system as in force in Pakistan,
- Enterprise Resource Planning

Topics	Type	Time
<i>How corporate entities are formed, governed and made accountable?</i>		
<ul style="list-style-type: none"> • Sole proprietorship, partnership and limited companies • Corporate governance- how limited companies operate, their management structure, board of directors, shareholders (AGM) • Functions of management, board of directors and shareholders • Corporate accountability- Why accountability? audit by government auditors, audit by chartered accounting firms and internal audit 	Classroom lecture	2 hours

Accounting

- What is accounting
- Cash accounting and accrual accounting
- Accounting treatment of various transactions
- Preparation of trial balance, balance sheet, profit and loss account and Statement of cash flows
- Current assets, fixed assets, liabilities and owners' equity
- How financial transactions and their treatment impact financial statements of a company?

Classroom 2 hours
lectures

Extension
lecture by
an expert 2 hours

Budgeting and Corporate Planning

- Financial forecasting
- Preparation of budgeted financial statements
- Cash budget
- Management of working capital

Classroom 4 hours
lectures

Exercise

Classroom
Lecture

Financial Analysis

- Use of financial analysis
- Financial ratios-profitability, liquidity, activity, leverage
- Capital budgeting and appraisal of investment decisions
- Financial analysis of different companies in power sector

Classroom 2 hours
lectures

Case study
2 hours

Pricing decisions and Power sector Regulatory Framework

- Various cost components of electricity tariff
- Tariff-setting guidelines and role of NEPRA

Extension 2 hours
lecture by
an expert

Taxation in Pakistan

- Direct and Indirect taxes

<ul style="list-style-type: none"> ▪ Corporate income tax ▪ General Sales Tax ▪ Withholding Tax 	Extension 2 hours lecture by an expert
<i>Enterprise Resource Planning</i> <ul style="list-style-type: none"> • An integrated view of core business processes • Use of database • Tracking the status of business resources and business commitments 	Extension 2 hours lecture by an expert
<i>Project Management</i> <ul style="list-style-type: none"> • Project Management life-cycle • Project identification and preparation • Relationship of a public sector entity with PSDP 	Self-Study from recommen ded text
Total Time	20 hours

Methodology

- Pre-training methodology is restricted to course design where a wide range of top-level executives were consulted.
- During-training methodology is class-room lectures followed by discussions, lectures by eminent expert in specialized areas and case studies. The contents will be delivered in an interactive format to engage the trainees, use of multi-media presentations and development of training manuals.
- Post training methodology, for improvement in the content and delivery, includes evaluation by trainees themselves and the end-users.

Middle Management Course

Specific Training Objectives

The course has been designed for middle-level managers with no or limited understanding of their organization's financial management processes but who want to gain a deeper understanding of them in order to drive improved departmental and organizational performance. This course is a step higher than the course for JMC in terms of knowledge and skills and is of shorter duration.

At the end of the training, the participants will be able to:

- Understand the working of a corporate entity including its formation, governance structure, objectives and accountability mechanism,
- Successfully depart from legacy system of accounting and finance and understand the impact of their day-to-day decisions on the profitability of their respective entities,

- Understand their role to assist management take decisions regarding financial planning, financing and acquisition of assets,
- Understand the role of Power sector regulator, the financial components of electricity tariff and the guidelines for tariff-setting issued by the government, and
- Understand the system of taxation in Pakistan and the obligations of corporate entities regarding various taxes

Topics	Type	Time
<i>Forms of business organizations</i>		
<ul style="list-style-type: none"> • Sole proprietorship, partnership and limited companies • Corporate governance- how limited companies operate, their management structure, board of directors, shareholders (AGM) • Functions of management, board of directors and shareholders • Corporate accountability- Why accountability? audit by government auditors, audit by chartered accounting firms and internal audit 	Classroom lecture	2 hours
<i>Accounting</i>		
<ul style="list-style-type: none"> ▪ Accounting of financial transactions and how financial transactions and their treatment impact financial statements of a company? 	Extension lecture by an expert	2 hours
<i>Budgeting and Corporate Planning</i>		
<ul style="list-style-type: none"> ▪ Financial forecasting ▪ Preparation of budgeted financial statements ▪ Cash budget ▪ Management of working capital 	Classroom lectures Exercise Classroom Lecture	4 hours
<i>Financial Analysis</i>		

- Financial ratios-profitability, liquidity, activity, leverage
- Capital budgeting and appraisal of investment decisions
- Evaluation of capital budgeting proposals

Classroom 2 hours
lectures

Case study 2 hours

Pricing decisions and Power sector Regulatory Framework

- Various cost components of electricity tariff
- Tariff-setting guidelines and role of NEPRA

Extension 2 hours
lecture by
an expert

Taxation in Pakistan

- Direct and Indirect taxes
- Corporate income tax
- General Sales Tax
- Withholding Tax

Extension 2 hours
lecture by
an expert

Project Management

- Project Management life-cycle
- Project identification and preparation
- Relationship of a public sector entity with PSDP

Self-Study
from
recommen
ded text

Total Time

16 hours

Methodology

- Pre-training methodology is restricted to course design where a wide range of top-level executives were consulted.
- During-training methodology is class-room lectures followed by discussions, lectures by eminent expert in specialized areas and case studies. The contents will be delivered in an interactive format to engage the trainees, use of multi-media presentations and development of training manuals.
- Post training methodology, for improvement in the content and delivery, includes evaluation by trainees themselves and the end-users.

Senior Management Course

Specific Training Objectives

The course has been designed for senior-level managers with no or limited understanding of their organization's financial management processes but who want to gain a deeper understanding of

finance in order to drive improved departmental and organizational performance. This course is a step higher than the course for MMC in terms of knowledge and skills and is of shorter duration. The course is not intended to prepare financial experts from the participants but will give them some sense of financial management of a corporate entity.

At the end of the training, the participants will be able to:

- Understand the corporate environment including corporate governance, company structure, objectives and accountability mechanism,
- Successfully depart from legacy system of accounting and finance and understand the impact of their day-to-day decisions on the profitability of their respective entities,
- Understand their role to assist management take decisions regarding financial planning, financing and acquisition of assets,
- Understand the role of Power sector regulator, the financial components of electricity tariff and the guidelines for tariff-setting issued by the government, and
- Understand the system of taxation in Pakistan and the obligations of corporate entities regarding various taxes

Topics	Type	Time
<i>Corporate Environment</i>		
<ul style="list-style-type: none"> • Corporate governance- how limited companies operate, their management structure, board of directors, shareholders (AGM) • Functions of management, board of directors and shareholders • Corporate accountability- Why accountability? audit by government auditors, audit by chartered accounting firms and internal audit 	Classroom lecture	2 hours
<i>Understanding financial information</i>		
<ul style="list-style-type: none"> ▪ Accounting concepts ▪ Income statement ▪ Balance sheet ▪ Statement of cash-flows 	Extension lecture by an expert	2 hours
<i>Business planning and the budget</i>		
<ul style="list-style-type: none"> ▪ Financial forecasting ▪ Preparation of budgeted financial statements 	Classroom	4 hours

- Cash budget lectures
 - Management of working capital Exercise
- Classroom
Lecture

Using financial tools for making better decisions

- Financial ratios-profitability, liquidity, activity, leverage Classroom 2 hours
- Capital budgeting and appraisal of investment decisions lectures
- Break-even

Pricing decisions and Power sector Regulatory Framework

- Various cost components of electricity tariff Extension 2 hours
- Tariff-setting guidelines and role of NEPRA lecture by an expert

Project Management

- Project Management life-cycle Self-Study
- Project identification and preparation from
- Relationship of a public sector entity with PSDP recommen
ded text

Total Time 12 hours

Methodology

- Pre-training methodology is restricted to course design where a wide range of top-level executives were consulted.
- During-training methodology is class-room lectures followed by discussions, lectures by eminent expert in specialized areas and case studies. The contents will be delivered in an interactive format to engage the trainees, use of multi-media presentations and development of training manuals.
- Post training methodology, for improvement in the content and delivery, includes evaluation by trainees themselves and the end-users.

Trainers Manual

Module 1

Topic: How corporate entities are formed, governed and made accountable?

This module consists of three components:

1. Forms of Business Organizations
2. Corporate governance
3. Corporate accountability

Duration: 2 hours

Learning objectives: At the end of the module, the participants will be able to understand how corporate entities come into being, how these are organized and governed and how the owners of a business exercise their control through their presence on the board of directors and audit committees.

Lesson plan

The instructor will be expected to deliver the three components in two hours' time.

- 30 minutes will be allocated for explaining forms of business organizations
- 30 minutes will be spent on functions of the board, the management and shareholders
- 40 minutes will be allocated for corporate accountability explaining the role of internal audit, external audit by the Auditor-General and chartered accountants
- 20 minutes will be allocated for Q&A

Mode of delivery

The most suitable method of delivering the Module is PowerPoint presentation.

Outline of the contents

Forms of Business Organizations

Businesses are established by individuals for variety of objectives. The businesses established by one person is called Sole Proprietorship, Partnership where owners are more than one and if the owners are many, it is called a Company, a Corporation or a Joint Stock Company.

Sole Proprietorship

A Sole Proprietorship consists of one individual doing business. Sole Proprietorships are the most numerous form of business organization in the West, however they account for little in the way of aggregate business receipts.

Advantages:

- Ease of formation and dissolution. Establishing a sole proprietorship can be as simple as printing up business cards or hanging a sign announcing the business. Taking work as a contract carpenter or freelance photographer, for example, can establish a sole proprietorship. Likewise, a sole proprietorship is equally easy to dissolve. Typically, there are low start-up costs and low operational overhead.
- Ownership of all profits.
- Sole Proprietorships are typically subject to fewer regulations.
- No corporate income taxes. Any income realized by a sole proprietorship is declared on the owner's individual income tax return.

Disadvantages

- Unlimited liability. Owners who organize their business as a sole proprietorship are personally responsible for the obligations of the business, including actions of any employee representing the business.
- Limited life. In most cases, if a business owner dies, the business dies as well.
- It may be difficult for an individual to raise capital. It's common for funding to be in the form of personal savings or personal loans.
- The most daunting disadvantage of organizing as a sole proprietorship is the aspect of unlimited liability.

Partnership

A Partnership consists of two or more individuals in business together. Partnerships may be as small as mom and dad type operations, or as large as some of the big legal or accounting firms that may have dozens of partners. There are different types of partnerships—general partnership, limited partnership, and limited liability partnership—the basic differences stemming around the degree of personal liability and management control.

Advantages

- Synergy. There is clear potential for the enhancement of value resulting from two or more individuals combining strengths.
- Partnerships are relatively easy to form, however, considerable thought should be put into developing a partnership agreement at the point of formation.
- Partnerships may be subject to fewer regulations than corporations.
- There is stronger potential of access to greater amounts of capital.
- No corporate income taxes. Partnerships declare income by filing a partnership income tax return. Yet the partnership pays no taxes when this partnership tax return is filed. Rather, the individual partners declare their pro-rata share of the net income of the partnership on their individual income tax returns and pay taxes at the individual income tax rate.

Disadvantages

- Unlimited liability. General partners are individually responsible for the obligations of the business, creating personal risk.
- Limited life. A partnership may end upon the withdrawal or death of a partner.

- There is a real possibility of disputes or conflicts between partners which could lead to dissolving the partnership. This scenario enforces the need of a partnership agreement.

Company

A company is a legal entity doing business, and is distinct from the individuals within the entity. Public companies are owned by shareholders who elect a board of directors to oversee primary responsibilities. Along with standard, for-profit corporations, there are charitable, not-for-profit corporations.

Advantages

- Unlimited commercial life. The company is an entity of its own and does not dissolve when ownership changes.
- Greater flexibility in raising capital through the issue of shares.
- Ease of transferring ownership by selling shares.
- Limited liability. This limited liability is probably the biggest advantage to organizing as a company. Individual owners in companies have limits on their personal liability. Even if a company is sued for billions of dollars, individual shareholder's liability is generally limited to the value of their own stock in the company.

Disadvantages

- Regulatory restrictions. Companies are typically more closely monitored by governmental agencies, including federal, state, and local. Complying with regulations can be costly.
- Higher organizational and operational costs. Companies have to file articles of incorporation with the appropriate state authorities. These legal and clerical expenses, along with other recurring operational expenses, can contribute to budgetary challenges.
- Double taxation. The possibility of double taxation arises when companies declare and pay taxes on the net income of the company, which they pay through their corporate income tax returns. If the corporation also pays out dividends to individual shareholders, those shareholders must declare that dividend income as personal income and pay taxes at the individual income tax rates. Thus, the possibility of double taxation.

Courtesy: Dr. Sharon Garrison

How companies are run: Corporate Governance

Corporate governance is "the system by which companies are directed and controlled" (Cadbury Committee, 1992). More specifically it is the framework by which the various stakeholder interests are balanced, or, as the IFC states, "the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders". Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.

Corporate governance consists of two elements:

- The long term relationship which has to deal with checks and balances, incentives for manager and communications between management and investors;
- The transactional relationship which involves dealing with disclosure and authority.

This implies an adversarial relationship between management and investors, and an attitude of mutual suspicion. This was the basis for much of the rationale of the Cadbury Report, and is one of the reasons why it prescribed in some detail the way in which the board should conduct itself: consistency and transparency towards shareholders are its watchwords.

Let us understand the working of corporate entities:

- The Management (The bureaucracy)
- The Board of Directors (The cabinet)
- Common Shareholders (AGM-The Parliament)

Separation of Ownership and Control

The corporation, in contrast, for example, to a partnership, separates ownership from operational control - this concept is, of course, fundamental to any definition of corporate governance and is commonly referred to as the agency issue, or [Agency Theory](#). It is this separation which creates the need for systems of independent monitoring and control. Historically, it was the freedom that this separation created to take much bigger risks in order to expand that prevented for so long the permission of such organizations to exist, with the potential dangers it implied. And it is this freedom which has required mechanisms to be constructed to try and prevent it being abused.

Different Countries, Different Models

This has led to different systems in different countries, depending on which constituent or interested party in the company's operations has been given the most importance. In the Anglo-Saxon world, for example, there has always been a single board of directors consisting of executive and non-executive, or independent directors. Elsewhere, a two tier structure exists to balance the executive board with representatives from other stakeholder groups like employees and bankers (like the Aufsichtsrat or Supervisory Board in Germany).

Basic Principles of Corporate Governance

OECD* principles

- Protection of shareholders' rights: the protection of shareholders and maintaining investor confidence at all times in way of ensuring the continuous inflow of needed capital.
- Equitable treatment of shareholders: the equitable treatment of all equity investors, including minority shareholders.
- Protection of stakeholders' rights: the skillful consideration and balancing of the interests of all stakeholders, including employees, customers, partners, and the local community.
- Accurate disclosure of information: the accurate and timely disclosure of clear, consistent, and comparable information in good times and bad times.

- Diligent exercise of board responsibilities: Board elections should be totally free from political interference and board members should exercise their responsibilities diligently and independently.

*OECD, Organization for Economic Cooperation and Development (1999).

Audits

Internal Audit- for the Board of Directors

External Audit- for the shareholders

Government audit- for PAC

Audit Committee

The audit committee functions to enhance confidence in the integrity of an entity's processes and procedures relating to internal control and corporate reporting. Boards of Directors rely on audit committees to, among other things, review the accounts prepared by the management and to appoint and provide oversight of the work of the external auditor. Audit committees can also play a key role in providing oversight of risk management.

Module 2

Topic: Accounting

This module consists of three components:

4. Accounting: definition, concepts and equation
5. Financial Statements; Income Statement, Balance Sheet and Statement of Cash Flows
6. How routine management decisions impact financial statements?

Duration: 4 hours

Learning objectives: At the end of the module, the participants will be able to understand the language of business, financial statements and will have developed sensitiveness to decisions impacting the financial statements.

Lesson plan

Component 1 & 2 of the module will be delivered by in-house faculty and component 3 will be delivered independently by an external resource person. The in-house instructor will be expected to deliver the two components in two hours' time.

- 30 minutes will be allocated for explaining accounting concepts
- 30 minutes will be spent on accounting equation and components of balance sheet
- 40 minutes will be spent on explaining Income Statement, Balance Sheet and Statement of Cash-flows.
- 20 minutes will be allocated for Q&A
- 40 minutes for explaining how decisions and transactions impact financial statements
- 20 minutes will be allocated for Q&A

Mode of delivery

The most suitable method of delivering the Module is PowerPoint presentation.

Outline of the contents

Accounting: It is a systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information. It reveals profit or loss for a given period, and the value and nature of a firm's assets, liabilities and owners' equity.

Source: <http://www.businessdictionary.com/definition/accounting.html#ixzz35kXr2qfG>

Basic concepts of Accounting:

Accruals: revenue and expenses are recorded when they occur and not when the cash is received or paid out;

Consistency: once an accounting method has been chosen, that method should invariably be used unless there is a sound reason to do otherwise;

Going concern: the business entity for which accounts are being prepared is in good condition and will continue to be in business in the foreseeable future;

Prudence concept: revenue and profits are included in the balance sheet only when they are realized (or there is reasonable 'certainty' of realizing them) but liabilities are included when there is reasonable 'possibility' of incurring them.

Accounting equation: total assets equal total liabilities and owners' equity;

Accounting period: financial records pertaining only to a specific period are to be considered in preparing accounts for that period;

Cost basis: asset value recorded in the account books should be the actual cost paid, and not the asset's current market value;

Entity: accounting records reflect the financial activities of a specific business or organization, not of its owners or employees;

Full disclosure: financial statements and their notes should contain all relevant data;

Lower of cost or market value: inventory is valued either at cost or the market value (whichever is lower);

Matching: transactions affecting both revenues and expenses should be recognized in the same accounting period;

Materiality: minor events may be ignored, but the major ones should be fully disclosed;

Financial Statements

Income Statement or Profit & Loss Account: A document generated monthly and/or annually that reports the earnings of a company by stating all relevant income and all expenses that have been incurred to generate that income. It's a scorecard on the financial performance of the company that reflects when sales are made and expenses are incurred. It draws information from the various financial models such as revenue, expenses, capital (in the form of depreciation) and cost of goods.

The income statement lists financial projections in the following manner:

- Income includes all the income generated by the business.
- Cost of goods includes all the costs related to the sale of products in inventory.
- Gross profit margin is the difference between revenue and cost of goods. Gross profit margin can be expressed in currency, as a percentage, or both. As a percentage, the GP margin is always stated as a percentage of revenue.
- Operating expenses include all overhead and labor expenses associated with the operations of the business.
- Total expenses are the sum of cost of goods and operating expenses.
- Net profit is the difference between gross profit margin and total expenses. The net income depicts the business' debt and capital capabilities.

- Depreciation reflects the decrease in value of capital assets used to generate income. It's also used as the basis for a tax deduction and an indicator of the flow of money into new capital.
- Income before interest and taxes shows the capacity of a business to repay its obligations.
- Interest includes all interest payable for debts, both short-term and long-term and taxes include all taxes on the business. Net profit after taxes shows the company's real bottom line.

Balance Sheet: A balance sheet primarily shows accounting equation as explained above in accounting concepts. All business assets are financed either from owners' capital (shareholders' equity) or borrowed capital (liabilities) or both. Therefore, assets must equal shareholders' equity and liabilities. The balance sheet presents a company's financial position at the end of a specified date. Some describe the balance sheet as a "snapshot" of the company's financial position at a point (a moment or an instant) in time. For example, the amounts reported on a balance sheet dated December 31, 2012 reflect that instant when all the transactions through December 31 have been recorded.

Because the balance sheet informs the reader of a company's financial position as of one moment in time, it allows someone—like a creditor—to see what a company owns as well as what it owes to other parties as of the date indicated in the heading. This is valuable information to the banker who wants to determine whether or not a company qualifies for additional credit or loans. Others who would be interested in the balance sheet include current investors, potential investors, company management, suppliers, some customers, competitors, government agencies, and labor unions.

Following are the major components of balance sheet:

Assets: They are the resources of the company that have been acquired through transactions, and have future economic value that can be measured and expressed in dollars. Assets also include costs paid in advance that have not yet expired, such as prepaid advertising, prepaid insurance, prepaid legal fees, and prepaid rent. Examples of asset accounts that are reported on a company's balance sheet include: Cash, Temporary Investments, Accounts Receivable, Inventory, Supplies, Prepaid Insurance, Land, Buildings, Equipment, Goodwill, etc. Assets can be classified as current assets and fixed assets.

Liabilities: Liabilities are obligations of the company; amounts owed to creditors for a past transaction and they usually have the word "payable" in their account title. Along with owner's equity, liabilities can be thought of as a source of the company's assets. They can also be thought of as a claim against a company's assets. Liabilities also include amounts received in advance for future services. Examples of liability accounts reported on a company's balance sheet include: Notes Payable, Accounts Payable, Salaries Payable, Interest Payable, Other Accrued Expenses Payable etc. Liabilities are usually classified as Current Liabilities and Long Term Liabilities.

Shareholders' (or Owners') Equity: Owner's Equity, like liabilities, can be thought of as a source of the company's assets. Owner's equity is sometimes referred to as the book value

of the company, because owner's equity is equal to the reported asset amounts minus the reported liability amounts. Owner's equity may also be referred to as the residual of assets minus liabilities. These references make sense if you think of the basic accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

and just rearrange the terms:

$$\text{Owner's Equity} = \text{Assets} - \text{Liabilities}$$

"Owner's Equity" are the words used on the balance sheet when the company is a sole proprietorship. If the company is a corporation, the words Shareholders' Equity are used instead. Examples of stockholders' equity accounts include: Common Stock, Preferred Stock, Paid-in Capital in Excess of Par Value, Paid-in Capital from Treasury Stock, Retained Earnings etc.

Example Company Balance Sheet December 31, 2012	
<u>ASSETS</u>	<u>LIABILITIES & OWNER'S EQUITY</u>
Current assets	Current Liabilities
Investments	Long-term liabilities
Property, plant, and equipment	Total liabilities
Intangible assets	
Other assets	Owner's equity
Total assets	Total liabilities & owner's equity

Source: <http://www.accountingcoach.com/balance-sheet/explanation/>

How routine management decisions impact financial statements?

Note: This part is to be delivered by an expert who may have total freedom to organize his lecture, however, an outline is given below to provide an idea what outcome is expected after the lecture.

- Managers' business decisions often result in transactions that affect the financial statements. For example, decisions to expand the number of stores, advertise a new product, change an employee benefit package, and invest excess cash would all affect the financial statements.
- Sometimes these decisions have unintended consequences as well. The decision to purchase additional inventory for cash in anticipation of a major sales initiative, for

example, will increase inventory and decrease cash. But if there is no demand for the additional inventory, the lower cash balance will also reduce the company's ability to pay its other obligations.

- Because business decisions often involve an element of risk, managers should understand exactly how transactions impact the financial statements. The process for determining the effects of transactions is called transaction analysis.
- In addition to business decisions, even recording transactions and their (mis)classification can have adverse impact on a company's financial statement.

Module 3

Topic: Budgeting and Corporate Planning

This module consists of three components:

- Financial forecasting
- Preparation of budgeted financial statements
- Cash budget
- Management of working capital

Duration: 4 hours

Learning objectives: At the end of the lecture, the participants will be able to depart from traditional concept of budgeting and understand how corporate entities plan for future and assign financial numbers to their plans, understand how to manage working capital and how to plan cash receipts and expenditure.

Lesson plan

The module will be delivered by in-house faculty in the following manner:

- 30 minutes will be allocated for explaining financial forecasting
- 60 minutes will be spent on preparation of budgeted financial statements, 20 min for each of the statement
- 40 minutes will be spent on explaining importance of cash budget
- 50 minutes will be spent on an Exercise in cash budget
- 40 minutes for explaining working capital management
- 20 minutes will be allocated for Q&A

Mode of delivery

The most suitable method of delivering the Module is PowerPoint presentation.

Outline of the contents

Preparing Budgeted Income Statements

For details, please study article at:
<http://www.unb.ca/fredericton/engineering/tme/resources/courseware/Finance/forecast.pdf>

The following content will illustrate some commonly used methods for forecasting the typical accounts that appear on financial statements.

The typical structure of and income statement is as follows:

Revenue

Less: Cost of Goods Sold

Equals: Gross Margin

Less: Operating Expenses

Equals: Operating Profit

Less: Non-operating income/(expenses)

Equals: Profit Before Tax

Less: Income Taxes

Equals: Profit After Tax

Some components of a projected income statement are simply calculated from other components (e.g. revenue less cost of goods sold equals gross margin). However, other components require a forecasting methodology.

Forecasting revenue/sales might be as simple as multiplying estimated unit sales by expected unit price for each period. A more sophisticated methodology would involve forecasting the total market and the company's market share in order to determine unit sales. An even more complex methodology might involve the use of regression analysis to fit a trend line through historical data to forecast future unit sales.

Example

If the projected total market for a product is 1 million units, the expected market share is 20% and the price per unit is \$10 the projected sales for the period are:

$$\text{Sales} = 1.0 \text{ million} \times 0.20 \times \$10 = \$2,000,000$$

Cost of Goods Sold

Cost of goods sold is often projected as a percentage of sales based on historical experience and/or expected direct unit production costs.

Example

If 200,000 units are expected to be sold and the expected direct cost per unit is \$5, projected cost of goods sold will be:

$$\text{Cost of goods sold} = 200,000 \times \$5 = \$1,000,000$$

Similarly, if projected sales are \$2,000,000 and cost of goods sold is expected to average 60% of sales, then projected cost of goods sold will be:

$$\text{Cost of goods sold} = \$2,000,000 \times 0.60 = \$1,200,000$$

Gross Margin

Gross margin is projected by subtracting projected cost of goods from projected sales.

Example

If projected sales are \$2,000,000 and cost of goods sold is expected to average 60% of sales, then projected gross margin will be:

$$\text{Gross Margin} = \$2,000,000 - (\$2,000,000 \times 0.60) = \$800,000$$

Operating Expenses

The first step in forecasting operating expenses is to identify the categories of expense that are relevant to the business (e.g. salaries, maintenance, depreciation, utilities, marketing, rent, etc.). Some expense categories might be projected as a percentage of sales based on historical experience and or budget targets. Others, such as utilities, might be based on an annual percentage increase. Depreciation expenses can be determined from depreciation schedules for existing assets and assets to be acquired in the future. Future rental expenses might be projected based on existing rental or lease contracts.

Example

If sales are projected to be \$2,000,000 and marketing expenses are budgeted to be 5% of sales, then marketing expenses are projected to be $\$2,000,000 \times 0.05 = \$100,000$. If utility expenses last year were \$50,000 and a 1% increase is expected each year, then projected utility expenses will be \$50,500 next year and \$51,005 the year after. If depreciation expenses next year from depreciation schedules are \$67,000 for plant and \$23,000 for equipment, total depreciation expense is projected to be \$90,000.

Operating Profit

Projected operating profit is calculated by subtracting projected operating expenses from projected gross margin.

Example

If the projected gross margin for the period is \$800,000 and the sum of all categories of operating expense for the period is \$570,000, then projected operating profit is \$230,000.

Non-operating Income / (Expenses)

Projected non-operating expenses might include interest on debt if the company has or plans to borrow money, interest income earned on investments and/or projected gains/(losses) that might arise from planned future disposal of assets. Interest expense can be projected from loan amortization schedules for existing and future loans. It is often assumed that assets will be disposed of in the future at their net book value. Under this simplifying assumption there will be no projected gains or losses on disposal of assets.

Example

If interest expense on existing long term debt will be \$22,000 in the next twelve months (from loan amortization schedules) and interest earned on short-term investments of surplus cash in the next year is expected to be \$8,000, then projected non-operating income/(expense) will be (\$14,000).

Profit Before Tax

Projected profit before tax is calculated by subtracting non-operating income/(expenses) from projected operating profit.

Example

If the projected operating profit for next year is \$230,000 and projected non-operating income/(expense) is (\$14,000), then profit before tax will be \$216,000.

Income Taxes

The projected income tax liability for each future period is calculated by multiplying the applicable corporate tax rate given the company's tax bracket by the projected profit before tax. If the company is projecting losses in the future those losses can be carried forward to reduce taxable income in future profitable years.

Example

If projected profit before tax next year is \$216,000 and the company's corporate tax rate is 29%, then the projected corporate income tax liability for the year is $\$216,000 \times 0.29 = \$62,640$.

Net Income

Projected net income for each future period (or "profit after tax" or "earnings" or "the bottom line") is calculated by subtracting the projected corporate income tax liability from the projected profit before tax.

Example

If projected profit before tax next year is \$216,000 and the projected corporate income tax liability is \$62,640, then projected net income is $\$216,000 - \$62,640 = \$153,360$.

Balance Sheet

The typical accounts that must be forecasted on a balance sheet as follows:

Assets

Current

- Cash
- Accounts receivable

Inventory

Long Term

- property
- plant and equipment

Total Assets

Liabilities and Equities

Current

- accounts payable
- short term debt
- income taxes payable

current portion of long-term debt

Long Term Debt

Shareholder's Equity

- share capital
- retained earnings

Total Liabilities and Equities

Cash

Future end of period cash balances are normally projected on the cash flow statement or statement of changes in financial position. An analyst will normally first prepare projected balance sheets and income statements. All balance sheet accounts with the exception of the cash account will be projected. The projected cash flow statements will then be prepared to determine cash flow for each future period. The cash flow can then be used to project closing cash on the balance sheet for each future period. When the closing cash amounts are posted to the balance sheets, they should balance.

Accounts Receivable

Once the sales forecast has been prepared on the income statement, assumptions can be made about when each month's sales will be collected. For example, if the business extends credit to its customers for up to 90 days, it might be assumed that 25% of sales are collected in the same month that they occur, 50% are collected in the next month and the remaining 25% in the third month. The appropriate percentages for each business will vary depending upon such considerations as experience in collecting receivables and/or credit policy.

Inventory

Closing or ending inventory for each future balance sheet date is normally projected using the following equation:

Closing Inventory = Opening Inventory + Additions to Inventory - Cost of Goods Sold

Opening Inventory is the closing inventory from the previous period.

Additions to inventory such as raw materials, work-in-progress and finished goods might be projected as a percentage of a future month's sales depending upon the lead time necessary from ordering raw material to final sale of finished goods.

Projected cost of goods sold can be obtained from the forecast income statements.

Example

Opening inventory at the beginning of the forecast period is \$75,000. Additions to inventory during the first forecast month will be 50% of projected sales for the third forecast month estimated to be \$300,000. Cost of goods sold for the first forecast month is projected to be \$60,000. What is closing inventory at the end of the first forecast month?

Closing Inventory = Opening Inventory + Additions to Inventory - Cost of Goods Sold
Closing Inventory = \$75,000 + 0.5(\$300,000) -

\$60,000 Closing Inventory = \$165,000

Property

Any existing property owned by a company will be carried forward on projected future balance sheets at the historical cost of the land. If land acquisitions are planned in the future the future acquisition cost will have to be estimated and added to the value of any existing property from that point forward.

Example

A company currently owns land that it purchased for \$60,000 five years ago. It plans to sell this land soon for an estimated \$90,000 and acquire a new property within this fiscal year at an estimated cost of \$150,000. What is the projected balance sheet value for property at the end of the next fiscal year?

The projected balance sheet value for property at the end of the next fiscal year is \$150,000. The value showing for the original property will be reduced to zero when it is sold. The new property will be added to the balance sheet at \$150,000. The gain of \$30,000 on the sale (\$90,000 - \$60,000) will be recorded as extraordinary income on the projected income statement.

Plant and Equipment

Similar to property, plant and equipment is added to the balance sheet at the cost paid to acquire it. However, unlike property, plant and equipment is depreciated using an acceptable depreciation accounting method. Future depreciation expenses associated with existing assets can be obtained from depreciation schedules for each asset. Depreciation schedules can also be prepared for planned future asset acquisitions using estimated acquisition costs.

For each balance sheet date, the “net fixed assets” is calculated by subtracting accumulated depreciation for all assets owned at that point in time (from the depreciation schedules) from the aggregated actual (for existing assets) or estimated (for planned future asset acquisitions) costs of acquisition.

Depreciation Methods

When preparing financial statements for management purposes, accountants are free to use the depreciation method that best approximates the actual rate of deterioration of the value of the asset. However, when preparing financial statements for tax reporting purposes, accountants must use the depreciation methods set out in the Modified Accelerated Cost Recovery System (MACRS) of the Tax Reform Act of 1986.

The three methods allowed under MACRS are:

1. Straight-line method
2. 200% Declining balance method
3. 150% Declining balance method

The choice of method depends on the depreciable life of the asset. MACRS established a number of asset life categories with sample asset types for each category. The straight-line method may be used for all asset categories. For asset categories with lives of 10 years or less, the 200% declining balance method may be used instead of straight line. For 15 and 20-year depreciable life assets, the 150% declining method may be used instead of straight line. For all depreciation methods, depreciation charges in the year of acquisition of an asset are calculated as if the asset were acquired on July 1 (mid-year convention).

Straight Line Method

In the straight line method the depreciation rate in year t (Dept) is given by $1/n$ where n is the number of years over which the asset is to be depreciated. The depreciation rate for each year is applied to the original cost basis of the asset.

Example

An asset purchased for \$100,000 has a five-year depreciable life. What is the allowable depreciation each year using the straight-line method?

Year (T) Depreciation

$$1 \text{ ** } 0.5(1/5)\$100,000 = \$10,000$$

$$2 (1/5)\$100,000 = \$20,000$$

$$3 (1/5)\$100,000 = \$20,000$$

$$4 (1/5)\$100,000 = \$20,000$$

$$5 (1/5)\$100,000 = \$20,000$$

$$6^{**} 0.5(1/5)\$100,000 = \$10,000$$

** Mid-year convention in first year. The last half-year of the 5-year depreciable life occurs in year 6.

1.

200% Declining Balance Method In the 200% declining balance method the depreciation rate in year t (Dept) is given by $2/n$ where n is

the number of years over which the asset is to be depreciated. The depreciation rate for each year is applied to the remaining cost basis

of the asset (i.e. original cost basis less accumulated depreciation).

Example

2.

An asset purchased for \$100,000 has a five-year depreciable life. What is the allowable depreciation each year using the 200% declining balance method?

Year (T) Depreciation

$$1^{**} 0.5(2/5)\$100,000 = \$20,000$$

$$2 (2/5)\$80,000 = \$32,000$$

$$3 (2/5)\$48,000 = \$19,200$$

$$4 (2/5)\$28,800 = \$11,520$$

$$5 (2/5)\$17,280 = \$6,910$$

** mid-year convention in first year

150% Declining Balance Method In the 150% declining balance method the depreciation rate in year t (Dept) is given by $1.5/n$ where n is the number of years over which the asset is to be depreciated. The depreciation rate for each year is applied to the remaining cost basis of the asset (i.e. original cost basis less accumulated depreciation).

Example

An asset purchased for \$100,000 has a 15-year depreciable life. What is the allowable depreciation each year using the 150% declining balance method?

Year (T) Depreciation (1st 5 years of 15 year life)

$$1^{**} 0.5(1.5/15)\$100,000 = \$5,000$$

$$2 (1.5/15)\$95,000 = \$9,500$$

$$3 (1.5/15)\$85,500 = \$8,550$$

$$4 (1.5/15)\$76,950 = \$7,695$$

$$5 (1.5/15)\$69,255 = \$6,925$$

** mid-year convention in first year

3.

Total Assets

Projected total assets are calculated by summing total current assets, property and net plant and equipment (acquisition cost less accumulated depreciation).

This completes the asset side of the balance sheet.

Accounts Payable

Accounts payable is typically heavily influenced by inventory purchases from suppliers combined with credit terms available from suppliers. If forecast of inventory purchases is made in order to project closing inventory on the balance sheet, this forecast could be used to estimate accounts payable. Total purchases for the period can be converted to average purchases per day by dividing by the number of days in the period. The average purchases per day can then be multiplied by the average age of payables (based on supplier credit terms e.g. 30, 60 days etc.).

Accounts payable can also be projected by the following equation:

Closing accounts payable = opening accounts payable + purchases from suppliers during the period – payments to suppliers during the period.

Example

Total inventory purchases for the next quarter are expected to be \$180,000. If the company maintains an average age of payables of 45 days, what is the projected accounts payable at the end of the quarter assuming there are 90 days in the quarter?

The average inventory purchases per day is $\$180,000/90 \text{ days} = \$2,000$.

Projected accounts payable at the end of the quarter is $\$2,000 \times 45 \text{ days} = \$90,000$.

** mid-year convention in first year

Short Term Debt

Short-term debt is borrowed money that will be repaid within the next twelve months. Often short-term debt is in the form of an operating line of credit especially in businesses that have seasonal fluctuations in sales and cash requirements. Short-term debt can be projected based on known future short term borrowing requirements. In the case of an operating line of credit, the balance owing at the end of each period can be determined from the projected cash flow statement. If the projected cash balance at the end of a period is positive, the balance owing on the line of credit is zero. If

the projected cash balance were negative, the amount would be the projected balance owing on the line of credit.

Example

A retail computer company will need to borrow \$90,000 in June to finance purchase of computer hardware that will be sold to a major customer in July. The loan is expected to be repaid in full during the month of September when the customer pays for the purchase.

In this case projected short-term debt on the company's balance sheet will be \$90,000 at the end of June, July and August. It will be reduced to zero again at the end of September.

Income Taxes Payable

Projected income taxes payable can be determined from the projected income statement. It should be noted that the income taxes payable for a fiscal year would remain on the balance sheet until the company files its tax return and pays the taxes owing. This could be as much as 6 months after the end of the fiscal year.

Example

If a company has projected net income next year of \$300,000, is in a 30% income tax bracket, has a fiscal year end of December 31, and pays its income taxes in July of each year, then the projected income tax liability will be \$90,000 on the December 31 balance sheet and remain the same until the end of June the following year.

Current Portion of Long-Term Debt

Current portion of long term debt is the amount of principal that will be paid on long term debt (e.g. a mortgage) during the twelve months following any give balance sheet date. This can be determined from loan amortization schedules for existing and future long-term debt. The amortization schedules segregate loan payments into principal and interest portions.

Example

If a company is making constant principal payments of \$2,000 per month on a 5-year \$120,000 loan, the projected current portion of loan term debt will be \$24,000 on each monthly balance sheet until the last year of the loan where the projected liability will decline by \$2,000 each month until it reaches zero when the loan is paid in full.

Long-Term Debt

Long-term debt is principal owing on long-term loans that will be paid beyond the next twelve months after each balance sheet date. Again the projected long-term debt liability can be determined from loan amortization schedules for existing and planned future borrowings.

Example

If a company is making constant principal payments of \$2,000 per month on a 5 year \$120,000 loan, the projected long term debt will be \$96,000 (\$120,000 less \$24,000 current portion) after

the first payment, declining by \$2,000 per month each month thereafter until the end of the of the fourth year where long term debt will be zero and all remaining principal will be current portion of long-term debt.

Shareholder's Equity

Shareholder's equity consists of share capital plus retained earnings. Projected share capital will be based on any existing share capital that has been provided by investors in the company and any planned future equity infusions. Retained earnings can be projected using the following equation:

Closing retained earnings = opening retained earnings + net income for the period – dividends paid to shareholders

Projected net income can be obtained from the projected income statement. Projected dividend payments, if applicable, are often forecast as a percentage of net income.

Example

If a company has closing retained earnings this fiscal year of \$375,000, has a projected net income next year of \$500,000 and plans to pay dividends to shareholders equivalent to 20% of annual earnings, then projected retained earnings at the end of next year will be:

Closing retained earnings = \$375,000 + \$500,000 - 0.20(\$500,000) = \$775,000

Statement of Changes in Financial Position (Cash Flow)

A projected statement of changes in financial position draws upon the projected income statement and balance sheet to produce a cash flow projection. Most cash flow statements are structured to display three components of cash flow:

1. cash flow from operations
2. cash flow from investing activities
3. cash flow from financing activities

Cash Flow for Operations

A projection of cash flow from operations begins with the projection of net income for the forecast period, which can be obtained from the projected income statement. In order to reconcile net income to cash, one of the first adjustments is to add back non-cash expenses such as depreciation. Depreciation expenses reduce income but they do not result in a cash outflow. Projected changes in working capital accounts also affect cash flow. The projected changes in working capital accounts during the forecast period can be obtained from the projected balance sheets.

If current asset accounts such as accounts receivable and inventory are projected to increase during the forecast period of the income statement, then this is a negative adjustment to cash flow and vice versa. Simply put, if the income statement is projecting an increase in sales of \$100,000 for the period and accounts receivable is expected to increase by \$25,000 during the same period, then cash flow would be \$25,000 less than a scenario where all sales would be collected during the

period. If current liability accounts such as accounts payable, short term debt and income taxes payable are projected to increase during the period, this is a positive contribution to cash flow from operations and vice versa. To illustrate, if accounts payable is projected to increase, this means that cash flow will be higher than a scenario where suppliers are paid in full. Conversely, if accounts payable is projected to decrease during the period this means that cash will be used to pay down trade credit.

To summarize, projected cash flow from operations is:

Projected net income

Plus: Projected non-cash expenses (depreciation)

Less: Projected increases in current assets other than cash

Plus: Projected decreases in current assets other than cash

Plus: Projected increases in current liabilities

Less: Projected decreases in current liabilities

Example

A company is projecting a net income next year of \$275,000. Accounts receivable is expected to increase by \$75,000 whereas accounts payable is expected to decrease by \$35,000. Inventory is projected to decrease by \$40,000 and income taxes payable will increase by \$60,000. Depreciation expense during the year is projected to be \$32,000. What is the projected cash flow from operations?

Cash Flow from Operation is \$297,000:

Projected net income = \$275,0000

Plus: Projected non-cash expenses (depreciation) = \$32,000

Less: Projected increases in current assets other than cash = (\$75,000)

Plus: Projected decreases in current assets other than cash = \$40,000

Plus: Projected increases in current liabilities = \$60,000

Less: Projected decreases in current liabilities = (\$35,000)

Cash Flow from Investing Activities

Investing activities include acquisition or divestiture of fixed assets such as property plant and equipment and/or other long term assets. Projected acquisitions of fixed assets represent a negative cash flow during the period in which they are expected to occur. Conversely, projected divestitures of fixed assets represent a positive cash flow during the period in which they are expected to occur. Projected acquisitions/divestitures of fixed assets can be obtained from projected balance sheets.

Example

The company plans to replace existing production equipment next year with modern equipment at an expected cost of \$375,000. The existing equipment is expected to be sold for \$35,000. What is projected cash flow from investing activities?

Cash flow from investing activities = $(\$375,000) + \$35,000 = (\$340,000)$

Cash Flow from Financing Activities

Financing activities include borrowing funds and subsequent re-payment of debt, raising share capital through the issue of shares and the payment of dividends to shareholders. Projected increases in borrowing are a positive cash flow whereas the projected re-payment of debt is a negative cash flow. A projected infusion of equity capital through the sale of shares to investors is a positive cash flow whereas when a company is projected to re-purchase shares from investors this is a negative cash flow. Payment of dividends to shareholders is a negative cash flow. Projected increases and decreases in debt and share capital can be obtained from the projected balance sheets.

Example

The company plans to borrow \$200,000 at 7% annual interest to partially finance the \$375,000 fixed asset acquisition. The loan will be paid back over 5 years with equal annual principal payments. The owners of the company will also invest a further \$50,000 in the business to maintain a strong balance sheet. No dividends will be paid next year. What is projected cash flow from financing activities next year? Cash flow from financing activities = $\$200,000$ (borrowed funds) – $(\$40,000)$ (principal payment) + $\$50,000$ (shareholder investment) = $\$210,000$

Cash Flow Summary

The projected cash flow for next year for the above company is as follows:

Example

Cash flow from operations = $\$297,000$

Cash flow from investing activities = $(\$340,000)$

Cash flow from financing activities = $\$210,000$

Total cash flow = $\$167,000$

An introduction to financial forecasting at:
<http://www.flexstudy.com/catalog/schpdf.cfm?coursenum=9522a>

Exercise: Cash Budget

Pakistan Power Distribution Co Ltd has the following sales figures, actual and projected, for the period January-September, 2014.

<i>Rupees in millions</i>								
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
150	155	160	170	180	200	210	180	160

The Company's collection of its sales is historically as per the following pattern:

- 60% in the month of billing,
- 20% in the following month
- 10% after two months
- 10% after three months

The Company has no history of any of its bills remaining uncollectible.

The Company plans to repay its previously contracted loan at Rs 250 million per month for the period April to September, 2015. In addition to this, the Company has to make payment of Rs 50 million and 125 million in May and September respectively to a car manufacturing company for purchase of vehicles. Average monthly cash disbursement on account of salaries, utilities and others are estimated to be Rs 55 million, Rs. 8 million and Rs. 15 million.

The Company keeps minimum cash balance of Rs 10 million at the end of every month and has to borrow to keep this balance; the cash loan is repaid in the next month. At the end of March, 2015 the Company had a cash balance of Rs. 15 million.

Please prepare cash budget of the Company for April-September, 2015.

Solution: Cash Budget

	Pakistan Power Distribution Co Ltd. Lahore								
	Cash Budget April-Sep 2015								
	(Rs in millions)								
	January	February	March	April	May	June	July	August	September
Sales	150	155	160	170	180	200	210	180	160
Cash receipts									
60% of current sales				102	108	120	126	108	96
20% of 1 month old bills				32	34	36	40	42	36
10% of 2 month old bills				15.5	16	17	18	20	21
10% of 3 months old bills				15	15.5	16	17	18	20
Total Cash receipts				334.5	353.5	389	411	368	333
Cash disbursements									
Salaries				55	55	55	55	55	55
Utilities				8	8	8	8	8	8
Other cash expenses				15	15	15	15	15	15
Repayment of cash loan				250	250	250	250	250	250
Purchase of equipment on cash					50				125
Total disbursements				328	378	328	328	328	453
Cash surplus/deficit				6.5	-24.5	61	83	40	-120
Opening balance				15	21.5	10	58	141	181
Total cash available				21.5	-3	71	141	181	61
Bank financing					13	-13			
Closing balance				21.5	10	58	141	181	61

Management of Working Capital

Working capital management involves the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

Why Firms Hold Cash

The finance profession recognizes the three primary reasons offered by economist John Maynard Keynes to explain why firms hold cash. The three reasons are for the purpose of speculation, for the purpose of precaution, and for the purpose of making transactions. All three of these reasons stem from the need for companies to possess liquidity.

Speculation

Economist Keynes described this reason for holding cash as creating the ability for a firm to take advantage of special opportunities that if acted upon quickly will favor the firm. An example of this would be purchasing extra inventory at a discount that is greater than the carrying costs of holding the inventory.

Precaution

Holding cash as a precaution serves as an emergency fund for a firm. If expected cash inflows are not received as expected cash held on a precautionary basis could be used to satisfy short-term obligations that the cash inflow may have been benchmarked for.

Transaction

Firms are in existence to create products or provide services. The providing of services and creating of products results in the need for cash inflows and outflows. Firms hold cash in order to satisfy the cash inflow and cash outflow needs that they have.

Float is defined as the difference between the book balance and the bank balance of an account. For example, assume that you go to the bank and open a checking account with \$500. You receive no interest on the \$500 and pay no fee to have the account.

Now assume that you receive your water bill in the mail and that it is for \$100. You write a check for \$100 and mail it to the water company. At the time you write the \$100 check you also record the payment in your bank register. Your bank register reflects the book value of the checking account. The check will literally be "in the mail" for a few days before it is received by the water company and may go several more days before the water company cashes it.

The time between the moment you write the check and the time the bank cashes the check there is a difference in your book balance and the balance the bank lists for your checking account. That difference is float. This float can be managed. If you know that the bank will not learn about your

check for five days, you could take the \$100 and invest it in a savings account at the bank for the five days and then place it back into your checking account "just in time" to cover the \$100 check.

Time	Book Balance	Bank Balance
Time 0 (make deposit)	\$500	\$500
Time 1 (write \$100 check)	\$400	\$500
Time 2 (bank receives check)	\$400	\$400

Float is calculated by subtracting the book balance from the bank balance.

Float at Time 0: $\$500 - \$500 = \$0$

Float at Time 1: $\$500 - \$400 = \$100$

Float at Time 2: $\$400 - \$400 = \$0$

Ways to Manage Cash

Firms can manage cash in virtually all areas of operations that involve the use of cash. The goal is to receive cash as soon as possible while at the same time waiting to pay out cash as long as possible. Below are several examples of how firms are able to do this.

Policy For Cash Being Held

Here a firm already is holding the cash so the goal is to maximize the benefits from holding it and wait to pay out the cash being held until the last possible moment. Previously there was a discussion on Float which includes an example based on a checking account. That example is expanded here.

Assume that rather than investing \$500 in a checking account that does not pay any interest, you invest that \$500 in liquid investments. Further assume that the bank believes you to be a low credit risk and allows you to maintain a balance of \$0 in your checking account.

This allows you to write a \$100 check to the water company and then transfer funds from your investment to the checking account in a "just in time" (JIT) fashion. By employing this JIT system you are able to draw interest on the entire \$500 up until you need the \$100 to pay the water company. Firms often have policies similar to this one to allow them to maximize idle cash.

Sales

The goal for cash management here is to shorten the amount of time before the cash is received. Firms that make sales on credit are able to decrease the amount of time that their customers wait until they pay the firm by offering discounts.

For example, credit sales are often made with terms such as 3/10 net 60. The first part of the sales term "3/10" means that if the customer pays for the sale within 10 days they will receive a 3% discount on the sale. The remainder of the sales term, "net 60," means that the bill is due within 60

days. By offering an inducement, the 3% discount in this case, firms are able to cause their customers to pay off their bills early. This results in the firm receiving the cash earlier.

Inventory

The goal here is to put off the payment of cash for as long as possible and to manage the cash being held. By using a JIT inventory system, a firm is able to avoid paying for the inventory until it is needed while also avoiding carrying costs on the inventory. JIT is a system where raw materials are purchased and received just in time, as they are needed in the production lines of a firm.

Module 4

Topic: Financial Analysis

This module consists of four components:

- Use of financial analysis
- Financial ratios-profitability, liquidity, activity, leverage
- Capital budgeting and appraisal of investment decisions
- Financial analysis of different companies in power sector (Case study)

Duration: 4 hours

Learning objectives: At the end of the module, the participants will be able to understand the use of financial analysis and will undertake ratio analysis themselves through a case study. They will also understand the way investment decisions are appraised.

Lesson plan

The module will be delivered according to the following plan:

- 15 minutes will be allocated for explaining use of financial analysis
- 45 minutes will be spent on explaining financial ratios
- 60 minutes will be spent on explaining capital budgeting concepts and appraisal techniques
- 40 minutes will be allocated for exercises in capital budgeting
- 20 minutes will be allocated for Q&A
- 60 minutes for doing the case study on ratio analysis

Mode of delivery

The most suitable method of delivering the Module is PowerPoint presentation.

Outline of the contents

Why financial analysis is important?

Financial analysis involves examining historical data to gain information about the current and future financial health of a company. A non-finance manager can read through the financial information to use it to support his managerial decision-making. A company's accounts and statements contain a great deal of information. Discovering the full meaning contained in the statements is at the heart of financial analysis. Understanding how accounts relate to one another is part of financial analysis. Another part of financial analysis involves using the numerical data contained in company statements to uncover patterns of activity that may not be apparent on the surface.

Financial analysis uses three main sources of financial information: balance sheet, income statement and statement of cash flows.

The main elements of the balance sheet are assets and liabilities. Assets generally include both current assets (cash or equivalents that will be converted to cash within one year, such as accounts receivable, inventory, and prepaid expenses) and noncurrent assets (assets that are held for more than one year and are used in running the business, including fixed assets like property, plant, and equipment; long-term investments; and intangible assets like patents, copyrights, and goodwill). Both the total amount of assets and the makeup of asset accounts are of interest to financial analysts.

The balance sheet also includes two categories of liabilities, current liabilities (debts that will come due within one year, such as accounts payable, short-term loans, and taxes) and long-term debts (debts that are due more than one year from the date of the statement). Liabilities are important to financial analysts because businesses have same obligation to pay their bills regularly as individuals, while business income tends to be less certain. Long-term liabilities are less important to analysts, since they lack the urgency of short-term debts, though their presence does indicate that a company is strong enough to be allowed to borrow money.

Income statement provides information about a company's performance over a certain period of time. Although it does not reveal much about the company's current financial condition, it does provide indications of its future viability. The main elements of the income statement are revenues earned; expenses incurred, and net profit or loss. Revenues consist mainly of sales, though financial analysts may also note the inclusion of royalties, interest, and extraordinary items. Likewise, operating expenses usually consists primarily of the cost of goods sold, but can also include some unusual items. Net income is the "bottom line" of the income statement. This figure is the main indicator of a company's accomplishments over the statement period.

Statement of cash flows, unlike income statement focuses only on cash and shows exactly how much actual money the company has generated. Cash flow statements show how companies have performed in managing inflows and outflows of cash. It provides a sharper picture of a company's ability to pay bills, creditors, and finance growth better than any other one financial statement.

Liquidity, leverage and profitability are measures of financial health

A company's overall financial health can be assessed by examining three major factors: its liquidity, leverage, and profitability. All three of these factors are internal measures that are largely within the control of a company's management. It is important to note, however, that they may also be affected by other conditions—such as overall trends in the economy—that are beyond management's control.

Liquidity

Liquidity refers to a company's ability to pay its current bills and expenses. In other words, liquidity relates to the availability of cash and other assets to cover accounts payable, short-term debt, and other liabilities. All small businesses require a certain degree of liquidity in order to pay their bills on time, though start-up and very young companies are often not very liquid. In mature companies, low levels of liquidity can indicate poor management or a need for additional capital. Of course, any company's liquidity may vary due to seasonal variations, the timing of sales, and the state of the economy.

Companies tend to run into problems with liquidity because cash outflows are not flexible, while income is often uncertain. Creditors expect their money when promised, and employees expect regular paychecks. However, the cash coming in to a business does not often follow a set schedule. Sales volumes fluctuate as do collections from customers. Because of this difference between cash generation and cash payments, businesses should maintain a certain ratio of current assets to current liabilities in order to ensure adequate liquidity.

Leverage

Leverage refers to the proportion of a company's capital that has been contributed by investors as compared to creditors. In other words, leverage is the extent to which a company has depended upon borrowing to finance its operations. A company that has a high proportion of debt in relation to its equity would be considered highly leveraged. Leverage is an important aspect of financial analysis because it is reviewed closely by both bankers and investors. A high leverage ratio may increase a company's exposure to risk and business downturns, but along with this higher risk also comes the potential for higher returns.

Profitability

Profitability refers to management's performance in using the resources of a business. Many measures of profitability involve calculating the financial return that the company earns on the money that has been invested. Most entrepreneurs decide to start their own businesses in order to earn a better return on their money than would be available through a bank or other low-risk investments. If profitability measures demonstrate that this is not occurring—particularly once a small business has moved beyond the start-up phase—then the entrepreneur should consider selling the business and reinvesting his or her money elsewhere. However, it is important to note that many factors can influence profitability measures, including changes in price, volume, or expenses, as well as the purchase of assets or the borrowing of money.

PERFORMING ANALYSES WITH FINANCIAL RATIOS

Measuring the liquidity, leverage, and profitability of a company is not a matter of how many dollars the company has in the form of assets, liabilities, and equity. The key is the proportions in which such items occur in relation to one another. A company is analyzed by looking at ratios rather than just dollar amounts. Financial ratios are determined by dividing one number by another, and are usually expressed as a percentage. They enable business owners to examine the relationships between seemingly unrelated items and thus gain useful information for decision-making. Financial ratios are simple to calculate, easy to use, and provide a wealth of information that cannot be gotten anywhere else. Ratios are tools that aid judgment and cannot take the place of experience. They do not replace good management, but they can make a good manager better.

Virtually any financial statistics can be compared using a ratio. Small business owners and managers only need to be concerned with a small set of ratios in order to identify where improvements are needed. Determining which ratios to compute depends on the type of business, the age of the business, the point in the business cycle, and any specific information sought. For example, if a small business depends on a large number of fixed assets, ratios that measure how efficiently these assets are being used may be the most significant.

There are a few general ratios that can be very useful in an overall financial analysis. To assess a company's liquidity, analysts recommend using the current, quick, and liquidity ratios. The current ratio can be defined as $\text{Current Assets} / \text{Current Liabilities}$. It measures the ability of an entity to pay its near-term obligations. Though the ideal current ratio depends to some extent on the type of business, a general rule of thumb is that it should be at least 2:1. A lower current ratio means that the company may not be able to pay its bills on time, while a higher ratio means that the company has money in cash or safe investments that could be put to better use in the business.

The quick ratio, also known as the "acid test," can be defined as $\text{Quick Assets (cash, marketable securities, and receivables)} / \text{Current Liabilities}$. This ratio provides a stricter definition of the company's ability to make payments on current obligations. Ideally, this ratio should be 1:1. If it is higher, the company may keep too much cash on hand or have a poor collection program for accounts receivable. If it is lower, it may indicate that the company relies too heavily on inventory to meet its obligations. The liquidity ratio, also known as the cash ratio, can be defined as $\text{Cash} / \text{Current Liabilities}$. This measure eliminates all current assets except cash from the calculation of liquidity.

To measure a company's leverage, the debt/equity ratio is the appropriate tool. Defined as $\text{Debt} / \text{Owners' Equity}$, this ratio indicates the relative mix of the company's investor-supplied capital. A company is generally considered safer if it has a low debt to equity ratio—that is, a higher proportion of owner-supplied capital—though a very low ratio can indicate excessive caution. In general, debt should be between 50 and 80 percent of equity.

Finally, to measure a company's level of profitability, analysts recommend using the return on equity (ROE) ratio, which can be defined as $\text{Net Income} / \text{Owners' Equity}$. This ratio indicates how well the company is utilizing its equity investment. ROE is considered to be one of the best indicators of profitability. It is also a good figure to compare against competitors or an industry average. Experts suggest that companies usually need at least 10-14 percent ROE in order to fund future growth. If this ratio is too low, it can indicate poor management performance or a highly conservative business approach. On the other hand, a high ROE can mean that management is doing a good job, or that the firm is undercapitalized.

In conclusion, financial analysis can be an important tool for small business owners and managers to measure their progress toward reaching company goals, as well as toward competing with larger companies within an industry. When performed regularly over time, financial analysis can also help small businesses recognize and adapt to trends affecting their operations. It is also important for small business owners to understand and use financial analysis because it provides one of the main measures of a company's success from the perspective of bankers, investors, and outside analysts.

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Financial Ratios

Financial ratios can be categorized into different categories; some are used to measure Company's performance, some are used to measure if the company is solvent and some measure Company's activities.

Performance Ratios	Activity Ratios
Book Value Per Common Share	Asset Turnover
Cash Return On Assets	Average Collection Period
Vertical Analysis	Inventory Turnover
Dividend Payout Ratio	Financing Ratios
Earnings Per Share	Debt Ratio
Gross Profit Margin	Debt / Equity Ratio
Price/Earnings Ratio	Liquidity Warnings Ratios
Profit Margin	Current ratio
Return on Assets	Acid-Test Ratio
Return on Equity	Interest Coverage
	Working Capital

Some of the more commonly used ratios are as under:

Current ratio: is used to measure if the Company's current assets are enough to pay-off its current liabilities. It is calculated by dividing current assets with current liabilities. (Current Assets/Current liabilities)

Quick ratio or Acid-test ratio: Sometimes all the current assets cannot be easily liquidated to payoff current liabilities. In that case quick ratio or acid-test ratios are calculated which includes only quick assets like cash or cash equivalent. [(Current assets-inventory)/Current liabilities].

Interest coverage ratio: This ratio shows if the business is making enough earnings to pay off its interest expenses. (Earnings before interest and taxes/interest expense). A ratio under 1 means that the company is having problems generating enough cash flow to pay its interest expenses. Ideally the ratio should be over 1.5.

Gross profit margin: A financial metric used to assess a firm's financial health by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. Gross profit margin serves as the source for paying additional expenses and future savings. (Gross profit/Sales)

Net profit margin: A ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings. (Net profit/Sales)

Debt/Equity Ratio: A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets. (Total liabilities/Equity). A high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense.

Inventory Turnover: A ratio showing how many times a company's inventory is sold and replaced over a period. The days in the period can then be divided by the inventory turnover formula to calculate the days it takes to sell the inventory on hand or "inventory turnover days." (Sales/Inventory or Cost of goods sold/Average inventory).

Working Capital: It is a measure of both a company's efficiency and its short-term financial health. The working capital is calculated as: Working capital=Current assets-current liabilities. The working capital ratio (Current Assets/Current Liabilities) indicates whether a company has enough short term assets to cover its short term debt. Anything below 1 indicates negative W/C (working capital). While anything over 2 means that the company is not investing excess assets. Most believe that a ratio between 1.2 and 2.0 is sufficient. It is also known as "net working capital".

Further details are available at: <http://www.investopedia.com/university/ratio-analysis/using-ratios.asp>

Capital Budgeting and appraisal of investment decisions

Capital Budgeting And Investment Analysis

Capital Budgeting

Capital budgeting is a long term planning for replacement of an old inefficient equipment and /or additional equipment or physical plant when growing business conditions warrant. Capital budgeting will determine when the organization is able to afford the purchase of the equipment. Capital budgeting involves setting aside moneys each year for large investments that might need to be made. For example, purchasing costly equipment or machines, expanding or relocating the business premise, instituting a complete internal reorganization, developing and launching a new product. Therefore, planning, evaluating budgetary alternatives is very important. Here are some important “money concepts” to keep in mind:

- firm’s capital is always limited
- money borrowed for capital expenditures will cost more money
- today’s dollar is worth one dollar-plus, in the sense that it can be held in a bank account and draw interest
- tomorrow’s dollar will probably be worth one dollar-minus
- money assigned to capital expenses may sometimes be out to different, more productive uses

Capital budgeting is a serious process as most small businesses resources are quite limited, therefore the owner need to devote seriously to the capital budgeting process. Capital budgeting is the planning of expenditures on capital assets (i.e., assets with a useful life or returns on which are expected to extend beyond one year). Capital budgeting compares present operations with a proposed project, or several alternatives based on the costs and revenues of each option. These comparisons are made using selected financial measurement tools to help determine the relative value of each. Option, keeping on mind the cost of business capital. The followings are some of the popular approaches of capital budgeting which are pay back period and net present value methods.

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Capital Budgeting Popular Approaches

PAYBACK PERIOD METHOD

Payback Period Method works on the length of time it will take to recover the cost of the purchase from earned net income (after taxes). For example, replacing old equipment with a newer model-total cost will amount \$28,000, you're convinced that it should help you turn out about 30% more units per week than the old equipment. After working up all the necessary figures, you reach the conclusion that the additional production should bring you annually, after taxes –about \$9200 in additional profit. By dividing the cost (\$28,000) by the annual earnings (\$9200), you can assume that the original outlay will be repaid in a little over three years. Chances are, then, that you would decide to purchase the new machine. Rather than wait nine years or longer to recoup your investment, you would be better off placing that money in, say, a long-term savings account at a good rate of interest.

A decision to purchase a particular machine or to purchase at all, must be based in fact and provide satisfactory business-related answers to two fundamental questions. How much will be saved in terms of production costs, or what additional income can be generated through this purchase?

Vacationing to a particular place is usually a question of what/afford versus personal enjoyment, and it is a personal goal. To reach that personal vacation goal, small business owner must often count on the profits from the business. Profits hinge on asset investment rates of return. Equipment or facility purchase decisions require the balancing of a need for profit against cost to attain. There are a number of sophisticated record-keeping schemes and formulas to predict equipment replacement. However, many small business owners require nothing more than a simple approach.

For example, consider an old and inefficient piece of production equipment. Repair costs during the year amounted to \$2000. In downtime, four production days were lost, which idled \$800 in labor. A replacement model will save one main-day of labor or \$400 in each quarter of a year. Total annual savings of \$3200 through purchase could, theoretically, be attained. Since depreciation is a noncash expense, it is not customarily figured into the analysis. Cost of the replacement model is discovered to be \$10,000, with a useful life expectancy of six years. Salvage value is estimated by the manufacturer to be 10% or \$1000. Does it make business sense to pay \$10000 to receive \$3200 for a period of six years? A quick answer is found by calculating the payback period.

$$\text{Payback} = \text{Equipment Cost} / \text{Est. Annual saving} = \$10000 / \$3200 = 3.13 \text{ years}$$

In just over three of the six useful life years the equipment will be paid off and will provide an estimated \$1000 salvage value toward value the equipment's sixth year replacement. The approximate rate of return in this instance is 25%, which was estimated through use of a present value table, which can be obtained from the business section of almost any bookstore.

NET PRESENT VALUE METHOD

Net present value method is preferable to the payback period method because it recognizes

that, over time, the value of money depreciates (in the face of inflation). It calls for adjusting the expected inflow of income according to value tables that show the discounting of one dollar at different specified rates over the expected number of “payback years”. For instance, NPV consistently maximizes shareholders’ wealth. NPV of a project represents the expected increase in the value of the firm as a result of adopting the project. The NPV technique is consistent with the goal of wealth maximization. However, practitioners seem to place less emphasis on the NPV than any other capital budgeting techniques. The NPV considers the timing and magnitude of all the cash flows and assumes that these cash flows from the project are reinvested at the firm’s required rate of return.

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Cash Flow

A cash flow projection is a forecast of the difference between cash coming "in" the business and cash going "out" of the business. The estimation or projection of cash flow is a powerful management tool for your business. If you were to choose one financial management tool that you use on a routine basis, the cash flow projection and cash flow analysis would be the one to choose. By knowing your cash position now and in the future, you can:

- Make sure you have enough cash to purchase sufficient inventory for seasonal cycles;
- Take advantage of discounts and special purchases;
- Properly plan equipment purchases for replacement or expansion;
- Prepare for adequate future financing and determine the type of financing you need (short term credit line, permanent working capital, or long-term debt).
- Impress lenders with your ability to plan and repay financing.

Moreover, it just makes good business sense to know where you are and where you are going with your company. A cash flow projection can help you do this. For a new or growing business, the cash flow projection can make the difference between success and failure. For an ongoing business, it can make the difference between growth and stagnation.

The cash flow projection shows how cash will flow in and out of the business and enables you to budget the cash needs of the business over a period of time. The ability to predict and plan cash

outlays means that you won't be forced to resort to unexpected borrowing to meet your cash needs. At a minimum, this can be more costly (as an example, using your credit card to pay unexpected bills generally costs you more in interest than say a working capital line of credit).

The lack of liquidity can be a killer -- even for profitable businesses. Lack of profits won't kill a business nearly as quickly as the lack of cash to pay your trade creditors. Remember, non-cash expenses such as depreciation can make your profits look negative, while your cash flow is positive. And you could also be showing a profit but have negative cash flow. That's why it is essential that you understand how to use a cash flow statement, and use it on a regular basis.

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[Cash Flow, nonprofit, is real Secret of Business Success](#)

<http://www.onlinewbc.org/docs/finance/cashplan.html>

[What is a cash flow projection?](#)

Financial Metrics

NET CASH FLOW

Net cash flow is the heart of the financial business case, and the basis for deriving other financial metrics. Cash flow, like income, focuses on the difference between money coming in and money going out over a time period:

$$\text{Net Cash Flow} = \text{Cash Inflows} - \text{Cash Outflows}$$

Cash flow results do not, however, include some items found in the income statement, such as depreciation expense. Depreciation expense, for example, does not represent an actual cash payment during the reporting period, but rather an accounting charge against earnings. As a result, depreciation expense is not a "cash outflow" in the above equation. The income statement tells stockholders and taxing authorities what the company is credited with earning during a period; the cash flow statement tells management how much cash they have to work with (or how much they gained or lost).

DISCOUNTED CASH FLOW (DCF)

The DCF is a cash flow summary that has been adjusted to reflect the time value of money. It is an important criterion in evaluating or comparing investments or purchases; other things being equal, the purchase or investment associated with the larger DCF is the better decision. Almost every manager trained in finance will ask to see cash flows on a discounted and non-discounted basis. DCF makes use of the Present Value concept, the idea that money you have now should be valued more than an identical amount you would receive in the future. Why? The money you have now you could (in principle) invest now, and gain return or interest, between now and the future time.

Money you will not have until some future time cannot be used now. Therefore, the future money's value is Discounted in financial evaluation, to reflect its lesser value. What that future money is worth today is called its Present Value, and what it will be worth when it finally arrives in the future is called not surprisingly its Future Value. Just how much present value should be discounted from future value is determined by two things: the amount of time between now and future payment, and an interest rate. (For rough estimates, think of the interest rate as the return rate we would expect if we had the money now and invested it). For a future payment coming in one year:

$$\text{Present Value} = (\text{Future Value}) / (1.0 + \text{Interest Rate})$$

What is the present value of \$100 we will not have for a full year? If we use an annual interest rate of, say, 10%, then

$$\text{Present Value} = (\$100)/(1.0 + 0.10) = \$90.91$$

What is the present value if the payment were not coming for 3 years? For multiple periods, the present value calculation becomes:

$$\text{Present Value} = (\text{Future Value}) / (1.0 + \text{Interest rate})^n$$

The exponent "n" is simply the number of periods, or years, in this case 3. The present value of \$100 to be received in 3 years, using a 10% interest rate is thus:

$$\text{Present Value} = \$100 / (1.0 + 0.10)^3 = \$100 / (1.1)^3 = \$75.13$$

"Periods" for these calculations can actually be years, months, or any other time. In any case, be sure that the interest rate represents interest for that period. (When calculating DCF on a monthly basis, for instance, use the annual interest rate divided by 12). As the payment gets further into the future, its present value drops. Also, as you can see, increasing the interest rate would further reduce the present value. Only where interest rates were assumed to be 0 (an economy with no investment possibility and no inflation) would present value always equal future value. In brief, a DCF view of the cash flow stream should probably appear with a business case summary when:

“The business case deals with an "investment" scenario of any kind, in which different uses for money are being compared. The business case covers long periods of time (two or more years). Inflows and outflows change differently over time (e.g., the largest inflows come at a different time from the largest outflows). Two or more alternative cases are being compared and they differ with respect to cash flow timing within the analysis period”.

INTERNAL RATE OF RETURN (IRR)

Like DCF, the IRR is a cash flow summary that has been adjusted to reflect the time value of money, but its meaning is a little less obvious than DCF. Nevertheless, IRR is a widely used concept, and it is frequently an important criterion in evaluating or comparing investments or purchases. As the word "Return" indicates, the IRR view of the cash flow stream is essentially an investment view: money will be paid out in order to bring in gains. The higher an investment's

IRR, the better the investment's return relative to its cost. In deciding whether or not to include an IRR in a business case summary, here are some points to remember:

Other things being equal, the action or investment alternative with the highest IRR is the better investment. Generally, the higher the IRR, the better the returns relative to cost, and the lower the risk.

IRR says nothing about the magnitude of the return. A tiny investment or expenditure may lead to a magnificent IRR. An alternative action with a smaller IRR might still be preferred if it brings in a much larger net cash flow, or DCF.

IRR has the most meaning when there is an initial net cash outflow, followed at least one period with a net positive cash inflow. IRR cannot be calculated with outflows only, or inflows only; IRR is thus not applicable to "cost only" analyses (such as the typical cost of ownership analysis).

IRR can be quite misleading if there is no large initial cash outflow. For instance, when comparing a "Lease" scenario with a "Buy" scenario for new computing equipment, the "Buy" alternative may show an IRR of, say 30%-70%, whereas the "Lease" approach may have an IRR in the thousands. This is because leasing may not involve much of an initial cash outlay. IRR is more appropriate for comparing alternatives that have roughly similar patterns of inflows and outflows.

PAYBACK PERIOD

Like IRR, the Payback period metric takes essentially an "Investment" view of the action, plan, or scenario, and its estimated cash flow stream. Payback period is the length of time required to recover the cost of an investment (e.g. purchase of computer Software or hardware), usually measured in years. Other things being equal, the better investment is the one with the shorter payback period. Also, payback periods are sometimes used as a way of comparing alternative investments with respect to risk: other things being equal, the investment with the shorter payback period is considered less risky. Payback period is an appealing metric because its interpretation is easily understood. Nevertheless, here are some points to keep in mind when using it:

Payback cannot be calculated if the positive cash inflows do not eventually outweigh the cash outflows. That is why payback (like IRR) is of little use when used with a pure "costs only" business case.

Payback calculation ordinarily does not recognize the time value of money (in a discounting sense) nor does it reflect money coming in after payback (contrast with discounted cash flow and internal rate of return, above)

Other things being equal, the action or investment with the shortest payback period is the better investment because it is less risky. It is usually assumed that the longer the payback period, the more uncertain are the positive returns. For this reason, payback period is often used as a measure of risk, or a risk-related criterion that must be met before funds are spent.

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Excellence in Financial Management: Capital Budgeting Analysis by Matt H Evans available at: <http://www.exinfm.com/training/pdfiles/course03.pdf>

Capital Budgeting Exercise

Lahore Power Distribution Company plans to acquire power generation equipment at the cost of \$1300 million which is expected to generate additional revenues. According to an estimate, the after-tax cash-flows as a result of the new acquisition would be \$110 million in the first year, \$150 million each in second and third years, \$400 million each in fourth and fifth years, \$450 million in sixth year, \$300 million in seventh year, \$200 million in eighth year and \$ \$110 million in the ninth year whereafter the equipment will be scrapped with no residual value. The Company has arranged finances from a EXIM Bank at 10% per annum (inclusive of all costs). Please carefully study the proposal and calculate Net Present Value of the investment and advise your management whether this project is worth undertaking.

Note: Annual Discount Factors @ 10% discount rate are given in the following table

Period	Discount factor @ 10%
0	1
1	0.9091
2	0.8264
3	0.7513
4	0.683
5	0.6209
6	0.5645
7	0.5132
8	0.4665
9	0.4241

Exercise Capital Budgeting

Solution: The NPV is more than zero therefore the project is feasible.

Period	After-tax Cash Flows	Discount factor @ 10%	PV of Cash flows
0	(1,300,000)	1	(1,300,000)
1	110,000	0.9091	100,001
2	150,000	0.8264	123,960
3	150,000	0.7513	112,695
4	400,000	0.683	273,200
5	400,000	0.6209	248,360
6	450,000	0.5645	254,025
7	300,000	0.5132	153,960
8	200,000	0.4665	93,300
9	110,000	0.4241	46,651
NPV			106,152

Module 5

Topic: Pricing decisions and Power Sector Regulatory Framework

This module consists of two components:

- Various cost components of electricity tariff
- Tariff-setting guidelines and role of NEPRA

Duration: 2 hours

Learning objectives:

At the end of the module, the participants will be able to know the role of regulator in a decentralized and competitive environment, how electricity tariff is regulated by NEPRA, what are various components of electricity tariff and tariff setting guidelines.

Lesson plan

The course is proposed to be delivered by an expert on tariff setting and regulatory framework. He will be free to make his own lesson plan and decide the contents. He will however, be expected to structure his talk and share it before delivery. The outline of the contents described below is only suggestive.

Mode of delivery

The most suitable method of delivering the Module is PowerPoint presentation.

Outline of the contents

Tariff Determination Process

The tariff setting process involves the following steps (Government of Pakistan, 2013):

- a) DISCOs send their tariff proposals to NEPRA justifying their costs and revenue requirements,
- b) NEPRA sets tariffs for various category of consumers for each DISCO based on its own assessment of costs and revenue requirements which can differ from the ones provided by DISCOs, and communicates it to the Ministry of Water and Power (MoWP) with the recommendation to notify the tariff,
- c) The MoWP notifies a tariff schedule for the different categories of consumers, which is common across all DISCOs.

Cost components of tariff

In setting tariff rates for a DISCO, NEPRA takes into account various cost components of the distribution company. These components are explained below:

- a) *Power purchase price (PPP)*. This is the cost at which a DISCO is projected to purchase power. This cost consists of the generation cost and the cost of transmission by the National Transmission and Distribution Company (NTDC) of the total power that a DISCO is projected to purchase during the year.
- b) *Net distribution margin*. This margin is the difference between gross distribution margin and ‘other income’ of DISCOs. Gross margin consists of O&M cost, depreciation and return on asset base of DISCOs. ‘Other income’ includes amortization of deferred credit, meter and rental income, late payment surcharge, profit on bank deposit, sale of scrap, income from non-utility operations and commission on PTV fees and miscellaneous.
- c) *Prior year adjustment (PYA)*. Each year there is an adjustment for previous year which is built into tariffs for that year. The ‘shortfall’ in the projected and the regulated-approved actual costs in year is recovered by including them in the tariff for period t. This adjustment is to account for (i) the difference between the projected and actual electricity units purchased by DISCOs from NTDC at notified tariffs, (ii) the difference between the projected and actual distribution margins, (iii) the difference between actual and notified previous year adjustment, (iv) difference between projected and actual ‘other income’, and (v) the difference between the projected and actual consumption mix. Since in each year there is an adjustment for the previous year, there was a similar adjustment in year t-1. The tariffs in year t-1 were calculated using projected purchase/sale of electricity units in year t-1. In setting tariff in year t – 1, PYA was factored in the tariffs as well. Tariffs in year t – 1 were also set on the basis of projected purchases and sale by DISCOs. If actual electricity units purchased/sold were less than those projected then PYA in year t-1 could not be recovered fully. The shortfall on that account is also factored into PYA for year t.

NEPRA determines an average tariff after including all the relevant cost components and dividing it by projected sales. It then approves different tariff schedules for different category of consumers: residential, commercial, industrial and agricultural. There are also consumers who buy in bulk for further distribution. Each category of consumers are further distinguished by load requirement and offered separate rates. Rates are also distinguished by time of use (peak and off-peak). The tariff schedules assume a sales mix within the various categories and sub categories of consumers. The actual sales mix may be different from the assumed sales mix and this can also upset the total revenue of the distribution companies. There is an adjustment made on this account as well.

NEPRA determines an average tariff after including all the cost components and dividing it by projected sales. The projected sales figure takes into account the transmission and distribution losses of the DISCOs. Thus in the case of LESCO, NEPRA projected its power purchase and sale in FY2012/13 to be 17,076 GWh and 15027 GWh respectively; allowing 12% as T&D losses. The total cost was estimated at Rs210,416 million. The average tariff was Rs 14.0025/kWh, which was obtained by dividing Rs210,416 million by 15027 GWh.

NEPRA then approves different tariff schedules for different category of consumers: residential, commercial, industrial and agricultural. There are also consumers who buy in bulk for further distribution. Each category of consumers are further distinguished by load requirement and offered separate rates. Rates are also distinguished by time of use (peak and off-peak).

The tariffs determined by NEPRA are reference tariffs. These reference tariffs are subject to monthly revision to adjust for difference in actual fuel cost component of PPP from the reference fuel cost, and subject to quarterly revision to adjust for: (i) capacity and transmission charges, (ii) impact of T&D losses on all the components of PPP, (iii) impact of extra or lesser purchases of units on account of PPP, and (iv) changes in variable cost component of PPP from the reference cost.

The process of tariff determination begins towards the end of a financial year and continues throughout the year.

Module 6

Topic: Taxation system in Pakistan

This module consists of various components of Pakistan's tax structure viz: Direct and Indirect taxes, Corporate income tax, General Sales Tax and Withholding Tax.

Duration: 2 hours

Learning objectives: At the end of the module, the participants will be able to understand Pakistan's Tax System and differentiate between various taxes. This will additionally help them to understand their liability as a corporate entity towards tax authorities.

Lesson plan

The segment is proposed to be delivered by an eminent tax expert. He would feel free to define the scope of his lecture. It is suggested that the guest speaker may organize his talk as under:

- 30 minutes will be allocated for taxation systems and their evolution
- 30 minutes will be spent on various forms of taxes
- 40 minutes will be spent on liability of corporate executives towards tax payment on behalf of the Company.
- 20 minutes will be allocated for Q&A

Mode of delivery

The most suitable method of delivering the Module is PowerPoint presentation.

Outline of the contents (suggested)

Taxation System of Pakistan

Federal taxes in Pakistan like most of the taxation systems in the world are classified into two broad categories, viz., direct and indirect taxes. A broad description regarding the nature of administration of these taxes is explained below:

Direct Taxes

Direct taxes are levied on economic resources of the taxpayers and primarily comprise income tax, along with supplementary role of wealth tax. For the purpose of the charge of tax and the computation of total income, all income is classified under the following heads:

1. Salaries
2. Interest on securities;
3. Income from property;
4. Income from business or professions
5. Capital gains; and

6. Income from other sources.

Personal Tax

All individuals, unregistered firms, associations of persons, etc., are liable to tax, at the rates ranging from 10 to 35 per cent.

Tax on Companies

All public companies (other than banking companies) incorporated in Pakistan are assessed for tax at corporate rate of 39%. However, the effective rate is likely to differ on account of allowances and exemptions related to industry, location, exports, etc.

Inter-Corporate Dividend Tax

Tax on the dividends received by a public company from a Pakistan company is payable at the rate of 5% and at the rate of 15% in case dividends are received by a foreign company. Intra-corporate dividends declared or distributed by power generation companies is subject to reduced rate of tax i.e., 7.5%. Other companies are taxed at the rate of 20%. Dividends paid to all non-company shareholders by the companies are subject to withholding tax of 10% which is treated as a full and final discharge of tax liability in respect of this source of income.

Treatment of Dividend Income

Dividend income received as below enjoys tax exemption, provided it does not exceed Rs. 10,000/-.

1. Dividend received by non-resident from the state enterprises Mutual Fund set by the Investment Corporation of Pakistan.
2. Dividends received from a domestic company out of income earned abroad provided it is engaged abroad exclusively in rendering technical services in accordance with an agreement approved by the Central Board of Revenue.



Unilateral Relief

A person resident in Pakistan is entitled to a relief in tax on any income earned abroad, if such income has already been subjected to tax outside Pakistan. Proportionate relief is allowed on such income at an average rate of tax in Pakistan or abroad, whichever is lower.

Agreement for avoidance of double taxation

The Government of Pakistan has so far signed agreements to avoid double taxation with 39 countries including almost all the developed countries of the world. These agreements lay down the ceilings on tax rates applicable to different types of income arising in Pakistan. They also lay down some basic principles of taxation which cannot be modified unilaterally. The list of countries with which Pakistan has concluded tax treaties is given below:

Austria	Belgium	Bangladesh	Canada
China	Denmark	Egypt	France
Finland	Germany	Greece	India

Indonesia	Iran	Ireland	Italy
Japan	South Korea	Lebanon	Libya
Malta	Mauritius	Saudi Arabia	Singapore
Poland	Romania	Switzerland	Thailand
Sri Lanka	Sweden	Turkmenistan	U.K.
Turkey	Tunisia	Kazakistan	U.A.E.
U.S.A			

Customs

Goods imported and exported from Pakistan are liable to rates of Customs duties as prescribed in Pakistan Customs Tariff. Customs duties in the form of import duties and export duties constitute about 37% of the total tax receipts. The rate structure of customs duty is determined by a large number of socio-economic factors. However, the general scheme envisages higher rates on luxury items as well as on less essential goods. The import tariff has been given an industrial bias by keeping the duties on industrial plants and machinery and raw material lower than those on consumer goods.

Central Excise

Central Excise duties are leviable on a limited number of goods produced or manufactured, and services provided or rendered in Pakistan. On most of the items Central Excise duty is charged on the basis of value or retail price. Some items are, however, chargeable to duty on the basis of weight or quantity. Classification of goods is done in accordance with the Harmonized Commodity Description and Coding system which is being used all over the world. All exports are exempted from Central Excise Duty.



Sales Tax

Sales Tax is levied at various stages of economic activity at the rate of 15 per cent on:

- all goods imported into Pakistan, payable by the importers;
- all supplies made in Pakistan by a registered person in the course of furtherance of any business carried on by him;
- there is an in-built system of input tax adjustment and a registered person can make adjustment of tax paid at earlier stages against the tax payable by him on his supplies. Thus the tax paid at any stage does not exceed 15% of the total sales price of the supplies;

Source: <http://www.asiatradeshub.com/pakistan/tax1.asp>

Module 7

Topic: Enterprise Resource Planning

This module is proposed to be delivered by an expert on the subject. He will be expected to decide on the contents, mode of delivery and the lesson plan.

- An integrated view of core business processes
- Use of database
- Tracking the status of business resources and business commitments
- How to select appropriate ERP software.

Duration: 2 hours

Learning objectives: At the end of the module, the participants will be able to have a fair comprehension of integrated view of business processes and use of database for tracking business resources. They will also be able to know how to select an appropriate ERP software for the business.

Lesson plan

The segment is proposed to be delivered by an eminent expert. He would feel free to define the scope of his lecture. He is expected to organize his lecture in line with the learning objectives.

Mode of delivery

The most suitable method of delivering the Module is PowerPoint presentation.

Outline of the contents (suggested)

Enterprise resource planning (ERP) is business process management software that allows an organization to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources. ERP software integrates all facets of an operation, including product planning, development, manufacturing, sales and marketing.

ERP software is considered an enterprise application as it is designed to be used by larger businesses and often requires dedicated teams to customize and analyze the data and to handle upgrades and deployment. In contrast, Small business ERP applications are lightweight business management software solutions, customized for the business industry you work in.

Module 8

Topic: Project Management

This module consists of Project Management Essentials for management of projects financed out of Public Sector Development Plan (PSDP). Although corporate entities are not always bound to follow these guidelines but presently all the development works are undertaken as per these guidelines.

Duration: 4 hours

Learning objectives: At the end of the module, the participants will be able to understand how the projects under PSDP are identified, prepared, executed and monitored.

Lesson plan

The participants are expected to read by themselves this brief outline and then consult the main document referred at the end of the module.

Mode of delivery

The participants would be expected to read the module themselves.

Outline

PROJECT MANAGEMENT ESSENTIALS

Introduction

Project management encompasses all the stages of project cycle i.e. identification, preparation, appraisal/approval, implementation and post-completion evaluation. First three stages of project cycle precede the actual project implementation stage. Once the implementation stage is reached, the “Project supervision/monitoring” assumes greater importance which is followed by the final stage i.e. project completion/post completion evaluation. Project monitoring is one of the most important management tools. Unfortunately, it has not been very effective in Pakistan. An enhanced government role in project monitoring will lead to efficient and proper implementation of projects.

The term project management covers all activities that are necessary to: (i) ensure that the project is implemented with due diligence to achieve planned objectives within approved cost and time frame; (ii) to identify problems promptly as they arise, help resolve them, and modify the project if necessary, or as circumstances change; (iii) to close a project if it is no longer justified, particularly if it can no longer achieve its developmental objectives and targets; (iv) to draw significant lessons for designing future projects; and (v) to prepare completion reports.

These activities are carried out at three different levels: (a) Project Director, who supervises day to day affairs of the project; (b) sponsoring Ministry/Department, which takes policy decision, and (c) provincial Planning and Development Department or Projects Wing of Planning Commission, which acts as central agency to oversee execution of projects through periodic monitoring/evaluation. By and large, project monitoring methodology entails physical inspections,

studying of day to day & periodic reports and sector implementation reviews covering several or all projects. It is important to note that project management falls in domain of the head of the project sponsoring Division/Ministry and Projects Wing of the Planning Commission.

To ensure proper results, management must receive adequate priority in the allocation of staff and other resources. The project executing & sponsoring agencies and concerned Federal Ministries/Divisions should allocate the resources commensurate with the nature, complexity, duration and size of each project, the problems experienced, and institutional capabilities and needs. This also implies flexibility in the timing and frequency of supervision, content of progress reports and effective use of available staff. To strengthen institutional capabilities and increase the cost effectiveness of management, project executing authorities should (a) as much as possible, integrate the government's progress reporting requirements with the project executing authority's own monitoring and evaluation system (b) where necessary, assist in improving and/or developing such systems, and promoting their effective use and (c) where appropriate, engage local consultants to help carry out supervision.

Where implementation problems are particularly severe, or where many projects face similar problems, project management may be usefully supplemented by sector implementation review meeting with concerned officials to review overall progress, paying particular attention to problems and sectoral and cross sectoral issues.

To sum up, a good project may turn out to be a bad project with poor management and a bad project can become a good project with good management. Thus the role of Project Director is very crucial in the realm of project management.

PROJECT MANAGEMENT POLICY

Policy of the Government of Pakistan is to efficiently utilize natural and economic resources of the country for socio-economic welfare of the people. This objective may be achieved only when development projects are planned and executed with vigilant management.

Objective of development planning is to have projects implemented for the benefit and social uplift of the society. For achievement of stipulated targets and tangible returns, it is imperative to entrust management and supervision of the project during implementation stage to capable and competent persons of required qualifications, experience and caliber.

Project Director, who is the focal point in project implementation, is responsible for project execution according to its objectives, work scope and implementation schedule. Suitable and qualified Project Director should be appointed in case of each project that should not be transferred during currency of the project. Project Director should be delegated full administrative and financial powers to improve project management, supervision and help fix technical and financial responsibility. No member of staff working under administrative control of the Project Director should be posted/transferred without his/her prior consent/concurrence. As a team leader, he/she is under obligation to account for all actions, steps and decisions taken during project execution. It is advisable to set up headquarters of the Project Director as close to the site of work as possible preferably at site, to ensure his availability for spot decisions on unforeseen issues and other ancillary matters. Project Director should supervise project and try his/her best to resolve day-to-day problems faced in implementation independently within the administrative and

financial powers delegated to him/her for project execution. If necessary, he/she may seek help from concerned Federal Ministry and/or Provincial Government for resolving the problems.

In case of mega projects, consultants should be appointed for preparation and supervision of work. Consultants should be associated from the stage of preparation of the project. Donor agencies generally insist on appointment of consultants in accordance with their own procedures. Government of Pakistan should endeavor to employ Pakistani consultants, who should work with devotion and responsibilities. In case it is not acceptable to a particular donor agency, we should insist that our local consultants should work jointly with foreign consultants at equal status and reasonable salary structure comparable with their counterparts, except for the top positions where foreign consultants may continue to operate.

Projects Wing of Planning Commission is responsible for ensuring that mega development projects are executed as per approved scope, targets and time frame. Projects Wing despite its best efforts cannot perform this responsibility without help and cooperation of concerned Federal Ministry/Division and/or Provincial Government. Project Director should send project implementation status to Projects Wing on specified proforma and updated monthly progress reports on specified PC-III (B) proforma on 5th of each month on regular basis and indicate problems faced in project implementation. Projects Wing would computerize information received on its Project Monitoring & Evaluation System (PMES). Projects Wing would prepare Project Profile and Monitoring Report of projects and would make necessary recommendations in Monitoring Report for resolving problems/issues at the highest forum which are hindering progress. Projects Wing would request concerned organizations to resolve issues which are unnecessarily disrupting or jeopardizing progress.

A system should be evolved to ensure that quality material is made available in requisite quantity and utilized well in time on execution of project. This should also include installation of field laboratories adequately equipped for day to day testing of materials. In case of mega projects, this should also form part of the duty of the supervisory consultants.

It is important to watch that progress is not pushed at the cost of quality. It is also equally important that the works are not delayed / suspended or slowed down due to impediments in timely supply of materials, acquisition of land, and/or want of requisite funds at appropriate stages. All these strategic points must be sorted out well in advance by the Project Director in coordination with the concerned quarters to avoid time and cost over runs.

Project progress should be monitored on the basis of project implementation schedule/approved work plan. Progress reports are essential for planning supervision and fact finding so that policy makers can concentrate on problem solving. Project Directors should ensure that proper procedures for reviewing and responding to progress reports are established and followed.

Project executing and Sponsoring agencies should be responsible for monitoring of progress reports and computerize all information under Project Monitoring and Evaluation System (PMES) already developed by the Projects Wing. MIS should be set up by each sponsoring agency in line with requirement of PMES.

Project implementation agencies/departments should seek the approval of the competent authority as soon as they consider change in scope of work or revision in cost. Sponsoring agencies should

also anticipate likely delays. They should also fix responsibility for the delays. Those responsible for not undertaking forward planning and causing delays in implementation of projects should be taken to task.

Projects Wing undertakes project monitoring/supervision visits to review periodic progress, provide advice and obtain additional necessary information. Monitoring and evaluation which are also supervisory management tools play an important role in helping to improve quality of information about implementation and operation of the project. Monitoring reports are prepared on quarterly basis on PC-III (A) proforma. Monthly physical and financial progress is to be prepared on PC-III (B) proforma.

PROJECT MANAGEMENT LIFE CYCLE

A project usually brings change resulting in benefits to a target group. Projects involve a group of inter-related activities that are planned and then executed in a certain sequence to create/provide a unique service or output within a specific time frame. The Project Management Life Cycle has five distinct phases: (1) Identification & Formulation; (2) Appraisal & Approval; (3) Implementation; (4) Completion/Closure; and (5) Ex-post Evaluation. The project life cycle with specific reference to Pakistan is illustrated at exhibit 1. These phases are described in detail in the following paragraphs:

Project Identification & Preparation

Project identification and its formulation is the most important segment in a project cycle in which the sectoral priorities must be followed. Since such priorities in a sector have competing claims on the limited resources available, it is imperative that various Ministries prepare their sectoral strategy right. Flowing from the national planning document and priorities fixed by NEC and other fora, such sectoral strategy must also take into account the country assistance and partnership strategies of the donors. In advanced countries, there are special organizations which are employed continuously in the field surveys and necessary investigations required for formulation of feasible projects. In less developed/developing countries, unfortunately, there are no such organizations. In Pakistan projects are normally identified by the line Ministries/Divisions, public sector corporations, NGOs, pressure groups and public representatives.

Development projects are prepared on the approved format i.e. PC-I Proforma. Planning Commission has devised three Proformae in 2005, one each for Infrastructure Sector, Production Sector and Social Sector. The PC-I Proformae along with detailed instructions for filling them, are placed at Annex-I, II & III, respectively, while PC-II proforma is placed at annex-IV.

It is mandatory that the projects of Infrastructure Sector and Production Sector costing Rs.300.00 million and above should undertake proper feasibility studies before the submission of PC-I. Separate provision has been made in the PSDP, under P&D Division for financing of the cost of feasibility studies of development projects and appointment of Project Directors at initial stage of project formulation. This facility can be availed of by different Ministries/Divisions for undertaking feasibility studies. For mega projects, where huge amount for feasibility studies is involved, a separate proposal on PC-II Proforma is to be submitted for approval. In case of more complex concepts one of the donors could be required for TA Grant. For other low cost projects,

in-house feasibility is carried out. Based on the data and positive findings of feasibility study, PC-I is prepared and submitted for approval by the concerned forum.

At the project preparation stage, various indicators such as input, baseline data, outputs and outcome, are determined over the life of project. In addition, viability of the project in terms of financial and economic indicators is also determined, which focus on financial and economic viability of the project. Another important aspect which needs to be considered is the sustainability aspect after completion; how it would yield the required output/outcome. Therefore, due attention has to be given to the sustainability aspect of the project at the preparation stage.

After preparation of PC-I/PC-II, the Principal Accounting Officer has to sign the PC-I/ PC-II certifying that “the project proposal has been prepared on the basis of instructions provided by the Planning Commission for the preparation of PC-I of the concerned sector projects”. Thereafter, PC-I/PC-II is to be submitted to the relevant forum for approval/authorization.

Project Appraisal & Approval

The second phase in project cycle is appraisal. If a project is well formulated and thoroughly appraised, a good follow-through on subsequent stages of the project cycle will see to its goals being achieved. Appraisal involves a careful checking of the basic data, assumptions and methodology used in project preparation, an in-depth review of the work plan, cost estimates and proposed financing plan, an assessment of the projects organizational and management aspects, and finally the validity of the financial, economic and social benefits expected from the project. On the basis of such an assessment, a judgment is reached as to whether the project is technically sound, financially justified and viable from the point of view of the economy as a whole. A comprehensive project appraisal is carried out in the Planning Commission at approval stage. All the parameters including Benefit Cost Ratio, Net Present Worth and Internal Rate of Return etc are worked out from financial and economic standpoints for productive and infrastructure projects. While in case of social sector projects viability is worked out on least cost approach and by calculating the unit cost of output and services. The discount rate used for evaluating the PSDP funded projects is determined by the Finance Division on yearly basis. The discount rate as notified by the Finance Division vide letter No. F.8(1) GS-I/2006-1631 dated 11th August, 2008 (Annex-V) for the year 2007-08, applicable for the year 2008-09 is 9.96%. The rationale behind the project appraisal is to provide the decision-makers financial and economic yardsticks for the selection/rejection of projects from among competing alternative proposals for investment. If the project is found technically sound, financially & economically viable and socially desirable only then the project is approved. However, sometimes projects are also approved on political considerations and social uplift of certain areas/target groups.

Development projects are approved by the different fora depending upon the cost of the project. The approving limits of each forum in vogue are as under:- Approving Authority	Cost Limit
Departmental Development Working Party (DDWP)	Up to Rs.40 million
Central Development Working Party (CDWP)	Up to Rs.500 million

Executive Committee of National Economic Council (ECNEC)	More than Rs.500 million
Provincial Development Working Party (PDWP)	Rs.5000 million
Corporations and Autonomous Bodies/CDA	No Limit *

Source: Guidelines for Project Management issued by the Planning Commission, Government of Pakistan.

Procurement Management

Manuals / Curriculum for JMC, MMC AND SMC

Trainers / Trainees Manual

Developed by:

Brig. Ozair Ahmad

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OVERVIEW PROGRAMME

JMC

Ser	Contents	JMC	Days	Remarks
1.	General Introduction	0.5	Day 1	
2.	Understanding the Procurement Environment			
a.	Principles of Public Procurement	1		
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a.	Supply Market Analysis	1.25	Day 2	
b.	Specifications	1.25		
c.	The Tendering (Bidding) Process	1.25		
d.	Tender Evaluation and Selection	1.25		
e.	Negotiation	1	Day 3	
f.	Orders and Contracts	1		
4.	Contract Management	3		
5.	Exercises / Group Discussion and Comprehension Test	5	Day 4	
6.	Visit to PPRA and Directorate General Procurement (Army	5	Day 5	
	Total	25 hours	5 x days	

INTRODUCTION

1. Course Description

- a. Course Title : Procurement Management JMC
- b. Course Objective. To build Capacity of WASC (WAPDA Administrative Staff College) Islamabad by imparting knowledge and best practices in procurement management.
- c. Specific Objectives. By the end of the JMC course the participants should be able to:-
- (1) Understand the procurement environment.
 - (2) Identify procurement needs.
 - (3) Draw procurement plans.
 - (4) Understand procurement methods.
 - (5) Understand specification drawing - Bill of quantities and Terms of Reference.
 - (6) Carry out pre-qualification and short listing.
 - (7) Carry out contract negotiation for consultants.
 - (8) Identify the roles of various parties in procurement.
 - (9) Understand the tendering process.
 - (10) Evaluate bids, award contracts and prepare contract agreements/LPO.
 - (11) Carry out contract supervision, evaluation, monitoring and follow up.
 - (12) Understand and explain the ethical code of conduct.
 - (13) Interactive Session during visits.
- d. Duration of the Course. The total amount of time for the course is allocated approximately 25 training hours. Preferably, all the Chapters should be taught consecutively within Three days. Fourth day will be utilized for Group Discussions and Comprehension Test. Fifth day has been kept for visits thus making 25 hours of the course.
- e. Curriculum Summary. This course contains four Chapters as follows:-
- (1) Chapter-1 : Understanding the Procurement Environment.
 - (2) Chapter-2 : Procurement of Goods, Services and Works.
 - (3) Chapter-3 : Contract Management.
 - (4) Chapter-4 : Miscellaneous Activities

- f. **Curriculum Structure and Design.** Each chapter is sub-divided into a number of sessions as indicated in Table below. The division of the course into chapters allows participants to take sessions for which their training needs have been identified:-

Chapter	Session	Components
1. General Introduction	Introduction Session (30 mins)	<ul style="list-style-type: none"> ▪ Introduction, welcome, aim and objectives of the training.
2. Understanding the Procurement Environment	a. Principles of Public Procurement (60 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Procurement in WAPDA Associated Companies ▪ Objectives of procurement ▪ Categories of procurement ▪ Principles of public procurement ▪ Good Practices
	b. Ethical and Integrity Issues in Procurement (60 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Definition and purpose ▪ Transparency and integrity ▪ Procurement ethics ▪ Examples of unethical conduct ▪ Corruption
	c. The procurement cycle and planning (60 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Procurement Cycle ▪ Procurement planning ▪ Forecasting and budgeting ▪ Annual procurement plan
	d. Procurement Methods (90 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Procurement Methods ▪ Methods of selection and employment of consultants
3. Procurement of Goods, Services and Works	a. Supply Market Analysis (75 mins)	<ul style="list-style-type: none"> ▪ Define a market ▪ Describe the benefits of undertaking a market analysis ▪ Identify sources of market information ▪ Compile and maintain a list of approved suppliers and contractors
	b. Specifications (75 mins)	<ul style="list-style-type: none"> ▪ Explain the meaning of specifications ▪ Describe the different types of product specifications ▪ Describe the concept of standardization and its benefits ▪ Identify what to include in a procurement specification

Chapter	Session	Components
	c. The Tendering (Bidding) Process (75 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Need for tendering and its application ▪ Tendering procedures ▪ Preparation stage ▪ Invitation to tender and advertising stage ▪ Cancellation of bidding process ▪ Response management stage
	d. Tender Evaluation and Selection (75 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Tender Evaluation Committee ▪ Evaluation of Bids ▪ Selection of Suppliers ▪ Comparison and ranking of bids ▪ Post qualification of bids ▪ Evaluation report and recommendation ▪ Approval of recommendation of tender award ▪ Rejection of all bids
	e. Negotiation (60 mins)	<ul style="list-style-type: none"> ▪ Define negotiation. ▪ Determine when it is necessary. ▪ Identify the influences on negotiation. ▪ Identify the different stages of negotiation. ▪ Perform good bargaining and negotiations. ▪ To enable participants know the importance / benefits of negotiations
	f. Orders and Contracts (60 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Definition of a contract ▪ Supplier/provider obligations ▪ Company obligations ▪ Preparation of contracts ▪ Problems in Purchasing and Supply Contracts ▪ Types of contract agreements for employment of consultants ▪ Awarding contracts and notification to bidders ▪ Local Purchase Orders
4. Contract Management	a. Contract Management (180 Minutes)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Contract effectiveness ▪ Contract supervision and administration goods, works and services ▪ Contract performance ▪ Procurement reporting ▪ Procurement Monitoring and Evaluation ▪ Introduction to Procurement Management Information System / ERP
5. Miscellaneous Activities	a. Exercises / Group Discussions and Comprehension Tests	

Chapter	Session	Components
	b. Visits to Public Procurement Regulatory Authority, Islamabad and Directorate General Procurement (Army), Rawalpindi	
	c. Filling of Course Feedback Proforma	

- g. **Purpose and Use of Manual.** This Manual has been specifically developed for the use of trainers who will be providing capacity building support in WASC in the area of procurement. The same will be utilized by trainees.
- h. **Training Methods**
- (1)___The methods of training which the trainer decides to use in any particular session should be carefully and properly selected because:-
- (a) They aid the learning process.
 - (b) Time is precious and must be used wisely to achieve maximum results.
 - (c) Participants must be able to follow the training method.
- (2) A number of training methods are available for the trainer to use. The methods outlined below are the ones suggested for use in this course:-
- (a) Lectures
 - (b) Group Work
 - (c) Brainstorming
 - (d) Role Play
 - (e) Visits
- j. **Resource Person.** The essential for resource person are as follows:-
- (1) Should be a confident speaker.
 - (2) He should be procurement expert and should have worked as procurement expert.

(3) Preferably should have done Masters in SCM or PM and MBA from recognized university.

k. **Introduction Session**

DESIGN AND DURATION OF INTRODUCTION SESSION		
No.	Activity	Time Allocation
(1)	Introduction and Session Objectives <ul style="list-style-type: none">▪ Welcome and introduction▪ Aims and Objectives of training	30 minutes
	Total time:	30 minutes

CHAPTER – 1
UNDERSTANDING THE PROCUREMENT ENVIRONMENT
SESSION - 1

1. **Principles of Public Procurement**

DESIGN AND DURATION OF SESSION ONE	
Activity	Time Allocation
Introduction and Session Objectives <ul style="list-style-type: none"> ▪ Self introduction ▪ The facilitator presents the session objectives ▪ Outline key issues for the session 	10 minutes
Methods <ul style="list-style-type: none"> ▪ Brainstorming on what is procurement, procurement objectives, principles of public procurement, key players and their roles ▪ The facilitator makes a presentation in a lecture by filling in the gaps to the participant’s responses. 	30 Minutes
Group Work <ul style="list-style-type: none"> ▪ Activity 1 – Procurement Principles Scenarios 	10 Minutes
Lessons Learnt, Application and Summary <ul style="list-style-type: none"> ▪ Summarize the key issues in the session. ▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. . 	10 Minutes
Total time:	60 minutes

- a. **Introduction.** Briefly introduce the session topic.
- b. **Session Objectives.** By the end of the session, the participants should be able to:-
- (1) Define procurement.
 - (2) Objectives of procurement.
 - (3) Categories of procurement.
 - (4) Principles of public procurement
 - (5) Some good practices.
- c. **Methods ? Questions for Discussion 1.**
- (1) **Question-1.** What do you understand by the term ‘procurement’?
 - (2) **Answer.** Procurement is the process of acquiring goods, works or services from suppliers. It is similar in meaning to *purchasing*, but it can also include *hiring* the services of something or someone. Here are some examples:-
 - (a) Contracting a builder to construct a school classroom (works).
 - (b) Hiring a technical expert to assist with the design of a project (services)
 - (c) Purchasing some furniture from a supplier (goods)
 - (3) **Question-2.** Is procurement in the public sector different from procurement in the private sector? If yes, why? Elaborate
 - (4) **Answer.** The main idea here is that public procurement is a process that uses public / donor agencies funds for projects. Therefore, there are certain principles to be upheld and procedures to be followed to ensure that proper use is made of public / donor agencies funds and get the best value for money. By contrast, procurement in the private sector does not always have the same constraints. For example, a business owner may decide to choose a particular supplier for their business supplies based on personal preference only, without comparing a number of different quotes to get the best price. This kind of flexibility is not normally allowed in the public sector, because it can be open to misuse of funds.
- d. **Objectives of Procurement.** The objectives of procurement are:-

- (1) To provide constant flow of goods, services and works to meet the requirement of WAPDA Associated Companies.
 - (2) To reduce costs through more efficient and effective purchasing by buying appropriately to obtain the “value for money”.
- e. **Categories of Procurement.** Procurement can be categorized into the following:-
- (1) **Works** – Construction, design, rehabilitation, maintenance and repair of buildings, bridges, roads, plant, etc.
 - (2) **Supplies** – This should include goods such as materials and stores etc.
 - (3) **Non-Consultancy Services** – Such as cleaning services, revenue collection, security services and repair services.
 - (4) **Consultancy Services** - Studies for designs and provision of technical assistance, training, engineering design and supervision.
- f. **Principles of Public Procurement.** The overall objective of the public procurement system is to provide value for money to the WAPDA Associated Companies by ensuring that public / donor agencies funds are spent in a transparent, efficient and fair manner. These guidelines incorporate policy provisions and procedures to promote competition, fairness/equity, transparency, accountability and ethics, and value for money. The basic principles for the procurement of goods, services and works, within the public sector are:-
- (1) **Transparency.** Procurement process should be conducted in such a way that there is openness and clarity on procurement policy and all interested parties know and understand the actual procedures and processes by which contracts are awarded and managed. A transparent procurement system is the one that has clear regulations and procedures, standardized tender documents, standardized tender contracts and a fair process.
 - (2) **Accountability.** The public officials who are dealing with procurement activities have responsibilities and obligations for performance and stewardship. A good procurement system should have clear lines of responsibility in decision making and public officials responsible for procurement should be made accountable for their decisions.
 - (3) **Equal Treatment/Fairness.** An efficient public procurement system should give all participants an equal chance to compete and by avoiding discrimination among potential bidders. Potential suppliers should be

treated equally and with utmost fairness throughout the contract award process.

- (4) **Value for Money.** Procurement process should aim at acquiring the right items at the right time, and at the right price to support government actions.
- (5) **Appeal Rights.** Potential suppliers should be provided with a mechanism for review of grievances and correct failures of the system.
- (6) **Integrity.** The public officials responsible for procurement activities should not involve themselves in corruption or collusion with suppliers or others.
- (7) **Competition.** Procurement should be carried out by competition unless there are convincing reasons to the contrary. Public procurement system should be able to attract high quality national and international suppliers and contractors capable of meeting government needs through competitions.

g. **Good Practices**

- (1) Emphasize transparency and accountability.
- (2) Avoid favoritism and corruption.
- (3) All procurement decisions to be ultimately made by the authorized tender committee.

h. **Group Work**

- (1) **Activity-1 Procurement Principles Scenarios.** This activity encourages participants to think further about the principles of procurement and how they apply in practice.
 - (a) Ask participants to work in groups of 4 or 5 people.
 - (b) Ask participant to see **Activity Sheet 1** attached at **Annex A** of Manual – Principles of Procurement Scenarios.
 - (c) Allocate 1 scenario to each group. Ask groups to read their scenario and answer the accompanying questions.
 - (d) Give groups 10-15 minutes to discuss their scenario. Then ask each group to report back on its scenario and results of their discussion.
 - (e) After each group has responded, other participants can discuss and give their own opinion.
 - (f) Finish by summarizing the discussion and have additional input if needed.

(2) **Scenario 1.** PESCO advertised a tender nationally to build a Grid Station at Swat. There was a lot of interest from contractors, because it was a big project worth a lot of money. The CEO PESCO asked the GM Technical to provide one particular contractor with information about the estimated price for the contract, to help him prepare his bid. The CEO said that this contractor was based in the Company Swat, so he deserved to get more help than contractors from other Company's. The GM Technical said that this was unfair and that all contractors should receive the same information about a contract.

(a) **Questions:-**

- (1) Who is correct – the CEO PESCO or the GM Technical? Why?
- (2) Which procurement principle do you think this scenario relates to? Why?

(b) **Answers**

- (1) **Answer-1.** GM Technical
- (2) **Answer-2.** Principle = **Equal treatment/fairness** – All contractors should be treated equally and none should receive special treatment, regardless of where they come from.

(3) **Scenario 2.** A tendering process was being initiated for a construction project. The CEO IESCO suggested using the National Competitive Bidding process, to get as much competition as possible and therefore a better price for the contract. However, the GM Development said that the National Competitive Bidding process created too much work for him, so it was easier to initiate a direct contracting process.

(a) **Questions**

- i. Who is correct – The CEO IESCO or the GM Development? Why?
- ii. Which procurement principle do you think this scenario relates to? Why?

(b) **Answers**

- i. **Answer-1.** CEO IESCO.

- ii. **Answer-2.** Principle = **Competition** – A competitive bidding process provides the best opportunity to achieve good value for money and therefore should be the favoured option, even though it may require extra work for technical staff to carry out the process.

(4) **Scenario 3.** A Chief Engineer M & M put out a tender for the supply of some office furniture. One supplier (Imran Khan & Co) submitted a bid which was lower than the estimated price and the materials were very good quality. Another supplier (H&B Co) submitted a bid which was higher and the materials were not as good quality. The Tender Evaluation Committee was divided about who should be awarded the tender. Some members said that ‘Imran Khan & Co’ was the best value for money for the PESCO. But other members said that ‘H&B Co’ were influential people being relative of Chief Minister KPK so it would be better to award the contract to them.

(a) **Questions**

- i. Who should get the contract – Imran Khan & Co or H&B Co? Why?
- ii. Which procurement principle do you think this scenario relates to? Why?

(b) **Answers**

- i. **Answer-1.** Imran Khan & Co.
- ii. **Answer-2.** Principle = **Value for money** – the aim of a procurement process is to achieve the best value for money, that is to get good quality at the lowest possible price. PESCO should not pay more than it needs to for its works, goods and services just because certain business people are more influential than others.

(5) **Scenario 4.** A ‘Restricted Bidding’ process was conducted in LESCO for work at Lahore Grid Station. The Tender Evaluation Committee had already conducted this tendering processes many times already, so the members decided to make a recommendation without recording the process in its Tender Evaluation Report. When asked about this, the committee members said that because everybody knows the tendering process so well, there was

no need to write down everything that happened. The CEO LESCO told the Tender Evaluation Committee that everything relating to the procurement process must be recorded so that the LESCO can clearly show the rest of the community that procurement decisions are made in an honest and open way.

(a) **Questions**

- i. Who is correct – The Tender Evaluation Committee or the CEO LESCO? Why?
- ii. Which procurement principle do you think this scenario relates to? Why?

(b) **Answers**

- i. **Q-1.** CEO LESCO
 - ii. **Q-2.** Principle = **Transparency** – It doesn't matter how many times a procurement process has been undertaken in the past, the results of the procurement process must be recorded every time, so that the LESCO will always have a record of how its decision was reached and to demonstrate that the process was conducted in a proper way.
- j. To finish, summarize the key issues of the session.

SESSION – 2

1. Ethical and Integrity Issues in Procurement

DESIGN AND DURATION OF SESSION TWO	
Activity	Time Allocation
<i>Introduction and Session Objectives</i> <ul style="list-style-type: none">▪ Introduce topic▪ The facilitator presents the session objectives	5 Minutes
<i>Methods</i> <ul style="list-style-type: none">▪ Brainstorming on key issues▪ Lecture filling in the gaps	30 Minutes
<ul style="list-style-type: none">▪ Brainstorming	15 Minutes
<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none">▪ Briefly summarize the key issues about ethics▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. .	10 Minutes
Total time:	60 minutes

- a. **Introduction.** Briefly introduce the session topic.
- b. **Session Objectives.** To explain the major ethical issues in procurement and apply them. By the end of this session the participants should be able to:
 - (1) Define ethics and integrity.
 - (2) Explain the importance of ethics in public procurement.
 - (3) Perform procurement activities transparently.
 - (4) Understand the ethical code of conduct.
 - (5) Identify the major forms, reasons and measures for preventing corruption in the procurement system.
- c. Start by asking the following **brainstorming questions**, just to get an idea of participants' views about the meaning of these terms:-
 - (1) **Question-1.** What do you understand by the terms ethics and integrity?
 - (2) **Answers**
 - (a) **Definitions and Purpose**

- i. **What is ethics?** Most people tend to define ethics as being primarily concerned with issues such as bribes and confidentiality. However, ethics is concerned with values which is a general term relating to those things which people regard as good, bad, right, desirable or justifiable. In summary, ethics is concerned with the moral principles and values which govern our beliefs, actions and decisions.
 - ii. **What is Integrity?** The quality of being honest and having strong moral principles. Not corrupt or biased.
 - iii. **Purpose.** The purpose of ethics in procurement is to ensure that decisions are neither tainted nor appear to be tainted by any question of conflict of interest. Procurement should be based on objective criteria.
- (3) **Question-2.** Why do you think those engaged in procurement should act ethically?
- (4) **Answer.** Ethical principles require all those involved in procurement performs their duties with integrity.
- d. **Transparency and Integrity.** Employees dealing with procurement and members of the tender committee of the WPADA Associated Companies are required to be honest in all their dealing with suppliers, contractors and members of public and must conduct procurement proceedings in such a manner that the company is respected and trusted as a client or customer. In order to ensure transparency and accountability, a company should maintain adequate written records of all procurement proceedings. Such records should be open to inspections.
- e. **Understanding the Procurement Code of Conduct**
 - (1) **Ethical Code of Conduct.** Public Officers are required to sign a Code of Ethical Conduct. In addition, all suppliers, contractors or consultants are required to sign a declaration of compliance with those Codes of Conduct. The main ethical principles are:-

- (a) An employee or member of the tender committee should not use his/her authority or office for personal gain.
- (b) Honesty among company staff, tender committee members and suppliers / contractors should be paramount and a pre-requisite.
- (c) Employees of a company and tender committee members shall reveal any personal interest that may impinge on their dealings in the procurement process.
- (d) Information gained in regard of procurement work has to be treated as confidential and not used for personal gain.
- (e) Employees of a company and tender committee members shall avoid any business arrangement that might prevent the effective operation of fair competition
- (f) Business gifts should not be accepted from current or potential suppliers and contractors of the company.
- (g) Employees of a company and tender committee members should refrain from any business hospitality (e.g. dinners) that may be viewed by others as having an influence in decision-making.
- (h) To enhance the ethical conduct and transparency of staff and tender committee members and employees of the company should not be suppliers/contractors of the company either directly or indirectly.

(2) **Unethical Code of Conduct.** The following are examples of the types of conduct that are unethical:-

- (a) Revealing confidential or “inside information” either directly or indirectly to any bidder or prospective bidder.
- (b) Discussing a procurement with any bidder or prospective bidder outside the official rules and procedures for conducting procurements.

- (c) Favoring or discriminating against any bidder or prospective bidder in the drafting of technical specifications or standards or the evaluation of bids.
 - (d) Destroying, damaging, hiding, removing, or improperly changing any official procurement document.
 - (e) Accepting or requesting money, travel, meals, entertainment, gifts, favors, discounts or anything of material value from bidders or prospective bidders.
 - (f) Discussing or accepting future employment with a bidder or prospective bidder.
 - (g) Requesting any other public servant or government official representing the Company in procurement to violate the public procurement rules or procedures.
 - (h) Ignoring evidence that the Code of Ethics has been violated by a member of the Tender committee, public servant or other employee or representative of the company.
 - (i) Ignoring illegal or unethical activity by bidders or prospective bidders, including any offer of personal inducements or rewards.
- f. **Major Forms, Reasons and Measures for Preventing Corruption.** This is the use of public power for private gain. It can be in the form of embezzlement, nepotism, over-invoicing, claiming payments for no goods/services supplied and taking bribes, bid rigging, split purchasing and the like. It is mainly caused by weak controls, bureaucracy and personal greed. The effects of corruption are that it:-
- (1) Impairs economic development.
 - (2) Leads to economic waste, inefficiency and reduction in productivity.
 - (3) Generates administrative inefficiency and ineffectiveness.
 - (4) Promotes nepotism.
 - (5) Frustrates competent and honest suppliers/contractors.
 - (6) To deter corruption in procurement it is necessary to:-
 - (a) Perform internal audit to monitor the process.

- (b) Institute checks in the various stages of the procurement cycle.
 - (c) Require strict observance of procurement regulations.
 - (d) Disqualify bidders who engage in any form of canvassing.
 - (e) Penalize all those found guilty, blacklisting errant suppliers, and to sanction staff and tender committee members by disciplinary action.
- g. To finish, summarize the key issues of the session.

SESSION -3

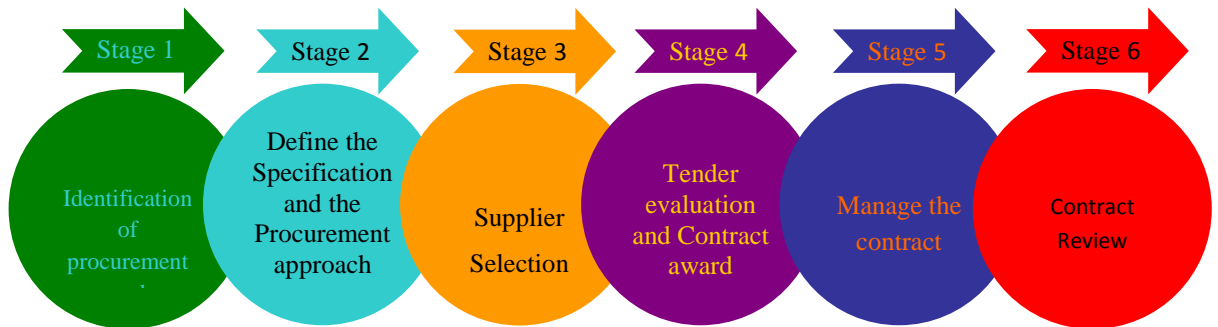
1. **The Procurement Cycle and Planning**

DESIGN AND DURATION OF SESSION THREE	
Activity	Time Allocation
<i>Introduction and Session Objectives</i> <ul style="list-style-type: none"> ▪ Energizer – Short exercise ▪ Introduce the topic for this session ▪ Present the session objectives 	10 Minutes
<i>Methods</i> <ul style="list-style-type: none"> ▪ Brainstorming on the key issues of the session ▪ Lecture 	20 Minutes
<i>Group Work</i> <ul style="list-style-type: none"> ▪ Activity 2 – Develop procurement plan 	20 Minutes
<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none"> ▪ Summarize the key issues about procurement planning and the procurement cycle ▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. 	10 Minutes
<i>Total time</i>	60 minutes

- a. **Introduction.** Briefly introduce the session topic.
- b. **Session objectives.** To identify the various stages of procurement and draw up good procurement plans. By the end of the session the participants should be able to:-
- (1) Explain the key components of the procurement cycle.
 - (2) Understand procurement planning.
 - (3) Prepare procurement plans.
- c. **Methods ? Questions for Discussion 3:** Start by asking the following **brainstorming questions**, just to get an idea of participants’:-
- (1) **Question-1.** Do you have procurement plans in your company? If yes, what does it contain?
 - (2) **Answer-1.** The aim of this question is to give participants an opportunity to share information about their current practice. You may find that some companies do not use procurement plans, in such cases, ask participants what sort of things they think should go into a procurement plan.
 - (3) **Question-2.** Why is it necessary to plan for your procurement requirements?
 - (4) **Answer-2.** The purpose of this question is to identify the importance of knowing in advance what a company will require in terms of procurement for the coming year so that the necessary budget preparations can be made.
 - (5) **Question-3.** What information do we need in order to accurately forecast our procurement requirements?
 - (6) **Answer-3.** This question is just to get an idea of participants understanding of how procurement fits into the rest of the planning and budgeting process. For

example, in order to develop a procurement plan it will be necessary to have information such as the annual work plan and budget.

- d. **The Procurement Cycle.** The procurement cycle starts with identification of procurement needs. Each department within the company identifies the required goods, services and works. The procurement cycle is as follow:-



- e. **Identification of Procurement Needs.** Procurement planning is the process of determining what is needed, how much is needed, where, how and when. It is a description of the goods and services that will be acquired by a company, when and how they will be acquired, and from which source. Companies must plan their procurements each year. The procurement plans are approved by the competent authority.
- f. **Procurement Planning.** Adequate procurement planning and prioritization of needs by each company is an essential prerequisite to effective procurement for the following reasons:-
- (1) Funding for procurement is unlikely to be sufficient to meet all requirements, and scarce financial resources must be channeled to ensure that the priority public service aims of a company are adequately met before spending on less essential procurements.

- (2) Procurement planning help to avoid emergency procurements and splitting of procurements to defeat the use of appropriate procurement methods unless such splitting is to enable wider participation.
- (3) Effective planning allows requirements to be aggregated into larger procurements at lower unit costs, rather than frequent sourcing of quotations for identical items and issuing many individual Local Purchase Orders.
- (4) Procurement of common user items may also be aggregated for more than a year, to permit further economies of bulk purchasing, saving of time wasted by separate procurements, and a reduction of the procurement costs.
- (5) Publication of realistic annual procurement plans allows the private sector to respond more effectively to the requirements and specifications.

g. **Forecasting and Budgeting Procurement Requirements.** Respective companies can use two possible methods to forecast requirements:-

- (1) **Bills of Materials.** Bills of materials for the various goods/services required are used to forecast the procurement requirement.
- (2) **Past Consumption Analysis.** This is used for items that have an independent demand which are consumed on a continuous basis, for which no bills of materials is possible. Analyze past consumption data and project the future requirements.

h. **Annual Procurement Plan.** This is in form of an annual work plan used by a company to schedule procurements for the whole year. It may include among others:-

- (1) Detailed breakdown of activities of goods services and works to be acquired.
- (2) Schedule of procurement requirements in order of priority.
- (3) Statement of required resources.
- (4) Projected funding.
- (5) Plan of the likely method of procurement.

j. **Group Work**

- (1) **Develop Procurement Plan.** Participants will need to refer to **Activity Sheet 2** attached at **Annex B** of the Manual for this activity

- k. To finish, summarize the key issues of the session.

SESSION - 4

1. Procurement Methods

DESIGN AND DURATION OF SESSION FOUR	
Activity	Time Allocation
<i>Introduction and Session Objectives</i> <ul style="list-style-type: none">▪ Introduce the session topic▪ Present the session objectives	10 Minutes
<i>Methods</i> <ul style="list-style-type: none">▪ Brainstorm question▪ The facilitator gives a lecture on key issues linked to the session	40 Minutes
<i>Group Work</i> <ul style="list-style-type: none">▪ Activity 3 – Procurement Methods	30 Minutes
<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none">▪ Summarise the key issues about the different methods of procurement and selection methods for consultants▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	10 Minutes
<i>Total time:</i>	90 minutes

- a. **Introduction.** Briefly introduce the session topic.
- b. **Session Objectives.** To enable the participants to understand the different methods of procurement of goods, non consultancy services and works and selection methods for consultancy services so as to be able to apply the relevant method for each particular situation. By the end of the session, the participants should be able to:-
- (1) Identify the main influences on the procurement method used.
 - (2) Understand the various procurement methods.
 - (3) Understand the selection methods for employment of consultants.

(4) Apply the relevant procurement method for each procurement situation.

c. **Method.** Start with the following discussion question as an experience sharing opportunity for participants to get an idea of the procurement methods used in other companies and why some procurement methods might be used more than others:-

(1) **Question.** Discuss the under mentioned question in pairs and then feedback to the group:-

(a) **Question-1.** What is the main type of procurement usually conducted in your company and what are the reasons for using this method?

(2) The presenter should give a detailed lecture of the various methods of procurement to be used in respective companies.

(3) **Procurement Methods.** The WAPDA Associated Companies should follow PPRA rules re-enforced with companies procurement guidelines so that procurement of works, goods and services be made through competitive tendering (national or international competitive bidding). However, where competitive tendering would not be the most economic and efficient method of procurement and where other methods of procurement are considered to be more appropriate, the guidelines allows the use of other procurement methods with certain conditions and these procurement circumstances should be recorded to support method of procurement. The procurement methods which can be used are as follows:-

(a) **Open Competitive Bidding (National and International).** It should be adopted as principal bidding method. The conditions between national / international bidding do not change except more time is required for international bidding.

(b) **Restricted or Limited Bidding.** This method is adopted due in special circumstances when time for the procurement is compressed. The short listed pre-qualified suppliers are invited to have transparency / possible open bidding.

- (c) **Single Source / Propriety / Direct Contracting.** It is only adopted when only one supplier has the exclusive right to the manufacture of the goods, carryout the work or performs the services to be procured and no suitable alternative is available.
- (d) **Request for Quotations (RFQ) / Shopping.** This is also known as “shopping” and is based on comparing price quotations obtained from several suppliers, usually at least three, to ensure competitive prices. Shopping method is appropriate for procuring readily available off-the-shelf goods or standard specification commodities that are small in value.
- d. **Methods of Selection and Employing Consultants.** The procurement of consultant services is a specialized form of procurement requiring bidding procedures and documents which are very different to those for standard goods and works. **The use of merit-point evaluation systems and two-envelope bidding procedures are routine features in the procurement and selection of consultants.** Basic principle is that technical bid is evaluated first and then financial bid is opened. Technically cleared firms / consultants will win the bid irrespective of financial cost. Numbers of methods are also considered while selecting a consultant as follow:-
- (1) Merit Point System
 - (2) Two Envelop Bidding
 - (3) Quality and Cost Based Selection (QCBS)
 - (4) Quality Base Selection (QBS)
 - (5) Fixed Budget Selection (FBS)
 - (6) Leased Cost Selection (LCS)
- e. **Group Work.**
- (1) **Activity 3 – Procurement Methods.** This activity is designed to give participants some familiarity with the different

procurement methods that are available and the circumstances in which different methods are appropriate.

(2) **A project is approved for rehabilitation of electric lines. The estimated cost is Rs 10.000 Million.**

(a) **Question 1:** Which procurement method would you recommend? Why?

(b) **Answer:** National Competitive Bidding can be used, because the estimated cost of the project is such that it is not expected that foreign contractors would be interested in bidding for this project.

(3) USAID wants to conduct a tendering process for a construction of Phase-I of a Dam project, estimated cost is around USD 500 Million, with payment made in USD. It wants to attract a wide range of contractors and believes that the project is unlikely to attract sufficient local competition due to its large scope:-

(a) **Questions 2.** Which procurement method is best suited to this project? Why?

(b) **Answer:** International Competitive Bidding, because this is an appropriate bidding method to attract a wider range of competitors and because the project is of a large scope, it is anticipated that there would be inadequate local competition.

(4) Friendly Companies conducted an open competitive tendering process for the supply of some school and office furniture. The process failed to bring an award of contract, so the Procurement Unit has decided that another procurement method is needed:-

(a) **Question-1.** Which procurement method can now be used? Why?

(b) **Answer:** Restricted Bidding can be used, because an open competitive process has failed to bring about the award of a contract.

(5) A flash flood in Swat resulted in the collapse of Mingora Airport and bridge leading to Airport. The Company Council has an urgent need for

procurement of works in order to rehabilitate the Airport and repair the bridge as soon as possible:-

(a) **Question-1.** Which procurement method can be used in such a situation? Why?

(b) **Answer:** A method such as single source/direct contracting can be used in such a situation of extreme urgency.

f. To finish, summarize the key issues of the session.

CHAPTER -2
PROCUREMENT OF GOODS, SERVICES AND WORKS

1. **Introduction.** This chapter deals with the activities and processes undertaken in order to procure goods, services and works. It includes how to analyze markets and produce a list of suppliers and contractors, how to write specifications, what bidding involves, evaluation of bids and selection, orders, contracts and negotiation.

2. **Aim.** To equip the participants with the necessary skills and knowledge to be able to procure goods, services and works in accordance with the relevant laws and regulations.

3. **Objectives.** By the end of this Unit, the participants should be able to:
 - (1) Understand market analysis.
 - (2) Understand and explain specifications.
 - (3) Understand and explain tender evaluation process.
 - (4) Explain procurement standards.
 - (5) Understand negotiation.

SESSION -1

1. Supply Market Analysis

DESIGN AND DURATION OF SESSION ONE	
Activity	Time Allocation
<i>Introduction and Session Objectives</i> <ul style="list-style-type: none">▪ Introduce topic for the session▪ Presentation and discussion of objectives	5 Minutes
<i>Methods</i> <ul style="list-style-type: none">▪ Questions for discussion▪ Lecture on supply market analysis	30 Minutes
<i>Brainstorming</i>	30 Minutes
<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none">▪ Summarise the key issues about market analysis<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	10 Minutes
Total Time:	75 Minutes

- a. **Introduction.** Briefly introduce the session topic.
- b. **Session Objectives.** By the end of this chapter, the participants should be able to:-
- (1) Define a market
 - (2) Describe the benefits of undertaking a market analysis.
 - (3) Identify sources of market information.
 - (4) Compile and maintain a list of approved suppliers and contractors.
- c. **Definition of a Market.** A market is an area for potential exchange. Markets are made up of buyers demanding products and services and suppliers/providers offering them for sale.
- d. **Reasons for Market Analysis.** To be able to identify and compile a list of possible sources of goods, services and works that are reliable. Supply market analysis involves the review of the structure, characteristics and trends of a market for a particular product or service. When this is done possible sources of supply for the requirements are identified as well as the risks and opportunities associated with them. At the end of the market analysis a list of proposed suppliers and contractors is generated.
- e. **Sources of Market Information.** You can gather information about the possible sources of supply from the following:-

- (1) The press
 - (2) Trade catalogues
 - (3) Trade statistics from bodies such as the Chamber of Commerce, etc.
 - (4) Information from the data bank of the respective company.
 - (5) Information from WAPDA Associated Companies.
 - (6) Information within the company records concerning earlier procurements.
- f. **The Process of Supplier Appraisal.** This involves a number of steps, namely:-
- (7) Identifying potential suppliers.
 - (8) Screening the potential suppliers by appraisal.
 - (9) Researching for further information on suppliers if necessary.
 - (10) Producing a list of possible suppliers for approval.
- g. **List of Approved Suppliers and Contractors.** The end result of the market analysis should be the development of a list of possible suppliers and contractors. A company may undertake pre-qualification proceedings to identify suppliers and contractors that are qualified. The Chief Engineer M & M is responsible for maintaining a list of approved suppliers and contractors and the list should be kept under constant review and renewed annually at the beginning of each financial year to remove defunct service providers.
- h. **Categories of Registration.** Suppliers are to be registered into appropriate categories for the specific goods, services and works.
- i. **Supplier Performance Monitoring.** Suppliers or consultants who fail to fulfill their contractual obligations in a satisfactory manner, in terms of quality, delivery, performance, or customer service, and who fail to improve their performance on being notified of the deficiency, may be disqualified from providing further services.

- j. To finish, summarize the key issues of the session.

SESSION -2

1. Specifications

DESIGN AND DURATION OF SESSION TWO	
Activity	Time Allocation
<i>Introduction and Session Objectives</i> <ul style="list-style-type: none">▪ Introduce the session topic▪ Comments on running of the course▪ Present session objectives	5 Minutes
<i>Methods</i> <ul style="list-style-type: none">▪ Facilitator explains to the participants the importance of specifications, the different types of product specifications, their advantages and disadvantages, and how to develop specifications.	30 Minutes
<i>Brainstorming</i>	30 Minutes
<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none">▪ Summarize the key issues about the need for the development of specifications, checklist for specifications<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	10 Minutes
<i>Total time:</i>	75 Minutes

- a. **Introduction.** Briefly introduce the session topic.
- b. **Session Objectives.** By the end of the session, the participants will be able to:-
- (1) Explain the meaning of specifications.
 - (2) Describe the different types of product specifications.
 - (3) Describe the concept of standardization and its benefits.
 - (4) Identify what to include in a procurement specification.
- c. **Define Specification.** It is a statement of a set of requirements to be satisfied by a product, material or process, indicating, whenever appropriate, the procedures by means of which it may be determined whether the requirements given are satisfied. The specifications should contain the following:-
- (1) What exactly is required (in terms of quality, type, size, performance.)?

- (2) How much is required?
 - (3) Delivery schedules
 - (4) Transportation
 - (5) Inspection and testing
 - (6) Any other information that may be required e.g. packaging/labeling.
- d. **Types of Specifications.** The major types of specifications are Brand Names, Samples, Technical, and Functional/Performance.
- e. **Concept of Standardization and Benefits.** Standards enable buyers and sellers to speak the same language through the use of common parameters, terminology and /or symbols. In simple words standard is defined as specified levels of quality. Procurements must be of acceptable defined quality. Following standard are usually applicable:-
- (1) Industrial standards
 - (2) National standards
 - (3) Regional standards
 - (4) International standards
- f. **Procurement Specifications.** Following must be included in the specification format:-
- (1) Product/Service
 - (2) Quantity
 - (3) Delivery
 - (4) Service responsiveness
 - (5) Inspection/Tests
 - (6) Documentation
 - (7) Insurance
 - (8) Warranty
 - (9) Payment Terms
 - (10) Legislation Issues
 - (11) Special requirements, e.g. labeling, packaging, packing

- g. **Approval of Specification.** It is mandatory to get the specifications approved first from technical authority and later from administrative channels to ensure quality procurement.

SESSION – 3

1. The Tendering (Bidding) Process

DESIGN AND DURATION OF SESSION THREE	
Activity	Time Allocation
Introduction and Session Objectives <ul style="list-style-type: none">▪ Introduce session topic▪ Facilitator presents the session objectives	5 Minutes
Methods <ul style="list-style-type: none">▪ Facilitator explains to participants the need for tendering, which type/method of invitation to use when tendering, the contents of a tender invitation package and how it is put forward, and the procedures to follow when receiving bids.	30 Minutes
Brainstorming	30 Minutes
Lessons Learnt, Application and Summary <ul style="list-style-type: none">▪ Summarise key issues about the bidding process▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	10 Minutes
Total time:	75 Minutes

- a. **Introduction.** Briefly introduce the session topic.
- b. **Session objectives.** By the end of the session, the participants will be able to:-
 - (1) Understand the meaning and need for tendering;
 - (2) Know when to apply the process of tendering;
 - (3) Know which type/method of invitation to use when tendering;
 - (4) Prepare a tender invitation package;
 - (5) Know the procedure to follow when receiving bids.
- c. Conduct Brainstorming activity by asking Questions on following:-
 - (1) What is the significance of tendering?
 - (2) How does a wrong specification in tendering effects the comparative analysis?
- d. Group Work to include following:-

- (1) Each group to first prepare specifications of works, services and goods separately.
 - (2) After preparation of specifications, the group should prepare bidding documents.
 - (3) Finally, the respective groups should prepare CST of works, services and goods for approval.
- e. **Tendering.** Tendering is one of the methods for procurement whereby potential suppliers are invited to make a formal offer to supply goods, to provide services, or carry out works, which on acceptance shall be the basis of the subsequent contract. Tendering may be used in procuring works, services and goods.
- f. **Need for Tendering and its Application.** Procurement officers are required to prepare a tendering package and advertise it in order to ensure transparency in the procurement process and to guarantee receiving the best value for money spent. The Heads of department compile lists of their (user departments) requirements every year, with clear specifications of the nature of goods, services or works needed and then submit them to procurement unit for incorporation in the procurement plan and within the annual budgetary provisions.
- g. **Tendering Procedures.** Tendering process may be divided into **five** main stages:-
- (1) **Preparation Stage.** The activities involved during this phase includes the identification of type and nature of procurement, assessment of market conditions and choice of procurement procedure, specifying the requirement, preparation of tender documents and tender notice, and choice of contract type.
 - (2) **Invitation to Tender and Advertising Stage.** The activities taking place under this phase are tender advertisement and issuance of tender documents.
 - (3) **Response Management Stage.** This phase deals with the management of the received tenders and the activities falling under this includes receiving of tenders, custody of tenders, tender opening, evaluation of tenders and recommendation to the tender committee.
 - (4) **Contract Award Stage.** The award stage includes activities such as approval by the tender board, actual contract award and debriefing.

- (5) **Contract Management Stage.** The activities falling under this phase includes contract performance, contract completion and possibly dispute settlement.
- (6) **Tendering Committee.** Tendering committee should know following:-
- (a) Complete bidding documents.
 - (b) How to received, keep and procedure to open the tenders.
 - (c) At what stage the tenders can be cancelled.
 - (d) How technical / commercial offers are analyzed?
 - (e) What should be the tender period?
 - (f) How the bid closing date be extended?
 - (g) How the evaluation is to be carried out?

SESSION - 4

1. Tender Evaluation and Selection

DESIGN AND DURATION OF SESSION FOUR	
Activity	Time Allocation
<i>Introduction and Session Objectives</i> <ul style="list-style-type: none">▪ Introduce the session topic▪ Present the session objectives	5 Minutes
<i>Methods</i> <ul style="list-style-type: none">▪ Brainstorm questions▪ Facilitator takes participants through the process of evaluating tenders, selecting the recommended winning bidder.	30 Minutes
<i>Group Work (Scenarios)</i>	30 Minutes
<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none">▪ Summarise key issues to be considered when evaluating tenders▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. .	10 Minutes
<i>Total time:</i>	75 Minutes

- a. **Introduction.** Briefly introduce the session topic.
- b. **Session Objectives.** By the end of the session, the participants will be able to:
 - (1) Understand the functions of the Evaluation Committee.
 - (2) Know the main stages in evaluation.
 - (3) Identify the key elements to consider when selecting a bid winner.
 - (4) Know the contents of the report of the Evaluation Committee.
- c. Ask participants to explain how does the tender evaluation usually take place in your company and what problems you face when evaluating tenders?
- d. **Group Work.** Following scenarios amongst groups be discussed:-
 - (1) One of the bidder gets late in depositing his bid due to security check at reception. Explain, will you allow the bidder to participate as bidding has not yet been opened.

- (2) Only one bidder reached in time for bidding rest are late because of multiple factors beyond their control. Would you like to open the bidding at specified time or it is appropriate to wait. What are the consequences if you follow the time and if you wait for all to participate?
- e. **Tender Evaluation Committee/Team.** The responsibility of evaluating bids and quotations and ranking them in order of pricing and quality rests with the Tender Evaluation Committee/Team in the Company. The committee comprises of not less than three and not more than five members one of whom must be an expert on the subject matter for which evaluation is to be done. The evaluation team members are appointed by the Executive Secretary based on their technical skills and competences. The evaluation team must assess all tenders received on the basis of the evaluation criteria set out in the tender document. Upon completion of the evaluation process, the Evaluation Committee submits its evaluation report and assessment scores to Tender Committee.
- e. **Stages of Evaluation.** Evaluation of tenders is done by an Evaluation Team. It is done in three sequential stages:-
- (1) A preliminary examination.
 - (2) A technical evaluation.
 - (3) A financial evaluation to compare costs of the eligible, responsive and technically compliant bids.
- f. The evaluation process is conducted in accordance with the established methodology and criteria, as defined in the tender document and a written evaluation report should then be produced. Tabulation of offers will make it easier to compare them.
- g. **Selection of suppliers.** Bid evaluations should be consistent with the objectives set for each purchase. However, for most purchases, the purchase price

is only one of the several considerations when selecting a supplier. Meeting user requirements, quality and service are a critical and usually more important aspect. Among the elements to be considered when selecting a supplier are the following:

- (1) Ability to meet essential and desirable requirements.
- (2) Customer service.
- (3) Quality assurance capacity and adoption to local conditions.
- (4) Past performance.
- (5) Offered best price, operating and maintenance costs.
- (6) Supplier innovation.
- (7) Supplier financial strength.
- (8) Risk management.
- (9) Compliance to conditions of contract.
- (10) Lack of conflict of interest.
- (11) Qualification and guarantee offered etc.

h. **Evaluation Report and Recommendation.** The evaluation committee will at the end of the evaluation process, prepare a report to the tender committee. The report should include:-

- (1) Evaluation and assessment scores for each bidder.
- (2) Minutes of the committee concerning the contract.
- (3) Criteria against which the scoring was made.
- (j) Ranking of bidders in order of quality and responsiveness.
- (k) Recommendation of a winner to the tender committee.
- (l) Evaluation report should be signed by all members of the evaluation committee. Technical evaluation reports should contain recommendations on which bidders should proceed to the financial evaluation. Combined technical and financial evaluation reports shall contain recommendations on the best-evaluated bidder. The evaluation report shall be submitted to tender committee for approval.

j. **Actions by Tenders Committee.** The tender committee should:-

- (1) Check the accuracy of the evaluation and recommendations as submitted.

- (2) If the lowest evaluated responsive bid is higher than the original estimated cost, decide whether the price increase is justified. If the price is not acceptable, the tender committee may consider that the bid should be re-advertised, cancelled, or the quantities or scope reduced.
- (3) If the evaluation report recommends negotiation with a bidder to remove any reservations in the best-evaluated bid, the tender committee shall arrange for such formal negotiations to be held. Negotiations may not be held with the object of reducing prices on any competitive bidding process. If negotiations with the lowest evaluated responsive bidder fail to get a withdrawal of the reservations in his bid, the second-ranked bidder may be invited to sign the contract or invited for negotiations. Following any negotiation process the result of negotiations and any recommendations must be reported back to the tender committee for approval before further action is taken.
- (4) Reject any evaluation report which contains serious inaccuracies or flaws and return to the Evaluation Committee for correction and re-submission.
- (5) Issue a full or a qualified approval to the award of contract or the recommended action. A qualified approval may be issued subject to clearly explained corrections that must be made to the evaluation report, or to the contract documents before issue.
- (6) Ensure that all discussions and decisions of the committee are reported in the minutes of the meeting.
- (7) If the evaluation committee recommends the rejection of bids, the tender committee may consider wider advertising to have competition, invitation to new bids.

SESSION -5

1. Negotiation

DESIGN AND DURATION OF SESSION FIVE	
Activity	Time Allocation
<i>Introduction and Session Objectives</i> <ul style="list-style-type: none"> ▪ Introduce the session topic ▪ Facilitator presents the session objectives 	5 Minutes
<i>Methods</i> <ul style="list-style-type: none"> ▪ Brainstorming on meaning, necessity and timing of negotiations ▪ Lecture on key issues concerning procurement negotiations 	25 Minutes
<i>Group Work</i> <ul style="list-style-type: none"> ▪ Activity 4 	20 Minutes
<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none"> ▪ Summarise key issues about negotiation of supply contracts. ▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. 	10 Minutes
<i>Total time:</i>	60 minutes

- a. **Introduction.** Briefly introduce the session topic.
- b. **Session Objectives.** By the end of the session, the participants will be able to:
 - (2) Define negotiation.
 - (3) Determine when it is necessary.
 - (4) Identify the influences on negotiation.
 - (5) Identify the different stages of negotiation.
 - (6) Perform good bargaining and negotiations.
 - (7) To enable participants know the importance / benefits of negotiations.
- c. **Brain Storming Activity.** Ask participant this question. “Under which circumstances is it appropriate to negotiate with a supplier, contractor or consultant?”
- d. **Role Play.** Activity sheet No 4 attached as Annex C of the Manual.
- e. **Definition.** Negotiation is a process whereby two or more parties, initially with differing views attempt to reach an agreement on a common objective by selective use of different methods of persuasion.
- f. **When to Negotiate**

- (1) Negotiations with the lowest evaluated responsive bidder may be undertaken.
- (2) Where reservations or restrictions on the specifications or conditions are contained in the bid. These negotiations are for the sole purpose of persuading the bidder to waive these restrictions so that the bid is in accordance with the specifications, terms and conditions of the original bid.
- (3) To agree a satisfactory contract through a reduction in the scope or quantities and/or a reallocation of risk and responsibility, to reduce the contract price when prices quoted are substantially higher than the estimated cost. However, any substantial reduction in the scope or modification to the contract documents may require re-bidding to ensure transparency.
- (4) Negotiations (including price) may be undertaken in selection of consultant services where price is not an evaluation criteria. This will apply only to the Quality-Based Selection (QBS), Selection Based on Qualifications, or Single-Source Selection methods.
- (5) Other issues for negotiations may include:
 - (a) Finalizing payment arrangements;
 - (b) Mobilization arrangements;
 - (c) The methodology or staffing;
 - (d) Clarifying details that were not apparent or could not be finalized at the time of bidding;
 - (e) Agreeing final delivery or work schedule to accommodate any changes required by the company.

g. **Issues for Negotiations – Consultancy Services.** In the procurement of the consultancy services, negotiations for award of contract will cover the following issues:-

- (1) Terms of reference
- (2) Methodology
- (3) Proposed work Programme
- (4) Staffing
- (5) Scope of consultancy services

h. **Issues for Negotiations – Goods and Works.** In the procurement of goods and works, negotiation will be on areas relating to the following:

- (1) Reduction of quantities for budgetary reasons.
- (2) Minor alteration to the technical details of the statement of requirements.
- (3) Payment arrangements.
- (4) Minor amendments to the special conditions of contract.
- (5) Methodology or staffing.
- (6) Final delivery or work schedule.

i. **The Negotiators.** The two parties to the negotiation are the company and the consultants/supplier/contractor or service providers.

(1) **The Negotiation Process**

(a) **Selection of Negotiation Team.** The negotiation team is proposed by the tender committee based on appropriate seniority and experience depending on the value and complexity of the procurement or the same role can be performed by the tender committee. The proposed negotiation team should possess relevant mix of skills and experience, including:-

- i. Knowledge of end user requirements;
- ii. Financial management skills;
- iii. Negotiation skills;
- iv. Procurement and contract management skills; and
- v. Technical skills relevant to the subject of procurement.

(b) **Characteristics of A Good Negotiator.** The following are characteristics of a good negotiator among others:-

- i. Principled – focusing on company's interests and not positions

- ii. Have objective – reach understanding based on standards
- iii. Be open to reason – yield to principle not pressure
- iv. Able to control emotions
- v. Good communicator – without communication there is no negotiation
- vi. Able to listen actively
- vii. Able to take a decision.

(c) **Pre-Negotiation**. This is a strategy formulation stage. It involves looking at your own negotiation objectives, interests, principals and targets, the positions and possible interests of the other side, and the strengths and weaknesses of both sides, reflected in the balance of power. At this stage the negotiation team prepares a negotiations plan specifying the issues to be negotiated and the objectives to be achieved and whenever possible, quantify the objectives and set maximum and minimum negotiating parameters for the negotiation team. The negotiation plan should be approved by the tender committee prior to any negotiations taking place.

(d) **The Actual Negotiation**

i. **Opening Stage**

aa. **Do's:** Be welcoming, show interest and respect, ensure refreshments are at hand, make purposeful talk and find out about them as people, check their authority to negotiate, be warm but firm, agree on the agenda, expected outcomes and time scales.

bb. **Do not:** Be demanding, put down any conditions, refer to contracts with other suppliers, and make them feel uneasy, start substantive discussions before agreeing on the agenda.

ii. **Proposal Stage**. Normally the entity asks the supplier to make their proposals first because this way they expose their best target. You should remember to link different variables, build on the ideas and proposals being offered, ask questions to clarify any points that are not clear, take abundant notes, and propose a recess to discuss

options when necessary. Try not to reject a proposal instantly, make a counter proposal immediately, or use irritating phrases like: “We need a fair and reasonable offer.”

- iii. **Bargaining Stage.** The basic rules of bargaining are, always try to attach conditions to concessions, try to give way on variables which may be of little value to you, focus on all the variables involved, try to make numerous small concessions rather than a major one.
- iii. **Agreement Stage.** At this stage, clearly summarize and state clearly what has been agreed upon. This is not the end but the beginning of a working relationship.
- iv. **Post-Negotiation.** This involves preparing and formalizing the agreement, monitoring and managing the implementation, and evaluating your negotiation performance. The negotiation team shall produce minutes of the meeting and shall obtain the bidder’s written agreement that it is a true and accurate record of the negotiations held and submit the minutes to the procurement unit for submission of recommendations of the negotiation team to the tender committee to:-
 - aa. Proceed with contract award to the recommended bidder, incorporating the agreements reached during negotiations.
 - bb. Revise the negotiation objectives and hold further negotiations, or
 - cc. Terminate the negotiation and reject the bidder.
 - dd. Where the negotiation team recommends rejection of the bidder, it may also, where appropriate, recommend inviting the next ranked bidder for negotiations in the case of competitive methods of procurement or a new bidder to submit a tender in the case of direct procurement. The tender committee may approve the recommendations, request further negotiations on specific points, reject

the recommendations with reasons or cancel the negotiations in their entirety.

- ee. The results of any approved negotiations shall be specified in a letter of tender acceptance and incorporated into the contract document. Where negotiations are commenced with the next ranked bidder or a new bidder is invited, the company shall not reopen earlier negotiations; and the original bidder shall be informed in writing of the reasons for termination of the negotiations.

SESSION - 6

1. Orders and Contracts

DESIGN AND DURATION OF SESSION SIX		
No	Activity	Time Allocation
a.	<i>Introduction and Session Objectives</i> <ul style="list-style-type: none">▪ Introduce topic for this session▪ Trainer presents the session objectives	5 Minutes
b.	<i>Methods</i> <ul style="list-style-type: none">▪ Lecture on key issues concerning orders and contracts. Differentiate the formal contract and an LPO	25 Minutes
c.	<i>Group Work</i> <ul style="list-style-type: none">▪ Activity 5	20 Minutes
d.	<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none">▪ Summarize key issues about orders and contracts<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	10 Minutes
	<i>Total time:</i>	60 Minutes

e. **Introduction.** Briefly introduce the session topic.

f. **Session Objectives.** By the end of the session, the participants will be able to:-

- (1) Explain the importance of a contract.
- (2) List the key obligations of the purchaser and provider of service or goods.
- (3) Describe the major issues relating to preparing a procurement contract.
- (4) Outline the problems frequently encountered in procurement contracts.
- (5) Know which type of contract to use for a given procurement.

- g. **Definition of a contract.** A contract is a formal legal agreement, usually written, between different parties. The procurement contract enters into force when the contract is signed by the supplier, contractor or service provider and by the company.
- h. **Supplier's / Provider's Obligations.** Supplier's /provider's obligations may include but not limited to:-
- (1) Deliver the goods, service or works in the way, at the time, and in the location that has been specified by the parties.
 - (2) Deliver the documents that are related to the goods or service.
 - (3) Transfer of title of ownership for a product.
 - (4) Ensure the conformity of the goods to the specifications.
 - (5) Act in good faith and deal fairly.
 - (6) Accept liability of the manufacturer of the goods in the case of injury to the persons or objects.
- i. **Company's Obligations.** Company may include but not limited to:-
- (1) Accept the goods or services provided they meet the contract terms.
 - (2) Pay the agreed price.
 - (3) Act in good faith and deal fairly.
 - (4) Accept liability in the case of injury to persons or objects.

j. **Preparation of Contract.** A contract document for submission to the successful bidder for signature is prepared by the Procurement Management Unit. Contents of a contract document are determined by contents of the tender documents and the nature of the tender. The Procurement Unit will complete the draft contract document and submit it to appropriate channel for approval.

k. **Problems may be Encountered in Purchasing and Supplying Contracts.** Numerous difficulties may arise in purchasing and supply contracts. Some of these are:-

- (1) Change of ownership/management.
- (2) Change of circumstances.
- (3) Currency fluctuations.
- (4) Delays in performance.
- (5) Different business cultures.
- (6) Dominance.
- (7) Lack of specificity.

l. **Types of Contract Agreements**

(1) **Lump Sum (Fixed Price) Contracts.** Lump sum contracts are used mainly for assignments in which the following are clearly defined:-

- (a) The content and the duration of the services.
- (b) The required output of the consultants.
- (c) Lump sum contracts are widely used for simple planning and feasibility studies, environmental studies, detailed design of standard or common structures, preparation of data processing systems, etc. Payments are linked to defined outputs (deliverables), such as reports, drawings, bills of quantities, bidding documents, and software programs. Lump sum contracts are simple to

administer because payments are due on attainment of clearly specified outputs.

(2) **Time-Based Contract**. This type of contract is widely used for complex studies, supervision of construction, technical advisory services, and training assignments. It may also be appropriate when:-

- (a) It is difficult to define the full scope of services, or the input of the consultants required to attain the objectives of the assignment.
- (b) The length of services can be precisely defined and deliverables are only incidental to the main purpose of the assignment.
- (c) The services are related to activities by others for which the completion period may vary.
- (d) Payments are based on:-
 - i. **Remuneration:** Agreed hourly, daily, weekly, or monthly rates for staff.
 - ii. **Reimbursable:** Reimbursable items using actual expenses and/or agreed unit prices.
- (e) The rates for staff remuneration include salary, social costs, overhead, fee (or profit), and, where appropriate, special allowances. This type of contract must include a maximum amount of total payments (the contract ceiling) to be made to the consultants. The contract ceiling usually includes a contingency allowance for unforeseen work and duration, and provision for price adjustments, where appropriate.
- (f) Time-based contracts need to be closely monitored and administered by the Company to ensure that the assignment is progressing satisfactorily, and payments claimed by the consultants are appropriate.

- m. **Percentage Contract.** These contracts are commonly used for architectural services but may be also used in similar circumstances such as for procurement and inspection agents. Percentage contracts directly relate the fees paid to the Consultant to the estimated or actual project construction cost, or the cost of the goods procured or inspected. Contracts are negotiated on the basis of market standards for the services and/or estimated staff-month costs for the services, or competitively bid. In the case of architectural or engineering services, percentage contracts lack any incentive for economic design or performance. The use of a percentage contract format for architectural services is only recommended if based on a fixed target cost and covers precisely defined services.
- n. **Indefinite Delivery Contract (Price Agreement).** These contracts are used when there is a need for “on call” specialized services to provide advice or services, the extent and timing of which cannot be defined in advance. These are commonly used to retain “advisers” for implementation of complex projects expert adjudicators for dispute resolution panels, institutional reforms, procurement advice, technical troubleshooting, etc. normally for a period of a year or more. The Company and the firm agree on the unit rates to be paid, and payments are made on the basis of the time and resources actually used.
- o. **Awarding Contracts and Notification to Bidders.** Following the approval of the contract by the competent authority of the respective company, following will be executed:-
- (1) Finalize the contract and produce copies for signature.

- (2) Prepare and send a formal notice of award to the winning bidder by hand or by registered letter, requesting the bidder's attendance to sign the contract. At the same time inform all unsuccessful bidders that their bids were not successful and encourage them to participate in future bids. The notification letters (to successful and unsuccessful bidders) should be signed by the Chief Engineer M & M or designated person.
 - (3) If the bidder refuses to attend for signature of the contract as requested, the procurement unit should refer to the competent authority for a decision on award to the next ranked bidder.
 - (4) Check that the contract is correctly signed by both the supplier or contractor and the authorized signatory for the company and that each page of the contract is initialed by representatives of both parties to the contract.
 - (5) Ensure that the contract is duly recorded in the contracts register maintained by the Procurement Unit.
- p. **Local Purchase Orders.** In case of very low value and low risk items, once the supplier has been selected, the Procurement Officer raises the Local Purchase Order (LPO). A Local Purchase Order which is sent to the supplier is suitable for accepting offers where the requirement is straightforward. Any special conditions agreed upon should be referred to on the purchase order. In cases where the purchase is complex, a specially drafted contract should be put in place and should be signed by the officers authorized to sign contracts on behalf of the company.
- q. Local Purchase Orders are raised in the names of the supplier based on the tender award and they should indicate the date, time and place of delivery of the goods.
- r. **Activity 5 IESCO.** A contract is an important legal document and therefore attention to detail is essential when preparing and signing contracts on behalf of the company. This activity is designed to familiarise you with the content of a typical contract. Your task will be to examine an example contract document and

check to make sure that it has been filled in correctly. Activity Sheet 5 is attached as Annex D of the Manual.

CHAPTER – 3
CONTRACT MANAGEMENT

1. **Introduction to Chapter.** It deals with the day to day management issues required to make the contract a success. Contracts have to be supervised and controlled to ensure that the supplier/ tenderer perform according to the contract and that delivery schedules are met. Ineffective supervision of contracts may lead to serious losses for the company.

2. **Aim of Chapter.** To enable the participants recognize and apply the basic procedures necessary for the successful implementation of contracts.

3. **Objectives of Chapter.** By the end of this chapter, the participants will be able to:-
 - a. Monitor and supervise projects.
 - b. Produce supervision and monitoring reports.

SESSION – 1

1. **Contract Administration**

<u>DESIGN AND DURATION OF SESSION ONE</u>		
No.	Activity	Time Allocation
a.	<i>Introduction and Session Objectives</i> <ul style="list-style-type: none">▪ Introduce the topic▪ Trainer presents the session objectives	10 Minutes
b.	<i>Methods</i> <ul style="list-style-type: none">▪ Trainer presents a lecture on key players in Contract Administration▪ Contract Management documents	90 Minutes
c.	<i>Group Work</i> <ul style="list-style-type: none">▪ Activity 6 Dispute Resolution Role Play	60 Minutes
d.	<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none">▪ Summarize key issues about Contract Administration.<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	20 Minutes
<i>Total time:</i>		180 minutes

e. **Introduction.** Effective management of contracts is essential to ensure that the objectives of the procurement process are achieved and that all contractual obligations and activities are completed efficiently by both parties to the contract. The Procurement Unit must ensure that routine monitoring of all current contracts is maintained so that swift remedial measures can be taken when problems arise, or preventative action taken when problems are foreseen. There are many post-contract issues that need to be dealt with, monitored and resolved before the contract reaches its conclusion including:-

- (1) Contract effectiveness.
- (2) Delivery and inspections of goods.
- (3) Payments to the consultant, supplier or contractor.
- (4) Performance monitoring for services and works.
- (5) Contractual disputes.

- (6) Delays in performance.
- (7) Claims for damages
- (8) Initial and final takeover of construction works.
- (9) Installation and commissioning of equipment
- (10) Acceptance of deliverables.
- (11) Contract closure.

f. **Objectives.** By the end of the session the participants will be able to:-

- (a) Understand and explain contract supervision.
- (b) Understand and explain contract monitoring.
- (c) Explain the key requirements in making payments to contractors.

- g. **Contract Effectiveness.** The procurement contract enters into force when the contract is signed by the supplier, service provider or contractor and by the company. Where the bidding documents stipulate that the procurement or disposal contract is subject to approval by a higher authority or a financing agency, the procurement contract shall not enter into force before the approval is given. In e-contracting / procurement, condition of signature has also been omitted.
- h. **Contract Supervision and Administration – Goods.** Contract supervision and administration for goods will be the primary responsibility of the Procurement Unit. Supervision and administration is straightforward in most procurement of goods however monitoring delivery schedules, processing of documents and the inspection of goods are essential to ensure that the correct goods are delivered on time. The Procurement Officer will:-
- (a) Monitor the delivery schedules of all purchases to ensure that they are dispatched, delivered or collected on time.
 - (b) Receive reports on pre-shipment inspection of goods and contact the supplier in writing requesting rectification of any discrepancies or deficiencies.
 - (c) Contact the supplier to identify the causes of any delay in delivery;
 - (d) Initiate and supervise any process for claims against the supplier.
 - (e) Report to the tender committee any failure by the supplier in his contractual obligations.
 - (f) The inspection and receiving committee will co-ordinate the receipt and inspection of goods and prepare acceptance report.

g. **Delivery and Inspection of Goods.** On delivery by a supplier, the Inspection and Receiving committee will receive the goods and examine the good to ensure that the goods delivered are as specified in the order/contract i.e. the Inspection and Receiving Committee will:-

- (1) Examine the documentation and packaging for compliance with the contract.
- (2) Examine and analyze the goods for conformity with the contract specifications and/or the samples provided.
- (3) Reject all goods that are damaged or do not conform with the required specifications or samples.
- (4) Prepare an inspection report recording the delivery, and descriptions, specifications and quantities of the goods examined, and the reasons for accepting or rejecting the goods.

h. **Payment for Goods.** For simple payments against invoices, the Procurement Officer will certify the invoice submitted by the supplier for payment. The Procurement Officer has to ensure that any advance payments already made and any contractual penalties incurred by the supplier have been taken into consideration in arriving at the amount payable to the supplier. The Procurement Officer should check the invoice to ensure that it is fully supported i.e. the following have been attached:-

- (1) The shipping documents or airway bill, or a delivery note.
- (2) Original of the Inspection Report.
- (3) Original Goods Receipt Note.
- (4) Calculation of any penalties for rejected goods not removed by the Supplier and liquidated damages if allowable under the contract.

- (5) Copies of relevant information from the contract document, records of approval and financial authorizations.
- (6) The procurement unit will then forward the documents to accounts for preparation of payment voucher. When the payment voucher is ready, the Procurement Officer will use the details to update the contracts register with details of payments. On expiry of any guarantee period the Procurement Officer shall release the retention balance to the supplier.

- i. **Contract Supervision and Administration – Works.** Contract supervision and administration of works contracts is often complex due to factors which could not be foreseen at the start of the work. The use of Technical Supervisor or Project Managers also means that daily control and supervision of the contract is not practical for the company. Company must therefore ensure that they are kept informed of progress and problems which arise through routine implementation progress reports.
- j. **Contract Supervision.** Day to day supervision of a works contract is carried out by the Technical Supervisor or Project Manager who acts for the company to supervise and administer the contract. For large contracts this may involve a team of engineers, inspectors, quantity surveyors etc. The technical supervisor is appointed by the competent authority of the company. The process of contract supervision starts immediately after the signing of the contract agreement and ends with the issue of a certificate of performance and making of final payments to the contractor. Contract supervision may require crosschecking to actual progress/performance against contracted outputs in the bills of quantities.
- k. **Responsibilities of the Technical Supervisor.** The responsibilities of the Technical Supervisor include to:-
- (1) Discuss technical matters with the contractor and ensure that the contractor understands the technical design and specification.
 - (2) Inspect the works and advise the contractor and company management if there is any deviation from the technical design and specification.
 - (3) Help to solve problems that arise during implementation of the contract.

- (4) Prepare progress reports. These reports are needed when the contract submits a claim for payment, for monitoring implementation progress and when problems arise during implementation.
- (5) Issue certificate of payment detailing the quantity of work performed by the contractor against each item in the priced BOQs and the valuation of work completed.
- (6) If any part of work is not done to the satisfaction of the Technical Supervisor, he may instruct the contractor to rectify the shortcomings.

1. **Payment for Works.** Payment for works contracts will normally be made against payment certificates approved by the technical supervisor and completion reports of the inspection and acceptance committee. For all works contracts, materials delivered to the site but not yet used will be excluded from the measurement approved and the value of payment certificates. The Technical Supervisor will ensure that:-

- (1) Any required retention specified under the contract is deducted from the value of the certificate before payment.
- (2) Agreed deductions in respect of the repayment schedule for any advance payment are deducted from the value of the certificate before payment.
- (3) On issue of an interim takeover certificate by the Inspection and Acceptance Committee, part of any retention money held may be paid to the contractor if specified in the contract.
- (4) On issue of a final takeover certificate by the Inspection and Acceptance Committee, the balance of any retention money is paid to the contractor.

m. **Claims by contractor.** Claims by Contractors for additional work or costs which are not covered under the terms of the existing contract and total contract value, must be referred to the tender committee for approval. Claims for extension of time, with or without additional costs, or for additional payment to the contractor must be resolved quickly, subject to the approval of the tender committee.

- n. **Contract Supervision and Administration – Services.** Contract supervision and administration for simple routine services such as office cleaning, provision of transport or contract maintenance, will be undertaken by the User Department and the Procurement Unit as appropriate. For consultancy services, the contract will usually nominate a Project Manager to coordinate supervision and administration. The contract may specify payments on the basis of inputs (time), deliverables, retainers, unit rates or commission fees, and administrative and supervision activities must therefore be based on the specific terms of each contract. The Procurement Unit (or Project Manager) will:-
- (1) Monitor the activity and performance in accordance with the contract to ensure that levels of service are maintained and that deliverables are submitted or completed on time. For consultancy services, the contract may specify key reports to be submitted, or timesheets and routine reports to be submitted on a monthly or quarterly basis.
 - (2) Ensure that all contractual obligations of the company are performed promptly and efficiently.
 - (3) Ensure that all deliverables (and especially reports) are reviewed immediately and responded to in writing where necessary.
 - (4) Contact the service provider to identify the causes of any failings in performance or failure to meet targets.
 - (5) Issue a formal letter to the service provider detailing the complaint if the explanation given is unsatisfactory or if performance is not improved within a reasonable period of time.
 - (6) Report to the tender committee any continued breach by the service provider of his contractual obligations.

- n. **Payment for Services.** Payment for service contracts will be made according to the specific terms of each contract against invoiced claims by the service provider. The Procurement Unit (or Project Manager) will ensure that:-
- (1) The invoice claim is justified by the evidence of timesheets, submission and acceptance of deliverables, or other criteria as specified in the contract.
 - (2) Agreed deductions in respect of the repayment schedule for any advance payment are deducted from the value of the invoice before payment.
 - (3) Any retention sum specified in the contract is deducted from the value of the invoice before payment.
- o. **Timing of Payments.** The company has a responsibility to make payments promptly in accordance with the contract. Payment delays not only create a bad impression of the company, but are also ultimately passed on to company in higher prices as suppliers build in the cost of payment delays in their prices. The periods in which payments have to be made, and the penalties for delayed payment will be those specified in the signed contract. The Procurement Officer or Project Manager must ensure that:-
- (1) The payment terms and penalties specified in the contract are known to all managers and staff involved in the processing of payments.
 - (2) All invoices and certificates which are not in dispute are paid within the agreed payment period.

- p. **Contract Performance.** How should the Company Chief Engineer ensure that the contractor delivers the agreed outputs?
- q. **Monitoring Consultant, Supplier or Contractor's Obligations.** The consultant, supplier or contractor's performance against the contract must be monitored on a routine basis. The Procurement Unit or Project Manager will:-
- (1) Notify the supplier or contractor immediately in writing of any failings in performance and seek an agreed solution. In the case of a consultant this takes the form of comments on consultancy reports.
 - (2) Update the contract file regularly to reflect the monitoring of performance.
 - (3) Ensure that the company is informed of any serious failings in performance.
- r. **Monitoring and Performing the Company Obligations.** The contract may impose certain conditions on the company which, if not complied with, may affect the supplier or contractor's performance including:-
- (1) Payment of stage payments within the contracted time limits.
 - (2) Approval of drawings or reports within the set time periods.
 - (3) Provision of storage or working facilities and access permits.
 - (4) Conditions relating to the supplier's provision of staff services (e.g. letters of invitation for visas, provision of office space, etc.).
 - (5) The Procurement Officer/Project Manager must ensure that all such obligations of the company are planned and performed without undue delay.

- s. **Delays in Performance.** Delivery of goods, construction of works and the performance of services should be completed by the supplier or contractor in accordance with the time schedule prescribed in the schedule of requirements. Where this is not the case:-
- (1) In accordance with the contract conditions, the supplier, contractor, or its subcontractor, must notify the company in writing of the conditions delaying performance, including full details of the delay, the likely duration and the cause(s).
 - (2) The company will immediately assess the situation, and may at its discretion extend the supplier or contractor's time for performance, with or without liquidated damages as specified in the contract.
 - (3) If the time for performance is extended, both parties shall ratify such extension by a formal addendum to the contract subject to approval by the tender committee / competent authority.
 - (4) A delay by the supplier or contractor in the performance of his obligations may render him liable to liquidated damages if specified in the contract document, except where:-
 - (a) The delay is as a result of Force Majeure.
 - (b) There is no provision for liquidated damages in the contract.
 - (c) An extension of time is agreed between the two parties without the application of liquidated damages.
 - (5) The Procurement Unit or Project Manager will:-
 - (a) Refer to the relevant clauses in the General or Special Conditions of Contract for the procedure to be followed to apply, calculate and claim liquidated damages.
 - (b) Update the procurement file and contract register to reflect any delays in the supplier's performance.
 - (c) Notify the end-user department immediately of all such delays.

t. **Resolution of Disputes.**

(1) **Question-1.** What are the possible sources of conflicts during the contract management process?

(2) **Answer-1.** Most minor disputes may be resolved by sensible discussion and agreement between the responsible officer and the supplier or contractor to rectify the cause of complaint. Any formal written complaints received from a supplier or contractor should be fully investigated and referred to the competent authority to authorize correspondence or formal negotiations with the supplier or contractor.

(3) **Question-2.** What should be considered in developing a conflict resolution mechanism that is quick, fair, transparent and simple?

(4) **Answer-2.** When handling disputes the project manager/procurement officer should:-

(a) Examine the contract carefully to be aware of all contract conditions relating to the resolution of disputes.

(b) Determine if the company is at fault or partly at fault, and if so, take appropriate action to rectify the problem.

(c) Invite the supplier or contractor to a formal meeting to discuss the issues and try to agree a compromise acceptable to both parties. Ensure that accurate written minutes are kept of any such meeting. If an agreement is reached which changes any of the conditions of the contract, approval of the tender committee or the Executive Secretary is required before the agreement can be implemented.

(d) If no initial agreement is reached and negotiations conducted also fail, consider the use of arbitration services as specified in the contract.

(e) Prepare any necessary addendum to the contract for signature.

u. **Termination of the Contract.** The parties to the contract normally have the right to terminate the contract, but to protect the company advice of the Legal Officer should always be sought if the company is considering such action. For donor funded procurements, donor “no objection” must be sought before any

action to terminate a contract is initiated. Contracts should not normally be terminated without examining all possible alternatives, unless the termination is agreed by all parties to the contract.

- v. **Contract Amendment.** Contract amendment may become necessary as a result of the application of price variations specified in the contract, the resolution of disputes, additional or reduced requirements by the company, agreements to extend the time schedule, or from accepted increases or decreases in prices. The contract may allow the company to modify contract values by a pre-determined percentage when this is in the public interest and essential for the work of the company. All other amendments to costs, quantities, time periods and other terms and conditions of the contract must be approved by the Tender Committee and confirmed in a formal contract amendment or addendum.

- w. **The Procurement Unit/Project Manager will:-**

- (1) Identify and agree with the supplier or contractor the specific clauses in the contract which need to be changed, and the new values or terms and conditions which are to apply.
- (2) Prepare a draft contract amendment document for approval by the Tender Committee together with a report justifying the reasons for the amendment.
- (3) Following approval by the Tender Committee:-
 - (a) Record any other contractual changes in the Contract Register.
 - (b) Arrange for signature of the contract amendment.
 - (c) Distribute copies in the same way as the original contract.

- x. **Procurement Reporting.** The routine reporting of procurement activity by company is essential for procurement planning and budgeting, and for the monitoring, tracking and evaluation of procurement.
- y. **Procurement Monitoring and Evaluation.** Procurement monitoring and evaluation is a process that must be routinely conducted by respective companies:-
- (1) Ensure that procurements are within the annual procurement plan.
 - (2) Identify weaknesses and delays in the procurement process.
 - (3) Compare prices against market standards.
 - (4) Assess performance of procurement units and committees.
 - (5) Assess performance of suppliers, contractors and consultants.
 - (6) Assess compliance by the company to these guidelines.
Identify any necessary remedial action.
- z. **Group Work**
- (1) **Activity 6 Dispute Resolution**
 - (a) This activity is designed to give participants practice in resolving the kinds of disputes that can arise during the contract management phase of company projects.
 - (b) As a lead into the activity, ask participants to brainstorm the following questions. Participants may be able to share some of their own experiences of dispute resolution:-
 - (c) **Question-1.** What are the possible sources of conflicts during the contract management process?
 - (d) **Question-2.** What should be considered in developing a conflict resolution mechanism that is quick, fair, transparent and simple?
 - (e) Ask participants to work in groups of 4, preferably in a mix of company.

- (f) Each group should prepare a brief scenario of a dispute that may arise during the implementation of a contract. For example:- A contractor wants to be paid more money in case of increase in rates during budget speech even though a contract has been signed. The contractor is reluctant to execute the contract till he gets assurance.
- (g) The scenario can be based on a real situation that has happened in the past if relevant.
- (h) Groups should try to include as much relevant information about the circumstances in their scenario as possible. For example, if a contractor wants to be paid more money, what are the reasons why?
- (i) Each group should briefly present their scenario. Then choose 1 of the scenarios to use as the basis for a dispute resolution role play.
- (j) Choose 1 person from the group to act as the contractor and 1 person to act as the Project Manager. 1 person should also be the CEO.
- (k) We will assume that initial discussions between the contractor and Project Manager have failed. The CEO has been brought into try and brings about a resolution.
- (k) The contractor should present his side of the story, followed by the Project Manager.
- (l) The CEO should make a decision on who is correct in the scenario.
- (m) The decision should be presented to the whole group along with reasons why?

(2) **Questions for Discussion.** Discuss these questions as a whole group:-

- (a) What did you think of the decision of the CEO? Why?

- (b) Do you think both parties were happy with the outcome of the dispute resolution? Why / Why not?
- (c) What alternative responses could the CEO have chosen for this situation?

aa. **Procurement Management Integrated End-to-End Procurement Management System**

- (1) **What is it?** Procurement is part of a fully integrated **financial management system** solution that supports, automates and standardizes all stages of the indirect purchasing and procurement cycle - from requisitioning to paying vendors. These include: the initial identification of a need for products and services, expenditure approval, electronic data and information exchange with suppliers, goods delivery, expediting and inspection; invoice matching and payment settlement.
- (2) **Who is it for?** This **procurement management system** is designed for organizations that want to control costs and streamline their procurement practices without sacrificing control - equally suited for both centralized and de-centralized purchasing processes. It enables procurement managers to move away from operational, day-to-day tasks and instead focus on managing and negotiating stronger supplier relationships, scrutinizing spend and purchase decisions, to ultimately evolve the procurement function from a *cost-* to a *profit-*centre.
- (3). **How Can it Help?**
 - (a) **A Single Point of Entry**
 - i. Employees are given a single, easy-to-use screen for procurement of goods or services. The same screen is used, whether ordering, electronically, from a marketplace; traditionally, by paper order, or from another department or area of the business. Procurement will

automatically identify and apply the correct buying process specified for a particular employee or role. This boosts adoption rates internally and externally, as well as improving visibility of the purchasing cycle.

- ii. Reduced maverick buying and strengthened relationships with suppliers.
- iii. A single, centralized **procurement management system** provides the basis for clearer, more complete and accurate analysis of the organization's suppliers and spending patterns, enabling you to aggregate spending via preferred or strategic suppliers **and negotiate better terms and prices.**

(b) **Better Purchasing Information With Lower Overheads.** Users can "punch out" from within the purchase entry screen to collect accurate product and pricing information from suppliers' marketplace portals or websites. This allows better accuracy and control, without incurring the overhead of in-house catalog management.

(c) **Full Authorization and Budgetary Control.** Workflow tools tailor authorization and approval to match the requirements of each particular organization, department or type of spend - making the process as simple or as multi-layered as you need it to be. For example, Workflow automates the transfer process from requisition to purchase, eliminating manual intervention. Workflow's ability to manage and monitor any combination of step-by-step or simultaneous authorization procedures reduces cost and time - eliminating over-spending, which is especially important in today's climate of fiscal restraint.

(d) **A Broader Integrated Solution.** The strengths of Procurement are multiplied, when used as a fully integrated part

of the broader **Enterprise Resource Planning (ERP)** solution.
For example:-

- (1) **Core Financials.** General ledger, accounts payables, expenditure controls/funds checking, fixed asset accounting for capital purchases.
- (2) **Inventory Management.** Identifying items that may be in stock, to avoid unnecessary procurement.
- (3) **Project.** Immediate update of project costs, based on purchase information, thus ensuring accurate project costs.

ee. **ERP**

- (1) **Definitions.** Enterprise resource planning is a cross-functional enterprise system driven by an integrated suite of software modules that supports the basic internal business processes of a company.
- (2) **Functional Areas.** An ERP system covers the following common functional areas. In many ERP systems these are called and grouped together as *ERP modules*:
 - (a) **Financial Accounting.** General ledger, fixed asset, payables including vouchering, matching and payment, receivables cash application and collections, cash management, financial consolidation.
 - (b) **Management Accounting.** Budgeting, costing, cost management, activity based costing
 - (c) **Human Resources.** Recruiting, training, rostering, payroll, benefits, diversity management, retirement, separation.
 - (d) **Manufacturing.** Engineering, bill of materials, work orders, scheduling, capacity, workflow management, quality control, manufacturing process, manufacturing projects, manufacturing flow, product life cycle management.

- (e) **Order Processing.** Order to cash, order entry, credit checking, pricing, available to promise, inventory, shipping, sales analysis and reporting, sales commissioning.
- (f) **Supply Chain Management.** Supply chain planning, supplier scheduling, product configuration, order to cash, purchasing, inventory, claim processing, warehousing (receiving, putaway, picking and packing).
- (g) **Project Management.** Project planning, resource planning, project costing, work breakdown structure, billing, time and expense, performance units, activity management
- (h) **Customer Relationship Management.** Sales and marketing, commissions, service, customer contact, call center support - CRM systems are not always considered part of ERP systems but rather Business Support systems (BSS).
- (i) **Data Services.** Various "self-service" interfaces for customers, suppliers and/or employees.

CHAPTER – 4
MISCELLANEOUS ACTIVITIES

1. **Introduction.** This phase deals with visits to PPRA Islamabad and Directorate General Procurement (Army) or any other procurement institution where variety of huge procurement undergoes through very well organized public procurement procedures. By visiting both the places, the participants can interact with institutions who are involved in real time public procurement. At the end of the visit, participant will be given procurement course feedback proforma which should be submitted within a week to WASC.
2. **Aim.** To enable the participants to interact with institutions undergoing public procurement in an organized pattern and learn from their experience.
3. **Objectives.** By the end of the visit, the participants will be able to:-
 - a. Understand public procurement procedures and common mistakes committed by public procurement institutions.
 - b. Understand the best practices of procurement agencies.
4. **Visits**
 - a. **Advance Notice.** WASC should inform preferably two weeks in advance to PPRA Islamabad and Directorate General Procurement (Army) or any other procurement agency to arrange lectures during the visits of the course so that participants can interact directly to share experience and learn from each other.
 - b. **Visit to PPRA.** The arrangements should be made in such a way that the course should reach PPRA Islamabad at 0900 hours so that from 0930 hours to 1130 hours the session should be finished. This includes total visit programme of PPRA from arrival to departure.
 - c. **Visit to Procurement Agency.** Once the course is free from PPRA, the next visit should be the Procurement Agency. From 1230 hours to 1400 hours, the course should complete its session.
 - d. **Feedback Proforma.** Attached.

PROCUREMENT MANAGEMENT

FEEDBACK PROFORMA

JMC

Question-1. Please comment level of confidence you have achieved after undergoing this course?

Question-2. Are you satisfied with the contents of the course?

Question-3. Modality of the delivery kept you interested in comprehending or otherwise?

Question-4. Do you consider the visit should continue or otherwise?

Question-5. Write any other comment which you feel essential to help faculty / WASC authorities?

Activity Sheet 1
Principles of Procurement Scenarios

Scenario 1. PESCO advertised a tender nationally to build a Grid Station at Swat. There was a lot of interest from contractors, because it was a big project worth lot of money. The CEO PESCO asked the GM Technical to provide one particular contractor with information about the last quoted price for the contract, to help him prepare his bid. The CEO said that this contractor was based in the district Swat, so he deserved to get more help than contractors from other districts. The GM Technical said that this was unfair and that all contractors should receive the same information about a contract.

Questions:-

- (1) Who is correct – the CEO PESCO or the GM Technical? Why?
- (2) Which procurement principle do you think this scenario relates to? Why?

Scenario 2

A tendering process was being initiated for a construction project. The BOD suggested using the National Competitive Bidding process, to get as much competition as possible and therefore a better price for the contract. However, the CE Works said that the National Competitive Bidding process created too much work for him, so it was easier to initiate a direct contracting process.

Questions:

1. Who is correct – The BOD or the CE Works? Why?
2. Which procurement principle do you think this scenario relates to? Why?

Scenario 3

A HESCO put out a tender for the supply of some HESCO office furniture. One supplier Zardari Enterprises submitted a bid which was lower than the estimated price and the materials were very good quality. Another supplier (Creek Sea Contractors) submitted a bid which was higher and the materials were not as good quality. The Tender Evaluation Committee was divided about who should be awarded the tender. Some members said that ‘Zardari Enterprises’

was the best value for money for the HESCO. But other members said that ‘Creek Sea’ were influential people in the district, so it would be better to award the contract to them.

Questions:

1. Who should get the contract – Zardari Enterprises or Creek Sea? Why?
2. Which procurement principle do you think this scenario relates to? Why?

Scenario 4

A ‘Restricted Bidding’ process was conducted in TESCO for rehabilitation work on a TESCO Grid at Mahmud. The Tender Evaluation Committee had already conducted this tendering processes many times already, so the members decided to make a recommendation without recording the process in its Tender Evaluation Report. When asked about this, the committee members said that because everybody knows the tendering process so well, there was no need to write down everything that happened. The CE Technical told the Tender Evaluation Committee that everything relating to the procurement process must be recorded so that the CEO can clearly show the rest of the community that procurement decisions are made in an honest and open way.

Questions:

1. Who is correct – The Tender Evaluation Committee or the CE Technical? Why?
2. Which procurement principle do you think this scenario relates to? Why?

Activity Sheet 2

PROCUREMENT PLAN FOR GOODS, WORKS AND NON-CONSULTANCY SERVICES

..... Company Financial Year

Description / Code	Tender No.	Basic Data		Pre-Qualification						Bidding						Contract amount	Delivery / Implementation	Plan vs. Act.	
		Estimated Amount	Proc Method	Document		Invitation		Evaluation		Bid Doc Prepared	Tender Commitment Approval	Advert	Bid Open	Evaluation report Submission	Tender commitment approval/contract award				Date of contract sign.
				Preparation	Approval by Tender Comm	Date of invitation	Closing Date	Submission of report	Approval by Tender Comm										
																		Plan	
																		Actual	
																		Plan	

																			Actual	
																				Plan
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																				Actual
																				Plan
																				Actual

ACTIVITY SHEET 4

MEPCO ROLE PLAY

ROLE PLAY: MEPCO

MEPPCO is a WAPDA Disco with workers of approximately 14,000 staff. Currently, the company is in process of acquiring uniform and protective clothing for staff (which include company security staff and MEPCO lower employees).

The tender was advertised nationally on a competitive basis. The Tender Evaluation Committee has already carried out bid evaluations and recommended the award of the tender to Messrs Yousuf Raza Gillani and Outfitters Ltd as the lowest bidder with a price of Rs 20,000 per uniform.

On receipt of the report of the Evaluation Committee, the Tender Committee members are in agreement with the report and are especially happy since Yousuf Raza Gillani and Outfitters Ltd is owned by an ex PM. However the members have some reservations as follows:-

- The price quotations per uniform appear to be on the high side (irrespective of Messrs Yousuf Raza Gillani and Outfitters Ltd being the lowest bidder). A member informs the Committee that the uniforms can be arranged at Rs 10,000 lower than the price quoted by Messer's Yousuf Raza Gillani and Outfitters Ltd for each uniform. He informs the Committee that Messrs Yousuf Raza Gillani and Outfitters Ltd had actually supplied similar uniform the previous month to some other companies at Multan, therefore there is no reason to overcharge the MEPCO.
- Messer's Yousuf Raza Gillani and Outfitters Ltd promises to deliver the consignment in four months time from now. Although the bid documents did not put a limitation on the time of delivery, the Committee members have been informed by the management about the sorry state of uniforms for staff. An earlier delivery would therefore be welcome. The Tender Committee agree that a quicker delivery is necessary.

After a long discussion, the Tender Committee decided that it will call in representatives of Messrs Yousuf Raza Gillani and Outfitters Ltd and Outfitters for negotiation on the above issues.

Task for Group 1 –Tender Committee (5 members)

You are the Tender Committee members who are going to negotiate with Messrs Yousuf Raza Gillani and Outfitters Ltd and Outfitters. Elect a chairperson and assign roles to the other members. Decide on the key issues you are going to present to the officials of Messrs Yousuf Raza Gillani and Outfitters Ltd (you must have your facts). You will then carry out actual negotiations with the Messrs Yousuf Raza Gillani and Outfitters Ltd delegation.

This is what the Tender Committee would like to achieve from the negotiation:

- Reduction of price by Rs 10,000 per uniform
- Delivery of uniforms in 45 days.

However, before the negotiations begin, the Tender Committee members need to agree on what conditions they are prepared to accept in terms of price and delivery time, in the case that their ideal outcomes cannot be met.

Task for Group 2 – Messer’s Yousuf Raza Gillani and Outfitters Ltd Delegation (5 members) You are member of the delegation led by the Managing Director, Sales Director, Production Director, Finance Director, Cost Accountant and other sales staff. These are the viewpoints of some of the different members:

- The cost accountant calculates that to make a reasonable profit you need to stick to the bid price, but in case the Tender Committee refuses you could reduce to Rs. 15,000 per uniform piece, in which case you would just break-even.
- The Managing Director thinks you have to make some profit on the deal.
- The Production Director informs you that for a thorough job, 4 months is the appropriate delivery time, but you could switch other staff to this job and be able to deliver in 2 months and no less.

Elect a Managing Director and some other characters within the role play. You are to present your case to the Tender Committee. Decide what to do in the negotiation, after which you will carry out the actual negotiation.

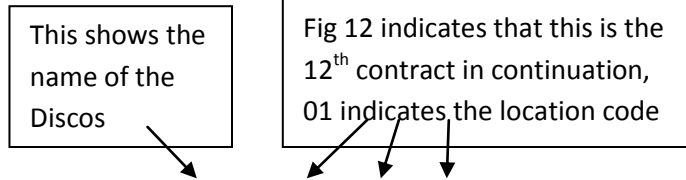
Tasks for Group 3: Observers

You are the observers of the negotiation role-play. Carefully observe the negotiators, note the weak and strong points and get ready to comment on the performance of the individuals at the end of the role-play.

Some points to consider include:

- Which group achieved the best outcome, the Tender Committee or the Messer’s Yousuf Raza Gillani and Outfitters Ltd?
- Were both parties happy with the outcome of the negotiations? Why?/Why not?
- How well did each party conduct themselves during the negotiations?

Activity Sheet 5
DRAFT CONTRACT AGREEMENT



CONTRACT NO: *IESCO/12/01/24/3/2014*

Sector - Circle The Correct Sector **1.** Health **2.** Education **3.** Water and Sanitation
4. Infrastructure (*Roads, Bridges, Culverts*). **5.** Livestock **6.** Agriculture **7.** Environment

THIS AGREEMENT made this *24th* Day of *March* 2014... between the IESCO of *WAPDA DISCO*herein after referred to as “the Employer” on one part and *ZKB Construction*(name of company) of *Charsadda Rd, District Charsadda*.....(address) (hereinafter referred to as “ the contractor”) on the other part.

The IESCO desires the execution of certain works known as:
Project Name.....*Commissioning of 132 KV Grid Station*..... Location
..... *Chaklala Cantonment*

Description of Works...*Commissioning of 132 KV Grid Station with Allied Facilities*... (hereinafter called "the Works") and has prepared Drawings, Specifications and Bill of Quantities showing and describing the works to be done. These Drawings, Specifications and Bill of Quantities have been signed by and on behalf of the Employer and the Contractor,

OFFER:

The Contractor has offered a bid for the services for the amount of*RS 150.000 Million*..... (in figures),*Rupees One Hundred Fifty Million*(in words) as per attached Form of Tender and Appendix to the Form of Tender, to execute the works shown upon the said Drawings and described in the Specifications and Bill of Quantities subject to the Conditions of Contract annexed hereto.

NOW THEREFORE, IT IS AGREED as follows:-

1. The Employer agrees to pay the Contractor the sum of*RS 150.000 Million*..... (in figures),*Rupees One Hundred Fifty Million*in words) (hereinafter called "the Contract Sum") or such other sum as shall become payable to the Contractor in consideration of work performed at the given rates and at the time and manner stated in the Conditions of Contract.

2. The following documents shall form part of this Agreement:-

- This Form of Agreement;
- The Letter of Acceptance;
- Contractor's Bid
- Addenda to Bidding Documents;
- Statement of Works
- The Drawings;
- Conditions of Contract:
- Conditions of Particular Application, Part II,
- General Conditions of Contract, Part I;
- The Priced Bill of Quantities;
- Qualification Information.

All the above documents are hereinafter referred to as "the Contract". They shall be taken as complementary and mutually explanatory of each other, however in the case of conflict or inconsistency they shall take precedence in the order set out above.

3. In consideration of payment to be made by the Employer, the Contractor hereby agrees to carry out the above-mentioned works in conformity, in all respects, with the provisions of the Contract.

4. **Payment Schedule:** The payment schedule is as follows:

First payment of.....*RS 60.000 Million*..... which is equivalent to 40% of the total contract value due within 2 weeks of Signing of this Agreement.

Second payment of *RS 60.000 Million* which is equivalent to 40% of the total contract value due within 2 weeks of:-

- Progress Report on 50% Completion of the Project
- Certificate of Payment

Third payment of..... *RS 15.000 Million*..... which is equivalent to 10% of the total contract value due within 2 weeks of:-

- Practical Completion Report (100% Completion) of the Project
- Certificate of Payment

Fourth (Final) payment of *RS 15.000 Million*..... which is equivalent to 10% of the total contract value due within 2 weeks of:-

- Final Completion Report (at expiry of defects period)
- Certificate of Final Payment

Signed :

For review: please confirm who can act as an Employer's Witness and who can act as a Contractor's Witness?

Signature of Employer's Witness	Trustworthy Signed on behalf of Employer
Name:	Name:.....
Designation .. <i>CE Technical IESCO</i>	Designation:.... <i>CE M & M</i>

Address: ... <i>IESCO Islamabad.</i>	Address:... <i>IESCO Islamabad</i>
Signed on behalf of Contractor	Signature of Contractor's Witness
Name:	Name.....
Designation.... <i>CE ZKB.....</i>	Designation..... <i>Manager Contract ZKB</i>
Address: <i>ZKB Charsadda</i>	Address.. <i>ZKB Charsadda</i>

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OVERVIEW PRGORAMME

MMC

S.No	Contents	MMC	Days	Remarks
1.	General Introduction	0.5	Day 1	
2.	Essentials of PPRA Rules			
a.	General Provisions and Procurement Advertisements	0.75		
b.	Pre-Qualification, Qualification and Dis-Qualification of Supplier and Contractors	0.75		
c.	Methods of Procurement	1		
3.	Contract Management	4	Day 2	
4.	Building the world of tomorrow today			
a.	E-Procurement Strategy and Roadmap for Pakistan	1.5	Day 3	
5.	Introduction to International Procurement Association for Virtual Training			
a.	Introduction to International Procurement Association for Virtual Training	1.5		
6.	Group Discussions / Comprehension Tests	5	Day 4	
7.	Visits to Procurement Agencies	5	Day 5	
	Total	20 hours	5 x Days	

INTRODUCTION

1. Course Description

- a. **Course Title** : Procurement Management MMC
- b. **Course Objective.** To build capacity of WASC (WAPDA Administrative Staff College) Islamabad by imparting knowledge and best practices in procurement management.
- c. **Specific Objectives.** By the end of the MMC course the participants should be able to:-
 - (14) Understand the essentials of PPRA rules.
 - (15) Understand Contract Management.
 - (16) Orientation with the e-Procurement Strategy and Roadmap for Pakistan.
 - (17) International Procurement Association Virtual Training.
 - (18) Interactive sessions amongst groups lead by hardcore procurement professionals amongst the course participants.
 - (19) Procurement to re-enforce theoretical sessions.
 - (20) Interactive learning by conducting visits to PPRA and Procurement Agencies
- d. **Duration of the Course.** The total amount of time for the course is allocated approximately 15 training hours. The procurement course should be run consecutively for five days instead of splitting up.
- e. **Curriculum Summary.** This course contains four Chapters as follows:-
 - (1) **Chapter-1** : Essentials of PPRA Rules.
 - (2) **Chapter-2** : Contract Management.
 - (3) **Chapter-3** : E-Procurement Strategy and Roadmap for Pakistan and Introduction to International Procurement Association for Virtual Training.
 - (4) **Chapter-4** : Miscellaneous Activities
 - (a) Group Discussions
 - (b) Comprehension Test
 - (c) Visits
- f. **Curriculum Structure and Design.** Each chapter is sub-divided into a number of sessions as indicated in Table below. The division of the course into

chapters allows participants to take only those sessions for which their training needs have been identified:-

Chapter	Session	Components
1. General Introduction	Introduction Session (30 mins)	<ul style="list-style-type: none"> ▪ Introduction, welcome, aim and objectives of the training.
2. Essentials of PPRA Rules	a. General Provisions and Procurement Advertisements (45 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Principles of procurements ▪ International and Inter Governmental Commitment of the Federal Government ▪ Methods of advertisement
	b. Pre-Qualification, Qualification and Dis-Qualification of Supplier and Contractors (45 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Pre-qualification, qualification and dis-qualification of supplier and contractors ▪ Pre-qualification process ▪ Qualification of supplier and contractors ▪ Disqualification of supplier and contractors ▪ Blacklisting of supplier and contractors
	c. Methods of Procurement (60 mins)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Principal method of Procurement ▪ Petty purchases ▪ Direct contracting ▪ Procurement in emergency ▪ Negotiated tendering
2. Contract Management	a. Contract Administration (240 Minutes)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Contract effectiveness ▪ Contract supervision and administration – goods ▪ Contract supervision and administration – works ▪ Contract supervision and administration – services ▪ Contract performance ▪ Procurement reporting ▪ Procurement Monitoring and Evaluation ▪ Introduction to Contract Management Information System / ERP

Chapter	Session	Components
3. Building the world of tomorrow today	a. E-Procurement Strategy and Roadmap for Pakistan (90 Minutes)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Introduction ▪ Vision and objectives ▪ Summary of strategic context ▪ Pakistan benefit / cost
4. Introduction to International Procurement Association for Virtual Training	a. Introduction to International Procurement Association for Virtual Training (90 minutes)	<ul style="list-style-type: none"> ▪ Session Objectives ▪ Introduction ▪ Courses Offered ▪ Resources
5. Miscellaneous Activities	a. Group Discussion / Comprehension Tests (300 minutes)	
	b. Visits to Public Procurement Regulatory Authority (PPRA), Islamabad and Directorate General Procurement (Army), Rawalpindi (300 minutes)	
	c. Filling of Course Feedback Proforma	

g. **Purpose and Use of Manual.** This Manual has been specifically developed for the use of trainers who will be providing capacity building support in WASC in the area of procurement.

h. **Training Methods**

(1) The methods of training which the trainer decides to use in any particular session should be carefully and properly selected because:-

- (a) They aid the learning process.
- (b) Time is precious and must be used wisely to achieve maximum results.
- (c) Participants must be able to follow the training method.

(2) A number of training methods are available for the trainer to use. The methods outlined below are the ones suggested for use in this course:-

- (a) Lectures
- (b) Group Work
- (c) Brainstorming
- (d) Procurement Videos Display and Visits

j. **Resource Person.** The essential for resource person are as follows:-

- (1) Confident speaker.
- (2) Procurement expert.

- (3) Preferably should have done Masters in SCM or PM from recognized university.

k. **Introduction Session**

DESIGN AND DURATION OF INTRODUCTION SESSION		
No.	Activity	Time Allocation
(1)	Introduction and Session Objectives <ul style="list-style-type: none"> ▪ Welcome and introduction ▪ Aims and Objectives of training 	30 minutes
	Total time:	30 minutes

CHAPTER-1

ESSENTIALS OF PPRA RULES

1. **Introduction to Chapter.** To bring uniformity in policies / procedures of public procurement, a body was created at national level in 2004 to implement the procurement policies in the four provinces of the country. The notification includes certain guidelines which are essential from public procurement point of view from commencement of the tendering till conclusion of contract. It helps the procurement management officers during their tenure of duty. Any violation to PPRA rules brings a procurement officer at fault and he is answerable to the Auditor General of Pakistan. It is therefore imperative on all procurement officers to follow the PPRA rules while undergoing public procurement. Today we shall be studying the essentials of PPRA rules.

2. **Aim of Chapter.** *To enable the participants recognize and apply the basic procedures necessary for the successful implementation of PPRA Rules.*

3. **Objectives of Chapter.** *By the end of this chapter, the participants will be able to:-*

- a. General Provisions and Procurement Advertisements.
- b. Pre-Qualification, Qualification and Dis-Qualification of Supplier and Contractors.
- c. Methods of Procurement.

SESSION-1

GENERAL PROVISIONS & PROCUREMENT ADVERTISEMENTS

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none">▪ Introduce the topic▪ Trainer presents the session objectives	05 Minutes
2.	Methods <ul style="list-style-type: none">▪ Trainer presents a lecture on general provisions of public procurement▪ Principles of Procurement▪ International and Inter Governmental Commitment of the Federal Government▪ Methods of advertisements	20 Minutes
3.	Group Work <ul style="list-style-type: none">▪ Activity Scenario 1 and 2	10 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none">▪ Summarize key issues about general provisions & procurement advertisements<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	10 Minutes
Total time:		45 minutes

5. **Introduction.** General provisions are few guidelines which are required to be understood first to smoothly move on to various aspects of contract management. One must comprehend these provisions to avoid any embarrassment later. In second part of our session we shall also study various method of undertaking advertisement.

6. **Objectives**

- a. Understand general provisions of Public Procurement.
- b. Various types of advertisements on different environments.

7. **Principles of Procurements.** Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

8. **International and Inter-Governmental Commitments of the Federal Government.**

Whenever these rules are in conflict with an obligation or commitment of the Federal Government arising out of an international treaty or an agreement with a State or States, or any international financial institution the provisions of such international treaty or agreement shall prevail to the extent of such conflict.

9. **Methods of advertisement**

- a. Procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.
- b. All procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.
- c. In cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website as well.
- d. A procuring agency utilizing electronic media shall ensure that the information posted on the website is complete for the purposes for which it has been posted, and such information shall remain available on that website until the closing date for the submission of bids.

10. **Group Work.** Divide the class into two groups of equal members. One group be called as observer group, the next should be given following scenarios to see that participants have learned principles of procurement correctly or otherwise:-

- a. **Scenairo-1.** Imtiaz and Co is an old and loyal contractor in TESCO who has an experience of working at main distribution lines as well as grid stations. It has been viewed by the TESCO management that Imtiaz and Co has always rescued the management at the time of need so whole management likes Imtiaz and Co. During one of the USAID funded project to the tune of Rs 100 million is to be executed at tribal areas. This project was to be executed on open bidding competition. It was learnt that Mr Imtiaz and Co was the second lowest bidder whereas the bid was won by Sheikh Brothers with substantial low bid. The TESCO employees were surprised to see the new company coming in to execute the project and that to with marginal lowest bid. The TESCO management is now confused as what to do? When it was inquired from Sheikh Brother about their company profile and experience of working in this field, it was found out that they have the experience but no member of the management is confident that this company will be able to execute the work. TESCO management now thinks that based on loyalty of Imtiaz and Co and being an old contractor, he should be given the contract. The

management decides to give the contract to Imtiaz and Co instead of Sheikh Brothers.

Now, the group should comment following:-

- (1) What all principles of procurement violated?
- (2) What are other violations?
- (3) What other options were available to deal with the situation?

This group should brainstorm and present their solution to the observer group. The observer group should put them wise in case of wrong answers. The faculty member should clarify / give correct answer to the sceniario-1.

- b. **Scenario -2.** We are in month of June and funds have been released to undertake huge procurement of stores which were deficient since long. The CEO of the IESCO decides to utilize all the funds before the expiry of financial year. He directs GM M&M to immediately undertake procurement from the contractors already working with IESCO. The decision has been given based on the performance of few contractors. The GM M&M immediately responds to the directive of IESCO and carries out direct contracting. Please comment following:-

- (1) Comment of directive of CEO IESCO
- (2) Comment on implementation of directive by GM M&M
- (3) What are the implications of the directives?

SESSION-2

PRE-QUALIFICATION, QUALIFICATION AND DIS-QUALIFICATION OF SUPPLIERS AND CONTRACTORS

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none">▪ Introduce the topic▪ Trainer presents the session objectives	5 Minutes
2.	Methods <ul style="list-style-type: none">▪ Trainer presents a lecture on following:-▪ Pre-qualification, qualification and dis-qualification of supplier and contractors▪ Pre-qualification process▪ Qualification of supplier and contractors▪ Disqualification of supplier and contractors▪ Blacklisting of supplier and contractors	25 Minutes
3.	Group Work <ul style="list-style-type: none">▪ Activity Scenario 1	10 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none">▪ Summarize key issues about Pre-qualification, qualification and dis-qualification of supplier and contractors.<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	10 Minutes
	Total time:	45 minutes

5. **Introduction.** It's very important to shortlist firms which should come upto the standards so that they can deliver the projects. Their financial and technical abilities are essential to ascertain the capacity of the firms, therefore, it is important to understand what is the procedure to undertake the exercise of pre-qualification and dis-qualification?

6. **Session Objectives**

- a. Understand the procedure of pre-qualification and disqualification.
- b. Why the firms are blacklisted and what are pre-requisites to blacklist the firm?

7. **Pre-Qualification of Suppliers and Contractors**

- a. A procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall

solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

- b. A procuring agency while engaging in pre-qualification may take into consideration the following factors, namely:-
 - (1) Relevant experience and past performance.
 - (2) Capabilities with respect to personnel, equipment, and plant.
 - (3) Financial position.
 - (4) Appropriate managerial capability.
 - (5) Any other factor that a procuring agency may deem relevant, not inconsistent with these rules.

8. **Pre-Qualification Process**

- a. The procuring agency engaging in pre-qualification shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications and any other information that the procuring agency deems necessary for prequalification.
- b. The procuring agency shall provide a set of pre-qualification documents to any supplier or contractor, on request and subject to payment of price, if any. Explanation.- For the purposes of this sub-rule price means the cost of printing and providing the documents only.
- c. The procuring agency shall promptly notify each supplier or contractor submitting an application to pre-qualify whether or not it has been pre-qualified and shall make available to any person directly involved in the pre-qualification process, upon request, the names of all suppliers or contractors who have been pre-qualified. Only suppliers or contractors who have been pre-qualified shall be entitled to participate further in the procurement proceedings.
- d. The procuring agency shall communicate to those suppliers or contractors who have not been pre-qualified the reasons for not pre-qualifying them.

9. **Qualification of Suppliers and Contractors.** A procuring agency, at any stage of the procurement proceedings, having credible reasons for or prima facie evidence of any defect in supplier's or contractor's capacities, may require the suppliers or contractors to provide information concerning their professional, technical, financial, legal or managerial competence whether already pre-qualified or not.

Provided that such qualification shall only be laid down after recording reasons therefore in writing. They shall form part of the records of that procurement proceeding.

10. **Disqualification of Suppliers and Contractors.** The procuring agency shall disqualify a supplier or contractor if it finds, at any time, that the information submitted by him concerning his qualification as supplier or contractor was false and materially inaccurate or incomplete.

11. **Blacklisting of Suppliers and Contractors.** The procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority. Provided that any supplier or contractor who is to be blacklisted shall be accorded adequate opportunity of being heard.

12. **Group Work.** Divide the class into groups. One group should be observer group. Rest participants can be grouped into various groups:-

a. **Scenario-1.** Firms are being pre-qualified for a project based on following criteria:-

- (1) Relevant experience and past performance
- (2) Capabilities with respect to personnel, equipment and plant
- (3) Financial position
- (4) Managerial capabilities

Number of firms participated for pre-qualifications to work with WAPDA Associated Companies. One of the firm is fulfilling the criteria to be pre-qualified, however, they lack the capability of having plant. Their reputation to accomplish the projects, their past performance is excellent. Another firm is fulfilling the total criteria whereas their managerial capabilities are on lower side due to some disputes in the company. Please comment which firm you will approve for pre-qualification with logics.

SESSION-3
METHODS OF PROCUREMENT

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none"> ▪ Introduce the topic ▪ Trainer presents the session objectives 	10 Minutes
2.	Methods <ul style="list-style-type: none"> ▪ Trainer presents a lecture on following:- <ul style="list-style-type: none"> ▪ Principal method of Procurement ▪ Petty purchases ▪ Direct contracting ▪ Procurement in emergency ▪ Negotiated tendering 	25 Minutes
3.	Group Work <ul style="list-style-type: none"> ▪ Activity _____ 	15 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none"> ▪ Summarize key issues about method of procurement. <ul style="list-style-type: none"> ▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. 	10 Minutes
	Total time:	60 minutes

5. **Introduction.** Procurement is not carried out always in an ideal environment in which budget is forecasted year ahead. Everything which is to be procured is not properly planned. That's why there are certain methods of procurement which can be adopted in different environments.

6. **Objectives**

- a. Understand various procurement environments.
- b. Understand methods of procurement.

7. **Principal Method of Procurement.** Procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

8. **Petty Purchases.** Procuring agencies may provide for petty purchases where the object of the procurement is below the financial limit of *twenty five thousand rupees. Such procurement shall be exempt from the requirements of bidding or quotation of prices. Provided that the procuring agencies shall ensure that procurement of petty purchases is in conformity with the principles of procurement.

9. **Direct Contracting.** A procuring agency shall only engage in direct contracting if the following conditions exist, namely:-

- a. The procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier. Provided that the same are not available from alternative sources.
 - b. Only one manufacturer or supplier exists for the required procurement. Provided that the procuring agencies shall specify the appropriate for which may authorize procurement of proprietary object after due diligence.
 - c. Where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance. Provided that the contract or contracts do not exceed three years in duration.
 - d. Repeat orders not exceeding fifteen per cent of the original procurement.
10. **Procurement in Emergency.** Provided that the procuring agencies shall specify appropriate for a vested with necessary authority to declare an emergency.
11. **Negotiated Tendering.** A procuring agency may engage in negotiated tendering with one or more suppliers or contractors with or without prior publication of a procurement notification. This procedure shall only be used when:-
- a. The supplies involved are manufactured purely for the purpose of supporting a specific piece of research or an experiment, a study or a particular development.
 - b. For technical or artistic reasons, or for reasons connected with protection of exclusive rights or intellectual property, the supplies may be manufactured or delivered only by a particular supplier.
 - c. For reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met. The circumstances invoked to justify extreme urgency must not be attributable to the procuring agency. Provided that any procuring agency desirous of using negotiated tendering as a method of procurement shall record its reasons and justifications in writing for resorting to negotiated tendering and shall place the same on record.
12. **Group Work.** Divide the class into five groups. Group one be called as observatory group and group two to four be asked to draft a scenario in which all methods of procurement are covered. Each group should then present scenarios and observatory group should give comments on preparation of scenarios. The resource person should observe the whole class and in the end give corrections.

CHAPTER – 2
CONTRACT MANAGEMENT

1. **Introduction to Chapter.** *It deals with the day to day management issues required to make the contract a success. Contracts have to be supervised and controlled to ensure that the supplier/ tenderer perform according to the contract and that delivery schedules are met. Ineffective supervision of contracts may lead to serious losses for the company.*

2. **Aim of Chapter.** *To enable the participants recognize and apply the basic procedures necessary for the successful implementation of contracts.*

3. **Objectives of Chapter.** *By the end of this chapter, the participants will be able to:-*
 - a. Monitor and supervise projects.
 - b. Produce supervision and monitoring reports.

SESSION – 1
CONTRACT ADMINISTRATION

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none"> ▪ Introduce the topic ▪ Trainer presents the session objectives 	30 Minutes
2.	Methods <ul style="list-style-type: none"> ▪ Trainer presents a lecture on key players in Contract Administration ▪ Contract Management documents ▪ Contract effectiveness ▪ Contract supervision and administration – goods ▪ Contract supervision and administration – works ▪ Contract supervision and administration – services ▪ Contract performance ▪ Procurement reporting ▪ Procurement Monitoring and Evaluation ▪ Introduction to Contract Management Information System / ERP 	90 Minutes
3.	Group Work <ul style="list-style-type: none"> ▪ Activity 6 Dispute Resolution Role Play 	45 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none"> ▪ Summarize key issues about Contract Administration. <ul style="list-style-type: none"> ▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. 	15 Minutes
	Total time:	180 minutes

5. **Introduction.** Effective management of contracts is essential to ensure that the objectives of the procurement process are achieved and that all contractual obligations and activities are completed efficiently by both parties to the contract. The Procurement Unit must ensure that routine monitoring of all current contracts is maintained so that swift remedial measures can be taken when problems arise, or preventative action taken when problems are foreseen. There are many post-contract issues that need to be dealt with, monitored and resolved before the contract reaches its conclusion including:-

- (12) Contract effectiveness.
- (13) Delivery and inspections of goods.
- (14) Payments to the consultant, supplier or contractor.
- (15) Performance monitoring for services and works.
- (16) Contractual disputes.
- (17) Delays in performance.
- (18) Claims for damages

- (19) Initial and final takeover of construction works.
 - (20) Installation and commissioning of equipment
 - (21) Acceptance of deliverables.
 - (22) Contract closure.
6. **Objectives.** *By the end of the session the participants will be able to:-*
- (g) Understand and explain contract supervision.
 - (h) Understand and explain contract monitoring.
 - (i) Explain the key requirements in making payments to contractors.
7. **Contract Effectiveness.** *The procurement contract enters into force when the contract is signed by the supplier, service provider or contractor and by the company. Where the bidding documents stipulate that the procurement or disposal contract is subject to approval by a higher authority or a financing agency, the procurement contract shall not enter into force before the approval is given.*
8. **Contract Supervision and Administration – Goods.** *Contract supervision and administration for goods will be the primary responsibility of the Procurement Unit. Supervision and administration is straightforward in most procurement of goods however monitoring delivery schedules, processing of documents and the inspection of goods are essential to ensure that the correct goods are delivered on time. The Procurement Officer will:-*
- a. Monitor the delivery schedules of all purchases to ensure that they are dispatched, delivered or collected on time.
 - b. Receive reports on pre-shipment inspection of goods and contact the supplier in writing requesting rectification of any discrepancies or deficiencies.
 - c. Contact the supplier to identify the causes of any delay in delivery;
 - d. Initiate and supervise any process for claims against the supplier.
 - e. Report to the tender committee any failure by the supplier in his contractual obligations.
 - f. The inspection and receiving committee will co-ordinate the receipt and inspection of goods and prepare acceptance report.
9. **Delivery and Inspection of Goods.** *On delivery by a supplier, the Inspection and Receiving committee will receive the goods and examine the good to ensure that the goods delivered are as specified in the order/contract i.e. the Inspection and Receiving Committee will:-*
- a. Examine the documentation and packaging for compliance with the contract.
 - b. Examine and analyze the goods for conformity with the contract specifications and/or the samples provided.

- c. Reject all goods that are damaged or do not conform with the required specifications or samples.
- d. Prepare an inspection report recording the delivery, and descriptions, specifications and quantities of the goods examined, and the reasons for accepting or rejecting the goods.

10. **Payment for Goods.** *For simple payments against invoices, the Procurement Officer will certify the invoice submitted by the supplier for payment. The Procurement Officer has to ensure that any advance payments already made and any contractual penalties incurred by the supplier have been taken into consideration in arriving at the amount payable to the supplier. The Procurement Officer should check the invoice to ensure that it is fully supported i.e. the following have been attached:-*

- (7) The shipping documents or airway bill, or a delivery note.
- (8) Original of the Inspection Report.
- (9) Original Goods Receipt Note.
- (10) Calculation of any penalties for rejected goods not removed by the Supplier and liquidated damages if allowable under the contract.
- (11) Copies of relevant information from the contract document, records of approval and financial authorizations.
- (12) The procurement unit will then forward the documents to accounts for preparation of payment voucher. When the payment voucher is ready, the Procurement Officer will use the details to update the contracts register with details of payments. On expiry of any guarantee period the Procurement Officer shall release the retention balance to the supplier.

11. **Contract Supervision and Administration – Works.** *Contract supervision and administration of works contracts is often complex due to factors which could not be foreseen at the start of the work. The use of Technical Supervisor or Project Managers also means that daily control and supervision of the contract is not practical for the company. Company must therefore ensure that they are kept informed of progress and problems which arise through routine implementation progress reports.*

12. **Contract Supervision.** *Day to day supervision of a works contract is carried out by the Technical Supervisor or Project Manager who acts for the company to supervise and administer the contract. For large contracts this may involve a team of engineers, inspectors, quantity surveyors etc. The technical supervisor is appointed by the competent authority of the company. The process of contract supervision starts immediately after the signing of the contract agreement and ends with the issue of a certificate of performance and making of final payments to the contractor. Contract supervision may require crosschecking to actual progress/performance against contracted outputs in the bills of quantities.*

13. **Responsibilities of the Technical Supervisor.** *The responsibilities of the Technical Supervisor include to:-*

- a. Discuss technical matters with the contractor and ensure that the contractor understands the technical design and specification.
- b. Inspect the works and advise the contractor and company management if there is any deviation from the technical design and specification.
- c. Help to solve problems that arise during implementation of the contract.
- d. Prepare progress reports. These reports are needed when the contractor submits a claim for payment, for monitoring implementation progress and when problems arise during implementation.
- e. Issue certificate of payment detailing the quantity of work performed by the contractor against each item in the priced BOQs and the valuation of work completed.
- f. If any part of work is not done to the satisfaction of the Technical Supervisor, he may instruct the contractor to rectify the shortcomings.

14. **Payment for Works.** *Payment for works contracts will normally be made against payment certificates approved by the technical supervisor and completion reports of the inspection and acceptance committee. For all works contracts, materials delivered to the site but not yet used will be excluded from the measurement approved and the value of payment certificates. The Technical Supervisor will ensure that:-*

- a. Any required retention specified under the contract is deducted from the value of the certificate before payment.
- b. Agreed deductions in respect of the repayment schedule for any advance payment are deducted from the value of the certificate before payment.
- c. On issue of an interim takeover certificate by the Inspection and Acceptance Committee, part of any retention money held may be paid to the contractor if specified in the contract.
- d. On issue of a final takeover certificate by the Inspection and Acceptance Committee, the balance of any retention money is paid to the contractor.

15. **Claims by Contractor.** *Claims by Contractors for additional work or costs which are not covered under the terms of the existing contract and total contract value, must be referred to the tender committee for approval. Claims for extension of time, with or without additional costs, or for additional payment to the contractor must be resolved quickly, subject to the approval of the tender committee.*

16. **Contract Supervision and Administration – Services.** *Contract supervision and administration for simple routine services such as office cleaning, provision of transport or contract maintenance, will be undertaken by the User Department and the Procurement Unit as appropriate. For consultancy services, the contract will usually nominate a Project Manager to coordinate supervision and administration. The contract may specify payments on the basis of inputs (time), deliverables, retainers, unit rates or commission fees, and administrative and supervision activities must therefore be based on the specific terms of each contract. The Procurement Unit (or Project Manager) will:-*

- (7) Monitor the activity and performance in accordance with the contract to ensure that levels of service are maintained and that deliverables are submitted or completed on time. For consultancy services, the contract may specify key reports to be submitted, or timesheets and routine reports to be submitted on a monthly or quarterly basis.
- (8) Ensure that all contractual obligations of the company are performed promptly and efficiently.

- (9) Ensure that all deliverables (and especially reports) are reviewed immediately and responded to in writing where necessary.
- (10) Contact the service provider to identify the causes of any failings in performance or failure to meet targets.
- (11) Issue a formal letter to the service provider detailing the complaint if the explanation given is unsatisfactory or if performance is not improved within a reasonable period of time.
- (12) Report to the tender committee any continued breach by the service provider of his contractual obligations.

17. **Payment for Services.** *Payment for service contracts will be made according to the specific terms of each contract against invoiced claims by the service provider. The Procurement Unit (or Project Manager) will ensure that:-*

- (4) The invoice claim is justified by the evidence of timesheets, submission and acceptance of deliverables, or other criteria as specified in the contract.
- (5) Agreed deductions in respect of the repayment schedule for any advance payment are deducted from the value of the invoice before payment.
- (6) Any retention sum specified in the contract is deducted from the value of the invoice before payment.

18. **Timing of Payments.** *The company has a responsibility to make payments promptly in accordance with the contract. Payment delays not only create a bad impression of the company, but are also ultimately passed on to company in higher prices as suppliers build in the cost of payment delays in their prices. The periods in which payments have to be made, and the penalties for delayed payment will be those specified in the signed contract. The Procurement Officer or Project Manager must ensure that:-*

- (1) The payment terms and penalties specified in the contract are known to all managers and staff involved in the processing of payments.
- (2) All invoices and certificates which are not in dispute are paid within the agreed payment period.

19. **Contract Performance.** *How should the Company Chief Engineer ensure that the contractor delivers the agreed outputs?*

20. **Monitoring Consultant, Supplier or Contractor's Obligations.** *The consultant, supplier or contractor's performance against the contract must be monitored on a routine basis. The Procurement Unit or Project Manager will:-*

- (1) Notify the supplier or contractor immediately in writing of any failings in performance and seek an agreed solution. In the case of a consultant this takes the form of comments on consultancy reports.
- (2) Update the contract file regularly to reflect the monitoring of performance.
- (3) Ensure that the company is informed of any serious failings in performance.

21. **Monitoring and Performing the Company Obligations.** *The contract may impose certain conditions on the company which, if not complied with, may affect the supplier or contractor's performance including:-*

- (6) Payment of stage payments within the contracted time limits.
- (7) Approval of drawings or reports within the set time periods.
- (8) Provision of storage or working facilities and access permits.
- (9) Conditions relating to the supplier's provision of staff services (e.g. letters of invitation for visas, provision of office space, etc.).
- (10) The Procurement Officer/Project Manager must ensure that all such obligations of the company are planned and performed without undue delay.

22. **Delays in Performance.** *Delivery of goods, construction of works and the performance of services should be completed by the supplier or contractor in accordance with the time schedule prescribed in the schedule of requirements. Where this is not the case:-*

- (5) In accordance with the contract conditions, the supplier, contractor, or its subcontractor, must notify the company in writing of the conditions delaying performance, including full details of the delay, the likely duration and the cause(s).
- (6) The company will immediately assess the situation, and may at its discretion extend the supplier or contractor's time for performance, with or without liquidated damages as specified in the contract.

- (7) If the time for performance is extended, both parties shall ratify such extension by a formal addendum to the contract subject to approval by the tender committee / competent authority.
- (8) A delay by the supplier or contractor in the performance of his obligations may render him liable to liquidated damages if specified in the contract document, except where:-
 - (a) The delay is as a result of Force Majeure.
 - (b) There is no provision for liquidated damages in the contract.
 - (c) An extension of time is agreed between the two parties without the application of liquidated damages.
- (9) The Procurement Unit or Project Manager will:-
 - (a) Refer to the relevant clauses in the General or Special Conditions of Contract for the procedure to be followed to apply, calculate and claim liquidated damages.
 - (b) Update the procurement file and contract register to reflect any delays in the supplier's performance.
 - (c) Notify the end-user department immediately of all such delays.

23. **Resolution of Disputes**

- a. **Question-1.** *What are the possible sources of conflicts during the contract management process?*
- b. **Answer-1.** Most minor disputes may be resolved by sensible discussion and agreement between the responsible officer and the supplier or contractor to rectify the cause of complaint. Any formal written complaints received from a supplier or contractor should be fully investigated and referred to the competent authority to authorize correspondence or formal negotiations with the supplier or contractor.
- c. **Question-2.** *What should be considered in developing a conflict resolution mechanism that is quick, fair, transparent and simple?*
- d. **Answer-2.** When handling disputes the project manager/procurement officer should:-
 - (a) Examine the contract carefully to be aware of all contract conditions relating to the resolution of disputes.
 - (b) Determine if the company is at fault or partly at fault, and if so, take appropriate action to rectify the problem.
 - (c) Invite the supplier or contractor to a formal meeting to discuss the issues and try to agree a compromise acceptable to both parties. Ensure that accurate written minutes are kept of any such meeting. If an agreement is reached which changes

any of the conditions of the contract, approval of the tender committee or the Executive Secretary is required before the agreement can be implemented.

- (d) If no initial agreement is reached and negotiations conducted also fail, consider the use of arbitration services as specified in the contract.
- (e) Prepare any necessary addendum to the contract for signature.

24. **Termination of the Contract.** *The parties to the contract normally have the right to terminate the contract, but to protect the company advice of the Legal Officer should always be sought if the company is considering such action. For donor funded procurements, donor “no objection” must be sought before any action to terminate a contract is initiated. Contracts should not normally be terminated without examining all possible alternatives, unless the termination is agreed by all parties to the contract.*

25. **Contract Amendment.** *Contract amendment may become necessary as a result of the application of price variations specified in the contract, the resolution of disputes, additional or reduced requirements by the company, agreements to extend the time schedule, or from accepted increases or decreases in prices. The contract may allow the company to modify contract values by a pre-determined percentage when this is in the public interest and essential for the work of the company. All other amendments to costs, quantities, time periods and other terms and conditions of the contract must be approved by the Tender Committee and confirmed in a formal contract amendment or addendum.*

26. *The Procurement Unit/Project Manager will:-*

- (1) Identify and agree with the supplier or contractor the specific clauses in the contract which need to be changed, and the new values or terms and conditions which are to apply.
- (2) Prepare a draft contract amendment document for approval by the Tender Committee together with a report justifying the reasons for the amendment.
- (3) Following approval by the Tender Committee:-
 - (d) Record any other contractual changes in the Contract Register.
 - (e) Arrange for signature of the contract amendment.
 - (f) Distribute copies in the same way as the original contract.

27. **Procurement Reporting.** *The routine reporting of procurement activity by company is essential for procurement planning and budgeting, and for the monitoring, tracking and evaluation of procurement.*

28. **Procurement Monitoring and Evaluation.** *Procurement monitoring and evaluation is a process that must be routinely conducted by respective companies:-*

- a. Ensure that procurements are within the annual procurement plan.
- b. Identify weaknesses and delays in the procurement process.

- c. Compare prices against market standards.
- d. Assess performance of procurement units and committees.
- e. Assess performance of suppliers, contractors and consultants.
- f. Assess compliance by the company to these guidelines.
- g. Identify any necessary remedial action.

29. **Group Work**

a. **Activity 6 Dispute Resolution**

- (1) This activity is designed to give participants practice in resolving the kinds of disputes that can arise during the contract management phase of company projects.
- (2) As a lead into the activity, ask participants to brainstorm the following questions. Participants may be able to share some of their own experiences of dispute resolution:-
 - (a) **Question-1.** What are the possible sources of conflicts during the contract management process?
 - (b) **Question-2.** What should be considered in developing a conflict resolution mechanism that is quick, fair, transparent and simple?
- (3) Ask participants to work in groups of 4, preferably in a mix of company.
- (4) Each group should prepare a brief scenario of a dispute that may arise during the implementation of a contract. For example:- A contractor wants to be paid more money in case of increase in rates during budget speech even though a contract has been signed. The contractor is reluctant to execute the contract till he gets assurance.
- (5) The scenario can be based on a real situation that has happened in the past if relevant.
- (6) Groups should try to include as much relevant information about the circumstances in their scenario as possible. For example, if a contractor wants to be paid more money, what are the reasons why?
- (7) Each group should briefly present their scenario. Then choose 1 of the scenarios to use as the basis for a dispute resolution role play.

- (8) Choose 1 person from the group to act as the contractor and 1 person to act as the Project Manager. 1 person should also be the CEO.
 - (9) We will assume that initial discussions between the contractor and Project Manager have failed. The CEO has been brought into try and brings about a resolution.
 - (10) The contractor should present his side of the story, followed by the Project Manager.
 - (11) The CEO should make a decision on who is correct in the scenario.
 - (12) The decision should be presented to the whole group along with reasons why?
- b. **Questions for Discussion.** Discuss these questions as a whole group:
- (1) What did you think of the decision of the CEO? Why?
 - (2) Do you think both parties were happy with the outcome of the dispute resolution? Why / Why not?
 - (3) What alternative responses could the CEO have chosen for this situation?

30. **Procurement Management Integrated End – to – End Procurement Management System**

- a. **What is it?** Procurement is part of a fully integrated financial management system solution that supports, automates and standardizes all stages of the indirect purchasing and procurement cycle - from requisitioning to paying vendors. These include: the initial identification of a need for products and services; expenditure approval; electronic data and information exchange with suppliers; goods delivery; expediting and inspection; invoice matching and payment settlement.
- b. **Who is it for?** This procurement management system is designed for organizations that want to control costs and streamline their procurement practices without sacrificing control - equally suited for both centralized and decentralized purchasing processes. It enables procurement managers to move away from operational, day-to-day tasks and instead focus on managing and negotiating stronger supplier relationships, scrutinizing spend and purchase decisions, to ultimately evolve the procurement function from a cost- to a profit-center.
- c. **How Can it Help?**
- (1) **A Single Point of Entry**

- (a) Employees are given a single, easy-to-use screen for procurement of goods or services. The same screen is used, whether ordering: electronically, from a marketplace; traditionally, by paper order; or from another department or area of the business. Procurement will automatically identify and apply the correct buying process specified for a particular employee or role. This boosts adoption rates internally and externally, as well as improving visibility of the purchasing cycle.
- (b) Reduced maverick buying and strengthened relationships with suppliers.
- (c) A single, centralized **procurement management system** provides the basis for clearer, more complete and accurate analysis of the organization's suppliers and spending patterns, enabling you to aggregate spending via preferred or strategic suppliers and negotiate better terms and prices.

- (2) **Better Purchasing Information With Lower Overheads.** Users can "punch out" from within the purchase entry screen to collect accurate product and pricing information from suppliers' marketplace portals or websites. This allows better accuracy and control, without incurring the overhead of in-house catalog management.
- (3) **Full Authorization and Budgetary Control.** Workflow tools tailor authorization and approval to match the requirements of each particular organization, department or type of spend - making the process as simple or as multi-layered as you need it to be. For example, Workflow automates the transfer process from requisition to purchase, eliminating manual intervention. Workflow's ability to manage and monitor any combination of step-by-step or simultaneous authorization procedures reduces cost and time - eliminating over-spending, which is especially important in today's climate of fiscal restraint.
- (4) **A Broader Integrated Solution.** The strengths of Procurement are multiplied, when used as a fully integrated part of the broader Enterprise Resource Planning (ERP) solution. For example:-
 - (a) **Core Financials.** General ledger, accounts payables, expenditure controls/funds checking, fixed asset accounting for capital purchases.
 - (b) **Inventory Management.** Identifying items that may be in stock, to avoid unnecessary procurement.
 - (c) **Project.** Immediate update of project costs, based on purchase information, thus ensuring accurate project costs.

31. **ERP**

- a. **Definitions.** Enterprise resource planning is a cross-functional enterprise system driven by an integrated suite of software modules that supports the basic internal business processes of a company.
- b. **Functional Areas.** An ERP system covers the following common functional areas. In many ERP systems these are called and grouped together as ERP modules:
 - (1) **Financial Accounting.** General ledger, fixed asset, payables including vouchering, matching and payment, receivables cash application and collections, cash management, financial consolidation.

- (2) **Management Accounting.** Budgeting, costing, cost management, activity based costing.
- (3) **Human Resources.** Recruiting, training, roistering, payroll, benefits, 401K, diversity management, retirement, separation.
- (4) **Manufacturing.** Engineering, bill of materials, work orders, scheduling, capacity, workflow management, quality control, manufacturing process, manufacturing projects, manufacturing flow, product life cycle management.
- (5) **Order Processing.** Order to cash, order entry, credit checking, pricing, available to promise, inventory, shipping, sales analysis and reporting, sales commissioning.
- (6) **Supply Chain Management.** Supply chain planning, supplier scheduling, product configuration, order to cash, purchasing, inventory, claim processing, warehousing (receiving, putaway, picking and packing).
- (7) **Project Management.** Project planning, resource planning, project costing, work breakdown structure, billing, time and expense, performance units, activity management.
- (8) **Customer Relationship Management.** Sales and marketing, commissions, service, customer contact, call center support - CRM systems are not always considered part of ERP systems but rather Business Support systems (BSS).
- (9) **Data Services.** Various "self-service" interfaces for customers, suppliers and/or employees.

CHAPTER-3

E-PROCUREMENT STRATEGY AND ROADMAP

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none">▪ Introduce the topic▪ Trainer presents the session objectives	15 Minutes
2.	Methods <ul style="list-style-type: none">▪ Vision and objectives▪ Summary of strategic context▪ Pakistan benefit / cost	45 Minutes
3.	Comprehension Test	15 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none">▪ Summarize key issues about the chapter.<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	15 Minutes
	Total time:	90 minutes

Introduction

5. The governance of procurement is pivotal to public trust in government and is a barometer for the quality of public administration, making it a priority target for the strengthening in most governments. Public procurement is also a key aspect of public administration that links the public financial system with social and economic outcomes, and as such is a major determinant of the quality of community services and infrastructure, and the effectiveness of the Government. This function cuts across almost all areas of planning, Programme management, and budgeting. The Organization of Economic Cooperation and Development (OECD) have estimated:-

- a. Total procurement accounts for 15% to 20% of Gross Domestic Product.
- b. Public procurement in one form or other accounts for 70% of government expenditure.

6. It has also been recognized by the OECD in 2007 that “public procurement is the government activity most vulnerable to waste, fraud and corruption due to its complexity, the size of the financial flows it generates and the close interaction between the public and the private sectors”. Procurement policy regulates the public sector’s interactions with domestic and international markets in ways that directly impact national efficiency and competitiveness. Public procurement is a common vehicle for business and industry development policies, and most regional and bilateral trade agreements have significant provisions aimed at granting reciprocal access to domestic government procurement markets. Poor management of procurement invariably reduces development outcomes and is likely to reduce foreign direct investment. These effects have already been reported by the International Monetary Fund

IMF in 1998, which has identified national consequences in terms of over-spending on capital, under spending on asset maintenance, poor quality infrastructure and reduced government revenues.

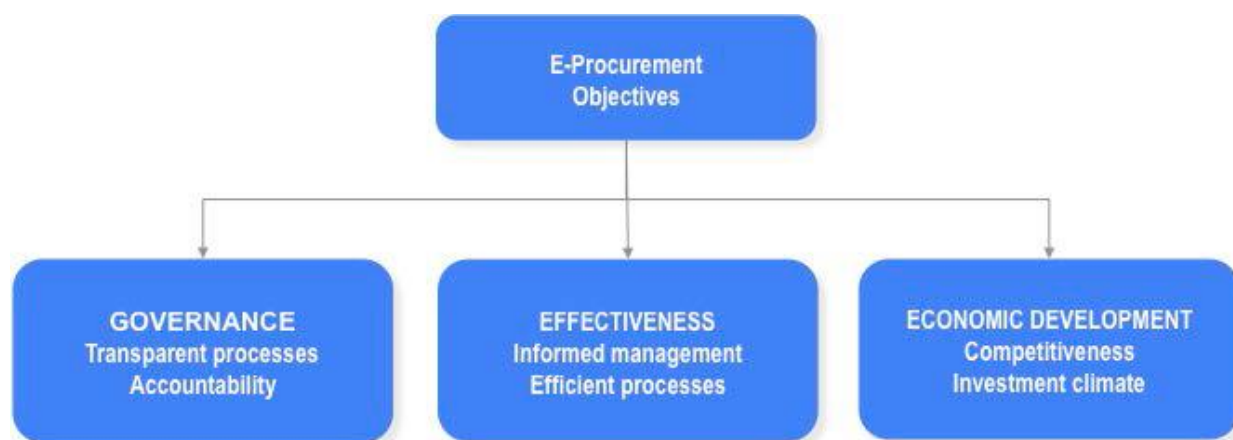
7. The IMF concluded that poor governance of procurement can result in infrastructure that reduces national growth - investment becomes a disinvestment. The poor quality and under-spending on maintenance also implies that what infrastructure exists has lower economic productivity. For these reasons, the strengthening governance in procurement has been described as the single most significant option for development in many countries.

8. **Vision And Objectives.** The objectives need to be defined as a precedent to the specification of a Strategy – if the objectives are unclear then the strategy will be ambiguous, and Readiness will raise concerns about readiness *for what?* It has been apparent that amongst some stakeholders there is not a clear understanding of what e-Procurement should look like. A vision and objectives have not been defined for e-Procurement in Pakistan, although there are some expectations that this will deliver transparency and efficiency. More broadly, it is recommended that the Vision for the e-Procurement program be governed by the core principles of procurement including ***Governance, Efficiency and Economic development and investment and, more broadly, enhance trust in government.***

More particularly, the key goals of the e-Procurement Program should be as follows:-

- a. To enhance decision-making capabilities of procurement officials by providing meaningful and comprehensive procurement information.
- b. To improve financial planning and budgeting.
- c. To improve transparency in procurement procedures and practices.
- d. To bring efficiency throughout the procurement process and minimize the procurement cycle time.
- e. To foster and encourage participation and promote competition among suppliers.
- f. To harness economies of scale through demand aggregation and maximize value for money in government procurement.
- g. To enhance citizens' and businesses' confidence in the government procurement process and the utilization of public funds.
- h. To ensure confidentiality, integrity and authenticity of all transactions and data between the procurement entities and the suppliers.
- j. To improve service levels to all stakeholders involved in government procurement.

9. These policies are summarized as three broad high-level objectives as under namely improved governance through enhanced transparency and management information, greater efficiency through workflow and document management, and help drive economic development:-



10. **Summary of Strategic Context.** From the foregoing assessment, several developments and issues listed below need to be addressed and guide in the e-procurement strategy or implementation roadmap:-

a. **Leadership**

- (1) E-procurement has senior support; however this does not seem to have been articulated in any public statement from Cabinet, and the public sector generally does not consider that there is any policy direction from the government in relation to e-procurement. A clear leadership role apparently has not been conferred on the PPRA.
- (2) Sindh PPRA and Government of Sindh have already endorsed the draft National procurement strategy circulated by the National PPRA, which reflect that there is high acceptance of e-procurement reform in Sindh. This suggests that a National approach to e-procurement rather than by individual Provinces can be viable – this is a very positive indicator and should be built on.
- (3) The National PPRA has a privately maintained e-portal, and an interest in online self-paced training for the private sector, and is building a complaints database. The PPRA also is maintaining an online blacklist. There are procurement portals at the provincial level with similar functionality, demonstrating that e-

procurement is broadly accepted albeit that compliance with mandated online publishing is weak.

- (4) Sindh IT department has taken many initiatives towards introducing e-government in Sindh. Separate projects in the past were also initiated to introduce e-procurement and software designed and delivered to Chief Secretary Office, which were shelved. This suggests that in Sindh, there is a perception that e-procurement is an IT department responsibility. E-procurement is very much a PPRA (or Finance) responsibility and the National PPRA should take the lead in this area to assert this reality. IT-based e-procurement has a poor record of success.
- (5) It is **recommended** that the proposed system be centrally provided at the National level or at least at the provincial level, as a common unitary information technology infrastructure. Fragmented development increases cost and raises risks.
- (6) The PPRA, should have the lead agency and coordination role. If a National approach is adopted (**recommended**), the National PPRA would chair the coordination. It would be desirable for this program and institutional arrangement to be sanctioned with a public statement from the Prime Minister⁶ or Cabinet with the objectives of improving efficiency, transparency and business development.
- (7) Each of the PPRAs has also for several years already been managing and developing existing publications websites, which is the first step of e-procurement.
- (8) It is also desirable and **recommended** that the government signal its resolve publically, and to set a timeframe for a comprehensive e-Procurement system to be operational. Key performance outcomes from this policy should also be signaled such as in relation to targeted savings and transparency.

b. **HR**

- (1) There is a reasonable-to-good level of IT literacy in government, although staff preparedness for change is moderate, confirming that the strategy for e-procurement will need to be phased and lead by individual champions rather than whole departments - this will be recommended in the implementation plan.

- (2) Training programs are available for the government sector but little for suppliers – this will also require attention and will be addressed in the implementation plan. There is a low level awareness of the training requirements for this initiative, however, both the public and private sectors have a reasonable or high degree of e-literacy and it is considered that this is not expected to be a major issue. Nevertheless it will be addressed further in the implementation plan.

c. **Planning and Management**

- (1) Planning and management of procurement are governed by consistent legislation, standard bidding documents, and standard processes apply generally. These features will make the BPR for e-Procurement a relatively efficient process.
- (2) Procurement regulatory compliance including procurement planning is considered weak, partly because there is not a strong ownership of the processes. This issue will be significantly addressed by e-procurement together with a stronger government policy pronouncement for e-procurement.

d. **Policy**

- (1) There is only weak business orientation of public procurement, and a lack of any policy on e-procurement. A set of policies will be required to accompany e-Procurement, and should be developed by the PPRA for the operations of the systems. These will be outlined in the implementation plan. Further, there are e-Procurement instruments particularly framework agreements that will need to be developed, that will also require significant policy development that could be initiated in the short term. These issues are also to be discussed in the implementation plan.
- (2) The PPRA should be prepared to push the message that e-procurement does not imply re-centralization – instead an e-procurement system is to be regarded as a common information infrastructure that provides for each province to undertake their own procurement as is currently the case.

e. **Legislation**

- (1) There is considerable uncertainty and a lack of understanding about the relevant legislation. Survey responses do not strongly perceive the legislation to be an obstruction to e-procurement, although there appears to be considerable uncertainty in relation to what roles and responsibilities and authorities do exist. Despite this, there is a consistent but incorrect perception that there is no

legislative basis for e-procurement, and that the Ordinance of 2002 is insufficient or expired. There continues to be a belief, also incorrect, that written signatures are mandatory in public contracting. This uncertainty is largely a result of a leadership vacuum in this area, and also a lack of understanding in the lead agencies themselves.

- (2) It is **recommended** that the PPRA should revise its regulations to remove ambiguities such as “in writing” which under the Ordinance (2002) can also mean digital means of authentication, etc. This would address the widespread confusion about the legal status of e-procurement.
- (3) It is strongly recommended that the e-procurement system should avoid the requirement of digital certificates and PKI for authentication, and apply an alternative solution such as set out in the implementation plan.

f. **Infrastructure and Standards**

- (1) Pakistan has coverage of network infrastructure with good accessibility that is quite adequate to support most functions of e-procurement. There are 8-10 Internet providers in country. Download speed is about 3mbps and uploading up to 1 mbps and PTCL DSL based Wi-Fi charges range in between Rs. 2000-2500 per month. Fiber optic cable is available across Pakistan and even in remote rural areas. Internet cafes have opened in private sector and also by government.
- (2) The government is currently not well equipped with storage capacity, backup or disaster recovery except for some specific applications. Nevertheless there may be adequate unused capacity in centers such as in Lahore that needs further investigation.
- (3) Within the private sector, there is extensive capability amongst larger businesses in the use of computers in their businesses, and showed enthusiasm for the introduction of e-procurement. This is inconsistent with perceptions of some government officials, who often consider the private sector to be unprepared.
- (4) Available software expertise is also adequate to provide domestic support for the operations and management, and the system development itself if that is the preferred business model – this will be discussed further in a following Section.
- (5) There is little guidance provided in relation to interoperability standards and risk management of applications development.

- (6) It appears that there is little in terms of government policies towards system ownership or disaster recovery infrastructure. There is no obvious home for an e-procurement data centre in Islamabad. However, there is a data centre with the Punjab IT Board that may satisfy national requirements. There is also a data centre being procured in Sindh with support from USAID and the World Bank.
- (7) The National IT Ministry does not have a strong model for a Government Interoperability Framework, nor should a comprehensive model for what e-procurement encompass. It is **recommended** that the IT Ministry focus on technical interoperability policy settings, security protocols and infrastructure, rather than application development. In some countries, IT expenditure is not permitted without sign-off from a lead IT agency regarding consistency of the proposed expenditure with government GIF and architecture policies. The e-Procurement system specified in this project will be consistent with open international standards, and in particular will be based on Service Oriented Architecture (SOA) and is **recommended**.
- g. **Private Sector.** The Chairman of the Constructors’ Association of Pakistan (CAP) recommended that e-procurement be phased first with high value contracts as the firms participating are more active and have adequate IT capacity to handle and participate in e-bidding process. This is fully consistent with the international experience and is adopted in the Implementation Roadmap in Part III below.
- h. **Existing Developments.** There are several attempts by individual entities to develop e-procurement for their particular business. The PPRA needs to act to take the lead role and drive a unitary system, which has major advantages over a fragmented approach.

11. **Pakistan Benefit / Cost.** In summary, it is clear that the business case for e-Procurement should include a range of qualitative and quantitative aspects. These are shown in the following Table, where the Indicators provide quantitative estimates in several cases. Where quantitative estimates are not able to be determined this does not mean that the factor is unimportant – there are compelling reasons why some of these qualitative factors are likely to be more significant than any of the quantitative factors.

No.	Factor	E-Procurement impact	Direct Stakeholders	Indicators for Pakistan (National)
a.	Prices	Reduced 5-8% in competitive markets	All public entities	1% is estimated at approximately USD270 million /

				yr
b.	Transactional efficiency	Reduced 65% for simple procurement	Firms, public entities, public	10% TBE
c.	Procurement cycle times	Reduced 25-75% for complex procurement Reduced 80-95% for simple procurement	Community	1 month reduced cycle time for infrastructure budget
d.	Compliance	As for maverick buying 30%	Departments, PPRAs, firms	
e.	Delegation control / Decentralization	Up to 100% simple procurement	Departments, firms,	
f.	Transparency / Illicit practices	Substantial reduction reported	PPRAs, audit, firms, departments	Similar to 1 & 2 above
g.	Spend coordination X maverick buying	Increased 30%	Budgets, firms	Similar to 3 above
h.	Audit capacity	100% for parts of procurement cycle	Auditor, PPRAs	As for 6 above
j.	SME / business development	Online business enablement 25%	Firms	Technology take-up in Australia estimated up to 60% of GDP growth
k.	Inventory value	Reduced 70%	Budgets, departments	
l.	Training requirements	Reduced for common functions	Departments, PPRAs	

12. The above discussion refers to the benefits of a well-conceived, competently implemented e-Procurement strategy. Benefits have been described in qualitative and quantitative terms. The qualitative benefits are not readily measurable; however the reported quantitative results include savings ranging between 5%-20%. With public procurement accounting for between 15%-20% of the national economy, this level of savings potential is substantial and the benefit / cost ratio should be substantial even without considering the qualitative benefits. A range of other procurement issues in Pakistan would also be significantly addressed by a good e-procurement system. Examples include that:-

- a. There are problems in the quality of national bidding, and even the larger bidders are often not well-prepared, being short on capacity and guidelines for preparing bids – digital documents could assist with this. There is a dominant reliance on newspaper notices and advertising. Online postings are mandatory but compliance is poor, and advertising often happens on non-business days, in obscure local newspapers that escape audit and monitoring, and reduce competition.
- b. There are no national or provincial statistics on procurement other than what can be deduced from financial reports.

- c. Procurement planning is reportedly often poor. Ideally, specifications should be approved when a project is approved, so procurement can start immediately. This does not often happen. Procurement plans are developed but not in standard formats.
- d. Blacklists are maintained by individual entities in isolation.
- e. There are some imperfect standard documents for engineering, and few tools for contract management – varies by jurisdiction. There is limited or no standardization of major assets such as locomotives, so multiple inventories are maintained.
- f. Major challenges with ICB including litigation around the specifications as to whether these are biased. Billing is also a very frequent problem.
- g. PPRA's do not have well developed sets of Key Performance Indicators for the management or monitoring of complex procurement.
- h. Each PPRA responsibilities end with the signing of contracts.
- j. Government of Sindh departments and agencies are reportedly strictly complying with PPRA regulations and any violation is being penalized and enforced in terms of rule 45 and cases of violations are being referred to provincial anticorruption agency.
- k. Lack of transparency and consultation with private sector seems to be a major issue. An opinion was expressed that there is little trust of the public procurement system amongst many private sector entities. It was advised that payment of commissions is common.
- l. Bidding was time consuming, slow and expensive, and competition in some sectors is limited and shrinking.
- m. Grievance redressed is considered to favor agencies and is avoided by many businesses. Nevertheless several agencies reported large numbers of complaints are made.
- n. Time taken from bid opening to award is reportedly “never followed” and a recent bid submitted in one of the departments was opened in December 2013 and the participants are still waiting for award decision.
- o. There is a “huge trend” of supplying low quality products and smuggled ones with low costs dealt beforehand.
- p. There is no plan available before hand on the basis of which suppliers can prepare its business plan for the year. PPRA publishes few organizations plans with different formats.
- q. The Pakistan Engineering Council (PEC) was of the opinion that there is lack of political will and lack of interest in any reform initiative due to corruption in Pakistan. In Pakistan multiple agencies are preparing bidding documents whereas mandate lies with PEC in

case of engineering and construction works. This leads to confusion. There is also a lack of any standards for categorizing consulting firms.

- s. Sindh Irrigation informed that major challenge would be quality assurance. Access to new contractors is not restricted however if e-procurement introduced, it will definitely improve competition and introduce fairness. With regards to participation, on average 20-30 contractors compete for bids with Sindh Irrigation. There are also numerous complaints relating to procedural issues. Concern expressed with regards to data security during the e-procurement and whether sufficient data security will be available to safeguard in process tender award.

13. The cost of an e-procurement development can be expected to range from around USD0.6 million up to USD3.5 million. Malpractice, a flawed strategy, or poor management in the development and implementation of e-Procurement can multiply this cost several times. The ‘case against’ e-Procurement is essentially one where there is likely to be poor strategic and implementation skills making the exercise one of high risk. There have also been cases where users on both sides of the market have raised objections. The reasons for these have included resistance to greater transparency and competition, or simply a reaction to change. There can also be concerns about data security and fraud (the risks of security and fraud are, however, generally greater in a paper-based environment).

14. **Comprehension Test.** The resource person should prepare a night early a comprehension test of ten questions of multiple choices / true false to see the participants comprehension in this subject.

CHAPTER -4
INTRODUCTION TO
INTERNATIONAL PROCUREMENT ASSOCIATION FOR VIRTUAL TRAINING

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none"> ▪ Introduce the topic ▪ Trainer presents the session objectives 	15 Minutes
2.	Methods <ul style="list-style-type: none"> ▪ Courses Offered ▪ Resources 	45 Minutes
3.	Self-Browsing	15 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none"> ▪ Summarize key issues about the chapter. <ul style="list-style-type: none"> ▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. 	15 Minutes
	Total time:	90 minutes

5. **Introduction.** Next Level Purchasing is the most sought out resource for procurement professionals; from entry-level buyers to executive-level practitioners. As a global organization founded in 2000, Next Level Purchasing has helped clients in over 150 countries throughout the world to establish and utilize procurement best practices leading to the achievement of better results than ever before.

6. **Objectives**

- a. Orientation with world known procurement training association.
- b. To give knowledge of virtual training on procurement management to desirous participants.

7. **Courses Offers**

- a. **Leading Online Procurement Training.** Prestigious organizations - including many Fortune 500 companies - from over 100 countries throughout North America, South America, the Caribbean, Europe, Asia, Africa, and Australia have enrolled their purchasing professionals in the Senior Professional in Supply Management® (SPSM) Program and online procurement training.
- b. **Leading Procurement Certification.** Next Level Purchasing is the only provider of the SPSM®, SPSM2® and SPSM3 Certifications. Having been earned in over 85 countries by

every level from new buyers to executives, the SPSM[®] Certification is the most globally-recognized and relevant certification.

c. **World's Largest Professional Procurement Association**

- (1) The Next Level Purchasing Association (NLPA) brings together over 263,000 purchasing professionals (including 15,000+ executives) from around the globe the form the world's largest procurement association.
- (2) Recognizing that:-
 - (a) Some areas of the world are not prosperous enough for their citizens to pay for education.
 - (b) There are many unemployed and underemployed people here in the USA who would love to improve their skills and, thus, their prospects for employment but can't afford to do so.
 - (c) There are some companies that are struggling and do not have training budgets.
- (3) The NLPA feels a philanthropic need to provide educational assistance to help those people and companies and as such has established a free basic membership, available to all procurement professionals:-
 - (a) Access to the Express Course "Managing Supplier Performance" at no charge.
 - (b) Purchase Tips - a bi-weekly email providing tips and expert procurement advice.
 - (c) Monthly member-only webinars on topics including strategic sourcing.
 - (d) Digital subscription to Leading-Edge Supply Management.
 - (e) Access to annual salary and career reports

d. **Departmental Development**

- (1) **All-Access Corporate Subscription (AACS)** - To learn more and download a copy of the AACS One-pager, visit the [All-Access Corporate Subscription](#) page.
- (2) **Purchasing's Assessment of Skills for Success (PASS)**- An objective assessment program developed to assist organizations in determining the strengths and weaknesses in their staff's skills. To learn more about PASS, please visit our [Procurement Skills Assesment](#) page.

8. **Resources**

- a. **The Procurement Game Plan.** Next Level Purchasing's President & Chief Procurement Officer Charles Dominick, SPSM, SPSM2's book, The Procurement Game Plan, has been called. "A candid and comprehensive look at how to succeed in procurement--a must read for procurement professionals, everyone from college graduates to CPOs." -Juan Molina, CPO, Westinghouse Electric Company. To purchase a copy of **The Procurement Game Plan**, visit our [Purchasing Books](#) page.
 - b. **Whitepapers.** Next Level Purchasing has authored a collection of educational whitepaper. To review the available whitepapers and to request copies, visit our [Supply Chain White Papers](#) page.
 - c. **Blog.** Covering trending procurement topics, Charles Dominick, SPSM, SPSM2 offers procurement tips and advice. You can read the blog at [Purchasing Certification Blog](#).
 - d. **Consultancy.** Next Level Purchasing has partnered with leading sourcing consultants to offer world-class sourcing consulting services in the areas of: Strategic Sourcing, Procurement Best Practices, Information Technology, e-Sourcing, Project Management, Negotiation, Telecommunications, Logistics, Inventory Management, Purchasing Management and Strategic Planning. To learn more about these services, please visit our [Sourcing Consultants Services](#) page.
9. **Self Browsing.** Participants may visit the web address <http://www.nextlevelpurchasing.com/> for self-browsing.

CHAPTER – 5

MISCELLANEOUS ACTIVITIES

1. **Introduction.** This phase deals with visits to PPRA Islamabad and Directorate General Procurement (Army) or any other procurement institution where variety of huge procurement undergoes through very well organized public procurement procedures. By visiting both the places, the participants can interact with institutions who are involved in real time public procurement. At the end of the visit, participant will be given procurement course feedback proforma which should be submitted within a week to WASC.
2. **Aim.** To enable the participants to interact with institutions undergoing public procurement in an organized pattern and learn from their experience.
3. **Objectives.** By the end of the visit, the participants will be able to:-
 -
 - Understand public procurement procedures and common mistakes committed by public procurement institutions.
 - Understand the best practices of procurement agencies.
4. **Visits**
 - a. **Advance Notice.** WASC should inform preferably two weeks in advance to PPRA Islamabad and Directorate General Procurement (Army) or any other procurement agency to arrange lectures during the visits of the course so that participants can interact directly to share experience and learn from each other.
 - b. **Visit to PPRA.** The arrangements should be made in such a way that the course should reach PPRA Islamabad at 0900 hours so that from 0930 hours to 1130 hours the session should be finished. This includes total visit Programme of PPRA from arrival to departure.
 - **Visit to Procurement Agency.** Once the course is free from PPRA, the next visit should be the Procurement Agency. From 1230 hours to 1400 hours, the course should complete its session.
5. **Feedback Proforma** Attached.

PROCUREMENT MANAGEMENT

FEEDBACK PROFORMA
MMC

Question-1. Please comment level of confidence you have achieved after undergoing this course?

Question-2. Are you satisfied with the contents of the course?

Question-3. Modality of the delivery kept you interested in comprehending or otherwise?

Question-4. Do you consider the visit should continue or otherwise?

Question-5. Write any other comment which you feel essential to help faculty / WASC authorities?

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OVERVIEW PRGORAMME

SMC

Ser	Contents	SMC	Days	Remarks
1.	General Introduction	0.5	Day 1	
2.	Essentials of PPRA Rules	2		
3.	Contract Management	2.5		
4.	E-Procurement Strategy and Roadmap for Pakistan	1	Day 2	
5.	International Procurement Association Virtual Training	1		
6.	Understanding of miscellaneous Taxes to be Incorporated at the time of Concluding Contracts of Goods, Works and Services	2		FBR be requested for Guest Speaker for handling tax rules for procurement
7.	Procurement reforms in the United Nations system	1.5	Day 3	
8.	In House Discussion - Critical Issues Bothering Senior Management Specifically Related to PM	1.5		
9.	Group Discussion / Case Studies / Comprehension Tests	5	Day 4	
10.	Visits to TI (Transparency International) & CPDI (Centre for Peace and Development Initiatives (Pakistan) / Procurement Agency	5	Day 5	
	Total	20 hours	5 x days	

INTRODUCTION

1. Course Description

- a. **Course Title** : Procurement Management SMC.
- b. **Course Objective.** To build capacity of WASC (WAPDA Administrative Staff College) Islamabad by imparting knowledge and best practices in procurement management.
- c. **Specific Objectives.** By the end of the SMC course the participants should be able to:-
 - (21) Understand Essentials of PPRA Rules.
 - (22) Understand Contract Management.
 - (23) Orientation with the e-Procurement Strategy and Roadmap for Pakistan.
 - (24) Know International Procurement Association Virtual Training.
 - (25) Understand miscellaneous Taxes to be incorporated at the time of Concluding Contracts of Goods, Works and Services.
 - (26) Replicate if required the Procurement Reforms in the United Nations System.
 - (27) In House Discussion - Critical Issues Bothering Senior Management Specifically Related to PM.
 - (28) Have Interactive sessions amongst groups lead by hardcore procurement professionals amongst the course participants.
 - (29) Group Discussions / Case Studies and Comprehension Tests.
 - (30) Interactive learning by conducting visits to various Agencies.
- d. **Duration of the Course.** The total amount of time for the course is allocated approximately 20 training hours. The procurement course should be run consecutively for five days instead of splitting up.
- e. **Curriculum Summary.** This course contains four Chapters as follows:-
 - (1) **Chapter-1** : Essentials of PPRA Rules
 - (2) **Chapter -2** : Contract Management.
 - (2) **Chapter-3** : E-Procurement Strategy and Roadmap for Pakistan
 - (3) **Chapter-4** : International Procurement Association Virtual Training.
 - (4) **Chapter-5** : Understanding of miscellaneous Taxes to be incorporated at the time of Concluding Contracts of Goods, Works and Services.
 - (5) **Chapter-6** : The Evolving Procurement Model
 - (6) **Chapter-7** : Procurement Reforms in the United Nations System
 - (7) **Chapter-8** : Miscellaneous Activities

- (a) Group Discussions
- (b) Case Studies / Comprehension Tests
- (c) Visits to various Procurement Agencies

f. **Curriculum Structure and Design.** Each chapter is sub-divided into a number of sessions as indicated in Table below. The division of the course into chapters allows participants to take only those sessions for which their training needs have been identified:-

Chapter	Session	Components
1. General Introduction	Introduction Session (40 minutes)	<ul style="list-style-type: none"> ▪ Introduction, welcome, aim and objectives of the training.
2. Essentials of PPRA Rules	a. General Provisions and Procurement Advertisements (40 minutes)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Principles of procurements ▪ International and Inter Governmental Commitment of the Federal Government ▪ Methods of advertisement
	b. Pre-Qualification, Qualification and Dis-Qualification of Supplier and Contractors (40 minutes)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Pre-qualification, qualification and dis-qualification of supplier and contractors ▪ Pre-qualification process ▪ Qualification of supplier and contractors ▪ Disqualification of supplier and contractors ▪ Blacklisting of supplier and contractors
	c. Methods of Procurement (30 minutes)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Principal method of Procurement ▪ Petty purchases ▪ Direct contracting ▪ Procurement in emergency ▪ Negotiated tendering
3. Contract Management	a. Contract Administration (180 minutes)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Contract effectiveness ▪ Contract supervision and administration – goods ▪ Contract supervision and administration – works ▪ Contract supervision and administration – services ▪ Contract performance ▪ Procurement reporting ▪ Procurement Monitoring and Evaluation ▪ Introduction to Contract Management Information System / ERP
Chapter	Session	Components
4. Building the world of tomorrow today	a. E-Procurement Strategy and Roadmap for Pakistan (60 minutes)	<ul style="list-style-type: none"> ▪ Session objectives ▪ Introduction ▪ Vision and objectives ▪ Summary of strategic context ▪ Pakistan benefit / cost
5. International Procurement Association Virtual Training	a. International Procurement Association Virtual Training (60 minutes)	<ul style="list-style-type: none"> ▪ Session Objectives ▪ Introduction ▪ Courses Offered ▪ Resources
6. Understanding of miscellaneous Taxes to be Incorporated at the time of Concluding Contracts of	a. Understanding of miscellaneous Taxes to be Incorporated at the time of Concluding Contracts of	<ul style="list-style-type: none"> ▪ Guest Speaker from FBR will be handling tax rules for procurement

g. **Purpose and Use of Manual.** This Manual has been specifically developed for the use of trainers who will be providing capacity building support in WASC in the area of procurement.

h. **Training Methods**

(1) The methods of training which the trainer decides to use in any particular session should be carefully and properly selected because:-

- (a) They aid the learning process.
- (b) Time is precious and must be used wisely to achieve maximum results.
- (c) Participants must be able to follow the training method.

(2) A number of training methods are available for the trainer to use. The methods outlined below are the ones suggested for use in this course:-

- (a) Lectures
- (b) Group Work
- (c) Brainstorming
- (d) Visits

j. **Resource Person.** The essential for resource person are as follows:-

- (1) Confident speaker.
- (2) Procurement expert.
- (3) Preferably should have done Masters in SCM or PM or MBA from recognized university.

k. **Introduction Session**

DESIGN AND DURATION OF INTRODUCTION SESSION		
No.	Activity	Time Allocation
(1)	Introduction and Session Objectives <ul style="list-style-type: none"> ▪ Welcome and introduction ▪ Aims and Objectives of training 	30 minutes
	Total time:	30 minutes

CHAPTER-1
ESSENTIALS OF PPRA RULES

1. **Introduction to Chapter.** To bring uniformity in policies / procedures of public procurement, a body was created at national level in 2004 to implement the procurement policies in the four provinces of the country. The notification includes certain guidelines which are essential from public procurement point of view from commencement of the tendering till conclusion of contract. It helps the procurement management officers during their tenure of duty. Any violation to PPRA rules brings a procurement officer at fault and he is answerable to the Auditor General of Pakistan. It is therefore imperative on all procurement officers to follow the PPRA rules while undergoing public procurement. Today we shall be studying the essentials of PPRA rules.

2. **Aim of Chapter.** *To enable the participants recognize and apply the basic procedures necessary for the successful implementation of PPRA Rules.*

3. **Objectives of Chapter.** *By the end of this chapter, the participants will be able to:-*

- a. General Provisions and Procurement Advertisements.
- b. Pre-Qualification, Qualification and Dis-Qualification of Supplier and Contractors.
- c. Methods of Procurement.

SESSION-1

GENERAL PROVISIONS & PROCUREMENT ADVERTISEMENTS

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none">▪ Introduce the topic▪ Trainer presents the session objectives	10 Minutes
2.	Methods <ul style="list-style-type: none">▪ Trainer presents a lecture on general provisions of public procurement▪ Principles of Procurement▪ International and Inter Governmental Commitment of the Federal Government▪ Methods of advertisements	20 Minutes
3.	Group Work <ul style="list-style-type: none">▪ Activity Scenario 1 and 2	05 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none">▪ Summarize key issues about general provisions & procurement advertisements<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	05 Minutes
	Total time:	40 minutes

5. **Introduction.** General provisions are few guidelines which are required to be understood first to smoothly move on to various aspects of contract management. One must comprehend these provisions to avoid any embarrassment later. In second part of our session we shall also study various method of undertaking advertisement.

6. **Objectives**

- a. Understand general provisions of Public Procurement.
- b. Various types of advertisements on different environments.

7. **Principles of Procurements.** Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

8. **International and Inter-Governmental Commitments of the Federal Government.**

Whenever these rules are in conflict with an obligation or commitment of the Federal

Government arising out of an international treaty or an agreement with a State or States, or any international financial institution the provisions of such international treaty or agreement shall prevail to the extent of such conflict.

9. **Methods of advertisement**

- a. Procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.
- b. All procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.
- c. In cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website as well.
- d. A procuring agency utilizing electronic media shall ensure that the information posted on the website is complete for the purposes for which it has been posted, and such information shall remain available on that website until the closing date for the submission of bids.

10. **Group Work**. Divide the class into two groups of equal members. One group be called as observer group, the next should be given following scenarios to see that participants have learned principles of procurement correctly or otherwise:-

- a. **Scenairo-1**. Imtiaz and Co is an old and loyal contractor in TESCO who has an experience of working at main distribution lines as well as grid stations. It has been viewed by the TESCO management that Imtiaz and Co has always rescued the management at the time of need so whole management likes Imtiaz and Co. During one of the USAID funded project to the tune of Rs 100 million is to be executed at tribal areas. This project was to be executed on open bidding competition. It was learnt that Mr Imtiaz and Co was the second lowest bidder whereas the bid was won by Sheikh Brothers with substantial low bid. The

TESCO employees were surprised to see the new company coming in to execute the project and that to with marginal lowest bid. The TESCO management is now confused as what to do? When it was inquired from Sheikh Brother about their company profile and experience of working in this field, it was found out that they have the experience but no member of the management is confident that this company will be able to execute the work. TESCO management now thinks that based on loyalty of Intiaz and Co and being an old contractor, he should be given the contract. The management decides to give the contract to Intiaz and Co instead of Sheikh Brothers. Now, the group should comment following:-

- (1) What all principles of procurement violated?
- (2) What are other violations?
- (3) What other options were available to deal with the situation?

This group should brainstorm and present their solution to the observer group. The observer group should put them wise in case of wrong answers. The faculty member should clarify / give correct answer to the sceniario-1.

- b. **Scenario -2.** We are in month of June and funds have been released to undertake huge procurement of stores which were deficient since long. The CEO of the IESCO decides to utilize all the funds before the expiry of financial year. He directs GM M&M to immediately undertake procurement from the contractors already working with IESCO. The decision has been given based on the performance of few contractors. The GM M&M immediately responds to the directive of IESCO and carries out direct contracting. Please comment following:-

- (1) Comment of directive of CEO IESCO
- (2) Comment on implementation of directive by GM M&M
- (3) What are the implications of the directives?

SESSION-2

PRE-QUALIFICATION, QUALIFICATION AND DIS-QUALIFICATION OF SUPPLIERS AND CONTRACTORS

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none">▪ Introduce the topic▪ Trainer presents the session objectives	10 Minutes
2.	Methods <ul style="list-style-type: none">▪ Trainer presents a lecture on following:-▪ Pre-qualification, qualification and dis-qualification of supplier and contractors▪ Pre-qualification process▪ Qualification of supplier and contractors▪ Disqualification of supplier and contractors▪ Blacklisting of supplier and contractors	20 Minutes
3.	Group Work <ul style="list-style-type: none">▪ Activity Scenario 1	05 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none">▪ Summarize key issues about Pre-qualification, qualification and dis-qualification of supplier and contractors.<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	05 Minutes
	Total time:	40 minutes

5. **Introduction.** It's very important to shortlist firms which should come upto the standards so that they can deliver the projects. Their financial and technical abilities are essential to ascertain the capacity of the firms, therefore, it is important to understand what is the procedure to undertake the exercise of pre-qualification and dis-qualification?

6. **Session Objectives**

- a. Understand the procedure of pre-qualification and disqualification.
- b. Why the firms are blacklisted and what are pre-requisites to blacklist the firm?

7. **Pre-Qualification of Suppliers and Contractors**

- a. A procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in

case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

- b. A procuring agency while engaging in pre-qualification may take into consideration the following factors, namely:-
 - (1) Relevant experience and past performance.
 - (2) Capabilities with respect to personnel, equipment, and plant.
 - (3) Financial position.
 - (4) Appropriate managerial capability.
 - (5) Any other factor that a procuring agency may deem relevant, not inconsistent with these rules.

8. **Pre-Qualification Process**

- a. The procuring agency engaging in pre-qualification shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications and any other information that the procuring agency deems necessary for prequalification.
- b. The procuring agency shall provide a set of pre-qualification documents to any supplier or contractor, on request and subject to payment of price, if any. Explanation.- For the purposes of this sub-rule price means the cost of printing and providing the documents only.
- c. The procuring agency shall promptly notify each supplier or contractor submitting an application to pre-qualify whether or not it has been pre-qualified and shall make available to any person directly involved in the pre-qualification process, upon request, the names of all suppliers or contractors who have been pre-qualified. Only suppliers or contractors who have been pre-qualified shall be entitled to participate further in the procurement proceedings.

- d. The procuring agency shall communicate to those suppliers or contractors who have not been pre-qualified the reasons for not pre-qualifying them.

9. **Qualification of Suppliers and Contractors.** A procuring agency, at any stage of the procurement proceedings, having credible reasons for or prima facie evidence of any defect in supplier's or contractor's capacities, may require the suppliers or contractors to provide information concerning their professional, technical, financial, legal or managerial competence whether already pre-qualified or not. Provided that such qualification shall only be laid down after recording reasons therefore in writing. They shall form part of the records of that procurement proceeding.

10. **Disqualification of Suppliers and Contractors.** The procuring agency shall disqualify a supplier or contractor if it finds, at any time, that the information submitted by him concerning his qualification as supplier or contractor was false and materially inaccurate or incomplete.

11. **Blacklisting of Suppliers and Contractors.** The procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority. Provided that any supplier or contractor who is to be blacklisted shall be accorded adequate opportunity of being heard.

12. **Group Work.** Divide the class into groups. One group should be observer group. Rest participants can be grouped into various groups:-

- a. **Scenario-1.** Firms are being pre-qualified for a project based on following criteria:-

- (1) Relevant experience and past performance
- (2) Capabilities with respect to personnel, equipment and plant
- (3) Financial position
- (4) Managerial capabilities

Number of firms participated for pre-qualifications to work with WAPDA Associated Companies. One of the firm is fulfilling the criteria to be pre-qualified, however, they lack the capability of having plant. Their reputation to accomplish the projects, their past performance is excellent. Another firm is fulfilling the total

criteria whereas their managerial capabilities are on lower side due to some disputes in the company. Please comment which firm you will approve for pre-qualification with logics.

SESSION-3
METHODS OF PROCUREMENT

<u>DESIGN AND DURATION OF SESSION ONE</u>		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none"> ▪ Introduce the topic ▪ Trainer presents the session objectives 	10 Minutes
2.	Methods <ul style="list-style-type: none"> ▪ Trainer presents a lecture on following:- <ul style="list-style-type: none"> ▪ Principal method of Procurement ▪ Petty purchases ▪ Direct contracting ▪ Procurement in emergency ▪ Negotiated tendering 	20 Minutes
3.	Group Work <ul style="list-style-type: none"> ▪ Activity _____ 	05 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none"> ▪ Summarize key issues about method of procurement. <ul style="list-style-type: none"> ▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. 	05 Minutes
	Total time:	40 minutes

5. **Introduction.** Procurement is not carried out always in an ideal environment in which budget is forecasted year ahead. Everything which is to be procured is not properly planned. That's why there are certain methods of procurement which can be adopted in different environments.

6. **Objectives**

- a. Understand various procurement environments.
- b. Understand methods of procurement.

7. **Principal Method of Procurement.** Procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

8. **Petty Purchases.** Procuring agencies may provide for petty purchases where the object of the procurement is below the financial limit of *twenty five thousand rupees. Such procurement shall be exempt from the requirements of bidding or quotation of prices. Provided that the procuring agencies shall ensure that procurement of petty purchases is in conformity with the principles of procurement.

9. **Direct Contracting.** A procuring agency shall only engage in direct contracting if the following conditions exist, namely:-

- a. The procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier. Provided that the same are not available from alternative sources.
- b. Only one manufacturer or supplier exists for the required procurement. Provided that the procuring agencies shall specify the appropriate for which may authorize procurement of proprietary object after due diligence.
- c. Where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance. Provided that the contract or contracts do not exceed three years in duration.
- d. Repeat orders not exceeding fifteen per cent of the original procurement.

10. **Procurement in Emergency.** Provided that the procuring agencies shall specify appropriate for a vested with necessary authority to declare an emergency.

11. **Negotiated Tendering.** A procuring agency may engage in negotiated tendering with one or more suppliers or contractors with or without prior publication of a procurement notification. This procedure shall only be used when:-

- a. The supplies involved are manufactured purely for the purpose of supporting a specific piece of research or an experiment, a study or a particular development.
- b. For technical or artistic reasons, or for reasons connected with protection of exclusive rights or intellectual property, the supplies may be manufactured or delivered only by a particular supplier.
- c. For reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met. The circumstances invoked to justify extreme urgency must not be attributable to the procuring agency. Provided that any procuring agency desirous of using negotiated tendering as a method of procurement shall record its reasons and justifications in writing for resorting to negotiated tendering and shall place the same on record.

12. **Group Work.** Divide the class into five groups. Group one be called as observatory group and group two to four be asked to draft a scenario in which all methods of procurement are covered. Each group should then present scenarios and observatory group should give comments

on preparation of scenarios. The resource person should observe the whole class and in the end give corrections.

CHAPTER – 2
CONTRACT MANAGEMENT

b. **Introduction to Chapter.** *It deals with the day to day management issues required to make the contract a success. Contracts have to be supervised and controlled to ensure that the supplier/ tenderer perform according to the contract and that delivery schedules are met. Ineffective supervision of contracts may lead to serious losses for the company.*

c. **Aim of Chapter.** *To enable the participants recognize and apply the basic procedures necessary for the successful implementation of contracts.*

d. **Objectives of Chapter.** *By the end of this chapter, the participants will be able to:-*

- (8) Monitor and supervise projects.
- (9) Produce supervision and monitoring reports.

SESSION – 1
CONTRACT ADMINISTRATION

<u>DESIGN AND DURATION OF SESSION ONE</u>		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none"> ▪ Introduce the topic ▪ Trainer presents the session objectives 	15 Minutes
2.	Methods <ul style="list-style-type: none"> ▪ Trainer presents a lecture on key players in Contract Administration ▪ Contract Management documents ▪ Contract effectiveness ▪ Contract supervision and administration – goods ▪ Contract supervision and administration – works ▪ Contract supervision and administration – services ▪ Contract performance ▪ Procurement reporting ▪ Procurement Monitoring and Evaluation ▪ Introduction to Contract Management Information System / ERP 	75 Minutes
3.	Group Work <ul style="list-style-type: none"> ▪ Activity 6 Dispute Resolution Role Play 	45 Minutes
4.	<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none"> ▪ Summarize key issues about Contract Administration. <ul style="list-style-type: none"> ▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. 	15 Minutes
	<i>Total time:</i>	150 minutes

5. **Introduction.** Effective management of contracts is essential to ensure that the objectives of the procurement process are achieved and that all contractual obligations and activities are completed efficiently by both parties to the contract. The Procurement Unit must ensure that routine monitoring of all current contracts is maintained so that swift remedial measures can be taken when problems arise, or preventative action taken when problems are foreseen. There are many post-contract issues that need to be dealt with, monitored and resolved before the contract reaches its conclusion including:-

- (23) Contract effectiveness.
- (24) Delivery and inspections of goods.
- (25) Payments to the consultant, supplier or contractor.
- (26) Performance monitoring for services and works.
- (27) Contractual disputes.
- (28) Delays in performance.

- (29) Claims for damages
- (30) Initial and final takeover of construction works.
- (31) Installation and commissioning of equipment
- (32) Acceptance of deliverables.
- (33) Contract closure.

6. **Objectives.** *By the end of the session the participants will be able to:-*

- (j) Understand and explain contract supervision.
- (k) Understand and explain contract monitoring.
- (l) Explain the key requirements in making payments to contractors.

7. **Contract Effectiveness.** *The procurement contract enters into force when the contract is signed by the supplier, service provider or contractor and by the company. Where the bidding documents stipulate that the procurement or disposal contract is subject to approval by a higher authority or a financing agency, the procurement contract shall not enter into force before the approval is given.*

8. **Contract Supervision and Administration – Goods.** *Contract supervision and administration for goods will be the primary responsibility of the Procurement Unit. Supervision and administration is straightforward in most procurement of goods however monitoring delivery schedules, processing of documents and the inspection of goods are essential to ensure that the correct goods are delivered on time. The Procurement Officer will:-*

- g. Monitor the delivery schedules of all purchases to ensure that they are dispatched, delivered or collected on time.
- h. Receive reports on pre-shipment inspection of goods and contact the supplier in writing requesting rectification of any discrepancies or deficiencies.
- i. Contact the supplier to identify the causes of any delay in delivery;
- j. Initiate and supervise any process for claims against the supplier.
- k. Report to the tender committee any failure by the supplier in his contractual obligations.
- l. The inspection and receiving committee will co-ordinate the receipt and inspection of goods and prepare acceptance report.

9. **Delivery and Inspection of Goods.** *On delivery by a supplier, the Inspection and Receiving committee will receive the goods and examine the good to ensure that the goods delivered are as specified in the order/contract i.e. the Inspection and Receiving Committee will:-*

- e. Examine the documentation and packaging for compliance with the contract.
- f. Examine and analyze the goods for conformity with the contract specifications and/or the samples provided.
- g. Reject all goods that are damaged or do not conform with the required specifications or samples.
- h. Prepare an inspection report recording the delivery, and descriptions, specifications and quantities of the goods examined, and the reasons for accepting or rejecting the goods.

10. **Payment for Goods.** *For simple payments against invoices, the Procurement Officer will certify the invoice submitted by the supplier for payment. The Procurement Officer has to ensure that any advance payments already made and any contractual penalties incurred by the supplier have been taken into consideration in arriving at the amount payable to the supplier. The Procurement Officer should check the invoice to ensure that it is fully supported i.e. the following have been attached:-*

- (13) The shipping documents or airway bill, or a delivery note.
- (14) Original of the Inspection Report.
- (15) Original Goods Receipt Note.
- (16) Calculation of any penalties for rejected goods not removed by the Supplier and liquidated damages if allowable under the contract.
- (17) Copies of relevant information from the contract document, records of approval and financial authorizations.
- (18) The procurement unit will then forward the documents to accounts for preparation of payment voucher. When the payment voucher is ready, the Procurement Officer will use the details to update the contracts register with details of payments. On expiry of any guarantee period the Procurement Officer shall release the retention balance to the supplier.

11. **Contract Supervision and Administration – Works.** *Contract supervision and administration of works contracts is often complex due to factors which could not be foreseen at the start of the work. The use of Technical Supervisor or Project Managers also means that daily control and supervision of the contract is not practical for the company. Company must therefore ensure that they are kept informed of progress and problems which arise through routine implementation progress reports.*

12. **Contract Supervision.** *Day to day supervision of a works contract is carried out by the Technical Supervisor or Project Manager who acts for the company to supervise and administer the contract. For large contracts this may involve a team of engineers, inspectors, quantity surveyors etc. The technical supervisor is appointed by the competent authority of the company. The process of contract supervision starts immediately after the signing of the contract agreement and ends with the issue of a certificate of performance and making of final payments to the contractor. Contract supervision may require crosschecking to actual progress/performance against contracted outputs in the bills of quantities.*

13. **Responsibilities of the Technical Supervisor.** *The responsibilities of the Technical Supervisor include to:-*

- g. Discuss technical matters with the contractor and ensure that the contractor understands the technical design and specification.
- h. Inspect the works and advise the contractor and company management if there is any deviation from the technical design and specification.
- i. Help to solve problems that arise during implementation of the contract.
- j. Prepare progress reports. These reports are needed when the contractor submits a claim for payment, for monitoring implementation progress and when problems arise during implementation.
- k. Issue certificate of payment detailing the quantity of work performed by the contractor against each item in the priced BOQs and the valuation of work completed.
- l. If any part of work is not done to the satisfaction of the Technical Supervisor, he may instruct the contractor to rectify the shortcomings.

14. **Payment for Works.** *Payment for works contracts will normally be made against payment certificates approved by the technical supervisor and completion reports of the inspection and acceptance committee. For all works contracts, materials delivered to the site but not yet used will be excluded from the measurement approved and the value of payment certificates. The Technical Supervisor will ensure that:-*

- e. Any required retention specified under the contract is deducted from the value of the certificate before payment.
- f. Agreed deductions in respect of the repayment schedule for any advance payment are deducted from the value of the certificate before payment.
- g. On issue of an interim takeover certificate by the Inspection and Acceptance Committee, part of any retention money held may be paid to the contractor if specified in the contract.
- h. On issue of a final takeover certificate by the Inspection and Acceptance Committee, the balance of any retention money is paid to the contractor.

15. **Claims by Contractor.** *Claims by Contractors for additional work or costs which are not covered under the terms of the existing contract and total contract value, must be referred to the tender committee for approval. Claims for extension of time, with or without additional costs, or for additional payment to the contractor must be resolved quickly, subject to the approval of the tender committee.*

16. **Contract Supervision and Administration – Services.** *Contract supervision and administration for simple routine services such as office cleaning, provision of transport or contract maintenance, will be undertaken by the User Department and the Procurement Unit as appropriate. For consultancy services, the contract will usually nominate a Project Manager to coordinate supervision and administration. The contract may specify payments on the basis of inputs (time), deliverables, retainers, unit rates or commission fees, and administrative and supervision activities must therefore be based on the specific terms of each contract. The Procurement Unit (or Project Manager) will:-*

- (13) Monitor the activity and performance in accordance with the contract to ensure that levels of service are maintained and that deliverables are submitted or completed on time. For consultancy services, the contract may specify key reports to be submitted, or timesheets and routine reports to be submitted on a monthly or quarterly basis.
- (14) Ensure that all contractual obligations of the company are performed promptly and efficiently.

- (15) Ensure that all deliverables (and especially reports) are reviewed immediately and responded to in writing where necessary.
- (16) Contact the service provider to identify the causes of any failings in performance or failure to meet targets.
- (17) Issue a formal letter to the service provider detailing the complaint if the explanation given is unsatisfactory or if performance is not improved within a reasonable period of time.
- (18) Report to the tender committee any continued breach by the service provider of his contractual obligations.

17. **Payment for Services.** *Payment for service contracts will be made according to the specific terms of each contract against invoiced claims by the service provider. The Procurement Unit (or Project Manager) will ensure that:-*

- (7) The invoice claim is justified by the evidence of timesheets, submission and acceptance of deliverables, or other criteria as specified in the contract.
- (8) Agreed deductions in respect of the repayment schedule for any advance payment are deducted from the value of the invoice before payment.
- (9) Any retention sum specified in the contract is deducted from the value of the invoice before payment.

18. **Timing of Payments.** *The company has a responsibility to make payments promptly in accordance with the contract. Payment delays not only create a bad impression of the company, but are also ultimately passed on to company in higher prices as suppliers build in the cost of payment delays in their prices. The periods in which payments have to be made, and the penalties for delayed payment will be those specified in the signed contract. The Procurement Officer or Project Manager must ensure that:-*

- (3) The payment terms and penalties specified in the contract are known to all managers and staff involved in the processing of payments.
- (4) All invoices and certificates which are not in dispute are paid within the agreed payment period.

19. **Contract Performance.** *How should the Company Chief Engineer ensure that the contractor delivers the agreed outputs?*

20. **Monitoring Consultant, Supplier or Contractor's Obligations.** *The consultant, supplier or contractor's performance against the contract must be monitored on a routine basis. The Procurement Unit or Project Manager will:-*

- (1) Notify the supplier or contractor immediately in writing of any failings in performance and seek an agreed solution. In the case of a consultant this takes the form of comments on consultancy reports.
- (2) Update the contract file regularly to reflect the monitoring of performance.
- (3) Ensure that the company is informed of any serious failings in performance.

21. **Monitoring and Performing the Company Obligations.** *The contract may impose certain conditions on the company which, if not complied with, may affect the supplier or contractor's performance including:-*

- (11) Payment of stage payments within the contracted time limits.
- (12) Approval of drawings or reports within the set time periods.
- (13) Provision of storage or working facilities and access permits.
- (14) Conditions relating to the supplier's provision of staff services (e.g. letters of invitation for visas, provision of office space, etc.).
- (15) The Procurement Officer/Project Manager must ensure that all such obligations of the company are planned and performed without undue delay.

22. **Delays in Performance.** *Delivery of goods, construction of works and the performance of services should be completed by the supplier or contractor in accordance with the time schedule prescribed in the schedule of requirements. Where this is not the case:-*

- (10) In accordance with the contract conditions, the supplier, contractor, or its subcontractor, must notify the company in writing of the conditions delaying performance, including full details of the delay, the likely duration and the cause(s).
- (11) The company will immediately assess the situation, and may at its discretion extend the supplier or contractor's time for performance, with or without liquidated damages as specified in the contract.
- (12) If the time for performance is extended, both parties shall ratify such extension by a formal addendum to the contract subject to approval by the tender committee / competent authority.

- (13) A delay by the supplier or contractor in the performance of his obligations may render him liable to liquidated damages if specified in the contract document, except where:-
- (a) The delay is as a result of Force Majeure.
 - (b) There is no provision for liquidated damages in the contract.
 - (c) An extension of time is agreed between the two parties without the application of liquidated damages.
- (14) The Procurement Unit or Project Manager will:-
- (a) Refer to the relevant clauses in the General or Special Conditions of Contract for the procedure to be followed to apply, calculate and claim liquidated damages.
 - (b) Update the procurement file and contract register to reflect any delays in the supplier's performance.
 - (c) Notify the end-user department immediately of all such delays.

23. **Resolution of Disputes**

- e. **Question-1.** *What are the possible sources of conflicts during the contract management process?*
- f. **Answer-1.** Most minor disputes may be resolved by sensible discussion and agreement between the responsible officer and the supplier or contractor to rectify the cause of complaint. Any formal written complaints received from a supplier or contractor should be fully investigated and referred to the competent authority to authorize correspondence or formal negotiations with the supplier or contractor.
- g. **Question-2.** *What should be considered in developing a conflict resolution mechanism that is quick, fair, transparent and simple?*
- h. **Answer-2.** When handling disputes the project manager/procurement officer should:-
- (f) Examine the contract carefully to be aware of all contract conditions relating to the resolution of disputes.
 - (g) Determine if the company is at fault or partly at fault, and if so, take appropriate action to rectify the problem.
 - (h) Invite the supplier or contractor to a formal meeting to discuss the issues and try to agree a compromise acceptable to both parties. Ensure that accurate written minutes are kept of any such meeting. If an agreement is reached which changes any of the conditions of the

contract, approval of the tender committee or the Executive Secretary is required before the agreement can be implemented.

- (i) If no initial agreement is reached and negotiations conducted also fail, consider the use of arbitration services as specified in the contract.
- (j) Prepare any necessary addendum to the contract for signature.

24. **Termination of the Contract.** The parties to the contract normally have the right to terminate the contract, but to protect the company advice of the Legal Officer should always be sought if the company is considering such action. For donor funded procurements, donor “no objection” must be sought before any action to terminate a contract is initiated. Contracts should not normally be terminated without examining all possible alternatives, unless the termination is agreed by all parties to the contract.

25. **Contract Amendment.** Contract amendment may become necessary as a result of the application of price variations specified in the contract, the resolution of disputes, additional or reduced requirements by the company, agreements to extend the time schedule, or from accepted increases or decreases in prices. The contract may allow the company to modify contract values by a pre-determined percentage when this is in the public interest and essential for the work of the company. All other amendments to costs, quantities, time periods and other terms and conditions of the contract must be approved by the Tender Committee and confirmed in a formal contract amendment or addendum.

26. *The Procurement Unit/Project Manager will:-*

- (1) Identify and agree with the supplier or contractor the specific clauses in the contract which need to be changed, and the new values or terms and conditions which are to apply.
- (2) Prepare a draft contract amendment document for approval by the Tender Committee together with a report justifying the reasons for the amendment.
- (3) Following approval by the Tender Committee:-
 - (g) Record any other contractual changes in the Contract Register.
 - (h) Arrange for signature of the contract amendment.
 - (i) Distribute copies in the same way as the original contract.

27. **Procurement Reporting.** *The routine reporting of procurement activity by company is essential for procurement planning and budgeting, and for the monitoring, tracking and evaluation of procurement.*

28. **Procurement Monitoring and Evaluation.** *Procurement monitoring and evaluation is a process that must be routinely conducted by respective companies:-*

- h. Ensure that procurements are within the annual procurement plan.

- i. Identify weaknesses and delays in the procurement process.
- j. Compare prices against market standards.
- k. Assess performance of procurement units and committees.
- l. Assess performance of suppliers, contractors and consultants.
- m. Assess compliance by the company to these guidelines.
- n. Identify any necessary remedial action.

29. **Group Work**

a. **Activity 6 Dispute Resolution**

- (1) This activity is designed to give participants practice in resolving the kinds of disputes that can arise during the contract management phase of company projects.
- (2) As a lead into the activity, ask participants to brainstorm the following questions. Participants may be able to share some of their own experiences of dispute resolution:-
 - (a) **Question-1.** What are the possible sources of conflicts during the contract management process?
 - (b) **Question-2.** What should be considered in developing a conflict resolution mechanism that is quick, fair, transparent and simple?
- (3) Ask participants to work in groups of 4, preferably in a mix of company.
- (4) Each group should prepare a brief scenario of a dispute that may arise during the implementation of a contract. For example:- A contractor wants to be paid more money in case of increase in rates during budget speech even though a contract has been signed. The contractor is reluctant to execute the contract till he gets assurance.
- (5) The scenario can be based on a real situation that has happened in the past if relevant.
- (6) Groups should try to include as much relevant information about the circumstances in their scenario as possible. For example, if a contractor wants to be paid more money, what are the reasons why?
- (7) Each group should briefly present their scenario. Then choose 1 of the scenarios to use as the basis for a dispute resolution role play.

- (8) Choose 1 person from the group to act as the contractor and 1 person to act as the Project Manager. 1 person should also be the CEO.
 - (9) We will assume that initial discussions between the contractor and Project Manager have failed. The CEO has been brought into try and brings about a resolution.
 - (10) The contractor should present his side of the story, followed by the Project Manager.
 - (11) The CEO should make a decision on who is correct in the scenario.
 - (12) The decision should be presented to the whole group along with reasons why?
- b. **Questions for Discussion.** Discuss these questions as a whole group:
- (1) What did you think of the decision of the CEO? Why?
 - (2) Do you think both parties were happy with the outcome of the dispute resolution? Why / Why not?
 - (3) What alternative responses could the CEO have chosen for this situation?

30. **Procurement Management Integrated End -to - End Procurement Management System**

- a. **What is it?** Procurement is part of a fully integrated financial management system solution that supports, automates and standardizes all stages of the indirect purchasing and procurement cycle - from requisitioning to paying vendors. These include: the initial identification of a need for products and services; expenditure approval; electronic data and information exchange with suppliers; goods delivery; expediting and inspection; invoice matching and payment settlement.
- b. **Who is it for?** This procurement management system is designed for organizations that want to control costs and streamline their procurement practices without sacrificing control - equally suited for both centralized and de-centralized purchasing processes. It enables procurement managers to move away from operational, day-to-day tasks and instead focus on managing and negotiating stronger supplier

relationships, scrutinizing spend and purchase decisions, to ultimately evolve the procurement function from a cost- to a profit-centre.

c. **How Can it Help?**

(1) **A Single Point of Entry**

- (a) Employees are given a single, easy-to-use screen for procurement of goods or services. The same screen is used, whether ordering: electronically, from a marketplace; traditionally, by paper order; or from another department or area of the business. Procurement will automatically identify and apply the correct buying process specified for a particular employee or role. This boosts adoption rates internally and externally, as well as improving visibility of the purchasing cycle.
- (b) Reduced maverick buying and strengthened relationships with suppliers.
- (c) A single, centralized procurement management system provides the basis for clearer, more complete and accurate analysis of the organization's suppliers and spending patterns, enabling you to aggregate spending via preferred or strategic suppliers and negotiate better terms and prices.

(2) **Better Purchasing Information With Lower Overheads.**

Users can "punchout" from within the purchase entry screen to collect accurate product and pricing information from suppliers' marketplace portals or websites. This allows better accuracy and control, without incurring the overhead of in-house catalog management.

(3) **Full Authorization and Budgetary Control.**

Workflow tools tailor authorization and approval to match the requirements of each particular organization, department or type of spend - making the process as simple or as multi-layered as you need it to be. For example, Workflow automates the transfer process from requisition to purchase, eliminating manual intervention. Workflow's ability to manage and

monitor any combination of step-by-step or simultaneous authorization procedures reduces cost and time - eliminating over-spending, which is especially important in today's climate of fiscal restraint.

- (4) **A Broader Integrated Solution.** The strengths of Procurement are multiplied, when used as a fully integrated part of the broader Agresso Enterprise Resource Planning (ERP) solution. For example:-
- (a) **Core Financials.** General ledger, accounts payables, expenditure controls/funds checking, fixed asset accounting for capital purchases.
 - (b) **Inventory Management.** Identifying items that may be in stock, to avoid unnecessary procurement.
 - (c) **Project.** Immediate update of project costs, based on purchase information, thus ensuring accurate project costs.

31. **ERP**

- a. **Definitions.** Enterprise resource planning is a cross-functional enterprise system driven by an integrated suite of software modules that supports the basic internal business processes of a company.
- b. **Functional Areas.** An ERP system covers the following common functional areas. In many ERP systems these are called and grouped together as ERP modules:
 - (1) **Financial Accounting.** General ledger, fixed asset, payables including vouchering, matching and payment, receivables cash application and collections, cash management, financial consolidation.
 - (2) **Management Accounting.** Budgeting, costing, cost management, activity based costing.
 - (3) **Human Resources.** Recruiting, training, rostering, payroll, benefits, 401K, diversity management, retirement, separation.
 - (4) **Manufacturing.** Engineering, bill of materials, work orders, scheduling, capacity, workflow management, quality control, manufacturing process, manufacturing projects, manufacturing flow, product life cycle management.
 - (5) **Order Processing.** Order to cash, order entry, credit checking, pricing, available to promise, inventory, shipping, sales analysis and reporting, sales commissioning.

- (6) **Supply Chain Management.** Supply chain planning, supplier scheduling, product configuration, order to cash, purchasing, inventory, claim processing, warehousing (receiving, putaway, picking and packing).
- (7) **Project Management.** Project planning, resource planning, project costing, work breakdown structure, billing, time and expense, performance units, activity management.
- (8) **Customer Relationship Management.** Sales and marketing, commissions, service, customer contact, call center support - CRM systems are not always considered part of ERP systems but rather Business Support systems (BSS).
- (9) **Data Services.** Various "self-service" interfaces for customers, suppliers and/or employees.

CHAPTER-3

E-PROCUREMENT STRATEGY AND ROADMAP

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none">▪ Introduce the topic▪ Trainer presents the session objectives	10 Minutes
2.	Methods <ul style="list-style-type: none">▪ Vision and objectives▪ Summary of strategic context▪ Pakistan benefit / cost	30 Minutes
3.	Comprehension Test	10 Minutes
4.	Lessons Learnt, Application and Summary <ul style="list-style-type: none">▪ Summarize key issues about the chapter.<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	10 Minutes
	Total time:	60 minutes

Introduction

5. The governance of procurement is pivotal to public trust in government and is a barometer for the quality of public administration, making it a priority target for the strengthening in most governments. Public procurement is also a key aspect of public administration that links the public financial system with social and economic outcomes, and as such is a major determinant of the quality of community services and infrastructure, and the effectiveness of the Government. This function cuts across almost all areas of planning, Programme management, and budgeting. The Organization of Economic Cooperation and Development (OECD) has estimated:-

- a. Total procurement accounts for 15% to 20% of Gross Domestic Product.
- b. Public procurement in one form or other accounts for 70% of government expenditure.

6. It has also been recognized by the OECD in 2007 that “public procurement is the government activity most vulnerable to waste, fraud and corruption due to its complexity, the size of the financial flows it generates and the close interaction between the public and the private sectors”. Procurement policy regulates the public sector’s interactions with domestic and international markets in ways that directly impact national efficiency and competitiveness. Public procurement is a common vehicle for business and industry development policies, and most regional and bilateral trade agreements have significant

provisions aimed at granting reciprocal access to domestic government procurement markets. Poor management of procurement invariably reduces development outcomes and is likely to reduce foreign direct investment. These effects have already been reported by the International Monetary Fund IMF in 1998, which has identified national consequences in terms of over-spending on capital, under spending on asset maintenance, poor quality infrastructure and reduced government revenues.

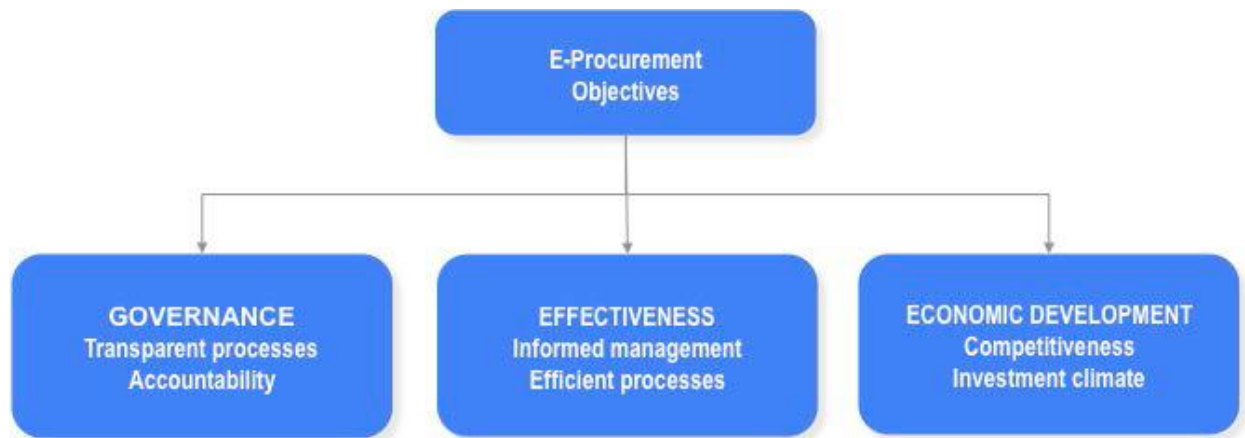
7. The IMF concluded that poor governance of procurement can result in infrastructure that reduces national growth - investment becomes a disinvestment. The poor quality and under-spending on maintenance also implies that what infrastructure exists has lower economic productivity. For these reasons, the strengthening governance in procurement has been described as the single most significant option for development in many countries.

8. **Vision And Objectives.** The objectives need to be defined as a precedent to the specification of a Strategy – if the objectives are unclear then the strategy will be ambiguous, and Readiness will raise concerns about readiness *for what?* It has been apparent that amongst some stakeholders there is not a clear understanding of what e-Procurement should look like. A vision and objectives have not been defined for e-Procurement in Pakistan, although there are some expectations that this will deliver transparency and efficiency. More broadly, it is recommended that the Vision for the e-Procurement program be governed by the core principles of procurement including *Governance, Efficiency and Economic development and investment and, more broadly, enhance trust in government.* More particularly, the key goals of the e-Procurement Program should be as follows:-

- a. To enhance decision-making capabilities of procurement officials by providing meaningful and comprehensive procurement information.
- b. To improve financial planning and budgeting.
- c. To improve transparency in procurement procedures and practices.
- d. To bring efficiency throughout the procurement process and minimize the procurement cycle time.
- e. To foster and encourage participation and promote competition among suppliers.
- f. To harness economies of scale through demand aggregation and maximize value for money in government procurement.
- g. To enhance citizens' and businesses' confidence in the government procurement process and the utilization of public funds.

- h. To ensure confidentiality, integrity and authenticity of all transactions and data between the procurement entities and the suppliers.
- j. To improve service levels to all stakeholders involved in government procurement.

9. These policies are summarized as three broad high-level objectives as under namely improved governance through enhanced transparency and management information, greater efficiency through workflow and document management, and help drive economic development:-



10. **Summary of Strategic Context.** From the foregoing assessment, several developments and issues listed below need to be addressed and guide in the e-procurement strategy or implementation roadmap:-

a. **Leadership**

- (1) E-procurement has senior support; however this does not seem to have been articulated in any public statement from Cabinet, and the public sector generally does not consider that there is any policy direction from the government in relation to e-procurement. A clear leadership role apparently has not been conferred on the PPRA.
- (2) Sindh PPRA and Government of Sindh have already endorsed the draft National procurement strategy circulated by the National PPRA, which reflect that there is high acceptance of e-procurement reform in Sindh. This suggests that a National approach to e-procurement rather than by individual Provinces can be viable – this is a very positive indicator and should be built on.

- (3) The National PPRA has a privately maintained e-portal, and an interest in online self-paced training for the private sector, and is building a complaints database. The PPRA also is maintaining an online blacklist. There are procurement portals at the provincial level with similar functionality, demonstrating that e-procurement is broadly accepted albeit that compliance with mandated online publishing is weak.
- (4) Sindh IT department has taken many initiatives towards introducing e-government in Sindh. Separate projects in the past were also initiated to introduce e-procurement and software designed and delivered to Chief Secretary Office, which were shelved. This suggests that in Sindh, there is a perception that e-procurement is an IT department responsibility. E-procurement is very much a PPRA (or Finance) responsibility and the National PPRA should take the lead in this area to assert this reality. IT-based e-procurement has a poor record of success.
- (5) It is **recommended** that the proposed system be centrally provided at the National level or at least at the provincial level, as a common unitary information technology infrastructure. Fragmented development increases cost and raises risks.
- (6) The PPRA, should have the lead agency and coordination role. If a National approach is adopted (**recommended**), the National PPRA would chair the coordination. It would be desirable for this program and institutional arrangement to be sanctioned with a public statement from the Prime Minister⁶ or Cabinet with the objectives of improving efficiency, transparency and business development.
- (7) Each of the PPRAs has also for several years already been managing and developing existing publications websites, which is the first step of e-procurement.
- (8) It is also desirable and **recommended** that the government signal its resolve publically, and to set a timeframe for a comprehensive e-Procurement system to be operational. Key performance outcomes from this policy should also be signaled such as in relation to targeted savings and transparency.

b. **HR**

- (1) There is a reasonable-to-good level of IT literacy in government, although staff preparedness for change is moderate, confirming that the strategy for e-procurement will need to be phased and lead by individual champions rather than whole departments - this will be recommended in the implementation plan.
- (2) Training programs are available for the government sector but little for suppliers – this will also require attention and will be addressed in the implementation plan. There is a low level awareness of the training requirements for this initiative, however, both the public and private sectors have a reasonable or high degree of e-literacy and it is considered that this is not expected to be a major issue. Nevertheless it will be addressed further in the implementation plan.

c. **Planning and Management**

- (1) Planning and management of procurement are governed by consistent legislation, standard bidding documents, and standard processes apply generally. These features will make the BPR for e-Procurement a relatively efficient process.
- (2) Procurement regulatory compliance including procurement planning is considered weak, partly because there is not a strong ownership of the processes. This issue will be significantly addressed by e-procurement together with a stronger government policy pronouncement for e-procurement.

d. **Policy**

- (1) There is only weak business orientation of public procurement, and a lack of any policy on e-procurement. A set of policies will be required to accompany e-Procurement, and should be developed by the PPRA for the operations of the systems. These will be outlined in the implementation plan. Further, there are e-Procurement instruments particularly framework agreements that will need to be developed, that will also require significant policy development that could be initiated in the short term. These issues are also to be discussed in the implementation plan.

- (2) The PPRA should be prepared to push the message that e-procurement does not imply re-centralization – instead an e-procurement system is to be regarded as a common information infrastructure that provides for each province to undertake their own procurement as is currently the case.

e. **Legislation**

- (1) There is considerable uncertainty and a lack of understanding about the relevant legislation. Survey responses do not strongly perceive the legislation to be an obstruction to e-procurement, although there appears to be considerable uncertainty in relation to what roles and responsibilities and authorities do exist. Despite this, there is a consistent but incorrect perception that there is no legislative basis for e-procurement, and that the Ordinance of 2002 is insufficient or expired. There continues to be a belief, also incorrect, that written signatures are mandatory in public contracting. This uncertainty is largely a result of a leadership vacuum in this area, and also a lack of understanding in the lead agencies themselves.
- (2) It is **recommended** that the PPRA should revise its regulations to remove ambiguities such as “in writing” which under the Ordinance (2002) can also mean digital means of authentication, etc. This would address the widespread confusion about the legal status of e-procurement.
- (3) It is strongly recommended that the e-procurement system should avoid the requirement of digital certificates and PKI for authentication, and apply an alternative solution such as set out in the implementation plan.

f. **Infrastructure and Standards**

- (1) Pakistan has coverage of network infrastructure with good accessibility that is quite adequate to support most functions of e-procurement. There are 8-10 Internet providers in country. Download speed is about 3mbps and uploading up to 1 mbps and PTCL DSL based Wi-Fi charges range in between Rs. 2000-2500 per month. Fiber optic cable is available across Pakistan and even in remote rural areas. Internet cafes have opened in private sector and also by government.

- (2) The government is currently not well equipped with storage capacity, backup or disaster recovery except for some specific applications. Nevertheless there may be adequate unused capacity in centers such as in Lahore that needs further investigation.
- (3) Within the private sector, there is extensive capability amongst larger businesses in the use of computers in their businesses, and showed enthusiasm for the introduction of e-procurement. This is inconsistent with perceptions of some government officials, who often consider the private sector to be unprepared.
- (4) Available software expertise is also adequate to provide domestic support for the operations and management, and the system development itself if that is the preferred business model – this will be discussed further in a following Section.
- (5) There is little guidance provided in relation to interoperability standards and risk management of applications development.
- (6) It appears that there is little in terms of government policies towards system ownership or disaster recovery infrastructure. There is no obvious home for an e-procurement data centre in Islamabad. However, there is a data centre with the Punjab IT Board that may satisfy national requirements. There is also a data centre being procured in Sindh with support from USAID and the World Bank.
- (7) The National IT Ministry does not have a strong model for a Government Interoperability Framework, nor should a comprehensive model for what e-procurement encompass. It is **recommended** that the IT Ministry focus on technical interoperability policy settings, security protocols and infrastructure, rather than application development. In some countries, IT expenditure is not permitted without sign-off from a lead IT agency regarding consistency of the proposed expenditure with government GIF and architecture policies. The e-Procurement system specified in this project will be consistent with open international standards, and in particular will be based on Service Oriented Architecture (SOA) and is **recommended**.

g. **Private Sector.** The Chairman of the Constructors’ Association of Pakistan (CAP) recommended that e-procurement be phased first with high value contracts as the firms participating are more active and have adequate IT capacity to handle and participate in e-bidding process. This is fully consistent with the international experience and is adopted in the Implementation Roadmap in Part III below.

h. **Existing Developments.** There are several attempts by individual entities to develop e-procurement for their particular business. The PPRA needs to act to take the lead role and drive a unitary system, which has major advantages over a fragmented approach.

11. **Pakistan Benefit / Cost.** In summary, it is clear that the business case for e-Procurement should include a range of qualitative and quantitative aspects. These are shown in the following Table, where the Indicators provide quantitative estimates in several cases. Where quantitative estimates are not able to be determined this does not mean that the factor is unimportant – there are compelling reasons why some of these qualitative factors are likely to be more significant than any of the quantitative factors.

No	Factor	E-Procurement impact	Direct Stakeholders	Indicators for Pakistan (National)
a.	Prices	Reduced 5-8% in competitive markets	All public entities	1% is estimated at approximately USD270 million / yr
b.	Transactional efficiency	Reduced 65% for simple procurement	Firms, public entities, public	10% TBE
c.	Procurement cycle times	Reduced 25-75% for complex procurement Reduced 80-95% for simple procurement	Community	1 month reduced cycle time for infrastructure budget
d.	Compliance	As for maverick buying 30%	Departments, PPRAs, firms	
e.	Delegation control / Decentralization	Up to 100% simple procurement	Departments, firms,	
f.	Transparency / Illicit practices	Substantial reduction reported	PPRAs, audit, firms, departments	Similar to 1 & 2 above
g.	Spend coordination X maverick buying	Increased 30%	Budgets, firms	Similar to 3 above
h.	Audit capacity	100% for parts of procurement cycle	Auditor, PPRAs	As for 6 above
j.	SME / business development	Online business enablement 25%	Firms	Technology take-up in Australia estimated up to 60% of GDP growth
k.	Inventory value	Reduced 70%	Budgets, departments	

No	Factor	E-Procurement impact	Direct Stakeholders	Indicators for Pakistan (National)
1.	Training requirements	Reduced for common functions	Departments, PPRAs	

12. The above discussion refers to the benefits of a well-conceived, competently implemented e-Procurement strategy. Benefits have been described in qualitative and quantitative terms. The qualitative benefits are not readily measurable; however the reported quantitative results include savings ranging between 5%-20%. With public procurement accounting for between 15%-20% of the national economy, this level of savings potential is substantial and the benefit / cost ratio should be substantial even without considering the qualitative benefits. A range of other procurement issues in Pakistan would also be significantly addressed by a good e-procurement system. Examples include that:-

- a. There are problems in the quality of national bidding, and even the larger bidders are often not well-prepared, being short on capacity and guidelines for preparing bids – digital documents could assist with this. There is a dominant reliance on newspaper notices and advertising. Online postings are mandatory but compliance is poor, and advertising often happens on non-business days, in obscure local newspapers that escape audit and monitoring, and reduce competition.
- b. There are no national or provincial statistics on procurement other than what can be deduced from financial reports.
- c. Procurement planning is reportedly often poor. Ideally, specifications should be approved when a project is approved, so procurement can start immediately. This does not often happen. Procurement plans are developed but not in standard formats.
- d. Blacklists are maintained by individual entities in isolation.
- e. There are some imperfect standard documents for engineering, and few tools for contract management – varies by jurisdiction. There is limited or no standardization of major assets such as locomotives, so multiple inventories are maintained.
- f. Major challenges with ICB including litigation around the specifications as to whether these are biased. Billing is also a very frequent problem.
- g. PPRAs do not have well developed sets of Key Performance Indicators for the management or monitoring of complex procurement.

- h. Each PPRA responsibilities end with the signing of contracts.
- j. Government of Sindh departments and agencies are reportedly strictly complying with PPRA regulations and any violation is being penalized and enforced in terms of rule 45 and cases of violations are being referred to provincial anticorruption agency.
- k. Lack of transparency and consultation with private sector seems to be a major issue. An opinion was expressed that there is little trust of the public procurement system amongst many private sector entities. It was advised that payment of commissions is common.
- l. Bidding was time consuming, slow an expensive, and competition in some sectors is limited and shrinking.
- m. Grievance redressed is considered to favor agencies and is avoided by many businesses. Nevertheless several agencies reported large numbers of complaints are made.
- n. Time taken from bid opening to award is reportedly “never followed” and a recent bid submitted in one of the departments was opened in December 2013 and the participants are still waiting for award decision.
- o. There is a “huge trend” of supplying low quality products and smuggled ones with low costs dealt beforehand.
- p. There is no plan available before hand on the basis of which suppliers can prepare its business plan for the year. PPRA publishes few organizations plans with different formats.
- q. The Pakistan Engineering Council (PEC) was of the opinion that there is lack of political will and lack of interest in any reform initiative due to corruption in Pakistan. In Pakistan multiple agencies are preparing bidding documents whereas mandate lies with PEC in case of engineering and construction works. This leads to confusion. There is also a lack of any standards for categorizing consulting firms.
- s. Sindh Irrigation informed that major challenge would be quality assurance. Access to new contractors is not restricted however if e-procurement introduced, it will definitely improve competition and introduce fairness. With regards to participation, on average 20-30 contractors compete for bids with Sindh Irrigation. There are also numerous complaints relating to procedural

issues. Concern expressed with regards to data security during the e-procurement and whether sufficient data security will be available to safeguard in process tender award.

13. The cost of an e-procurement development can be expected to range from around USD0.6 million up to USD3.5 million. Malpractice, a flawed strategy, or poor management in the development and implementation of e-Procurement can multiply this cost several times. The 'case against' e-Procurement is essentially one where there is likely to be poor strategic and implementation skills making the exercise one of high risk. There have also been cases where users on both sides of the market have raised objections. The reasons for these have included resistance to greater transparency and competition, or simply a reaction to change. There can also be concerns about data security and fraud (the risks of security and fraud are, however, generally greater in a paper-based environment).

14. **Comprehension Test.** The resource person should prepare a night early a comprehension test of ten questions of multiple choices / true false to see the participants comprehension in this subject.

CHAPTER -4

INTERNATIONAL PROCUREMENT ASSOCIATION VIRTUAL TRAINING

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none">▪ Introduce the topic▪ Trainer presents the session objectives	10 Minutes
2.	Methods <ul style="list-style-type: none">▪ Courses Offered▪ Resources	30 Minutes
3.	Self-Browsing	10 Minutes
4.	<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none">▪ Summarize key issues about the chapter.<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	10 Minutes
	<i>Total time:</i>	60 minutes

5. **Introduction.** Next Level Purchasing is the most sought out resource for procurement professionals; from entry-level buyers to executive-level practitioners. As a global organization founded in 2000, Next Level Purchasing has helped clients in over 150 countries throughout the world to establish and utilize procurement best practices leading to the achievement of better results than ever before.

6. **Objectives**

- a. Orientation with world known procurement training association.
- b. To give knowledge of virtual training on procurement management to desirous participants.

7. **Courses Offers**

- a. **Leading Online Procurement Training.** Prestigious organizations - including many Fortune 500 companies - from over 100 countries throughout North America, South America, the Caribbean, Europe, Asia, Africa, and Australia have enrolled their purchasing professionals in the Senior Professional in Supply Management[®] (SPSM) Program and online procurement training.
- b. **Leading Procurement Certification.** Next Level Purchasing is the only provider of the SPSM[®], SPSM2[®] and SPSM3 Certifications. Having been

earned in over 85 countries by every level from new buyers to executives, the SPSM[®] Certification is the most globally-recognized and relevant certification.

c. **World's Largest Professional Procurement Association**

- (1) The Next Level Purchasing Association (NLPA) brings together over 263,000 purchasing professionals (including 15,000+ executives) from around the globe to form the world's largest procurement association.
- (2) Recognizing that:-
 - (d) Some areas of the world are not prosperous enough for their citizens to pay for education.
 - (e) There are many unemployed and underemployed people here in the USA who would love to improve their skills and, thus, their prospects for employment but can't afford to do so.
 - (f) There are some companies that are struggling and do not have training budgets.
- (3) The NLPA feels a philanthropic need to provide educational assistance to help those people and companies and as such has established a free basic membership, available to all procurement professionals:-
 - (f) Access to the Express Course "Managing Supplier Performance" at no charge.
 - (g) Purchase Tips - a bi-weekly email providing tips and expert procurement advice.
 - (h) Monthly member-only webinars on topics including strategic sourcing.
 - (i) Digital subscription to Leading-Edge Supply Management.
 - (j) Access to annual salary and career reports

d. **Departmental Development**

- (1) **All-Access Corporate Subscription (AACS)** - To learn more and download a copy of the AACS One-pager, visit the [All-Access Corporate Subscription](#) page.
- (2) **Purchasing's Assessment of Skills for Success (PASS)**- An objective assessment program developed to assist organizations in determining the strengths and weaknesses in their staff's skills. To learn more about PASS, please visit our [Procurement Skills Assessment](#) page.

8. **Resources**

- a. **The Procurement Game Plan.** Next Level Purchasing's President & Chief Procurement Officer Charles Dominick, SPSM, SPSM2's book, The Procurement Game Plan, has been called. "A candid and comprehensive look at how to succeed in procurement--a must read for procurement professionals, everyone from college graduates to CPOs." -Juan Molina, CPO, Westinghouse Electric Company. To purchase a copy of **The Procurement Game Plan**, visit our [Purchasing Books](#) page.
- b. **Whitepapers.** Next Level Purchasing has authored a collection of educational whitepaper. To review the available whitepapers and to request copies, visit our [Supply Chain White Papers](#) page.
- c. **Blog.** Covering trending procurement topics, Charles Dominick, SPSM, SPSM2 offers procurement tips and advice. You can read the blog at [Purchasing Certification Blog](#).
- d. **Consultancy.** Next Level Purchasing has partnered with leading sourcing consultants to offer world-class sourcing consulting services in the areas of: Strategic Sourcing, Procurement Best Practices, Information Technology, e-Sourcing, Project Management, Negotiation, Telecommunications, Logistics, Inventory Management, Purchasing Management and Strategic Planning. To learn more about these services, please visit our [Sourcing Consultants Services](#) page.

9. **Self Browsing.** Participants may visit the web address <http://www.nextlevelpurchasing.com/> for self-browsing.

CHAPTER -5

UNDERSTANDING OF MISCELLANEOUS TAXES TO BE INCORPORATED AT THE TIME OF CONCLUDING CONTRACTS OF GOODS, WORKS AND SERVICES

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none">▪ Introduce the topic▪ Guest Speaker from FBR presents the session objectives	30 Minutes
2.	Methods <ul style="list-style-type: none">▪ Understanding of miscellaneous Taxes to be Incorporated at the time of Concluding Contracts of Goods, Works and Services	60 Minutes
4.	<i>Lessons Learnt, Application and Summary</i> <ul style="list-style-type: none">▪ Summarize key issues about the chapter.<ul style="list-style-type: none">▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation.	30 Minutes
	<i>Total time:</i>	120 minutes

Note:- Guest Speaker from FBR will be handling the tax rules for Procurement Management.

CHAPTER -6
PROCUREMENT REFORMS IN THE UNITED NATIONS SYSTEM

DESIGN AND DURATION OF SESSION ONE		
No.	Activity	Time Allocation
1.	Introduction and Session Objectives <ul style="list-style-type: none"> ▪ Introduce the topic ▪ Trainer presents the session objectives 	15 Minutes
2.	Methods <ul style="list-style-type: none"> ▪ The procurement reforms in the United Nations System 	60 Minutes
3.	Lessons Learnt, Application and Summary <ul style="list-style-type: none"> ▪ Summarize key issues about the chapter. <ul style="list-style-type: none"> ▪ Ask participants to share something that they have learned in this session and how they could apply this new knowledge to their work situation. 	15 Minutes
Total time:		90 minutes

4. **Objectives.** The objective of the present study was to assess the efficiency, effectiveness, transparency and coherence of procurement policies, practices and reform initiatives adopted by United Nations system organizations, and identify potential good practices and areas for improvement. The present note on procurement reform covers the following areas:-

- a. Procurement strategy development
- b. The supply chain management approach
- c. Sustainable procurement
- d. Procurement from developing countries
- e. Ethics management
- f. Vendor sanctioning and procurement challenge mechanisms.
- g. Common coding system.
- h. Risk management
- i. Monitoring, reporting and performance management
- j. Inter-agency coordination and collaboration.

5. **Main Findings and Conclusions.** For many years procurement was considered a transaction-oriented back-office function, and was often fragmented and managed in a haphazard manner. Between 2004 and 2009, the total procurement volume of United Nations organizations jumped from \$6.5 billion to \$13.8 billion, and the variety and complexity of procurement activities have increased tremendously. Prompted by the dramatic increase in

procurement volumes, most United Nations organizations, especially large ones, have become more aware of the strategic importance of procurement in achieving the broader goals of the organizations. This situation has led organizations to initiate many reforms in the past five years. On the basis of the review, the present note establishes 18 recommendations for implementation by the organizations. The recommendations should be considered as benchmarks towards achieving best practices rather than strict criticism. Many recommendations have already been implemented or are in progress in many organizations. If a recommendation is addressed to an organization for implementation, it does not necessarily mean that the organization has not put in place any reform efforts; rather, it should be seen as encouragement for further improvements towards the achievement of best practices.

6. **Organizational Structure, Human Resources Capacity and Training.**

Procurement needs to be considered as a profession and recognized as an important function on a par with other important functions, such as finance and human resources management. Thus procurement function needs to be structured, and resources provided on a par with its importance. The number and professional qualifications of procurement staff is of the utmost importance in ensuring effective and efficient procurement processes. The dynamic nature of procurement, including the expansion of activities and increasing technical complexity, calls for regular professional training of procurement staff. Staff without proper training should not be placed in positions of responsibility over procurement matters. Staff employed in key procurement posts should have completed or should be working towards advanced certification on procurement. Executive heads should consider increasing procurement staffing and training opportunities as an investment capable of providing a relatively quick payback in terms of financial savings and best value for money. To that effect, organizations should assess their procurement capability on a regular basis and develop strategies to ensure that their procurement capacity can achieve best value for money.

7. **Information systems.** Greater use of information technology in all procurement operations has a range of benefits. It can reduce transaction costs, facilitate better internal control and monitoring, and provide managerial information for decision-making. A procurement information system has to include basic integrated back-office transactions and contract management, as well as monitoring and data collection capabilities. Some other important advantages offered by information technology, such as paperless electronic requisitioning, ordering and invoice reconciliation, e-procurement and on-line catalogues, should be considered. United Nations system organizations do not yet have adequate

capabilities for procurement function. However, most of the organizations are about to implement new information systems. Organizations should take this opportunity to integrate necessary processes and data collection and monitoring capabilities into their new information systems.

8. **Procurement Strategy.** United Nations organizations have some elements of procurement strategies but they generally do not have a documented consolidated procurement strategy and planning process. This situation may lead to uncoordinated buying, limited possibilities to aggregate volume, duplicated efforts and inefficient use of resources. The organizations need to develop and implement a dynamic strategy to guide their procurement activities. To this effect they should build adequate human resources and information management capacity for data collection, procurement analysis and strategy development.

9. **Sustainable Procurement.** Although sustainable procurement includes economic, social and environmental aspects, in the United Nations system sustainable procurement is mostly associated with environmentally friendly or green procurement. Even so, the organizations lack clear policies for environmentally friendly procurement. Although there is no one-size-fits-all policy for all the organizations and all goods and services, there is a need for a general policy to direct efforts towards more environmentally friendly procurements. The review also found that the social aspect of sustainable procurement is fragmented and not consistent among organizations. Organizations need to improve the social aspects through a consolidated, coherent and focused approach. Procurement from developing countries has increased over the years but there is room for further progress, which could be supported through the adoption of a more proactive approach to using procurement as a strategic tool to further organizational objectives.

10. **Ethics Management.** The organizations have made great progress in the area of ethics in procurement, but some policies and methods of implementation differ among organizations. Some policies and methods of implementation can be considered best practices. Organizations should review their policy and practices in the light of identified best practices, with a view to making necessary alignments in their practices. There can be clearer policies and guidelines on a range of ethics issues, such as financial disclosure, post-employment restrictions, blacklisting and vendor complaints.

11. **Monitoring, Reporting and Evaluation.** Procurement involves a substantial amount of resources and also affects the achievement of organizational objectives. Therefore monitoring and performance evaluation is key to improving efficiency and effectiveness and maintaining accountability in procurement activities. The review found that the monitoring of procurement activities needs to be improved. Organizations should integrate necessary

modules and capabilities into their information systems for effective monitoring. In order to facilitate proper oversight, there should be regular reporting to senior management and governing bodies on procurement activities.

12. **Knowledge Sharing.** Knowledge sharing is an important element in improving the quality of procurement activities and promoting consistency and correctness of implementation across the organizational units. The identification and effective sharing of lessons learned and best practices and the facilitation of easy communication would help expand the knowledge of the procurement staff. Therefore organizations should invest in this area by introducing necessary means, such as best-practice databases, intranet networks, on-line libraries and discussion platforms.

13. **Inter-agency Coordination, Harmonization and Collaboration.** Inter-agency collaborative procurement practices offer great opportunities to achieve financial savings and improve procurement practices. Greater use of collaborative methods will allow the organizations to reduce transaction costs, and benefit from negotiated lower prices and better delivery and warranty conditions for the procurement of many goods and services. Collaborative approaches should not be limited to procurement itself but should also include collaboration throughout the supply chain. The review found that organizations headquartered in Geneva, Rome and Vienna collaborate significantly in the purchase of commonly used goods and services such as travel, office supplies, cleaning, energy and catering. There is also good collaboration among several organizations in the procurement of pharmaceuticals and vaccines. There are good examples of collaboration in the system; however there is room for further progress. Organizations need to take a more strategic approach to the issue by analyzing major procurement items in the system and introducing common consolidated procurement strategies and joint common long-term agreements.

14. **Recommendations:-**

- a. The recommendations as explained above, should be seen as benchmarks towards the achievement of best practices. Of the recommendations, maximum are addressed to the executive heads of the organizations. It is expected that CEOs of WAPDA Associated Companies should pursue the implementation of these recommendations.

- b. The organizations have broad mandates but limited resources. In recent years the financial crisis has aggravated the resource problem across the system, obliging the organizations to look at further options to achieve savings. **The Inspectors believe that procurement activities could allow for significant savings and, to this end, urge the organizations to invest in their procurement functions to speed up procurement reforms.**

CHAPTER – 8

MISCELLANEOUS ACTIVITIES

1. **Introduction.** This phase deals with visits to Transparency International, UN Procurement Agency and Centre for Peace and Development Initiatives (CPDI) Pakistan or any other procurement institution where variety of huge procurement undergoes through very well organized public procurement procedures. By visiting both the places, the participants can interact with institutions who are involved in real time public procurement. At the end of the visit, participant will be given procurement course feedback proforma which should be submitted within a week to WASC.
2. **Aim.** To enable the participants to interact with institutions undergoing public procurement in an organized pattern and learn from their experience.
3. **Objectives.** By the end of the visit, the participants will be able to:-
 - Understand public procurement procedures and common mistakes committed by public procurement institutions.
 - Understand the best practices of procurement agencies.
4. **Visits**
 - a. **Advance Notice.** WASC should inform preferably two weeks in advance to PPRA Islamabad and Centre for Peace and Development Initiatives (CPDI) Pakistan or any other procurement agency to arrange lectures during the visits of the course so that participants can interact directly to share experience and learn from each other.
 - b. **Visit to Transparency International.** The arrangements should be made in such a way that the course should reach Transparency International at 0900 hours so that from 0930 hours to 1130 hours the session should be finished.
 - **Visit to CPDI & Procurement Agency.** Once the course is free from Transparency International, the next visit should be the Centre for Peace and Development Initiatives (CPDI) Pakistan and Procurement Agency. From 1230 hours to 1400 hours, the course should complete its session.
5. **Feedback Proforma.** Attached.

PROCUREMENT MANAGEMENT

FEEDBACK PROFORMA
SMC

Question-1. Please comment level of confidence you have achieved after undergoing this course?

Question-2. Are you satisfied with the contents of the course?

Question-3. Modality of the delivery kept you interested in comprehending or otherwise?

Question-4. Do you consider the visit should continue or otherwise?

Question-5. Write any other comment which you feel essential to help faculty / WASC authorities?

CASE STUDY NO-1

PAKISTAN RAILWAY'S BID TO PURCHASE 150 LOCOMOTIVES

1. Pakistan Railways (PR) is bound to conduct all procurements in accordance with PPR 2004 and any violation of rules amounts to declaring the process as mis-procurement. Whereas PR conducted the procurement process in violation of PPR 2004 alleged by Transparency International (TI) Pakistan in a letter sent to the Secretary/Chairman, Railways, on May 12. TI Pakistan expressed concern over the violation of rules in the procurement of locomotives which may result in a loss of Rs 40 billion to the exchequer. Following violations were observed by TI Pakistan.

- a. US-made locomotives are specified in the tender.
- b. Tender notice was published only in one newspaper.
- c. Cost of tender documents was Rs 500,000.
- d. PC-1 was not prepared or approved.
- e. Rule 42 (d) was not applicable in this procurement.

2. Please go through the case study and prepare your discussion as to what all violations have been committed by the PR. You can consult PPRA rules while preparing reply. The solution of case study is as follow:-

Pakistan Railway's bid to purchase 150 locomotives. Pakistan Railways (PR) is bound to conduct all procurements in accordance with PPR 2004 and any violation of rules amounts to declaring the process as mis-procurement. Whereas PR conducted the procurement process in violation of PPR 2004 alleged by Transparency International (TI) Pakistan in a letter sent to the Secretary/Chairman, Railways, on May 12. TI Pakistan expressed concern over the violation of rules in the procurement of locomotives which may result in a loss of Rs 40 billion to the exchequer. **Following violations were observed by TI Pakistan:-**

- a. **Rule 10:** Only US-made locomotives are specified in the tender. This is not allowed under Rule 10 which states: "specifications shall allow widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications."

- b. **Rule 12:** Tender notice was published only in one newspaper. This is against Rule 12 (2) which states “all procurement opportunities over two million rupees should be advertised on the Authority's website as well as other print media or newspapers having wide circulation” and the advertisement in newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.
- c. **Rule 23:** Cost of tender documents was Rs 500,000. This is against Rule 23 (5) which states: "the procuring agency shall provide a set of bidding documents to any supplier or contractor, on request and subject to payment of price, if any. Explanation - for the purpose of this sub-rule price means the cost of printing and providing the documents only."
- d. **Rule 11:** PC-1 was not prepared or approved. This is a violation of Rule 11 which states: "approval mechanism - all procuring agencies shall provide clear authorization and delegation of powers for different categories of procurement and shall only initiate procurements once approval of competent authorities concerned has been approved." According to Rule 50 any unauthorized breach of these rules shall amount to mis-procurement. PPRs 2004 are mandatory on Pakistan Railways.
- e. **Rule 2(f):** In case reports about the deal are proved to be true, then under PP Rule 2(f), it would be a collusive practice designed to establish bid prices at artificial, non-competitive levels and to deprive procuring agencies of the benefits of free and open competition, and Rule 7 "Integrity Pact" and as a result the contractor may have to pay 10 times the loss to Government of Pakistan.
- f. **Rule 2(f)** states: "corrupt and fraudulent practices includes the offering, giving, receiving or soliciting of anything of value to influence the action of a public official or the supplier or contractor in the procurement process or in contract execution to the detriment of the procuring agencies; or misrepresentation of facts in order to influence a procurement process or the execution of a contract, collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition and any request for, or solicitation of anything of value by any public official in the

course of the exercise of his duty." The PR had taken refuge behind following rules which TI Pakistan explained as: PP Rule 42 is not applicable in this procurement.

- g. **Rule 2(f)** is applicable in this particular situation as it pertains to collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition. Rule 10 is applicable in this and each and every procurement by all procuring agencies. Under Rule 10, PR cannot name one country only as supplier, nor PR can specify only two brand names GE and GM prime movers without writing or "equivalent", as even in US at least four other reputable manufacturers exist, viz, American Locomotive Company (ALCO), Baldwin-Lima Locomotive Works (BLW), Fairbanks-Morse (FM) and Green Goats. Rule 42 (d) is not applicable in this procurement as it is Rs 40 billion procurement of 150 locomotives, which are manufactured by hundreds of firms all over the world. PR understanding of Rule 42 is wrong. PR has not been tied up forever with GE. With this logic, PIA shall always buy Boeing aircraft, under replacement program. While PR has clarified that Ministry of Railways has never favoured any single contractor or supplier but has requested all suppliers/manufacturers in the US for participation in the bid, TI Pakistan insisted that since PR is asking for foreign funding from bidders in this procurement and when payment in foreign currency is made and sovereign guarantee is required for foreign exchange loan, approval of Ministry of Finance and Government of Pakistan is mandatory requirement, prior to processing the procurement. PR further clarified that the specifications are not confined to any one particular brand name, model number, or catalogue number, etc, in view of the replacement program of old US origin locomotives and availability of US Exim Bank tied loan, the tender has been floated for all US suppliers and that, too, is subject to the approval of loan by the Government of Pakistan. Since monitoring the source country does not mean a single supplier, PPR 10, therefore, is not valid.
- h. The cost of tender document shown as Rs 500,000 has been described as a typographical error which was meant to be Rs 5,000 only and necessary

amendment is being issued, it said. **Other points clarified by PR are as follows:-**

- (1) It is on the advice of the Planning Commission that the locomotives are being procured on the nondevelopment side and not development side only. In an earlier case, the Planning Commission had advised that procurement of rolling stock and locomotives is a non-development activity which should not be routed through CDWP and ECNEC by way of submitting PC-1. Therefore, it is wrong to say that the Planning Commission had been bypassed.
- (2) The approval mechanism for such procurement is being strictly followed. The process has been initiated with the approval of the competent authority in the Ministry of Railways. The tender will help Railways in getting competitive prices, and final proposal will contain the realistic price to be approved by the ECC. In any case, the tender is subject to the approval of loan by the Government of Pakistan, as mentioned in the tender.
- (3) Regarding the need for two envelope bidding process, PR clarified that in an earlier case PPRA had advised the Ministry of Railways to use two-envelope system under section 36(d) of PP Rules in such procurements. That is exactly what the Ministry did.
- (4) **TI Pakistan in response replied as follows:-**
 - (a) PR has accepted the violation of Rule 23 and agreed to reduce the cost of tender documents from Rs 500,000 to Rs 5,000.
 - (b) TI Pakistan is of firm view that specifying procurement only from one country is violation of PP Rules which require specification to allow widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Public Procurement Regulatory Authority had informed the Managing Director of Pakistan Railways Carriage Factory, Islamabad, on May 5 that a tender notice cannot be country-specific. Pakistan Railways shall note the spirit of open competition which is described in Rule 2(f).

- (c) TI Pakistan has drawn the attention to Rule 5 whereby any unauthorized breach of these rules shall amount to mis-procurement. In case the procurement is financed under a commitment of the federal government arising out of an international treaty or an agreement with state or donors, then the donor's procurement conditions will over rule PP Rules, 2004.

CASE STUDY NO-2

CIVIL AVIATION AUTHORITY (CAA) ACCUSED OF VIOLATING PUBLIC PROCUREMENT RULES, 2004

1. Public Procurement Regulatory Authority (PPRA) took serious note of the alleged violation of procurement rules by the Civil Aviation Authority (CAA) in the purchase of a hydrant refueling system for the new Benazir Bhutto International Airport, Islamabad. PPRA sought report from the CAA in the wake of a 'petition for intercession' by China National Precision Machinery Import and Export Corporation (CNMPIEC) filed with the Secretary Defense through TI Pakistan. The Chinese firm alleged that its bid for the project opened on August 5, 2009, was the lowest - amounting to Rs1, 290,509,127 inclusive of duties and taxes - against AL Tariq Constructors whose bid offer amounted to Rs1, 398,784,629 inclusive of duties and taxes. Thus the Chinese bid was Rs108, 275,502 less than its competitor. TI Pakistan pointed out that if any violation of the public procurement rules occurs and are proved, the procurement may be declared as 'mis-procurement' and may be liable for action under Rule 2(f), "corrupt and fraudulent practices". TI Pakistan pointed out to CAA that the authority had to sign the 'integrity pact' with the contractor under Rule 7. Procurements exceeding the prescribed limit shall be subject to an integrity pact as specified by regulations with approval of the federal government, between the procuring agency and the supplier or contractor. And under the integrity pact, if corruption is deducted at any stage, the contractor is committed to pay ten times the amount of loss to CAA due to corrupt act besides facing legal action under the law of the land. In the case of complaints lodged by the Chinese firm, if Rs100 million is proved the amount of recovery from the contractor may be Rs1 billion. The Chinese firm maintained that it had already successfully completed the hydrant refueling system at Allama Iqbal International Airport, Lahore, saying that its competitor had no expertise of hydrant refueling system. While rejecting the Chinese firm's offer, the CAA advised CNMPIEC that it had been declared 'commercially non-responsive' as its bid price included the customs duty and taxes. The Chinese firm explained that it had complied with Civil Aviation Authority's own instructions to bidder. The hydrant refueling system is required for airports with high air traffic density and where the demand for fuel is high a refueling system known as the 'hydrant refueling system' is used. The main characteristic of this system is that fuel from the airport depot is supplied, under pressure, directly to the apron through a system of pits connected to a network of lines. The fuel is then loaded into the

aircraft using a servicer fitted with a supply monitoring station. The major advantages of hydrant refueling system, compared to re-fuelling carried out using re-fuellers, are practically no limits in quantity to be loaded on board aircraft; quicker fuelling procedures; and safer for airports, since there are no re-fuellers circulating with fuel on board.

2. **Violation of PP Rules by Civil Aviation Authority (CAA) regarding Pre-qualification Notice for Chain Link Fencing D.G. Khan Airport.** CAA published pre-qualification notice in daily Dawn on 12 February 2010 for Procurement of Chain Link Fencing for D.G. Khan Airport. Violation was made on account of Rule 16 by not providing set pre-qualification documents to the potential bidders. CAA had to process all procurements under the PP Rules 2004. PPRA took notice of this violation during its desk monitoring of procurement opportunities published in the newspaper(s). Subsequently, TI Pakistan followed up on this violation and wrote a letter to the DG CAA intimating the violation. Rule 16 of PP Rules 2004 explain prequalification process as under:-

- a. The procuring agency engaging in pre-qualification shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications and any other information that the procuring agency deems necessary for prequalification.
- b. The procuring agency shall provide a set of pre-qualification documents to any supplier or contractor, on request and subject to payment of price, if any.

Explanation. For the purposes of this sub-rule price means the cost of printing and providing the documents only. CAA was informed that PP Rules had eliminated all discretions in pre-qualification process and avenues of corrupt practices in tendering by explaining the pre-qualification process in detail in the Rules. In response to this intimation by PPRA as well as by TI Pakistan CAA prepared a set of pre-qualification documents including the pre-qualification evaluation criteria and provided them to the potential bidders on request accordingly. While doing so CAA extended the deadline for submission of applications.

CASE STUDY NO-3

VIOLATION OF PP RULES BY FEDERAL GOVERNMENT

EMPLOYEES FOUNDATION REGARDING EXPRESSION OF INTEREST FOR ESTABLISHMENT OF EDUCATIONAL INSTITUTION ON BOT BASIS

1. The procuring agency published expression of interest notice in daily Dawn on 8 November 2010 for establishment of educational institutions on Build, Operate and Transfer (BOT) basis. PPRA noticed that the notice did not include a set of prequalification document would be provided to the applicants as required under Rule 16 of PP Rules 2004. TI Pakistan also noticed that violation was made on account of Rule 16 by not providing a set pre-qualification document to the potential bidders. TI Pakistan stressed that an intimation on provision of prequalification documents should have been included in the procurement notice to be issued under Rule 16 which would comprise of all information required for including instructions for preparation and submission of the prequalification documents, detailed evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications and any other information that the procuring agency deems necessary for prequalification. Reference was also made to the Supreme Court order given on 28 April 2010 in case of disputed award of multibillion dollar LNG contract to GDF-Suez, in which the SC had announced that 'Here we may observe that it is duty of the court to ensure that the PPRA Ordinance 2002 read with the PP Rules 2004 are adhered strictly to exhibit transparency' PPRA further informed Director Overseas Pakistan Foundation about Rule 16 of PP Rules 2004 which explains prequalification process as under:-

- a. The procuring agency engaging in pre-qualification shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications and any other information that the procuring agency deems necessary for prequalification.
- b. The procuring agency shall provide a set of pre-qualification documents to any supplier or contractor, on request and subject to payment of price, if any.

Explanation. For the purposes of this sub-rule price means the cost of printing and providing the documents only. PPRA also referred to Rule 50 which states that violation of any rule of PP Rules 2004 shall render the procurement to be declared as

mis-procurement under rule 50 of the PP Rules 2004. In response to these guidelines/intimations by PPRA as well as TI Pakistan the procuring agency prepared a set of prequalification documents including the prequalification evaluation criteria and provided them to the potential bidders on request accordingly. While doing so, the concerned procuring agency extended the deadline for submission of applications.

Monitoring & Evaluation

Manuals / Curriculum for JMC, MMC AND SMC

Trainers / Trainees Manual

Developed by:

Dr. Atiq-ur-Rehman

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Overview of Program

Content	Duration (in hrs)	JMC	MMC	SMC
S1: Introduction to M&E	1.5	X	X	X
S2: Logical Framework Analysis (LFA)	1.5	X	X	X
S3: LFA Exercise	3.0	X		
S4: Development of indicators	1.5	X	X	
S5: Development of instruments for collecting M&E data	3	X	X	
S6: Gantt Chart (with exercise)	0.5	X		
S7: Milestone Chart (with exercise)	0.5	X	X	
S8: Earned Value Analysis – concepts	1	X	X	X
Earned Value Analysis – problems/exercises	2	X	X	X
S9: Understanding RBM (Section 12B of PC-I)	1	X	X	X
S10: PC-III form – conceptual understanding	1	X	X	X
PC-III form – exercises	1.5	X		
S11: PC-IV form – conceptual understanding	1	X	X	X
PC-IV form – exercises	1	X		
S12: PC-V form – conceptual understanding	1	X	X	X
PC-V form – exercises	1	X		
S13: Effectiveness of M&E System	1			X
S14: Evidenced based decision making (M&E data)	1		X	X

Total duration (in hours)	24	22	15	11
Total duration (in days)		5	3	2

Session 1

1.Introduction to M&E

"In all human affairs there are efforts and there are results, and the strength of the effort is the measure of the result"

-James Allen

Session Code	M&E 1
Title of the session	Introduction to M&E
Objectives of the session	After attending this session, participants will be able to demonstrate understanding about: <ul style="list-style-type: none">✓ Basic concepts relating to M&E✓ Importance of M&E✓ Difference between monitoring and evaluation
Time	1.5 hours
Process	<ul style="list-style-type: none">✓ Open up the session with a question "why do we need monitoring and evaluation?"... It should be followed by a question "What is monitoring and what is evaluation?"✓ Clarify the purpose of M&E and definitions of the two terms✓ Then ask a question, "Is there any difference between monitoring and evaluation?"✓ Then ask a question, "What is process of M&E in WAPDA?"✓ Make a presentation on the typical process of M&E in

1.1. What is M&E

An effective M&E system is crucial for ensuring relevance, efficiency, effectiveness and sustainability of projects. An M&E system helps us in:

- Reviewing progress of project
- Identifying problems in planning and/or implementation
- Making adjustments in the design and implementation strategy of the project so that

Monitoring and evaluation are two distinct sets of organisational activities i.e. monitoring and evaluation. They are related but not identical. Monitoring is a management tool which provides a useful base for evaluation.

Monitoring is commonly defined as a process of systematic collection and analysis of data/information about performance of a project or an organization. It enables project management team to determine whether the project is being implemented in accordance with plan, whether available resources are sufficient being well used, and whether the capacity project/organisation has is adequate and appropriate. In short, monitoring serves following purposes:

- to document progress and results of project
- to provide the necessary information to management for timely decision taking and corrective action (if necessary)
- to promote accountability* to all stakeholders of a project (to beneficiaries, donors, etc.)

On the other hand evaluation is commonly considered as assessment of actual project impacts against the agreed strategic plans. In other words, evaluation is meant to:

- assess the degree to which objectives have been achieved – comparing the actual project outcomes and impacts against set targets. In other words, evaluation attempts to determine relevance and fulfilment of objectives, as well as efficiency, effectiveness, impact and sustainability of a project
- enhance accountability
- document the lessons learned for future projects to improve quality of policy and practice.

At times, monitoring exercise identifies any critical issue which requires deeper examination, in such situation, evaluation exercise may be carried out.

1.2. Principles of M&E

- An M&E system must ensure connection along the chain of inputs, activities and deliverables/outputs, outcome and impact
- A bottom-up, flexible approach to ensure relevance, credibility and accuracy in the system, with uniform formats for reporting purposes.
- An M&E system that will evolve, over time, to allow experience and lessons learned to be captured.
- A results-based culture that should underpin the M&E System. Learning is consistent with a focus on programme improvement and on identifying new approaches that may be needed to address recurring or new needs.

- Quality assurance of performance data is important, while acknowledging that information may never be perfect.
- An integrated approach to monitoring and evaluation that is key to recognizing that an effective performance management system requires both.

1.3. Difference between monitoring and evaluation

Basic differences between monitoring and evaluation are given in TABLE 1.

TABLE 1 DIFFERENCE BETWEEN MONITORING AND EVALUATION

	Monitoring	Evaluation
Objective	To track changes from baseline conditions to desired outcomes.	To validate what results were achieved, and determine how and why they were or were not achieved.
Focus	The activities and outputs of projects, and their contribution to outcomes.	Comparing planned with intended outcome achievements, and assessing how and why outputs and strategies contributed to the achievement of outcomes;

		questions of relevance, efficacy, efficiency, and sustainability.
Methodology	Tracks and assesses performance i.e., progress towards outcomes through analysis and comparison of indicators over time.	Evaluates achievement of outcomes by comparing indicators before and after the intervention; uses monitoring data or information from internal and external sources.
Conduct	Continuous and systematic by project managers and key stakeholders.	Periodic, time-bound, in-depth, by external evaluators and stakeholders.
Use	Alerts managers to problems in performance, provides options for corrective actions, and helps demonstrate accountability.	Provide stakeholders with strategy and policy options, provides basis for learning and demonstrates accountability.
Frequency of data collection	Ongoing	Periodic
Type of data collected	Activities/processes and effects	Effects/outcomes/impact
Who collects the data	Project staff	External evaluators

Source: UNDP (2002)¹ and other studies

¹ Handbook on Monitoring and Evaluating of Results” UNDP Evaluation Office, 2002, p.12.

1.4. Some basic terms

- **Baseline**: A baseline is the situation just before, or at the outset of a new program or a project.
- **Connectedness**: Are their detrimental effects of the intervention on long run?
- **Coverage**: Who has been reached by the intervention, and where: linked to effectiveness?
- **Efficiency**: Were the results delivered in the least costly manner possible?
- **Effectiveness**: To what extent has the intervention achieved its objectives?
- **Impact**: Doing the right thing, changing the situation more profoundly and in the longer-term. Impact refers to long-term results of one or more projects/programs over time, such as changes in profitability of WAPDA.
- **Key Performance Indicator (KPI)**: It is a quantitative or qualitative measure of the progress made towards achieving an expected result.
- **Outcome**: Usually, outcomes refer to use of the output of a project/program. In other words, they are the results that occur after some time after (intermediate results) the program activities are completed such as power generation.
- **Relevance/Appropriateness**: Doing the right thing in the right way at the right time.
- **Target**: A target is an explicit statement or value of an indicator (relating to output, outcomes and impact) set to be achieved over a specified period of time.

1.5. M&E System in the public sector

Government of Pakistan uses PC-III forms for monitoring of the projects. However, organizations may develop some additional formats, in addition to the PC-III forms. It is also worth-mentioning that Section 12B in PC-I provides foundation to designing monitoring system for any project.

In Government of Pakistan, two proformas are meant for evaluation which are: PC-IV (Proforma for Project Completion Report) and PC-V (Proforma for post project O&M reporting). However, formal evaluations are performed by officials of Planning Commission or got conducted through independent consultants. Therefore, WAPDA officials are not required to possess expertise in impact evaluation of projects.

A typical project cycle showing monitoring and evaluation activities is shown in Figure 1

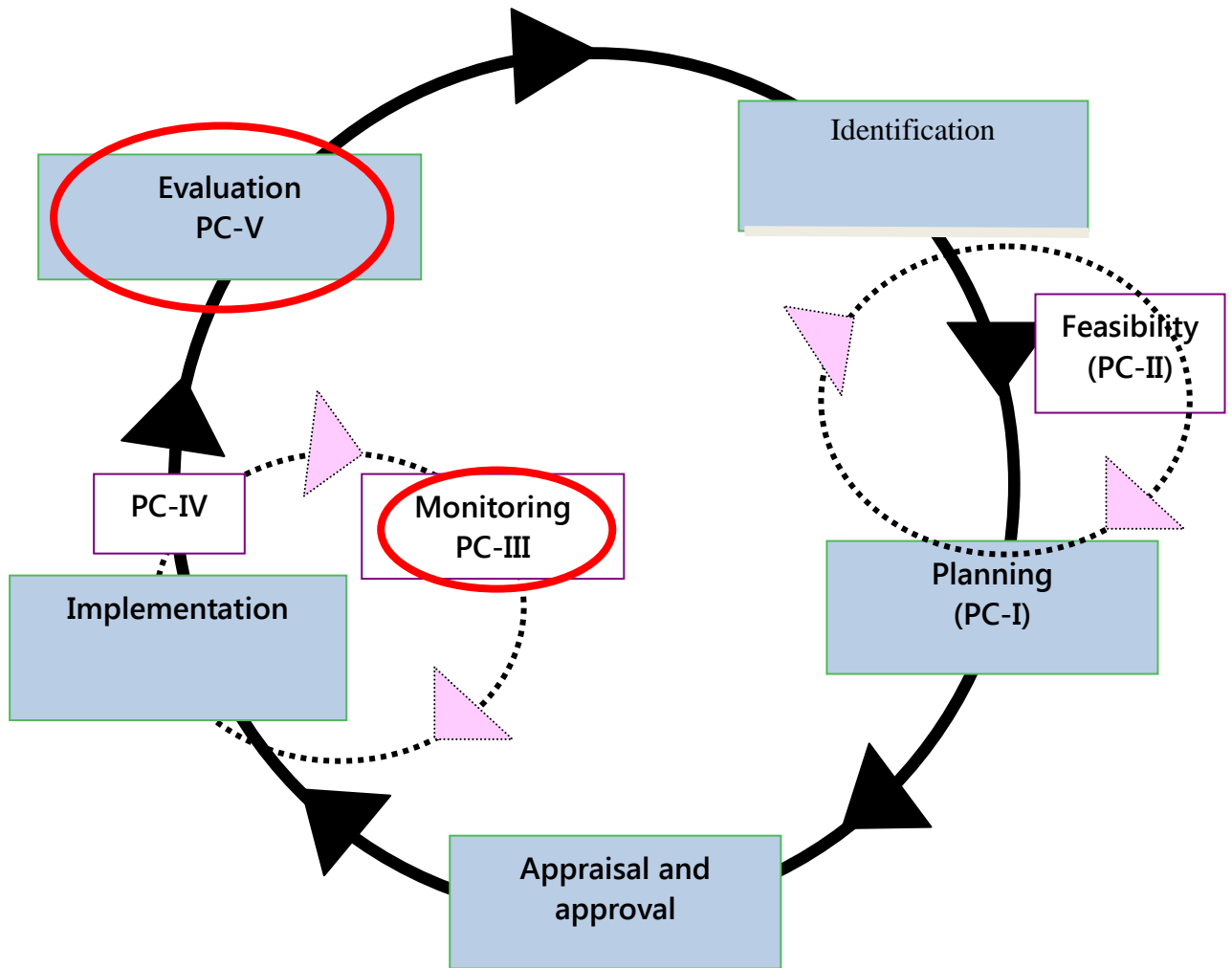


FIGURE 1 A TYPICAL PROJECT CYCLE OF PUBLIC SECTOR IN PAKISTAN

1.6. Monitoring of water and power projects in selected countries

1.6.1. India

Central Electricity Authority of India has set up specialized Divisions for monitoring of projects:

- **Thermal project Monitoring (TPM) Division:** It is tasked to monitor the progress of construction/erection activities of all the thermal power projects in the country till the units are commissioned. Monitoring methodology includes visits of CEA officers to the sites for assessing the on-spot progress of works and providing the advice/assistance in addressing the problems being faced by the projects, thereby assisting the project authorities in dealing with issues of time and cost overruns of the thermal power projects².
- **Power System Project Monitoring (PSPM) Division:** It is responsible for monitoring of projects relating to transmission and transformation (at 220 kV and above).

1.6.2. Bangladesh

Ministry of Power, Energy and Mineral Resources, Government of the Peoples Republic of the Bangladesh has adopted a software for monitoring of projects. Main features of the software³:

- Web based application using Unicode Bangla.
- Only authorized users can login and use this application through Internet.
- Managing the information regarding projects, agencies and donor agencies.

² Ministry of Power, India (2014, April). Monthly Report on Broad Status of Thermal Power Projects in the Country. http://www.cea.nic.in/reports/proj_mon/broad_status.pdf

³ Ministry of Power, Energy and Mineral Resources, Bangladesh. ADP Project Monitoring and Evaluation System

- Monitoring ADP/RADP allocation and procurement plan of the projects under different agencies.
- Tracking the fund allocation and release of ADP and RADP against a project.
- Tracking financial and physical target
- Preparing progress report of a project.
- Generating financial and physical progress reports (including BAR Chart) of a project.
- Generating financial year wise project progress reports.

1.7. Types of monitoring

There are several ways to classify monitoring:

1.7.1. Classification 1

- Internal monitoring: Monitoring of a project carried out by project staff
- External monitoring: Monitoring of a project carried out by any external agency or organization e.g. monitoring of a project of WAPDA by staff of Ministry of Water and Power or Planning Commission.

1.7.2. Classification 2

- Process monitoring: Monitoring of inputs, activities and output of a project
- 'Outcome monitoring: Monitoring of outcomes of a project. For example, when we are monitoring usage/performance of a power plant set up under a project
- Impact monitoring: Monitoring of impact of a project.

1.8. Types of evaluation

There are three types of evaluation⁴:

- **Formative evaluation** – It refers to examination of project plan including aims, objectives and procedures and inputs. It is closely related to ex-ante evaluation (evaluation carried out prior to execution of a project).
- **Process evaluation** – It refers to examination of processes relating to implementation of a project. It is closely related to ongoing evaluation (evaluation carried out during execution of a project).
- **Outcome evaluation**: It refers to examination of outcomes and impact of the project. It is closely related to ex-post evaluation (evaluation carried out after execution of a project).

1.9. Methods and techniques of M&E

Common methods/techniques used in monitoring include:

1. Logframe Analysis
2. Burnup and Burndown charts
3. Milestone chart

⁴ John Moores University, Monitoring and Evaluation: A guide for community projects. Available at <file:///F:/Consultancies/2014/ASP/WAPDA/Other%20matter/Monitoring-and-evaluation-a-guide-for-community-projects.pdf>

4. Gantt Chart

5. Earned Value Analysis

6. Results Based Monitoring

7. Surveys

Common softwares used in monitoring are MS Project and Primavera.

Session 2

2.Logical Framework Analysis

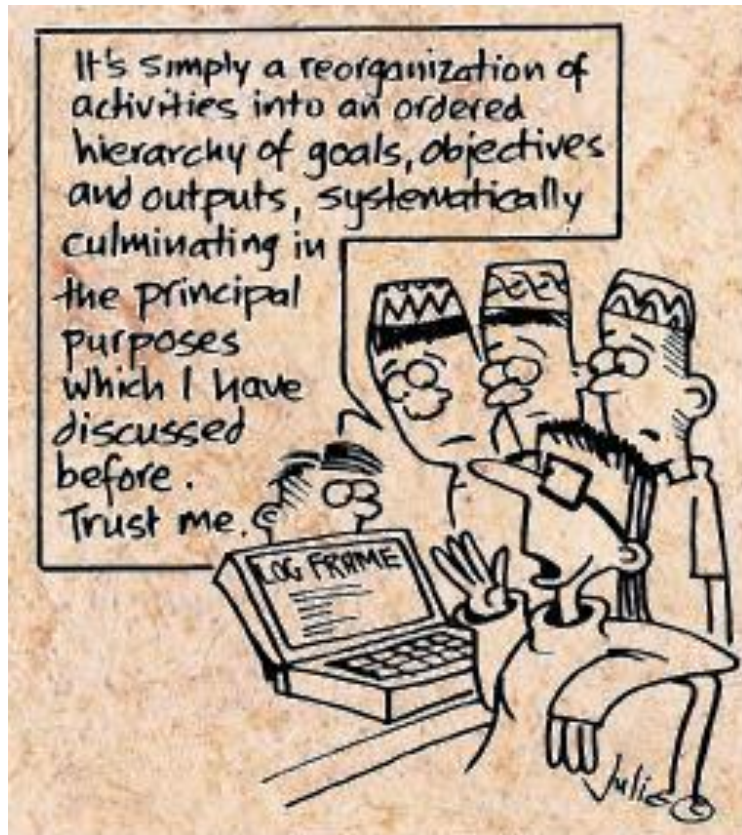
"If you don't know where you're going, any road will get you there."

- Lewis Carroll

Session Code	M&E 2
Title of the session	Logical Framework Analysis
Objectives of the session	After attending this session, participants will be able to demonstrate understanding about logical framework analysis, its importance in M&E, its use and process of its development.
Time	1.5 hours
Process	<ul style="list-style-type: none">✓ Describe the following to the participants<ul style="list-style-type: none">○ What is LFA○ What is LFM○ Example of LFA○ Steps involved in developing LFM✓ Ask the participants "What are advantages of LFM?"✓ Then make presentation on advantages of LFM while referring to the advantages highlighted by the participants✓ Make a reference to the checklist✓ At the end share useful links

2.1. What is LFA?

The Logical Framework Approach (LFA) is a project management tool, which is used in designing, monitoring and evaluation of development projects. It is extensively used in the development sector and public sector. It is sometimes called as Goal Oriented Project Planning (GOPP) or Objectives Oriented Project Planning (OOPP).



It was developed by consultant firm lead by Leon J. Rosenberg in 1969. They developed it for USAID.

Logical Framework Approach (LFA) is often mixed up with Logical Framework Matrix (LFM). LFA is a methodology while LFM is output of the LFA.

2.2. Logical Framework Matrix

An LFM is four by four table.

- Column 1: It is used to provide descriptive statements at different levels of objectives. In other words, this column gives description of events relating to project.
- Column 2: It contains one or more Objectively Verifiable Indicators (OVIs).
- Column 3: It pertains to Means of Verification (MoV) i.e. how will you verify achievement of targets set in OVIs. In other words, this column highlights the sources from where data will be collected.
- Column 4: Last column identifies assumptions based on which targets have been set. Assumptions are the external factors which could positively or negatively influence project targets. We have to make it sure that there is neither any ordinary assumption (having least impact or very low probability of occurrence or both) nor any killer assumption (having high impact and high probability of occurrence). For example, if we are working on a proposal of setting up a power plant in North Waziristan and we assume that there will be no security issue in the project area. It might be a killing assumption as impact of security issues would be very high and probability of occurrence will also be high.
- Assumptions are sometimes considered as other side of risks. For example, if "increase in tariff in proportion to the inflation rate" is an assumption, it would be representing a risk i.e. "no raise or less increase in tariff in proportion to the inflation rate".

TABLE 2 FORMAT OF A LFM

	Statement	OVI	SOV	Assumptions
Goal				
Objectives				
Output				

Activities

Input

TABLE 3 EXAMPLE OF A LFM FOR A POWER PLANT PROJECT

	Statement	OVI	SOV	Assumptions
Goal	To enhance profitability of WAPDA	Increasing profitability of WAPDA from -20% in 2014 to -5% in 2020	WAPDA record	Power tariffs rise in proportion to the inflation rate
Objectives	To increase electricity production	Increasing electricity production from 14,000 MW in 2014 to 15,100 MW in 2020.	Ministry of Water and Power; PEPCO	<ul style="list-style-type: none"> Fuel is made available according to agreed plan
Output	To set up 100 MW power plant in Faisalabad	100 MW power plant set up in 2015	Project record	<ul style="list-style-type: none"> Timely release of finances Adequate release of funds Timely clearance of machinery
Activities	<ul style="list-style-type: none"> Preparation of tender documents Invitation of tenders Bids received Comparative statement 	<ul style="list-style-type: none"> Preparation of tender documents Invitation of tenders Bids received Comparative statement 	Project record	

	<ul style="list-style-type: none"> • Approval and award of work • Civil work • Delivery of machinery at site • Installation of machinery • Testing • Handing over 	<ul style="list-style-type: none"> • Approval and award of work • Civil work • Delivery of machinery at site • Installation of machinery • Testing • Handing over
Input	Total cost = PKR 1245 million	

2.3. Steps in developing LFM

University of Wolverhampton⁵ has suggested following 11 steps in developing LFM:

- Step 1: Define the Overall Goal to which your project contributes
- Step 2: Define the Purpose to be achieved by the project
- Step 3: Define the Outputs for achieving this Purpose
- Step 4: Define the Activities for achieving each Output
- Step 5: Verify the Vertical Logic with the If/Then Test
- Step 6: Define the Assumptions related to each level
- Step 7: Define the Objectively Verifiable Indicator (OVI) at Goal then Purpose, then Output, then Activity levels.
- Step 8: Define the Means of Verification (MOV)
- Step 9: Prepare the Performance Budget

⁵ A Guide for Developing Logical Framework. Available at http://www.hedon.info/docs/logical_framework-CentreForInternationalDevelopmentAndTraining.pdf

- Step 10: Check the Logical Framework using the Project Design Checklist
- Step 11: Review the Logical Framework design in the light of previous experience

2.4. Advantages of LFM

Main advantages of the LFM are:

- It provides a summary of the design of the project/program
- It is a way to check the internal logic of a project plan and to ensure that strategies, objectives and goals are aligned with each other.
- It makes planners think about how they will monitor and evaluate the project/program by identifying indicators and setting targets at the beginning.
- It help planners make sense of the assumptions and risks that could influence activities, deliverables and outcomes of the project.

2.5. Checklist for project design while using LFA

Project Design Checklist

1. The project has one purpose.
2. The purpose is not a reformulation of the outputs.
3. The purpose is outside the management responsibility of the project team.
4. The purpose is clearly stated.
5. All the outputs are necessary for accomplishing the purpose.
6. The outputs are clearly stated.
7. The outputs are stated as results.
8. The activities define the action strategy for accomplishing each output.

9. The goal is clearly stated.
10. The if/then relationship between the purpose and goal is logical and does not miss important steps.
11. The assumptions at the activity level do not include any pre-existing conditions. (These are listed separately).
12. The outputs plus the assumptions at that level produce the necessary and sufficient conditions for achieving the purpose.
13. The purpose plus assumptions at that level describe the critical conditions for achieving the goal.
14. The relationship between the inputs/resources and the activities is realistic.
15. The relationship between the activities and outputs is realistic..
16. The relationship between the outputs and the purpose is realistic
17. The vertical logic among activities, outputs, purpose and goal is realistic as a whole.
18. The indicators at the purpose level are independent from the outputs. They are not a summary of outputs but a measure of the purpose.
19. The purpose indicators measure what is important.
20. The purpose indicators have quantity, quality and time measures.
21. The output indicators are objectively verifiable in terms of quantity, quality and time.
22. The goal-level indicators are objectively verifiable in terms of quantity, quality and time.
23. The inputs described at the activity level define the resources and costs required for accomplishing the purpose.
24. The Means of Verification column identifies where the information for verifying each indicator will be found.
25. The activities identify any actions required for gathering Means of Verification.
26. The outputs define the management responsibility of the project.
27. When reviewing the Logical Framework, you can define the evaluation plan for the project.
28. The purpose indicators measure the project impact to be sustained.
29. The output strategy includes a description of the project management systems.
30. The team designing the project are completely exhausted!

2.6. Useful Links

A Guide for Developing Logical Framework. Available at
[http://www.hedon.info/docs/logical_framework-
CentreForInternationalDevelopmentAndTraining.pdf](http://www.hedon.info/docs/logical_framework-CentreForInternationalDevelopmentAndTraining.pdf)

Asian Development Bank's Guide for developing logframe. Available at
[http://www.afdb.org/fileadmin/uploads/afdb/Documents/Evaluation-
Reports/00157943-EN-LOGFRAME-ADB.PDF](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Evaluation-Reports/00157943-EN-LOGFRAME-ADB.PDF)

Session 3

3.Exercise LFA

Session Code	M&E 3
Title of the session	Exercise: LFA
Objectives of the session	After participating in this exercise, participants will be able to demonstrate how to develop LFM for any project
Time	3 hours
Process	<ul style="list-style-type: none">✓ Divide the participants into three/four groups✓ Ask them to identify any project and develop LFM in 90 m✓ Ask each group to make presentation✓ Open the session for discussions✓ Run why test and how test✓ Highlight key areas for improvements

3.1. “Why Test” and “How Test”

Why Test refers to testing the vertical logic from the bottom to up (of the LFM). Place ‘why’ before each statement of Activities row. If answer to the question lies in cell above (output statement), then logic is validated. Then place ‘why’ before each statement of Output row, and see if answer is in above cell (Objectives row) or not... Similarly, run the same test on Objectives row. If anything is found irrelevant, review it.

After running why test, now run how test. It begins from the top. Place 'how' before each statement of Aim of the project, and see if answer to the question lies in cell below i.e. Objectives row, and so on....

Session 4

4. Development of indicators

Indicators are one of the more valuable and versatile, but if indicators are not used carefully they can consume extensive resources and generate data with little or no value.

❖ UNAIDS⁶

Session Code	M&E 4
Title of the session	Development of Indicators
Objectives of the session	After attending this session, participants will be able to demonstrate understanding about <ul style="list-style-type: none">✓ the concept and importance of indicators in M&E✓ characteristics of good indicators✓ indicators development process
Time	1.5 hours
Process	<ul style="list-style-type: none">✓ Begin the session with question, “what is an indicator”✓ Then tell the participants what it is.✓ Ask a question, what is importance of indicators in M&E?✓ Then run presentation✓ Divide the participants into three or four groups✓ Ask the groups to identify indicators for a project. <p>[Note: Same project should be given to all groups]</p>

⁶ UNAIDS (2010). An introduction to indicators. Available at http://www.unaids.org/en/media/unaids/contentassets/documents/document/2010/8_2-Intro-to-IndicatorsFMEF.pdf

- ✓ Ask them to make presentations
- ✓ Identify potential areas for improvement and highlight key learning

4.1. What is an indicator?

An indicator is a measure that indicates the state or level of something. An indicator provides a sign or a signal that something exist. In other words, an indicator change in state of anything or progress made by a project or a program.

Indicators development is an important component of an effective M&E system. Poor indicators would make all M&E activities irrelevant and ineffective.

We need indicators for all important aspects of project.

4.2. Use of indicators

Indicators are used in:

- ❖ effective planning
- ❖ monitoring of the implementation and effectiveness of project/program activities
- ❖ sound decision-making
- ❖ making comparisons over time, over different geographic areas and/or across project/program

4.3. Characteristics of good indicators

A good indicator should have following characteristics:

- ❖ It should be clear and concise
- ❖ It should focus on a single issue that provides relevant information on a situation
- ❖ It should be feasible to collect credible data for an indicator

Many experts suggest that an indicator must be smart i.e.

- S = specific,
- M = measurable (it is objective and can be measured)
- A = achievable (it is feasible to collect the data)
- R = relevant (relevant to the project/program) and
- T = time-bound.

4.4. Criteria for selection of indicators

Following criteria should be kept in consideration for selection of an indicator:

- Can it clearly show the expected progress or result?
- Can it measure the intended change as precisely as possible?
- Can it be clearly defined, easily understood and easily measured?

4.5. Critical issues in data collection for an indicator

Three issues which can affect the credibility of the data:

- ❖ **Validity**: It addresses the question: Are you measuring the same thing you intended to measure. In other words, validity is the extent to which a measurement or test accurately measures what is intended to be measured.
- ❖ **Reliability**: Reliability refers to consistency of the data when collected repeatedly using the same procedures (or instruments) and under the same conditions.
- ❖ **Bias**: Bias relates to any effect during the collection or interpretation of information that leads to a systematic error in one direction.

4.6. Types of indicators

There are many ways to classify M&E indicators:

4.6.1. Classification 1:

- Direct indicators: indicators that correspond precisely to results at any performance level.
- Indirect or "proxy" indicators: Indicators that demonstrate the change or results if direct measures are not feasible. For example, customer satisfaction cannot be measured directly, hence, we use proxy indicators.

4.6.2. Classification 2

- Quantitative indicators: Indicators that are expressed as quantity, number, percentage or share, as a rate, etc.
- Qualitative indicators: Indicators that lack objectivity. Usually observations are qualitative in nature.

4.7. Essential components of an indicator

Following are the key questions which must be considered to ensure that a selected indicator has following essential components:

- ❖ Does the indicator have a clearly stated title and definition?
- ❖ Does the indicator have a clearly stated purpose and rationale?
- ❖ Is the method of measurement for the indicator clearly defined, including the description of the numerator, denominator and calculation, where applicable?

- ❖ Are the data collection methodology and data collection tools for the indicator data clearly stated?
- ❖ Is the data collection frequency clearly defined?
- ❖ Is any relevant data disaggregation clearly defined?
- ❖ Are there guidelines to interpret and use data from this indicator?
- ❖ What are the strengths and weaknesses of the indicator and the challenges in its use?
- ❖ Are relevant sources of additional information on the indicator cited?

4.8. Examples of indicators

National, Urban and Rural Access to Electricity	%	Measures household electrification rate, including connection to the main grid and a local grid. This indicator might take into account off-grid connections.
Connectivity Potential	#	Number of new households in the country (or the utility area) minus number of new connections per year. A growing value will indicate a growing problem.
Tariff Settings and Adjustments	times/yr	Measures utility's ability to revise tariffs and adjust tariff schemes in order to cover costs with revenues. For many utilities, tariff decisions are made politically and not on the cost basis. Often utilities are not compensated for resulting losses.
Profit/Loss	%	Indicates to what extent the utility can have cost reflecting tariffs and keep control of investments, costs and bill payment.
Customers/Employee	ratio	Measures labor efficiency of utility. The ratio tends to be higher in well-managed, efficient utilities.
Staff cost/Total cost	ratio	Measures the weight of staff costs in the cost structure of the utility. Staff costs are a major factor of utility profitability.
Customer Bill Collection Rate	%	Revenues collected / Total electricity billed. Shows effectiveness of the utility in bill collection.
Total O&M Cost/Revenue	%	Operation and maintenance cost as a percentage of utility total revenue. Too low O&M cost may result in a need in very high investment and O&M cost in the future. Too high O&M cost indicate generic problems for the utility.

Source: World Bank (2009)⁷

⁷ The World Bank (2009). Monitoring Performance of Electric Utilities: Indicators and Benchmarking in Sub-Saharan Africa. Available at

4.9. Useful Links:

- ❖ Economic Indicators and Energy Balances of Non-OECD Countries, IEA (International Energy Agency), 2006
- ❖ Energy Information Administration (EIA), International Energy Data, US Department of Energy, various years:
<http://www.eia.doe.gov/emeu/international>
- ❖ Energy Statistics Database. IEA (International Energy Agency):
<http://www.iea.org>
- ❖ Introduction to Indicators:
http://www.unaids.org/en/media/unaids/contentassets/documents/document/2010/8_2-Intro-to-IndicatorsFMEF.pdf
- ❖ Southern African Power Pool (SAPP) annual reports, various years
- ❖ World Energy Outlook, International Energy Agency, (IEA), various years

Session 5

5. Development of instruments for collecting M&E data

Session Code	M&E 5
Title of the session	Development of instrument
Objectives of the session	After attending this session, participants will be able to demonstrate understanding about how to develop an instrument for M&E.
Time	3 hours
Process	<ul style="list-style-type: none">✓ Introduce basics of instruments (30 m)✓ Divide the participants into groups and ask them to develop an M&E questionnaire based on indicators developed in the previous session. (30 m)✓ Ask groups to make presentations (20 m)✓ Identify gaps in the questionnaires and help them in refining the questionnaire (10 m)✓ Ask the participants to use the refined questionnaires to circulate among themselves and collect data for pre-testing (30 m)✓ Analyse data (30 m)✓ Assess whether instrument has served the purpose (15m)✓ Identify gaps and refine the questionnaire (15m)

5.1. What is an instrument?

An instrument of M&E refers to a tool which is used for collecting data M&E data.

5.2. Instruments

Following are the common instruments which are used in M&E

- Questionnaires
- Informal interview guides
- Observation checklists

5.3. Steps in developing a questionnaire?

Following are the steps recommended for developing a questionnaire for M&E:

- Define objectives of the exercise for which questionnaire is to be developed
- Define scope of the exercise
- Identify indicators
- Convert indicators into meaningful statements or questions
- Review the questionnaire
- Pilot the questionnaire and collect data
- Analyse pilot data
- Examine if the questionnaire has generated meaningful data and served the purpose
- Refine the questionnaire

5.4. Recommendations in drafting questionnaires

- Keep it short and simple
- Use filter questions where appropriate
- Communicate appropriately
- Avoid “double barreled” questions
- Ask for facts, not judgments
- Begin with a non-threatening question

5.5. Types of questions

There are two major types of questions i.e. close-ended and open-ended question:

- Close-ended questions: Respondents are required to choose answer to a question from only available options like "yes," "no," multiple choices, a rating, ranking, etc. For example:
 - Is power plant running at full capacity: Yes / No
- Open-ended questions: Respondents can give any answer, not limited to the options available. For example:
 - What are the factors which negatively affect the performance of power plants?

Session 6

6.Gantt chart

Session Code	M&E 6
Title of the session	Gantt Chart
Objectives of the session	After attending this session, participants will be able to use Gantt chart for any project.
Time	½ hour
Process	<ul style="list-style-type: none">✓ Describe<ul style="list-style-type: none">○ What is Gantt chart?○ How is it developed?✓ Divide the participants into groups and ask them to develop Gantt chart for any project✓ Then ask them to show progress lines in the Gantt charts

A Gantt chart is a project scheduling technique. It is simply the form of bar chart – you plot activity against time. It was developed by Henry Gantt in the 1910s.

Traditional Gantt chart had following features:

- It is graphical illustration of activities
- It indicates start time and end time of each activity

An example of traditional Gantt chart is Figure 2.

Modern Gantt chart has one additional feature i.e. dependency among the activities. There are four types of dependencies:

- FS – when first activity ends then second activity starts
- SS – when two activities start simultaneously
- FF – when two activities finish simultaneously
- SF – when second activity ends then first activity begins

Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Preparation of tender documents								
Invitation of tenders								
Bids received								
Comparative statement								
Approval and award of work								
Civil work								
Delivery of machinery at site								
Installation of machinery								
Testing								
Handing over								

FIGURE 2 GANTT CHART FOR SETTING UP A POWER PLANT

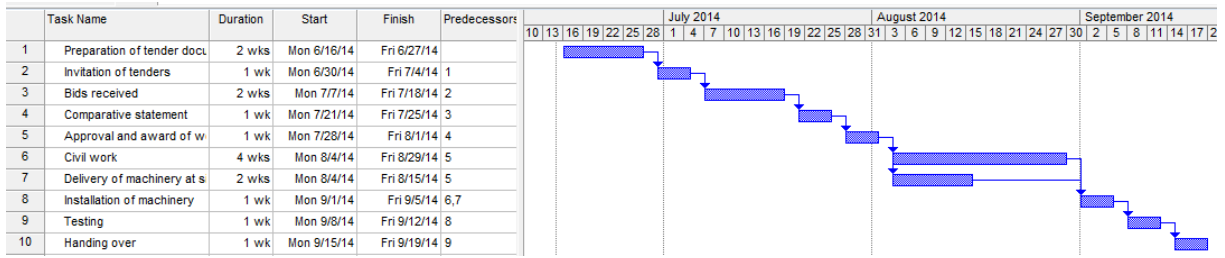


FIGURE 3 GANTT CHART FOR SETTING UP A POWER PLANT (USE OF MS PROJECT)

We can use Gantt chart is monitoring a project. If we are using softwares like MS Project, we can use Gantt chart for monitoring by showing progress lines (see Figure 4).

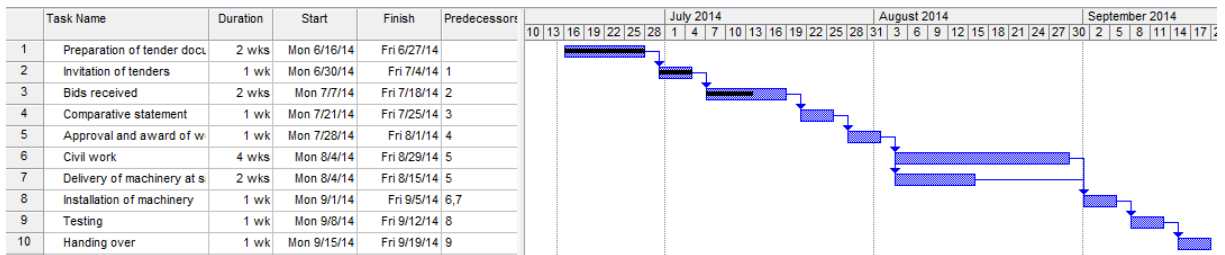


FIGURE 4 SHOWING PROGRESS LINES IN GANTT CHART

Session 7

7.Milestone Chart

Session Code	M&E 6
Title of the session	Milestone Chart
Objectives of the session	After attending this session, participants will be able to use Milestone chart for any project.
Time	½ hour
Process	<ul style="list-style-type: none">✓ Describe<ul style="list-style-type: none">○ What is Milestone chart?○ How is it developed?✓ Divide the participants into groups and ask them to develop Milestone chart for any project

Milestone is an achievement point in a project. For example, in our previous example, major achievement points could include:

- Award of work
- Completion of civil work
- Delivery of machinery
- Testing
- Handing over

An example of a milestone chart is given in Figure 5. It is showing that our first milestone is targeted to be achieved on 1st Aug, second milestone is Delivery of machinery which is targeted to be achieved on 15th Aug, and so on.

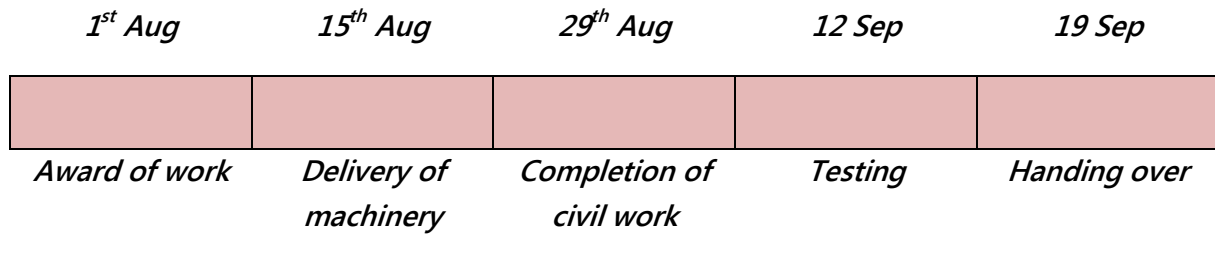


FIGURE 5 EXAMPLE OF A MILESTONE CHART

Utility of milestone chart: Milestone chart is a management tool for monitoring of projects. It is usually used by senior managers. They don't need to keep eyes on all activities. If they monitor achievement of only milestones, then they can play more effective role in the management of projects. If a milestone has missed time, then senior managers would need to analyse progress on the activities leading to that milestone.

Key features of milestone chart:

- It is a graphical illustration of important achievement points in a project
- It is senior management tool
- It signals completion of a key deliverable
- It signifies distance travelled

We can use softwares in monitoring milestones. For example, in MS Project we enter a milestone like a task, but when we enter zero duration against it, MS Project would automatically consider it as a milestone.

Session 8

8. Earned Value Analysis

Session Code	M&E 8
Title of the session	Earned Value Analysis
Objectives of the session	After attending this session, participants will be able to <ul style="list-style-type: none">✓ Demonstrate understanding about concepts relating to EVA✓ Calculate CV, SV, CPI, SPI and EAC✓ Interpret results
Time	2 hours
Process	<ul style="list-style-type: none">✓ Explain what is EVA✓ Give exercises for estimating BCWS, BCWP, ACWP to clarify the concepts✓ Introduce formulas of CV and SV✓ Give exercises for estimating CV and SV✓ Interpret results✓ Discuss weaknesses of CV and SV✓ Introduce CPI and SPI✓ Give exercises for estimating CPI and SPI✓ Interpret results✓ Introduce EAC✓ Give exercises for estimating EAC✓ Interpret results

8.1. What is EVA?

Earned Value Analysis (EVA) is a method of performance measurement. It combines scope, schedule, and resource measurements to assess project performance and progress.

EVA helps you to determine:

- ◆ where you are on schedule?
- ◆ where you are on budget?
- ◆ where you are on work accomplished?

8.2. What does it do?

EVA provides an “early warning” signal for prompt corrective action. Its scope is limited to schedule measurement and cost measurement.

8.3. Some basic terms

8.3.1. BCWS - Budgeted Cost of Work Scheduled

It is also known as Planned Value. It is the portion of the cost planned to be spent on a task between the task's start date and the status date. For example, the total planned budget for a 4-month task is PKR100 million and it starts on a January. If the status date is set to the following March, the Planned Value (BCWS) will be PKR 75 million.

8.3.2. ACWP - Actual Cost of Work Performed

ACWP is also known as Actual Cost. It is the actual cost incurred while performing work on a task during a given period. For example, if the 4-month task actually incurred a total cost of PKR 35 million during each of the first 2 months, the ACWP for this period will be PKR 70 million (while the BCWS is still PKR 50 million).

8.3.3. BCWP - Budgeted Cost of Work Performed

BCWP is also known as Earned Value. It is the portion of the budget that should have been spent for a given percentage of work performed on a task. For example, if after 2 months, 60% of the work on a task has been completed, you would expect to have spent 60% of the total task budget, or PKR 60 million.

8.4. Cost and Schedule Variance

Cost variance (CV): It is the difference between a task's earned value and its actual cost i.e.

$$CV = BCWP - ACWP$$

If CV of a project is zero, it means project is on budget and if it is in minus, it implies that project is suffering from cost overrun. On the other hand, if CV is positive, then it means project is incurring cost less than budget.

Schedule variance (SV): The difference between the earned value and the planned value of a task, in terms of cost i.e.

$$SV = BCWP - BCWS$$

If SV of a project is zero, it means project is on schedule and if it is in minus, it implies that project is suffering from time overrun. On the other hand, if SV is positive, then it means project is ahead of schedule.

Example 1: Let us assume a 4-month (Jan-April) project with budget of PKR 100 million. If status date is 31st March and we find that 50 percent of the work has been completed and project has incurred spending of PKR 70 million. What will be SV and CV?

First let us determine the values of ACWP, BCWS and BWCP. Total expenditure incurred so far is PKR 80 million, hence, ACWP is PKR 80 million. Since by the end of third month, 75 percent of the work should have been completed, hence, BCWS will be PKR 75 million. On the other hand, since only 50 percent of the work has been completed, its budgeted cost equals to PKR 50 million, hence, BCWP comes to PKR 50 million.

Cost Variance = BCWP-ACWP

PKR 50 m

80 m

CV = - PKR 30 m

Schedule Variance = BCWP-BCWS

PKR 50 m

75 m

SV = - PKR 25 m

As CV and SV are in minus, hence, we conclude that project is suffering from both time overrun and cost overrun. However, since, SV is closer to zero than CV, hence, we conclude that cost overrun is more serious problem than the time overrun.

8.5. SPI and CPI

One drawback with the SV and CV is that they can't be used for comparing performance of two projects with huge difference in budget. Hence, we need to

use alternate methods. Schedule Performance Index (SPI) and Cost Performance Index (CPI) can be used for comparing performance of projects, irrespective of their budgetary size. If values CPI or SPI equal one, it implies that project is on budget and on schedule. If value of CPI is less than one, it indicates that project is suffering from the problem of cost overrun. Similarly, if value of SPI is less than one, it indicates that project is suffering from the problem of time overrun. On the other hand, if CPI is greater than one, it means project is producing saving while accomplishment of its physical progress.

Example 2: Using data of Example 1, let us estimate CPI and SPI.

$$\begin{aligned} \text{CPI} &= \text{BCWP/ACWP} \\ &= \text{PKR 50 m / 80 m} \\ \text{CPI} &= 0.625 \end{aligned}$$

$$\begin{aligned} \text{SPI} &= \text{BCWP/BCWS} \\ &= \text{PKR 50 m / 75 m} \\ \text{SPI} &= 0.667 \end{aligned}$$

Interpretation:

- Since both CPI and SPI are below one, so we conclude that both problems are there in the project.
- Since CPI is further from one, than SPI, so we conclude that cost overrun is slightly more serious problem than the time overrun.

8.6. Cost Schedule Index (CSI)

CSI is a composite index of the cost and schedule performance. It is calculated as follows:

$$\text{CSI} = \text{SPI} \times \text{CPI}$$

The further CSI is from 1.0, the less likely project recovery becomes.

Example 3: Taking the values of CPI and SPI from Example 2, we find that

$$\begin{aligned}\text{CSI} &= 0.667 \times 0.625 \\ &= 0.417\end{aligned}$$

8.7. Estimate At Completion (EAC)

EAC estimates expected final cost based on the trend of CPI. It is estimated by using following formula:

$$\text{EAC} = \text{ACWP} + (\text{BAC} - \text{BCWP}) / \text{CPI}$$

Where BAC is initial budgetary estimate.

Example 4: Using values of ACWP, BAC and BCWP from Example 1 and value of CPI from Example 2, we calculate EAC as:

$$\begin{aligned} \text{EAC} &= 80 + (100 - 50) / 0.625 \\ &= \text{PKR } 160 \text{ m} \end{aligned}$$

Since value of EAC is PKR 160 million, we conclude that project is expected to complete with total cost of PKR 160 million, with a cost overrun of PKR 60 million. In other words, project would additional PKR 60 million to complete the project.

Exercise 1: Using following data calculate EAC:

- ACWP = Rs.4200
- Budget at Completion = Rs. 5000
- BCWP = Rs. 4000
- CPI = 0.9

Session 9

9. Results Based Monitoring Framework (Section 12B of PC-I)

Session Code	M&E 9
Title of the session	Results Based Monitoring (RBM) Framework
Objectives of the session	After attending this session, participants will be able to develop RBM framework for any project
Time	One hour
Process	<ul style="list-style-type: none">✓ Explain RBM framework while making reference to Section 12B of the PC-I✓ Clarify its linkage with LFM✓ Divide the participants into groups and ask them to RBM framework for any project✓ Then ask them to make presentations✓ Identify gaps and highlight areas for improvement

Why measure results?

- If you do not measure results, you cannot tell success from failure.
- If you cannot see success, you cannot reward it.
- If you cannot reward success, you are probably rewarding failure.

- If you cannot see success, you cannot learn from it.
- If you cannot recognize failure, you cannot correct it.
- If you can demonstrate results, you can win public support.

Source: Osborne & Gaebler (1992)

9.1. Overview of RBM

Section 12B of the PC-I provides a broad framework for monitoring and evaluation for a project. TABLE 4 is used for preparing the RBM framework.

- Major input in any project is the money. Other inputs could include labour, machinery and material.
- Output is what project has to deliver. For example, if a project is going to set up a power plant with capacity of 20MW, then 20 MW power plant would be the output of the project.
- As far as outcome is concerned, it pertains to usage of the output of the project. In our example, power produced is the outcome of the project. For example, if the plant is expected to produce 16 MW electricity while operating at efficiency level of 80%, and life of the plant is 20 years, then 16 MW electricity produced per annum for 20 years would be the outcome of project. Baseline value of the outcome is the amount of electricity generated before establishment of the power plant and expected level of the power generation after completion of project would be the target of outcome after completion of the project. For example, if before project, total electricity produced in the region/country is 12000 MW, it would be baseline value and target value will be 12020 MW.
- Finally, targeted impact is the quantum of benefits produced due to additional electricity. For example, if additional 20MW electricity is

expected to help in generating employment for 100 people and adding value to the GDP by one billion PKR, then these two will be the targeted impact.

If a project is set up at community level, then situation will be slightly different. An example is given at TABLE 5.

Table 4 Table of Results Based Monitoring Framework

S.No	Input	Output	Outcome		Targeted Impact
			Baseline Indicator	Targets after Completion of Project	
1					
2					
3					
4					
5					
.					
.					
.					
.					
.					

Table 5 Example of RBM Matrix at community level

RMB matrix

Input	Output	Outcome		Targeted impact
		Baseline indicator	Targets after completion of project	
<ul style="list-style-type: none"> • Labour • Machinery • Material • Money = PKR 100 million 	<ul style="list-style-type: none"> • One power house constructed with total capacity of 20 Mega Watt in region A 	<ul style="list-style-type: none"> • Households having access to electricity in the project area = nil • Business concerns = nil 	<ul style="list-style-type: none"> • Households having access to electricity in project area = 2000 • Business concerns = 100 	<ul style="list-style-type: none"> • Average increase in income of 2000 households from PKR 300,000 per annum in 2014 to PKR 600,000 per annum in 2018

9.2. Success of RBM

Guidelines for Project Management of Planning Commission underline factors affecting success of RBM as follows⁸:

The success of RBM system hinges upon quantifying or measuring results of a development project or a program. The power of measuring results track over time, their expenditures, revenues, staffing levels, resources, program and project activities, goods and services produced, and so forth.

⁸ Planning Commission (2008). Guidelines for Project Management.

Session 10

10. PC-III Forms

Session Code	M&E 10
Title of the session	PC-III Form
Objectives of the session	After attending this session, participants will be able to prepare reports based on PC-III forms for any project.
Time	2 ½ hour
Process	<ul style="list-style-type: none">✓ Explain PC-III (A), PC-III(B) and Activity chart forms (60 m)✓ Divide the participants into groups and ask them to prepare PC-III forms for any project (60m)✓ Then ask them to make presentations (30m)

PC-III Forms are used for monitoring of a project. It has three components:

- PC-III(A) Form
- PC-III(B) Form
- Activity Chart

10.1. PC-III(A) Form

PC-III(A) for a project is prepared once a year. It is prepared and submitted by 1st July. Tips for preparing PC-III(A) are given below:

- Section 1: Give complete name of the project, as mentioned in the letter containing Administrative Approval of the Project and approved PC-I
- Section 2: Approved capital cost means approved budget or capital outlay for the project as mentioned in the letter containing Administrative Approval of the Project and approved PC-I
- Section 3: Expenditure up to the end of last Financial Year. Here we need to provide actual payments made as on 30th Jun.
- Section 4: PSDP allocations for the Current year. Figures can be found in the current PSDP document of Planning Commission
- Section 5: Information for this section will come from Section 7 of the PC-I.
- Section 6: Information for this section is to come from approved cashplan/workplan of the project.
- Section 7: Information for this section is to come from approved cashplan/workplan of the project.
- Section 8: Output targets can be found in Section 12B and Section 7 of PC-I.

10.2. Activity chart

Template for preparing the Activity Chart is available in MS Excel, on the website of Planning Commission. The template contains many sections:

- Land acquisition
- Recruitment
- Appointment of consultants
- Construction by P.W.D / C&W
- Construction other than PWD

- Road construction
- Procurement of Equipment/Goods
- Human Resource Development

Not every section is relevant for every project.

Session 11

11. PC-IV Forms

Session Code	M&E 11
Title of the session	PC-IV Form
Objectives of the session	After attending this session, participants will be able to prepare project completion report based on PC-IV form for any project.
Time	2 hour
Process	<ul style="list-style-type: none">✓ Explain PC-IV form (45 m)✓ Divide the participants into groups and ask them to prepare report based on PC-IV form for any project (45m)✓ Then ask them to make presentations (30m)

PC-IV is also called as PCR – Project Completion Report. It was revised more recently i.e. 2010. It is to be submitted after completion of the project, regardless the project accounts have been closed or not. Basic tips for preparing PC-IV are:

- Sections 1-7 require preliminary information about the project
- Section 8: Information for initial columns is to come from Section 7 of the originally approved and latest revised PC-I. Information for last two columns will come from monthly and reconciliation reports.

- Section 9: Sources of information include Sections 7 and 10 of the PC-I and project reports
- Sections 10 and 11: Information would come from record of accounts section of the project
- Section 12: This section requires information from multiple sources:
 - Column 2 and 3: Approved PC-I
 - Column 4 and 5: PSDP documents for the respective years
 - Column 6 and 7: Record of Finance/Accounts Section
 - Column 8 and 9: Monthly and reconciliation statements and PC-III forms
- Section 13: Table 1 of the Section 7 of PC-I, and project progress reports including PC-III forms
- Section 14: Recurring cost means any cost incurred on the operation and maintenance of the output of the project, out of non-development budget. Recurring cost estimates can be found in Section 8 of the approved PC-I. Actual expenditures can be found in the reports like monthly and reconciliation statements.
- Section 15: Description of objectives can be found in Section 5 of the PC-I, while quantitative targets thereof can be found in Sections 11 and 12B of PC-I. While actual achievements can be found in the organization's reports.
- Section 16: Organization's record
- Section 17: Section 12B of PC-I
- Section 18: List of PDs
- Section 19: Organization and project's record
- Section 20: Impact after completion of project can be estimated in line with the methodologies used to estimate it as per Section 11 of the PC-I
- Section 21: Management of the organization has to provide vision and strategy for achieving the sustainability of the project
- Section 22: Revised estimates of financial and economic analysis in line with Section 11 of the PC-I
- Section 23: Information can be found in progress reports submitted on PC-III forms, and from the management of project.
- Section 24: Progress reports and management of project and organization
- Section 25: Management of project and organization

Session 12

12. PC-V Forms

Session Code	M&E 12
Title of the session	PC-V Form
Objectives of the session	After attending this session, participants will be able to prepare post completion O&M report based on PC-V forms for any project.
Time	2 hour
Process	<ul style="list-style-type: none">✓ Explain PC-V form (30 m)✓ Divide the participants into groups and ask them to prepare report based on PC-V form for any project (60m)✓ Then ask them to make presentations (30m)

PC-V is post completion annual operation and maintenance report. This report has to be submitted by the organization (Operation and Maintenance Agency) by 31st July for five years after completion of the project. Basic tips for preparing PC-V are:

- Section 1: Name of the Project:
- Section 2: Objectives & scope of project as per approved PC-I (Section 5, 6 and 12B). It should be stated the extent to which progress has been made in comparison with baseline value.

- Section 3: Recurring cost estimates can be found in Section 8 of the approved PC-I. Actual expenditures can be found in the reports like monthly and reconciliation statements.
- Section 4: Source of information on planned manpower can be found in Section 13 of PC-I and information on actual manpower employed can be found in project payroll record.
- Section 5: Information on planned physical output of the project can be found in Section 6, 7 and 12B, while that on actual can be sought from PC-III reports and other project reports.
- Section 6: Information on planned income can be found in Section 11 of PC-I, while that on actual income of the project would be available with operation and maintenance agency.
- Section 7: It pertains to economic analysis as per Section 11 of PC-I. Same cashflow statement can be revised by entering actual data to get actual economic benefits of the project.
- Section 8: Same as in Section 7 above.
- Section 9-15: Operation and maintenance agency can provide information

Session 13

13. Effectiveness of M&E System

“Better to have an approximate answer to the right question, than an exact answer to the wrong question.”

John W. Tukey

Session Code	M&E 13
Title of the session	Effectiveness of M&E System
Objectives of the session	Objective of this session is to assist participants in evolving strategy for improving effectiveness of the M&E system
Time	One hour
Process	<ul style="list-style-type: none">✓ Explain what is an effective M&E system (10 m)✓ Divide the participants into groups and ask them to analyse existing M&E system, identify potential areas of improvement and prepare a strategy for improving effectiveness of M&E system (30m)✓ Then ask them to make presentations (10m)✓ Draw major learnings (10 m) <p>Note: Distribute article on effectiveness M&E system (available at Annex 6) one day before this session so that they read it and come prepared for meaningful discussions.</p>

13.1. Basic questions in designing M&E system

Basic questions which need consideration in designing M&E system are:

- What indicators should be used to measure and monitor each stage of the project?
- How should the information be collected?
- How to measure quality and effectiveness?
- How and when to communicate findings to managers and stakeholders?
- How do we assess the benefits and impacts produced by the project?
- How to assess whether pilot projects have been successful.



13.2. Main components of M&E System

Main components of M&E systems:

- M&E work plan for data collection and analysis, covering baseline, on-going M&E (PC-I)

- Logical framework, including indicators and means/source of verification (Section 12 B of PC-I can provide input in developing logfrane)
- Reporting flows and formats:
- Capacity building design
- Implementation schedule
- Human resources and budget

13.3. How to improve effectiveness of M&E

Following are the ways through which effectiveness of M&E can be improved:

- Regular review of the:
 - indicators
 - data collection instruments
 - data collection methods
 - data analysis
 - reporting mechanism
 - use of data in decision making
 - effectiveness of the decisions made
- Improvement in the M&E
 - frameworks
 - methods
 - practices

13.4. Characteristics of an effective M&E system

An effective monitoring system has following characteristics:

- It monitors the use of project inputs i.e. efficiency of project
- It monitors the effectiveness of the project implementation process
- It monitors the production of project outputs
- It assesses intended outcomes of a project
- It supports evidence-based decision making
- It assesses project impacts on the target groups/organization
- It provides guidelines for the modification of the project design
- It extracts lessons and best practices for the management of existing and design of future projects
- It provides adequate data for the evaluation of program impact

13.5. Deciding about kind of M&E studies?

In order to make decision about kind of study appropriate for a given situation, follow criterion given in following table:

Question to be addressed	Kind of study
Are project activities being implemented on schedule?	Monitoring
Are project activities being implemented within budget?	Monitoring
Are project activities being implemented while fulfilling quality standards?	Monitoring
Are key stakeholders fully involved in all stages?	Mid term review

Are the activities producing their intended benefits?

**Impact
evaluation**

Are the activities sustainable?

Evaluation

Session 14

14. Evidenced based decision making (M&E data)

M&E systems support development by generating relevant, accurate, and timely information that is used to improve program design and decision-making and thus enhance impact.

- Catherine Elkins⁹

14.1. Session Overview

Session Code	M&E 14
Title of the session	Evidence based decision making (M&E data)
Objectives of the session	Objective of this session is to assist participants in evolving strategy for promoting the practice of evidence based decision making (based on M&E data)
Time	2 hour
Process	✓ Explain what is an evidence based decision making (10 m)

⁹ Catherine Elkins. Monitoring and Evaluation for Development in Peace-Precarious Situations. Available on http://www.rti.org/pubs/Elkins_ME_Peace.pdf

- ✓ Divide the participants into groups and ask them to devise a strategy for promoting the use of evidence based decision making (30m)
- ✓ Then ask them to make presentations (10m)
- ✓ Draw major learnings (10 m)

14.2. The Idea

Evidence-based decision making is an important component of the evidence-based management (EBM). It involves managerial decisions and organizational practices guided by the best available scientific evidence. Where would that evidence come from in projects? Answer is M&E. Hence, M&E should be instrumental in providing valid, relevant and timely evidence for ensuring effective decision making.

Researchers like Pfeffer and Sutton argue that managers: 1) follow bad advice on weak evidence; or 2) rely on personal experience with no real evidence whatsoever. Such practices turns into bad management of organizations.

14.3. Definition of evidence based decision making

Evidence based decision making (EBDM) is a process for making decisions about a project, program, practice, or policy that is grounded in the best available research evidence and informed by experiential evidence from the field and relevant contextual evidence.

14.4. Key Questions

Key questions in evidence based decision making are:

- Is M&E supply adequate and timely evidence to enable the management of project and organization to make rights decisions on timely basis?
- Why is M&E not playing its role to its full potential?
- What are the factors, in addition to the quality and adequacy of evidence, influencing the decision-making process in organizations and societies?
- How can the uptake of evidence in decision-making be increased?

14.5. Advantages of EBM

Through valid and timely evidence:

- Managers are likely to make less arbitrary and more reflective decisions
- Managers can demonstrate effective management

More precisely, evidence based decision making, produces several benefits:

- Better results: Informed decisions produce better outcomes.
- Improved information: It creates demand for better quality information
- Better implementation: With quality information, implementation is guided
- Continuous improvement: It promotes culture of continuous improvement
- Competence: It enhances aggregate competence in the organization

14.6. Framework for EB Decision Making

In project/program settings, the framework of evidence based decision making includes contributions from project management team, managers and M&E professionals to provide a more comprehensive view of evidence that is appropriate and necessary for decision-making. The framework comprises three dimensions that complement one another:

- Contextual evidence
- Best available evidence
- Experiential evidence

14.7. Characteristics of EBDM

Following are the major characteristics of the EBDM:

- Transparency:
 - The decision-making process should be transparent
 - There should be an authentic effort to gather and examine all relevant evidence.
 - It should not be used to justify or promote decisions that have already been made.
- Inclusiveness/participation:
 - Decision making should follow an inclusionary approach and avoid exclusionary approach
 - Participatory process
- Openness/explicitness:
 - At every level of decision-making, it should be clear how the evidence was collected, what evidence was collected, and how that evidence informed the final decision.

- Final decision and decision making process should be open for scrutiny by key stakeholders

- Defined process:
 - Clearly defined terms, clear mechanisms for collecting evidence, timelines, and other tools to document the process should all contribute to transparency, inclusiveness, and explicitness.

- Skilled leadership and facilitation:
 - During the decision-making process, active guidance from leadership and skilled facilitation are important.

Annex 1 PC-III Form

Revised 2005

PC-III FORM

GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

PROFORMA FOR DEVELOPMENT PROJECTS

(ANNUAL TARGETS AND PROGRESS REPORTING)

Government of Pakistan

Planning Commission

Implementation of Development Projects

(Physical Targets based on PSDP allocation)

To be furnished by 1st July of each year

1. Name of the Project:

--

(Million Rs)

2. APPROVED CAPITAL COST:

--

(MILLION Rs)

3. Expenditure up to the end of last Financial Year:

Actual	Accrued	Total

(Million Rs)

4. PSDP allocations for the Current year:

Total	Local	FEC

5. Annual Work Plan:

As per PC-I			Achievements upto the end of last year	Target for current year
Item	Unit	Quantities		

6. Quarterly work plan based on annual work plan:

Item	Unit	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter

7. Cash Plan:

(Rs Millions)

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter

8. *Output indicators:*

To be determined by project director on the basis of indicators given in the PC-I.

(Revised 2005)

Government of Pakistan

Planning Commission

Instructions to fill-in PC-III (a) Proforma

1. Name of the Project:

Indicate name of the project.

2. Approved capital cost:

Provide approved capital cost by the competent forum.

3. Expenditure upto the end of last financial year:

Provide the actual and accrued expenditure upto end of last financial year.

4. PSDP allocations for the current year:

Provide allocations for the project as shown in the PSDP/ADP.

5. Annual Work Plan:

- Provide scope of work as indicated in the PC-I by major items of work.
- Actual physical achievements upto the end of last financial year against the scope of work indicated in PC-I.
- Physical targets for the year be determined on the basis of activity chart/work plan to be prepared each year on the basis of PSDP allocations. (Blank activity chart/work plan for major items of works enclosed).

6. Quarterly Work Plan:

The quarterly work plan be prepared on the basis of annual work plan.

7. Cash Plan:

Indicate the finances required to achieve the quarterly work plan targets as indicated at 6 above.

8. Output indicators:

A number of projects start yielding results during its implementation. In such projects the recurring cost is capitalized and the project start yielding results during its implementation. Indicate quantifiable outcome of the projects for the current year.

The Proforma alongwith activity chart/work plan has to be furnished by
1st July of each financial year.

Annex 2 PC-III(B) Form

PC-III (B) Form (Revised - 2005)

Government of Pakistan

Planning Commission

Implementation of Development Projects

(To be furnished by 5th day of each month)

1. Name of the Project

2. Financial Status

- i) PSDP allocations for the current year
- ii) Current quarter requirements as per cash plan
- iii) Releases during the month
- v) Expenditure during the month

3. Physical Status

Physical achievements during the month under report

S.No.	Item	Unit	Quantities
-------	------	------	------------

4. Output Indicators



5. Problem/Bottlenecks in Projects Implementation

Ban on Recruitment	Law & Order Situation
Delay in Consultants Appointments	Management Capacity
Lack of coordination b/w Fed/Prov Govts.	Non Existence of PMUs
Land Acquisition	Intra-Departmental Problems
Turn over PD/Staff	Procurement problems
Concept & Design Problems	Contractor's Problem
Delay in Release of Fund	Others

Annex 4 PC-IV Form

PCR – 01

(Revised-2010)

PC - IV

PROJECT COMPLETION REPORT

(PROFORMA FOR DEVELOPMENT PROJECTS)

PLANNING COMMISSION
GOVERNMENT OF PAKISTAN

GOVERNMENT OF PAKISTAN
PLANNING COMMISSION

PROJECT COMPLETION REPORT

(PC – IV PROFORMA)

To be furnished immediately after completion of the project regardless the project accounts have been closed or not.

1.	Name of the Project/Program/Study	
	Location	
2.	Sector	
	Sub-Sector	
3.	Sponsoring Ministry/Agency	
4.	Executing Agency (s)	
5.	Agency for Operation & Maintenance after Completion	
6.	Date of Approval & Approving Forum (DDWP/CDWP/ECNEC/PDWP/Other)	
	• Original	

	• Revised						
7.	a) Implementation Period		Date of Commencement		Date of Completion		
	• As per PC-I						
	• Actual						
	b) Extension(s) in the Implementation Period (if any)		Date		Period (Months/Days)		
			•		•		
		•		•			
		•		•			
(Rs. Million)							
8.	Capital Cost	PC-I Cost (approved)			Actual Expenditure		
		Local	FE/Loan/ * Grant	Total	Local	FE/Loan/ * Grant	Total
	• Original						
	• Revised						
* Clearly specify the source and mention exchange rate							
(Rs. Million)							
9.	Financing of the Project		Local	FE/Loan/* Grant	Total		
	• Federal Share						
	• Provincial Share						
	• Donors/Others						
	Total:						

	Total:						
--	---------------	--	--	--	--	--	--

14. Recurring Cost after Completion of the Project

(Rs. Million)

S.No.	Components	PC-I Estimates*			Actual Expenditure*		
		Total	Local	FEC	Total	Local	FEC
	Total:						

* Mention source and agency responsible for financing the recurring cost after completion of the project

15. Achievement of Objectives

S. No.	As Contained in the PC-I	Actual Achievement*

* Attach/Annex detailed information for each objective separately. In case of not achieving the objectives fully/partially, indicate reasons thereof

16. Year-wise Income from Services/Revenue Generation

(Rs. Million)

S. No.	As Estimated in the PC-I	Actual

17. RBM Indicators as given in the PC-I

S.No.	Input	Output	Outcome		Targeted Impact
			Baseline Indicator	Targets after Completion of Project	

18. List of Project Directors (PDs) till Completion

S.No.	Name & Designation	From	To

19. Responsibility/Ownership of Assets (Procured/Acquired/ Developed) after Completion of the Project

- Indicate Agency
- List of Assets (Moveable/Immoveable)

20. Impact after Completion of the Project

- a) Financial
- b) Economic
- c) Technological
- d) Social (Education, Health, Employment, area Development, etc.)
- e) Environmental
- f) Any other

21. Mechanism for Sustainability of Activities after Completion

Indicate mechanism how the project activities will be continued on sustainable basis

22. Financial/Economic Analysis

S.No.	Components	As Per PC-I	After Completion
a)	Financial		
	Net Present Value (NPV)		
	Benefit Cost Ratio (BCR)		
	Internal Financial Rate of Return (IFRR)		
	Unit Cost Analysis		
b)	Economic		
	Net Present Value (NPV)		
	Benefit Cost Ratio (BCR)		
	Internal Economic Rate of Return (IERR)		

23. Issues Faced during Implementation

- Organizational Management
- Capacity of the department concerned
- Decision making process
- Any other

24. Lessons learned

- a) Project identification
- b) Project preparation
- c) Project approval
- d) Project financing
- e) Project implementation

25. Suggestions for Future Planning & Implementation of Similar Projects

Submitted by:

Signature

Name &

Designation

Telephone No.

E-mail Address

Date

GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

Instructions to fill in the PC-IV Proforma
--

1. Name of the project

Indicate the same name of the project as appeared on PC-I and also mentioned locations of the project.

2. Sector/Sub-Sector

Indicate Sector & Sub-Sector in which the project falls and as indicated in the PC-I.

3. Sponsoring Ministry/Agency

Indicate the full name of the Ministry/Department/Agency with address.

4. Executing Agency

Indicate the name and address of the Organization responsible for implementation of the project.

5. Agency for Operation & Maintenance after Completion

Indicate the name and address of the Agency/Organization.

6. Date of Approval

Mention date of approval of the competent forum like DDWP, CDWP, ECNEC, etc. and enclose copy of the decision/s.

7. Implementation period

Indicate planned, actual commencement & completion date and total duration (in months). Provide details of extension granted in the implementation period with dates and the notification indicating the name of authority.

8. Capital cost

Provide capital cost of the project as approved by the competent forum and actual expenditure incurred on the project till preparation of PC-IV with expected/actual completion cost.

9-10. Financing the project

Provide financing/funding requirement and agency (indicating exchange rate in case of foreign component provided in the PC-I).

11. Financial Phasing as per PC-I and Expenditure

- Provide PC-I phasing as per approved PC-I.
- PSDP allocations as reflected in annual PSDP/ADP.
- Year-wise releases made to the project.
- Year-wise actual expenditure incurred on the project.

12. Item-wise physical targets and achievements

- Provide item-wise quantifiable physical targets as given in the approved PC-I.
- Actual physical achievements against physical targets be provided.

13. Item-wise planned and actual expenditure

- Provide item-wise allocations as per approved PC-I.
- Item-wise actual expenditure incurred on the project be provided.

14. Recurring Cost after Completion of the Project

Indicate Source and Agency Responsible for Financing the Recurring Cost after completion of the project.

15. Achievements of Objectives

Indicate actual achievements against objectives envisaged in the PC-I.

16. Year-wise income from services rendered/income generation:

Indicate the details and type of services rendered to other agency(s), private agencies and amount of income generated.

17. Indicate Result Based Monitoring & Evaluation (RBM&E) indicators as envisaged in the Column 12(b) of the PC-I

18. List of Project Directors (PDs) Since Inception

Give details of the PDs of the projects with full details of working periods.

19. Responsibility/ownership of assets (procured/developed) after completion of the project

Indicate to whom assets of the project (developed/procured) will be transferred after completion of project. Details of assets may also be provided.

20. Impact after Completion of the Project

Provide impact of the project on the target group/area, etc.

21. Mechanism for sustainability of project/activities

Indicate the mechanism by which project activities will be continued in a sustainable manner.

22. Financial/Economic results based on actual cost

- Undertake financial, unit cost and economic analysis based on actual capital and recurring cost. The benefits of the project may also be calculated on prevailing prices and output.
- In case of social sector projects, unit cost analysis may only be provided.

23. Project implementation

- Indicate whether project has been implemented as per approved cost, scope and time. In case of variation, reasons be provided.

24. Lessons learned

- Provide lesson's learned during identification, preparation, approval, financing and implementation of the project.

25. Suggestions

- Suggestions for planning & implementation of similar nature of projects, keeping in view the lessons learned during the implementation of this project.

Annex 5 PC-V Form

Revised 2005

PC-V FORM

GOVERNMENT OF PAKISTAN

PLANNING COMMISSION

PROFORMA FOR DEVELOPMENT PROJECTS

**(ANNUAL PERFORMANCE REPORT AFTER
COMPLETION OF PROJECT)**

From PC-V

Government of Pakistan

Planning Commission

To be furnished by 31st July of each years for 5 years after completion of Project indicating Projects operational results during the last financial year.

1. Name of the Project:
2. Objectives & scope of project as per approved PC-I and state as to what extent the objectives have been met:
3. Planned and actual recurring cost of the project, with details:
4. Planned & actual manpower employed:
5. Planned and actual physical output of the project:
6. Planned and actual income of the project:
7. Planned and actual benefits to the economy:
8. Planned and actual social benefits:
9. Planned and actual cost per unit produced/sold:
10. Marketing mechanism:
11. Arrangement for maintenance of building & equipment.

12. Whether output targets as envisaged in the PC-I have been achieved.
If not, provide reasons:
13. Lessons learned during the year in:
 - Operation
 - Maintenance
 - Marketing
 - Management
14. Any change in project management during the year:
15. Suggestions to improve projects performance:

(Revised 2005)

Government of Pakistan

Planning Commission

Instructions to fill in PC-V Proforma

1. Name of the Project:

Indicate name of the project.

2. Objective & scope of the project:

Indicate objectives and scope of the project as stated in the approved PC-I. It may also be indicated that upto what extent the objectives of the project have been met.

3. Planned & actual recurring cost:

Provide planned (as per PC-I) and actual recurring cost of the project alongwith details for the financial year under report.

4. Planned & actual manpower employed:

Provide category-wise details of manpower actually employed for the operation of the project as compared to proposed in the PC-I.

5. Planned & actual physical output:

Provide output of the project as given in the PC-I for the year under report and compare it with actual output of the project.

6. Planned & actual income of the project:

Provide income of the project as indicated in the PC-I for the year under report alongwith assumptions and compare it with the actuals for the year.

7. Benefits to the economy:

Provide quantifiable planned & actual benefits to the economy for the year under report.

8. Planned & actual social benefits:

Provide social benefits to the target group as given in the PC-I, compare with the year under report and state to what extent the social benefits have been achieved.

9. Planned & actual cost per unit produced/sold:

Provide cost per unit produced and sold at the weighted cost of capital of the project.

10. Market mechanism:

Indicate how the output of the project is being marketed. In case it differs from the PC-I, the details may be provided.

11. Maintenance of building & equipment:

Provide arrangements made for the maintenance of building & equipment during the last financial year. It may also be indicated whether annual maintenance of building & equipment was carried out in the last financial year.

12. Output targets:

Indicate whether output targets as given in the PC-I for the year under report have been met. In case of variation, give reasons.

13. Lessons learned:

Provide lessons learned during the year under report

- i. Operation
- ii. Marketing
- iii. Management.

14. Change in project management:

In case of any change in the senior management of the project, the details alongwith justification be provided.

15. Suggestions to improve project performance:

Based on the experience gained during last financial year, suggest measures to improve the projects performance.

Annex 6 An Article on Effective M&E System

A Framework for Developing an Effective Monitoring and Evaluation System in the Public Sector – Key Considerations from International Experience¹⁰

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Abstract

The introduction of a Monitoring and Evaluation (M&E) system in a public institution or on a country-wide basis is a significant undertaking that generally requires both organizational changes as well as cultural changes within the public sector. For example, establishing clarity of 'purpose' for the M&E system, and communicating the 'vision' are important elements at the outset.

To be effective, M&E needs to be positioned as far more than a technical instrument for change. It is not enough to simply create a highly trained evaluation capacity and expect that organizations and systems will eventually become more effective. This is particularly true in situations where a broad-based and systematic approach to M&E had not previously existed, as in the case of many developing countries. There is a need to also address the institutional capacity and indeed the drivers that are generating the demand for Evaluation.

The author will present a framework that identifies four broad building blocks needed for an effective M&E system: (i) vision; (ii) an enabling environment; (iii) the infrastructure to supply M&E information; and, (iv) the infrastructure to demand and use M&E information.

¹⁰ Available at www.ideas-int.org/documents/Document.cfm?docID=160

A set of twelve 'Critical Success Factors' are identified that recognize the importance of positioning M&E within a broader context than simply a technical one; that is, also recognizing the political support factors needed to launch and sustain an effective M&E system. And, for each element of the framework examined, comment will be provided (drawing on standard practices from other countries) to advise on an appropriate strategy for M&E capacity building.

While cautioning that 'one size does not fit all', the framework can indeed serve as a useful guide or 'diagnostic tool' to international M&E system development in many ways: in planning; in assessing progress and identifying gaps; and, as a communication vehicle and springboard to inform and educate technical and non-technical personnel alike on the various ways that knowledge-building and innovation are being introduced into public sector organizations.

Key words: international, M&E capacity building, M&E system

1. Introduction

The experience of those countries that have often been considered as leaders in public sector evaluation and performance measurement reveals that monitoring and evaluation (M&E) capacity building is a long-term and iterative process. It has further been observed that over time, there may be great swings in the use and perceived usefulness of evaluation in the public sector. These shifts can occur as a result of a government policy change, broader public sector reforms, a changing political agenda and/or the introduction of a new government. This raises the importance of recognizing the broad set of players that need to be involved in developing an M&E system for it to be effective. And, for it to be sustainable, M&E capacity building needs to recognize the importance of positioning M&E within a broader context than simply a technical one; that is, also recognizing the political support factors needed to launch and sustain an effective M&E system.

To be effective, M&E needs to be positioned as far more than a technical instrument for change. It is not enough to simply create a highly trained evaluation capacity and expect that organizations and systems will eventually become more effective. This is particularly true in situations where a broad-based and systematic approach to M&E had not previously existed, as in the case of many developing countries. There is a need to also address the institutional capacity and indeed the drivers that are generating the demand for Evaluation.

This paper presents a framework that identifies a comprehensive set of factors that need to be considered in the process of developing and implementing an M&E system in the public sector. Inherent in the framework is recognition of the broad set of players that need to be involved in developing an

M&E system for it to be both effective and sustainable. Development of the framework has drawn on three sources: the author's extensive background and experience in evaluation capacity building from first-hand experience in the Canadian federal government¹¹; comparative analysis on the evolution of Monitoring and Evaluation systems within four countries historically viewed as leaders in M&E (Canada, Australia, the United States and the United Kingdom)¹²; and, first-hand experience in advising on M&E capacity building in developing countries.

While each country is unique, and the challenges faced in 'growing' an M&E system may be daunting (especially if there is little or no infrastructure in place at the outset), the framework can serve as a useful diagnostic aid, and a mechanism to draw on 'lessons learned' from the experience of other countries.

2. Clarifying the Terms and Concepts of M&E

The term 'monitoring and evaluation' or 'M&E' might suggest that the concept and practice of 'evaluation' is synonymous with 'performance monitoring'. While the latter two terms both refer to approaches to measuring 'performance', it is important to note the distinctions between these two tools of accountability and governance.

It is also useful to recognize the ambiguity around each of these terms. They often mean different things to technical and non-technical people...and not infrequently, among technical people.

Generally speaking, 'performance monitoring' refers to the continuous collection of information and data in a systematic fashion so as to provide an ongoing indication of how well an organization, program, etc. is performing.

'Evaluation' typically refers to a disciplined assessment of government programs, policies and activities based on systematic and objective measurement and analysis, carried out to meet expectations set in policy and standards, and publicly reported.

The critical distinction between 'performance monitoring' and 'evaluation' is that the former will only provide trend information, while the latter can explore performance issues deeper, identifying underlying factors of why a particular trend is (or is not) occurring; i.e. Evaluation provides more explanatory information to managers and decision-makers to better understand, not only how well programs and policies are performing, but also the factors to attribute this performance.

¹¹ The author was the founding head of Canada's Centre of Excellence for Evaluation, the Evaluation policy centre and the body that guides the implementation and use of evaluation in the Canadian federal government.

¹² See Lahey, Robert (2005), "A Comparative Analysis of Monitoring and Evaluation in Four Selected Countries: Canada, United States, Australia and United Kingdom", unpublished manuscript.

It is important to note that the notion of a Monitoring and Evaluation 'system' implies that a capability within government is being created to both generate (i.e. supply) performance information as well as to 'use' performance information in decision-making by government managers. This is particularly important to note for two reasons. First, the goal of such an exercise is not simply the creation of an M&E capability in itself, but the use of performance information to assist in improving public sector management and governance. The use of (or demand for) M&E information will function if there exists effective 'incentives' built within the system.

Second, while the collection and analysis of performance information generally requires the assistance of technically trained analysts and data specialists, the eventual 'use' of this performance information is generally carried out by non-technical managers in government. Though not requiring a technical comprehension of M&E methods, it is still important though for these managers to understand and appreciate how and where M&E information can help them in the management of their programs and policies.

3. A Framework for Developing a Monitoring and Evaluation (M&E) System

The successful development, implementation and sustainability of a Monitoring and Evaluation (M&E) System in the public sector requires four essential building blocks:

- **Vision:** An understanding of how M&E information can assist public sector managers and decision makers. This of course requires strategic leadership as well as a clear understanding of the basic concepts and potential uses of M&E.
- **Enabling Environment:** A fundamental requirement to ensuring a commitment to not only launch an M&E exercise but to sustaining it over the long-term. This translates into a commitment to resource such an exercise as well as providing an enabling environment to allow it to develop and mature. Given that the introduction of an M&E system might challenge the current culture and the way of doing things within government organizations, political will and leadership are essential to support the values and ethics that underlie a successful M&E system; that is, transparency, objectivity, accountability and a commitment to a 'results'-orientation and good governance.
- **Technical Capacity and Infrastructure to Supply M&E Information:** Technical capacity includes both the existence of credible and relevant data and information-gathering systems as well as the skilled personnel to gather, analyze and report on the performance of government policies and programs. Additionally, infrastructure is needed to help ensure a systematic,

comprehensive and credible approach to M&E. This would include policies and standards that would clarify roles, responsibilities and accountabilities for performance monitoring and evaluation; establish expectations across the system re timing and level of reporting; and, set out quality standards for M&E conduct. The infrastructure would also include the organizational units that would serve to conduct or manage M&E exercises; as well, the Policy Centre that provides the policy direction, oversight and assistance, needed particularly for new emerging M&E systems.

- Infrastructure to Demand and Use M&E Information: The capacity to 'use' M&E information requires both a clarity of expectations re where and how M&E information is intended to be used within government organizations (e.g. planning, policy or program development; decision-making; budgeting), as well as the capacity within government institutions to actually incorporate and use the M&E information as part of the normal process of business. The latter is based on the assumptions that non-technical personnel (e.g. program managers) have a suitable appreciation of M&E concepts and that there are adequate 'incentives' within the organization to ensure that managers will actually use M&E information, reporting credible and unbiased results information in a timely fashion. Further, this reinforces the need within organizations for formal or informal vehicles and fora for reporting and sharing M&E information.

In general terms, the discussion of these four 'building blocks' really points to two prime foundation pieces for an M&E system launching: political will for change and development of M&E infrastructure.

Political support is needed as an essential 'driver' to launch and resource the M&E exercise; lead the change in organizational culture that may be needed; provide the champion(s); ensure an enabling environment; deflect resistance to the introduction of M&E and the changes that this might imply; and, provide the basis to help ensure that the M&E system is sustainable over the long term. The experience of other countries has shown that such support for M&E often comes as a result of broad-based public sector reform initiatives that may incorporate M&E as useful tools for purposes of monitoring, reporting and accountability.

The successful development and implementation of an M&E system takes more than political will though. Even with a resource commitment to invest in M&E development, the technical hurdles may require a lengthy process to put in place and develop credible data systems; train needed M&E specialists; and educate managers throughout the system on how and where M&E information will be used. This is generally a lengthy and iterative process, as the experience of most countries using M&E systems would attest to; and, one where allowance for continuous learning and improvement through oversight mechanisms is particularly beneficial to the improvement of the M&E system.

Box 1 below illustrates the link between these various components that together, represent the foundation pieces of an effective and sustainable public sector M&E system.

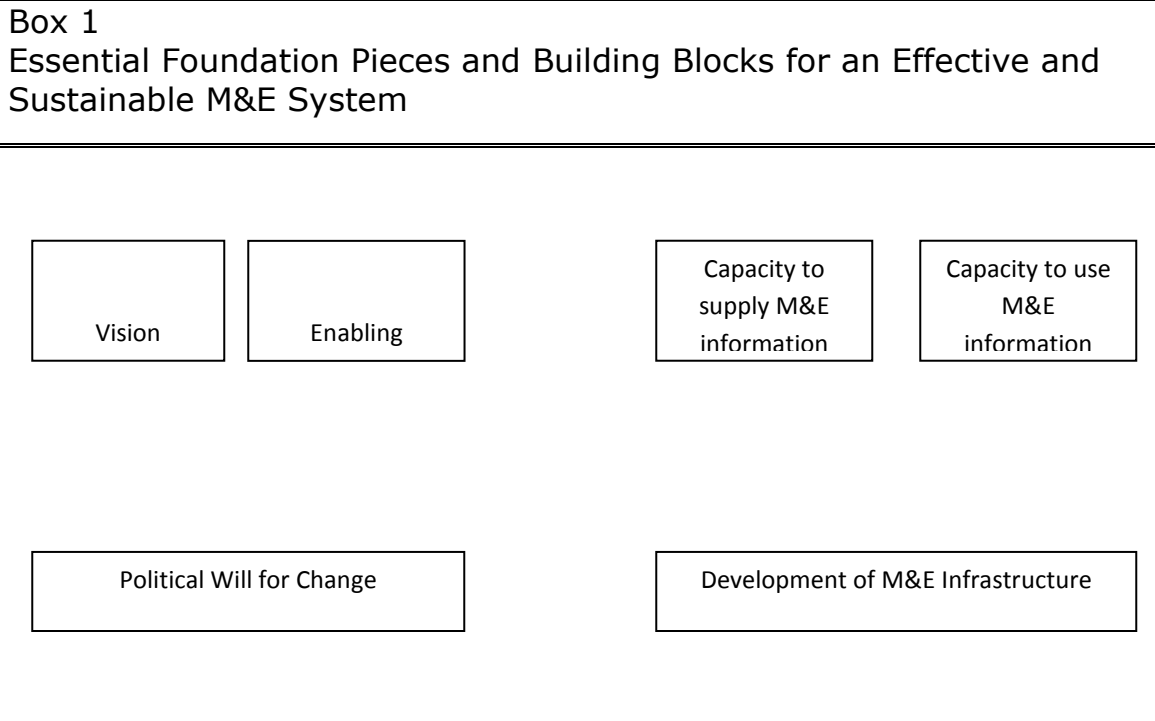


Table 1 below provides a more detailed elaboration of the political and technical factors inherent in the M&E building blocks. This listing could be considered as a 'checklist' of the Critical Success Factors for developing and implementing an M&E system. It must be stressed though that this is intended as a 'guide' rather than a 'one size fits all' prescriptive approach to M&E development.

This can serve as a useful guide to M&E system development in many ways: at the outset, to help in planning for all the key considerations and requirements underlying a successful M&E system; over time, to help in the assessment of progress and identification of gaps in M&E system development; and, throughout the long process, as a communication vehicle to inform and educate technical and non-technical personnel alike on the direction and pace of the M&E project.

Table 1
A Framework for Developing an M & E System

Critical Success Factors	Key considerations for success
Drivers	<ul style="list-style-type: none"> • What is driving the demand for M&E? • What are the broad goals of the exercise?
Uses	<ul style="list-style-type: none"> • How will M&E information be used? By whom? And, for what audience(s)? • Are there real needs for information that are currently not being met?
Leadership	<ul style="list-style-type: none"> • Is leadership supportive? Leading the way? • Is there a 'champion' for the M&E exercise?
Commitment	<ul style="list-style-type: none"> • Is there commitment to not only launch an M&E exercise, but to also sustain it? • What will serve as the basis to ensure that an M&E system gets implemented? Is sustained?
Resourcing	<ul style="list-style-type: none"> • Where will the resources (\$) to develop systems and hire & train skilled personnel come from? • Will organizations be required to internally reallocate? Or, be given new money?
Accountability	<ul style="list-style-type: none"> • Who will be accountable for ensuring that an M&E system is a functioning part of the public sector? • Have roles & responsibilities been firmly established?
Technical Capacity	<ul style="list-style-type: none"> • Is there a capacity (data systems & infrastructure) to collect reliable data & report credible information? • Is there an adequate analytical capacity (skilled personnel)? • Are there existing institutions that could serve as credible 'partners' (e.g. National Statistical Office; Research institutes)?
	<ul style="list-style-type: none"> • Is there a Policy and a set of Standards in place that describe roles, responsibilities & expectations re the operation of the M&E system and the use of M&E information? • Are the organizations & Units that collect & analyze M&E information structured & adequately resourced (\$ & HR)? • Is the M&E information that gets reported credible, timely &

Infrastructure to Supply M&E Information	responding to the priority issues?
Infrastructure to Use M&E Information	<ul style="list-style-type: none"> • Are there formal policies or requirements on how performance monitoring & evaluation information gets 'used' by organizations? • What are the 'incentives' within an organization for using M&E information (rewards and/or sanctions)? • Are there formal or informal vehicles/mechanisms/fora for reporting, sharing or tabling M&E information? • Is results-based performance factored into personnel assessments?
Oversight	<ul style="list-style-type: none"> • How will the system be monitored over time to ensure that it is functioning as expected? And, to the level expected? • Does the National Audit Office play any role in monitoring the M&E system & the use of performance information across government? • Is there a Policy Centre (e.g. Centre of Excellence for Evaluation) to monitor implementation? • Will the 'performance' of the M&E system itself be measured? Adjusted as necessary?
Values & Ethics	<ul style="list-style-type: none"> • Is there a formal code of conduct describing accountabilities & expected behaviour for public servants (eg. transparency; access to information; fair & balanced reporting; accountability)? • Is this code well understood and adhered to by all? • Is 'speaking truth to power' considered appropriate within a public service organization?
Sustainability	<ul style="list-style-type: none"> • What requirements/safeguards are there to ensure that an M&E system will be made sustainable (i.e. allowed to continue over time)?

Human Resource Management

Manuals / Curriculum for JMC, MMC AND SMC

Trainers / Trainees Manual

Developed by:

Syed Hussain Haider

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Overview of Curriculum

Sr. No.	Content	Duration (in hrs)	JMC	MMC	SMC
1.	Introduction & Ice Breaker	1	X	X	X
2.	Managing Human Resource for Organizational Performance – Activity 1: Understanding Human Resource Management	5	X	-	-
3.	Managing Human Resource for Organizational Performance – Activity 2: Human Resource Documents	3	X	-	-
4.	Staffing the Organization – Activity 1: Human Resource & Job Information Systems	6	X	-	-
5.	Staffing the Organization – Activity 2: Human Resource Planning	4	-	X	-
6.	Staffing the Organization – Activity 3: Staff Recruitment & Selection	8	-	X	-
7.	Staffing the Organization – Activity 4: Orientation to New Staff	3	-	X	-
8.	Managing Staff Performance – Activity 1: Overview of Performance Management System	2	-	X	-
9.	Managing Staff Performance – Activity 2: Planning & Appraising Staff Performance	6	-	X	-

10.	Managing Staff Performance – Activity 3: Performance Support Systems	4	-	X	-
11.	Developing & Empowering Staff – Activity 1: Developing Staff for Performance	6	-	-	X
12.	Developing & Empowering Staff – Activity 2: Empowering Staff for Performance	2	-	-	X
13.	Leadership Development – Session 1: Conceptual Clarity on Leadership	2	-	-	X
14.	Leadership Development – Session 2: Characteristics of Leader	1	-	-	X
15.	Leadership Development – Session 3: Decision Making Process	2	-	X	X
16.	Leadership Development – Session 4: Reducing Conflict & Role of Leader	2	-	-	X
17.	Leadership Development – Session 5: Management & Role of Leader	3	X	-	-
18.	Case Study on Training & Development	4	-	X	-
19.	Case Study on Building the Future – HR’s Role in Organizational Design	4	-	-	X
20.	Case Study on Strategic Human Resource Management	3	-	-	X
		1 hrs	18 hrs (3 days)	34 hrs (6 days)	23 hrs (5 days)

BLOCK PROGRAM

JMC

Sr. No.	Contents	JMC	Days
1.	Introduction & Ice Breaker	1 hrs	Day 1
2.	Managing Human Resource for Organizational Performance – Activity 1: Understanding Human Resource Management	5 hrs	
3.	Managing Human Resource for Organizational Performance – Activity 2: Human Resource Documents	3 hrs	Day 2
4.	Staffing the Organization – Activity 1: Human Resource & Job Information Systems	6 hrs	Day 2 & 3
5.	Leadership Development – Session 5: Management & Role of Leader	3 hrs	Day 3
	Total	18 hrs	3 days

BLOCK PROGRAM

MMC

Sr. No.	Contents	MMC	Days
1.	Introduction & Ice Breaker	1 hrs	Day 1
4.	Staffing the Organization – Activity 2: Human Resource Planning	4 hrs	Day 1
	Staffing the Organization – Activity 3: Staff Recruitment & Selection	8 hrs	Day 2
	Staffing the Organization – Activity 4: Orientation to New Staff	3 hrs	Day 3
	Managing Staff Performance – Activity 1: Overview of Performance Management System	2 hrs	Day 3
	Managing Staff Performance – Activity 2: Planning & Appraising Staff Performance	6 hrs	Day 4
	Managing Staff Performance – Activity 3: Performance Support Systems	4 hrs	Day 5
5.	Case Study on Training & Development	4 hrs	Day 6
	Total	34 hrs	6 Days

BLOCK PROGRAM

SMC

Sr. No.	Contents	SMC	Days
1.	Introduction & Ice Breaker	1 hrs	Day 1
2.	Developing & Empowering Staff – Activity 1: Developing Staff for Performance	6	Day 1
3.	Developing & Empowering Staff – Activity 2: Empowering Staff for Performance	2	Day 2
4.	Leadership Development – Session 1: Conceptual Clarity on Leadership	2	Day 2
5.	Leadership Development – Session 2: Characteristics of Leader	1	Day 2
6.	Leadership Development – Session 3: Decision Making Process	2	Day 3
7.	Leadership Development – Session 4: Reducing Conflict & Role of Leader	2	Day 3
10.	Case Study on Building the Future – HR's Role in Organizational Design	4	Day 4
11.	Case Study on Strategic Human Resource Management	3	Day 5
	Total	23 hrs	5 days

INTRODUCTION

1. **Course Description**
 - a. **Course Title** : Human Resource Management
 - b. **Course Objective.** To build capacity of WASC (WAPDA Administrative Staff College) Islamabad by imparting knowledge and best practices in human resource management.
 - c. **Specific Objectives.** By the end of the course the participants should be able to:-
 - (31) Understand Essentials of Organizational Development.
 - (32) Understand Human Resource Management.
 - (33) In House Discussion - Critical Issues Bothering Operational Management, Middle Management and Top Management Specifically Related to HRM.
 - (34) Have Interactive sessions amongst groups lead by HRM professionals amongst the course participants.
 - (35) Group Discussions / Case Studies and assignments.
 - d. **Duration of the Course.** The duration of the course varies between JMC (3 days), MMC (6 days) and SMC (5 days), de to operational context and texture and based upon the feedback from the WAPDA Associated Companies.
 - e. **Curriculum Summary.** This course contains Eight Modules as follows:-
 - Module-1** : Managing Human Resource for Organizational Performance
 - Module -2** : Staffing the Organization
 - Module-3** : Managing Staff Performance
 - Module-4** : Developing & Empowering Staff
 - Module-5** : Leadership Development
 - Module 6** : Case Study on Training & Development

Module 7 : Case Study on Building the Future – HR’s Role in
Organizational Design

Module 8 : Case Study on Strategic Human Resource Management

- f. **Curriculum Structure and Design.** Each module is sub-divided into a number of sessions. The division of the course into modules allows participants to take only those sessions for which their training needs have been identified:-
- g. **Purpose and Use of Manual.** This Manual has been specifically developed for the use of trainers who will be providing capacity building support in WASC in the area of Human Resource Management.
- h. **Training Methods**
- (1) The methods of training which the trainer decides to use in any particular session should be carefully and properly selected because:-
 - (a) They aid the learning process.
 - (b) Time is precious and must be used wisely to achieve maximum results.
 - (c) Participants must be able to follow the training method.
 - (2) A number of training methods are available for the trainer to use. The methods outlined below are the ones suggested for use in this course:-
 - (a) Lectures
 - (b) Group Work
 - (c) Brainstorming
 - (d) Presentations
 - (e) Assignments

- (f) Case Studies
- (g) Activities
- (h) Development of HRM Related Documentation

j. **Resource Person** The essentials for resource person of HRM are as follows:-

- (1) Interactive and Activity Inclined Speaker.
- (2) HRM expert with exposure in the public sector
- (3) Preferably should have done Masters in HRM or MBA with certifications in HRM related areas from recognized university. 15 years experience in the field including 5 years of teaching / trainign experience.

ACRONYMS

AEDB	Alternative Energy Development Board
AJK	Azad Jammu Kashmir
ASP	Assessment Strengthening Program
CBI	Capacity Building Initiative
CBP	Capacity Building Program
DA	Daily Allowance
DISCO	Distribution Companies
ERP	Enterprise Resource Planning
FGD	Focus Group Discussion
GENCO	Generation Companies
GEPCO	Gujranwala Electric Power Company
GRP	Group Research Project
HESCO	Hyderabad Electric Supply Company
HRM	Human Resource Management
IESCO	Islamabad Electric Supply Company
IRP	Individual Research Project
JMC	Junior Management Course
LESCO	Lahore Electric Supply Company
LNA	Learning Need Analysis
LUMS	Lahore University of Management Sciences
MCQ	Multiple Choice Questions
MEPCO	Multan Electric Supply Company
MMC	Middle Management Course

NEPRA	National Electric Power Regulatory Authority
NIPA	National Institute of Public Administration
NTDC	National Transmission & Dispatch Company
PC	Personal Computer
PESCO	Peshawar Electric Supply Company
PDER	Preliminary Draft Evaluation Report
PEPCO	Pakistan Electric Power Company
PEPRA	Public Procurement Regulatory Authority
PM	Procurement Management
PPIB	Private Power Infrastructure Board
PPRA	Public Procurement Regulatory Authority
PSTI	Public Sector Training Institutions
QESCO	Quetta Electric Supply Company
RSPN	Rural Support Program Network
SMC	Senior Management Course
T&D	Training & Development
TESCO	Tribal Electric Supply Company
TA	Traveling Allowance
TOR	Terms of Reference
UPS	Uninterrupted Power Supply
WAPDA	Water & Power Development Authority
WASC	WAPDA Administrative Staff College

Session Title: Inauguration of the Training, Ice Breaking & Introduction of the Workshop

At the outset of the training, some activities are accomplished which are not part and parcel of the training but relevant to the subject matter. These activities include introduction of participants, breaking through timidity or bashfulness, verification of expectations, description of aims and objectives of training, etc. Through the said activities, trainees are introduced with each other which help in creating an open environment and a cordial relationship. With the session of breaking through timidity or bashfulness trainees get relief of physical or mental timidity which enhances the vigor of trainees. In the session of verification of expectations participant express their expectations and can verify whether their expectations are fulfilled or not. Besides, the training manager/facilitator with his portrayal of aims and objectives of the training introduces the trainees with the objectives of the training.

Objectives of the Session

To create a training environment , assess the expectations of the participants and share the aim and objectives of the training.

Outcome of the Session

At the end of the session

- A cordial environment is created in the room.
- Expectations of the participants from the training are learnt.
- Aims and objectives of the training are known to the participants.

Method : Lectures, Play and Open discussions.

Accessories : Boards, Marker/Chalk, Poster Paper.

Time : 1 Hour

Steps of Conducting Session

1. Registration of Name(s)

Method: Writing down the names of participants.

Procedure: The facilitator would begin the training expressing good wishes to everybody. He would request everyone to register their names on registration sheets and begin the training.

Time: 15 Minutes.

2. Inauguration

Method: Addressing Lectures

Procedures: The facilitator would seek the permission from everybody for ceremonial beginning of the training after registration of names. He would conduct the inauguration ceremony in the presence of a higher official of the Organization.

Time: 10 Minutes

3. Introduction and Ice Breaking

The facilitator, after exchange of good wishes would start this episode. He would tell the participants about the objectives of the episode and would seek suggestions from the participants on how to start the introduction session.

After having the suggestions, the facilitator would place small pieces of folded paper, encrypted with names of flowers in front of the participants as per numbers of the participants. He would then ask each participant to pick one piece of paper. Then the facilitator would tell the participants that there are two papers having the name of same flower. The two persons having the name of the same flower would form a group. After forming groups like this, the facilitator would ask the participant to sit in groups and request them to introduce themselves. Each member of the group would introduce each other.

At the end of the introductory session the facilitator would ask, "Do you still feel the uneasiness after this game?" The facilitator would declare the end of this session after hearing from them (Participants).

Time: 20 Minutes.

4. Anticipation of Expectations

Method: Lectures, Open Discussions

Procedure: The facilitator would listen to participants from the large group regarding expectations from the training and would write it on a poster paper. It should then be hung on a visible place in the training room.

Time: 10 Minutes

5. Explanation of Aims and Objectives Method: Lectures

Procedure: The facilitator would read out and share the aim and objectives written on the poster paper earlier.

Time: 5 minutes

MODULE 1: MANAGING HUMAN RESOURCE FOR ORGANIZATIONAL PERFORMANCE

Introduction

This module introduces the basic conceptual framework for understanding the functions and processes of managing people in organizations for getting effective results from them while keeping them satisfied. It introduces a process model of human resource management identifying key functions necessary for managing the workforce in the organization and outlines the importance and outcomes of managing people effectively. It also gives an overview of the key documents guiding human resource functions in the organization.

Module Code	WASC – HRM1
Title of the Module	Managing Human Resource for Organizational Performance
Objectives of the module	After attending this module, participants will be able to demonstrate understanding about: <ul style="list-style-type: none">✓ Describe what human resource management is, why it is important for organizational performance, and how people can be managed effectively✓ Identify key documents guiding human resource functions in the organization and list their main contents
Time	8 hours
Process	<ul style="list-style-type: none">✓ Understanding Human Resource Management✓ Key Human Resource Management Documents

Activity 1: Understanding Human Resource Management

Time:

- 5 hours

Why do this Activity?

This activity helps to understand what human resource management is and why it is important in the organization. It outlines core human resource functions for managing people and their performance in organizations.

Learning Objective

- Describe what human resource management is, why it is important for organizational performance, and how people can be managed effectively.

How to do the Activity?

Note

Make all necessary preparations before the start of the activity. Open up the activity following the general guidelines for facilitators.

Step 1: 75 minutes

Case Discussion

Divide participants into mixed groups of 3-4 persons each. Give them Assignment Sheet 1.1. Ask them to discuss the case *People Problems of a New Manager* in the groups based on the questions given at the end of the case and to record their findings on chart papers.

Plenary

Assemble the groups. Have each group present their findings taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions. Identify the main issues and problems in managing human resources in the organization. Encourage participants to share their real experiences in managing people in their organizations.

Step 2: 75 minutes

Presentation and discussion

Ask participants how workforce in the organization should be managed. Showing visuals discuss the functions required for managing human resources in the organization based on the model given in handout 1.1. Refer back to the findings of case discussion as you explain the human resource functions.

Step 3: 120 minutes

Presentation and discussion

Ask participants what they understand by human resource management now that they have discussed the various functions of human resource management. Summarize their understanding and discuss the concept of human resource and human resource management based on the materials of handout 1.1.

Further ask participants why they think human resource management is important for an organization. Summarize their contributions and discuss the importance of human resource management based on the materials of handout 1.1. Refer back to the findings of case discussion to demonstrate its importance.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.

Time out

Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.
- Copies of assignment sheet for each participant.

Handouts

- Handout 1.1: Understanding Human Resource Management
- Assignment 1.1: Case- People Problems of a New Manager

Handout 1: Understanding Human Resource Management

An organization is made of and run by people - like managers, employees, directors, volunteers, and coordinators - collectively known as human resource (HR). Naturally, then, its success largely depends on their contributions. This in turn depends on how effectively they are managed. If an organization puts in place proper and effective policies and practices for managing its human resources, it will benefit from their high performance. For this reason, it is important that all managers understand the basics of managing human resource. Those who are directly involved in developing and executing systems and programs for managing people should develop professional ability of managing human resource functions.

What is Human Resource Management?

In order to understand human resource management (HRM) it is important that we first understand the concept of human resource. Human resource, in an organizational context, is not only the number of people employed, as many people tend to think. It also means their quality and capacity to perform. Human resource implies both the *number* of people employed in the organization for carrying out its

Human Resource

- Number of people employed and
- Their potential and capacity to perform

activities and their *capacities and potential* for performing them. Managing human resource therefore involves getting the right number and kind of workforce for organizational performance as well as developing, motivating and utilizing them for better performance.

The fundamental assumption of human resource management is that every one in the organization has potential to perform. But this potential does not automatically translate into performance. Organizations need to put in place a management framework for people to perform. It is the responsibility of management to provide such structure and process for performance. This part of management is known as human resource management.

Human resource management is about *creating and implementing an enabling framework for organizational members to perform* more and better. It involves getting people into the organization and onto the job; motivating, developing and managing their performance; and preserving and promoting their interests both within the employment relationship as well as outside it. The fundamental purpose of creating and implementing such a management framework is to enable people to perform in a way that produces better results for the organization and keeps them satisfied. Hence human resource management is thus *getting effective result from workforce in the organization while keeping them satisfied*.

Achieving higher performance and satisfaction is a function of setting up appropriate policies, programs, and practices that guide the entire process of managing people and their performance. In this sense, human resource management is *a set of policies, programmes and practices designed and executed to enhance human resource effectiveness for supporting organisational goals and strategies by integrating the needs of the organisation and those of its people*.

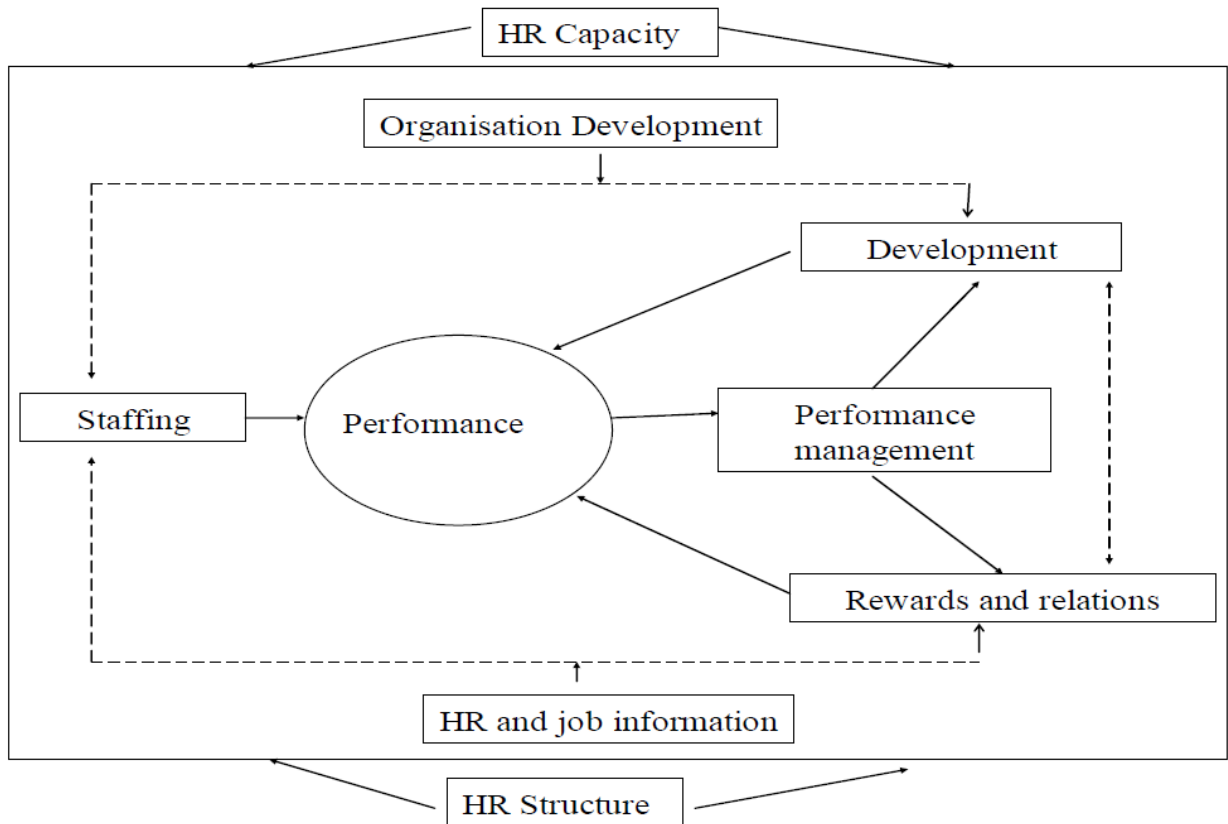
Human Resource Management

- A process of creating and implementing an enabling framework for organizational members to perform.
- A process of getting effective result from workforce while keeping them satisfied.
- A set of policies, programmes and practices designed and executed to enhance human resource effectiveness for supporting organisational goals and strategies by integrating the needs of the organisation and those of its people.

Why Human Resource Management is Important?

Human resource management is a core management function in any type of organization, more so in a people- focused service organization like WAPDA/PEPCO. It creates the most crucial condition for organizational performance. An effective human resource management system in the organization ensures the following distinct results for the organization:

- Enhanced human resource effectiveness.
- Improved productivity and quality of employee performance.
- Greater job satisfaction and commitment of staff.
- Availability of enabling conditions for performance.
- Effectively utilization of human capability and potential.
- Achievement of coordinated and inspired efforts from employees.
- Control of people-related costs (financial and non-financial) to the



reasonable limit.

- Compliance with legal, regulatory and social norms.
- Fulfillment of social and ethical responsibility of organization.

A better management of human resource eventually results in the development of sustainable core competence and competitiveness of the organization. This is fundamental to managing organizations strategically in the present competitive and changing environment.

How to Manage Human Resource?

Managing human resource involves a series of policies, programs and practices. Fig. 1 presents a conceptual framework of human resource functions that captures the key components of human resource management. The design and execution of human resource management system in an organization should build on these components for effectively managing human resources.

Figure 1

As the model suggests, the core of human resource management is the performance of

employees. In order to get employee performance several functions are necessary. First, the organization needs to be staffed. Staffing deals with the entire range of employment aspects of managing people, ensuring their availability for the jobs in the organization when and where required and handling termination of employment. It involves a wide range of activities including design of staffing structures, assessment and planning of employee requirements, acquisition of people for the jobs, their placement and internal movements, administration of service terms and conditions, management of employee severance from the organization.

Better staffing usually results in employee performance to a certain level. To sustain and improve it, performance management is needed. Performance management presents a framework for ensuring effective results from employees through such practices as performance and competency planning at the individual or team levels, supervision and monitoring of those plans, appraisal of achievements, and diagnosis and correction of problems hindering achievements. Its proper design and use is essential for stretching performance beyond the existing limit.

Performance management in turn generates data about the needs for developing employees, rewarding good performers, disciplining the poor ones, and maintaining relationships with them. Employee development is what builds, sustains and further improves employee capacity for effective performance through an organized process of learning. While enriching individuals and teams in their jobs and professions and helping them grow in their careers, it ensures the continuous availability of necessary competencies in the organization for its effective operation.

Rewards and relations sustain good performance and motivates for further enhancement in performance by addressing employees' needs and protecting, preserving and promoting their interests and rights in the employment context. It is quite important that rewards and relations policies, programmes and practices are directly related to performance.

In order for these functions to be effective, it is important that a comprehensive human resource and job information system is in place in the organization. They are comprehensive database of organizational members and jobs that feeds required information into HR decision process and determines the quality of such decisions. Likewise, for human resource functions to produce conditions supportive of effective employee performance, a continuous process of organization development in terms of improvements in work systems, structures, cultures and procedures is required.

Two critical variables that determine the effectiveness with which these human resource functions are performed are: human resource capacity and structure in the organization. Human resource capacity refers to the in-house ability to perform human resource functions, including the number and skills of persons assigned for planning and

executing them. Human resource structure is the way various human resource functions are organized and responsibilities for them are allocated. Human resource structure and capacity embraces all human resource functions and influence the way they are performed and the results that are achieved.

People in organizations are managed by planning, organizing, coordinating and controlling these activities to get effective performance from and give better satisfaction to them.

Assignment Sheet 1.1: Case: People Problems of a New Manager

Time: 75 minutes

You have recently been appointed as SE / Manager in a Circle of a utility company. In view of competitive environment for resource mobilization and service delivery, the main goal is to increase customer satisfaction by 25 percent in two years time through enhanced competitiveness and quality services.

Immediately after you took up the position, you wanted to develop your employees detailed profile in order to redeploy them for enhancing performance and productivity to achieve the strategic goals and implement strategies more effectively. Their personal files contain little information about them. As the previous S.E / manager had little interests in employees, there is no record about their expectations, concerns and problems.

Since the operation of your set up needs to be expanded considerably to achieve the strategic goal, you reckon that you will need extra helping hands and also more skills. No exercise has been done to identify this requirement precisely. The board of the DISCO has authorized the CEO to acquire the employees required based on the growth target, but never before any initiative on this matter has been taken. As such, no rules or procedures do exist. You are not sure how you can get people that you will require soon.

Your quick observation also suggests that there is a lot to be improved in getting better results from them. You wonder what can or should be done to help the staff members. You talked to some staff members. For their part, they think that their level of performance is good. If they were not doing as well as they should, then they should have been told about it. They complain is that there are no opportunities to improve their competency. They also seem to be less motivated. Many of them feel that the office has not done enough to recognize the efforts made by the staff members. You have yourself noticed that there are few, if any, opportunities for staff members to participate and communicate with the management.

Discussion questions

1. How would you assess the policies and practices of managing human resources in the circle organization?
2. What should be done to improve the practice of managing human resources in the circle organization?
3. Identify human resource functions which should be improved and the main changes that should be made in those functions.

Activity 2: Human Resource Documents

Time: Three Hour

Why do this Activity?

This activity is designed to familiarize participants with the main contents of the two most widely used and important documents that organizations should prepare and use executing human resource functions.

Learning Objective

- Identify key documents guiding human resource functions in the organization and list their main contents.

How to do the Activity?

Note Make all necessary preparations before the start of the activity. Open up the activity following the general guidelines for facilitators.

Step 1: 60 minutes

Brain Storming Briefly explain to participants the need for and importance of preparing in documented form various policies, plans, rules, procedures and regulations for managing human resource functions. Brainstorm on what are the various human resource documents that are necessary in organizations. Discuss and summarize.

Step 2: 120 minutes

Group Work Form even number groups (e.g. four or six groups). Assign to half of the groups the task of identifying the main contents of Employee Service Rules and Regulations and to the other half the task of identifying the main contents of Employee handbook (orientation manual).

Assemble the groups. Have each group share their group work Plenary outcomes. Facilitate discussions and generate feedback. Share the main contents of both documents as given in Handout 1.2.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.

Time out



Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.



Handouts

Handout 1.2: Human Resource Documents

Handout 1.2: Human Resource Documents

For effective and systematic management of human resource functions, every organization has to prepare and use a number of policies, strategies, rules, regulations, plans, processes, and programs. They guide and regulate human resource practices and activities in the organization. Many organizations formally document and extensively use them in performing their human resource functions. Others do not go to the extent of formally documenting them, though they may have some broad and informal frameworks for guiding their human resource practices. It is always a good idea to document and formalize major human resource functions as it provides a systematic and clear framework for managing human resource functions. Otherwise human resource functions usually tend to be casual, unsystematic and random.

There are many human resource documents which organizations prepare and use for managing their workforce. What kinds of documents are in use largely depends on the needs of the concerned organization and also on how comprehensive human resource systems it has developed. Two documents which are used by almost all organizations are: employee service rules and regulations (also known as personnel bye-laws) and employee handbook (also known as staff orientation manual).

Employee Service Rules and Regulations

Also known as personnel bye-laws this document outlines the employment relationships between the organization and the employee. This guides the entire regulatory and administrative aspects of employment of people in the organization. Its main contents include:

- Staffing structures (skill mix of workforce – job classification in terms of nature of job and positional level)
- Job descriptions and specifications (job scope and competency requirements)
- Recruitment and selection systems (policies, procedures, criteria and methods of sourcing and selecting employees, types of employment, and management structures for executing them)
- Placement and induction of employees (appointment and socialization procedures and rules)
- Employees job movements (assignment, transfer, deputation, and promotion policies, rules, requirements, and procedures)
- Performance management (performance target setting and appraisal policies, rules, requirements, and procedures)
- Employee training and development (types, conditions, policies, rules, requirements, and procedures)
- Employee compensation (salary, benefits, rewards, and incentive schemes, policies, rules, requirements, and procedures)

- Employees leave provisions (types, conditions, policies, rules, requirements, and procedures)
- Service conditions and code of conducts (employment norms and terms, on-the-job and off-the-job behaviors, disciplinary procedures and rules)
- Employee relations practices (participation, protection, employee rights, internal communication, assistance, grievance procedures, and appeal procedures)
- Severance policies, procedures and benefits
- Miscellaneous

Employee Handbook

This document is prepared primarily for orienting the employees about the job and the organization as they enter and work in the organization so as to facilitate their performance. Its main contents include:

- Overview of organization (vision, mission, strategies, plans and programs, activities, structure, resources, linkages, and achievements and problems etc)
- Main highlights of employee service rules and regulations (based on the above documents)
- Job descriptions and specifications
- Work issues (what and how of working modalities)
- Staff development plan and procedures
- Documentation and forms for various services
- Time guidelines
- Leave provisions
- Financial transactions
- Communication (internal and external)
- Resources and facilities
- General safety and precautions

MODULE 2: STAFFING THE ORGANIZATION

Introduction

The focus of this module is on how to staff the organization or its programs/ projects in order to ensure the availability of people for performance. It addresses the key issue of how to plan for getting people and how to get them into the organization and put them on the job. It covers job and human resource information system, human resource planning, staff recruitment and selection, and induction/ placement.

Session Code	WASC – HRM 2
Title of the Module	Staffing the Organization
Objectives of the Module	<ul style="list-style-type: none">- Describe the nature of human resource and job information for managing people in the organization, design a simple human resource information system, and prepare job description and job specification statements;- Describe the concept and process of human resource planning and prepare a human resource plan for the organization following a systematic methodology;- Explain the concept and process of recruiting and selecting staff, design staff recruitment and selection functions in the organization, and recruit and select staff necessary for organizational performance following professional procedures; and- State the meaning and importance of orientation of new staff and prepare an orientation schedule to orient the newly hired employees.
Time	21 hours
Process	<ul style="list-style-type: none">✓ Activity One: Human resource and job information systems (Six hours)✓ Activity Two: Human resource planning (Four hours)

	<p>MMC)</p> <ul style="list-style-type: none"> ✓ Activity Three: Staff recruitment and selection (Eight hours MMC) ✓ Activity Four: Orientation to new staff (Three hours MMC)
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Activity: Human Resource and Job Information Systems

Time:

Four hours

Why do this Activity?

This activity helps to understand the nature and importance of human resource information and job information for managing people in the organization. It also develops ability to design a simple human resource information system and to prepare job description and job specification statements for use in the organization.

Learning Objective

- Explain the nature of human resource and job information for managing people in the organization, design a simple human resource information system, and prepare job description and job specification statements.

How to do the Activity?

Note

- Make all necessary preparations before the start of the activity. Open up the activity following the general guidelines for facilitators.

Step 1: 60 minutes

Presentation and Discussion

Refer to the conceptual framework of human resource management functions as discussed in Unit One and highlight the need for information about employees and jobs for managing people in the organization.

Ask participants what kinds of information about staff members are necessary to maintain in the organization and what uses they can be put to. Draw out the major kinds

of human resource information an organization should maintain and discuss the concept and contents of HRIS using the materials given in handout 1.2 with the help of visuals.

Group Work

Divide participants into mixed groups of 3-4 persons each. Give them Assignment Sheet 2.1a. Ask them to prepare a simple format for maintaining human resource information in a small NGO with the help of HRIS input data as given in Annex 2.1a.

Plenary

Assemble the groups. Have each group present their formats taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions.

Step 2: 60 minutes

Presentation and Discussion

Ask participants what kinds of information about jobs are necessary for managing performance of employees in the organization. Further discuss how those information can be collected. Briefly explain the concept and process of job analysis using the materials given in handout 1.2 with the help of visuals.

Group Work

Divide participants into small groups of 3-4 persons each. Give them Assignment Sheet 2.1b. Ask them to analyze the job of one of the members of the group using the job analysis checklist given in Annex 2.1b. Ask them to summarize the information about the job they have analyzed.

Step 3: 120 minutes

Explain to participants briefly about the concepts of job description and job specification and the process of preparing them based on the materials of handout 1.1 with the help of visuals. Explain the techniques of writing various components of the job description and specification statement with examples as given in handout 2.1.

Ask participants to work on the same groups as before. Give them

Assignment Sheet 2.1c. Ask them to prepare job description and specification

statements using the job analysis information they have collected in the earlier exercise. Ask them to summarize the information about the job they have analyzed. in Annex 2.1c and the partial example of job description and specification statement as given in Annex 2.1d.

Plenary

Assemble the groups. Have each group present their outputs taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others outputs.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.

Time out

Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.
- Copies of assignment sheet for each participant.

Handouts

- Handout 2.1: Human Resource and Job Information Systems
- Assignment 2.1a: HRIS Format
- Assignment 2.1b: Job Analysis
- Assignment 2.1c: Job Analysis and Job Specification Statement

Handout 2.1: Human Resource and Job Information Systems

Effective management of human resource functions in the organization requires adequate and accurate information about the jobs that exist and the people who perform them. For virtually all human resource functions information about the employees and their jobs is necessary. To provide this information, the organization should maintain human resource information system (HRIS) and job information system (JIS).

Human Resource Information System

HRIS is a database system that keeps important information about employees in a central and accessible location. It is a system that collects, processes, stores and disseminates information about employees in the organization to support decision making, planning, coordination, control and analysis of various human resource functions. HRIS feeds information into human resource policy and planning as well as other human resource decision process. For example, HRIS maintains information about career experiences, skills and appraisal ratings of employees, which can then be retrieved and use for making promotion, transfer or training decisions. The quality of human resource decisions depends largely on the Adequacy and accuracy of information that is maintained about employees and the procedures and techniques used forretrieving and analyzing them. HRIS integrates various human resource activities for their coordinated and planned execution and hence provides for systematic and professional decision making about the management of people.

Importance of HRIS

- Makes employee related information readily available.
- Feeds accurate and adequate information into human resource decision process.
- Integrates various human resource activities for coordinated actions.

HRIS can be maintained manually or in computerized form. Whichever system one opts for, its maintenance requires the design of a system of information. This system is based on the identification of certain input data, information recording structures, and procedures for using the data. The system also generates a number of output data for use in human resource decisions as well for their implementation.

Input Data for HRIS

The major categories of input data for HRIS are as given below:

- Personal information (about the individual)
- Organizational information (positioning in the organization)
- Job/ career experience (current and previous)
- Performance and potential assessment (ratings and feedback)
- Qualification, training and competency (provided and identified)
- Payroll and benefits
- Development and succession plan
- Others (disciplinary, medical, references, absenteeism)

A more detailed listing of input data is given in Annex 2.1a. HRIS input data can easily be maintained in computer using Excel program if the organization has not developed a purpose-made software.

Output Data from HRIS

The following reports are usually generated from HRIS:

- Skills inventory
- Training and development report
- Compensation report
- Employee benefit record
- Turnover and absenteeism report
- Human resource plans

Job Information System

JIS basically involves the maintenance and use of information about the various jobs

that exist in the organization. It forms the basis of a number of human resource decisions including job assignment, selection, training, development, appraisal, compensation, rewards and relations. Without proper and comprehensive information about jobs in the organization, managing people and their performance becomes ad hoc and ineffective. JIS is maintained by first analyzing jobs and then preparing job description and job specification statements.

Components of a Job

- Content factors
- Context factors
- Human requirements

Job Analysis

In order to analyze a job, one must first understand what a job is in an organizational context. A job is a basic unit of organizational performance. When all the jobs in the organization are performed effectively and productively, then only organizational performance is improved.

A job consists of mainly three factors: a. content factors which are internal to the job such as tasks, duties, behaviors, authority, outputs, and performance standards; b. context factors which are external to the job such as equipment, physical/social work conditions, work schedule, and organizational context with or within which the job is performed; and c. human requirements of the job such as knowledge, skills, experiences, and personal attributes.

Job analysis involves a process of understanding these three aspects of a job. It is *a process of gathering, recording and interpreting information about the content, context and human requirements of a job that differentiates it from other jobs, for the purpose of making certain judgements about the job and its place in the overall organisational context.*

Information for job analysis: In analyzing a job, one normally collects several kinds of information, important of which include:

- Job identification (such as the job title, positional level and location in the organization, the nature of service of specialization, relationships with the other jobs, and the basic purpose of the job).
- Work activities (including areas of responsibilities, specific tasks and duties to be performed, and outputs to be produced).
- Work characteristics (such as authority required).

- Performance standards (that are to be achieved while carrying out the work activities) and performance indicators (against which the actual performance can be measured).
- Human behaviors (required for carrying out the work activities, tasks and duties such as communicating, deciding, analyzing, observing, sensing, and moving).
- Machines, tools, equipment and work aids (necessary for performance and with which the work activities are carried out).
- Work conditions (within which the work activities are to be carried out such as physical setting, social context, work schedule, risk environment).
- Human requirements or competencies (for the performance of the job such as skills, knowledge, experience, qualification, personal and professional qualities).

Uses of job analysis information: The information about the job can be put to several uses such as preparation of job description and job specification as well as for making several other staffing decisions like recruitment and selection, placement and transfer, training and development, performance appraisal, and staff compensation and benefits. For example, the analysis of the job of training assistant shows that it involves frequent field visits to remote parts for training delivery and it requires good communication skills. This information can be used as criteria for selecting or placing appropriate training assistant. This will also indicate the training requirement of the job holder; if he/she does not have good communication skills, then he/she should be trained in this skill area.

Job analysis can be used in the recruitment and selection procedures to identify or develop job duties that should be included in advertisements of vacant positions, appropriate salary level for the position to help determine what salary should be offered to a candidate, minimum requirements (education and/or experience) for screening applicants, interview questions, selection tests/instruments (e.g., written tests; oral tests; job simulations), applicant appraisal/evaluation forms, and orientation materials for applicants/new hires.

In compensation management, job analysis can be used to identify or determine skill levels, compensable job factors, work environment (e.g., hazards; attention; physical effort), responsibilities (e.g., fiscal; supervisory), and required level of education (indirectly related to salary level)

Job analysis can be used in performance review to identify or develop goals and objectives, performance standards, evaluation criteria, length of probationary

periods, and duties to be evaluated

Job analysis can be used in training needs assessment to identify or develop training contents, assessment tests to measure effectiveness of training, and equipment to be used in delivering the training, and methods of training.

Job analysis process and techniques: Depending on the intended uses, jobs can be analyzed extensively or in a simple and condensed manner. A simple procedure for carrying out job analysis would be as follows.

- Decide the use to which the collected information about the job will be put (e.g. preparation of job description and specification or identification of training needs).
- Choose the job for analysis.
- Collect and study background information to understand the nature and context of the job (e.g. organization chart of the office, existing job description, work process chart, operation manual, work guidelines).
- Adjust the job analysis check list (as given in Annex 2.1b) to suit the particular requirements of the job and the purpose of the job analysis exercise.
- Identify the job holders and their supervisors and inform them about the purpose of job analysis.
- Prepare them for job interview indicating when and where it will take place and what preparations they have to make.
- Conduct job interviews in an informal way using the checklist, taking notes of key responses.
- Observe the job holders doing their work activities in their natural setting for about a week using the checklist, and take note of the key findings.
- Compile, process, and analyze information thus collected.
- Summarize major aspects of the job, and verify them with the job holders and their supervisors while relating them with the organizational and program purposes of the office.
- Prepare job description and specification statement following the given format.

Job Description and Specification

Job analysis generates information that one normally uses for the preparation of job description and specification, a valuable management tool for managing staff performance. Job description is *a statement that defines the nature and scope of a job in terms of what work activities the job holder is to perform and why, how and under what conditions he/she is to perform them.*

Job specification further defines the job in terms of its human requirements. It is a statement that *identifies the skills, abilities, education, experience, and personal attributes necessary for performing the work activities.* Together job description and job specification provide a framework for staff performance by identifying and prescribing what is to be done and what requires for performing them.

For an individual staff, a job description and specification statement gives a direction for conducting his/her work behaviors and practices as well as for developing work competency in relation to the requirements of the organization. For the manager or the supervisor, it gives a tool for supervising, guiding and developing work behaviors of his/her staffs to ensure better performance from them.

Since job description and specification has profound implications for staff performance, it is important that it is prepared in a way that focuses on and supports performance.

Components of job description statement: A comprehensive and performance-focused job description statement contains several components.

- Job identification. This section identifies the job in the organizational context and includes such information as:
 - o Job title – the name of the job as officially approved or recognized.
 - o Level or Grade – the seniority level in the positional hierarchical.
 - o Service category - specialization group or class the job belongs to.
- Job location – unit or section where the job is placed in the organization.
- Relationships – with the other jobs in the organization such as who the job holder reports to, who he/she supervises, and who he/she has to coordinate with in carrying out the work activities.
- Job purpose or summary – what is the basic reason for the existence of the job or what is the general nature of the job in terms of broad responsibilities?

- Job contents. This section lists down the main internal elements of the job and includes such information as:
 - o Work activities – the main responsibility/ result areas and specific duties to be carried out under each of them.
 - o Performance standards – the level of performance the job holder is expected to meet while performing work activities.
 - o Performance indicators – the criteria the supervisor will use to measure the level of performance of the job holder.
 - o Time requirement – the approximate percentage of time the job holder is expected to spend in each responsibility area.
 - o Authority – the extent of discretion or decision limit of the job holder in utilizing resources including staffs, money, information or things.
- Work context. This section identifies the physical, geographical and social setting within which the job holder performs his/her work activities and includes such information as work place (indoor or outdoor), job aids (tools, equipment, machineries), social context (individual or team work), frequency of movements (visits to different places), and work nature (risks involved or difficulties).

Components of job specification statement: It identifies the human requirements of the job and includes such information as educational attainments, professional experience, skills and abilities, personal and professional attributes and qualities like aptitude, interest and motivation, and personal or social circumstances.

A format of job description and specification statement is given in Annex 2.1c.

Writing job description and job specification: Some important guidelines for writing job description and specification are in order.

- Go through the job analysis information carefully, absorb the information fully, and visualize the overall profile of the job mentally.
- Use the given structure for preparing the job description and specification statement.
- Write each component, preferably in the sequence as given in the prescribed structure, by phrasing appropriate words or sentences on the basis of the relevant information. While doing so, verify the accuracy of the information

as well as the presentation of each component.

- Use special principles, techniques or conventions related to the specific components of the statement. Some important general writing conventions are: be concise, avoid duplications, be consistent in style, use simple terms and phrases, use strong and concrete words, use direct sentence structure, be specific, avoid vague and abstract expression, and make it easily understandable by the job holder.
- Check consistency between and among the various components while writing them and after completing all of them. Work on any inconsistencies as they are detected, and rephrase or rewrite them as needed.
- Share the draft with the job holder and his/her supervisor, get feedback, and revise as necessary.

Specific techniques for writing various components of job description and specification statements are as follows:

- Writing the ‘Relationship...’ component: This component consists of three types relationships: upward, downward, and sideward.
- The ‘Reports to...’ element means the supervisor of the job holder; write the job title of the supervisor who the job holder reports to.
- The ‘Supervises...’ element refers to the subordinates who the job holder supervises; write their job titles and the number of persons against each job title.
- The ‘Coordination...’ element includes the other jobs within or outside the office the job holder has to regularly work with for his/her job performance; write the job titles and against each job title write the nature of relationship such as supporting, informing, cooperating, information seeking, consulting, advising, and liaising.
- Writing the ‘Job Purpose/ Summary...’ component: Phrase one sentence that captures the essence of the job; the fundamental reason why does it exist in the organization.
- Writing the ‘Responsibility/Result Areas and Duties...’ component: This component includes two levels of work activities of the job holder: broad responsibility/ result area and duties.
 - o The ‘Responsibility/Result Area...’ element refers to the main functional or

activity area where specific duties are to be carried out and significant results are to be produced. The ‘Duties...’ element means specific activities needed to produce results in each responsibility area. In each responsibility/ result area, there could be several duties that are necessary for the job holder to perform.

- o Write the Responsibility/ Result Area in broad term as a phrase.
- o Write the Duties in a sentence form consisting of three parts. Start with the action to be performed and write it in a plural action verb. Then, write the object of the verb to answer to whom or what the action is done. Finally, write the expected result from or the reason for the action. Perform what action? ; To whom or what? ; To produce what? A list of action verbs for writing duty statements is given in Annex 2.1e.
- Writing the ‘Performance Standards ...’ component: Writing performance standards are not easy, but without them the job holder will have no benchmarks for his/her performance and the supervisor will have difficulty motivating and assessing performance of his/her staffs. For each responsibility/ result area or the identified duty, write the level of performance or output expected of the job holder in the organization. This can be done by specifying the quantity, quality, time, cost or satisfaction norms the job holder should achieve with respect to the concerned responsibility or duty. Example for health education assistant:
Performance Standard for the Responsibility Area ‘Education Materials’ – A complete set of education materials is prepared a month ahead of the program delivery, and the materials approved by public health officer.
- Writing the ‘Performance Indicators ...’ component: Write the criteria against which the performance targets can be set and the actual performance can be measured with respect to each responsibility/ result area. Use quantity, quality, time, cost or satisfaction measures as indicators..

Annex 2.1a

An Example of Input Data for HRIS

- | | |
|--------------------------------|---|
| 1. Identification: | Surname
First and middle name
Code number |
| 2. Other personal information: | Address (including telephone number)
Next of kin
Date of birth
Gender
Marital status
Nationality |
| 3. Organization locations: | Department/Unit
Location |
| 4. Occupation history: | Prior to joining company <ul style="list-style-type: none">• Employers• Positions held• Dates |
| Dates of joining | Recruiting source
Status of employment: full time, part time, temporary, contract
Positions held within the organization, dates appointed, job titles and department, job grade |
| 5. Salaries and benefits: | Salary history <ul style="list-style-type: none">• Basic salary• Dates and amounts of change• Reasons for change• Planned next change Benefits eligibility/awarded |

6. Performance and potential assessment: Most recent performance data. Most recent data covering potential

Psychological test score, results, dates

7. Qualifications:

Level

Field

Specialist/professional

8. Training received:

Training courses attended

- Internal/external
- Level of course
- Duration and dates

Training planned

9. Competencies:

Competencies required in present job

Personal competencies

Competency requirements

10. Development Plans:

Career moves possible

Planned next moves (if relevant)

- Position, grade, timing

11. Succession plans:

Entries in succession plans

12. Medical history:

(Confidential - restricted access)

13. Absenteeism

14. Overtime/shift work part time

Annex 2.1b

Job Analysis Checklist

1. Job title:
2. Positional level:
3. Section or unit:
4. Service or specialization group:
5. Relationships with the other jobs: (reporting to? supervises? coordinates with?)
6. Basic purpose of the job/ core functions:
7. Main areas of responsibilities/ results: (existing responsibilities, additionally required responsibilities, and redundant responsibilities)
8. Specific duties to be performed under each responsibility/ result area: (regular duties, occasional duties, existing duties, additionally required duties and redundant duties)
9. Human behaviors required for carrying out the work activities, tasks and duties:
10. Time required for performing duties in each responsibility/ result area: (in percentage)
11. Authority for performing duties: (existing and required)
12. Performance standards for each responsibility/ result area:
13. Performance indicators against which to measure the actual performance:

14. Machines, tools, equipment and work aids for performance: (existing and additional required)
15. Work conditions for carrying out work activities: (existing and changes required)
16. Skills and abilities: (technical, professional, behavioral and managerial; currently possessed and ideally required)
17. Job knowledge: (technical, professional, behavioral and managerial; currently possessed and ideally required)
18. Job experience: (type and length of experience; currently possessed and ideally required)
19. Educational qualification: (level, degree and specialization; currently possessed, officially required and ideally required)
20. Personal and professional qualities: (aptitudes, interests, traits; currently possessed and ideally required)
21. Personal circumstances affecting job performance: (age, gender, marital status, health conditions, religious or cultural practices; currently possessed and ideally required)

Annex 2.1c

Job Description and Specification Format

Part One: Job Identity

1. Position title:	
2. Position level:	
3. Service group	
4. Work Unit:	
4. Reports to:	
5. Supervises:	
6. Work relationships:	
7. Job purpose:	

Part Two: Job Contents

8. Performance Areas and Standards

Responsibilities and Duties	Performance Standards	Time
<i>A</i> 1. 2.		
<i>B.</i> 3. 4.		

9. Authority

10. Performance Indicators

Performance Indicators

1.

2.

Part Three: Work Context

11. Work Place:

12. Job aids:

13. Social context of job:

Part Four: Job Specifications

14. Minimum Educational Attainment:

15. Minimum professional experience:

16. Job knowledge and competencies

17. Critical Attributes:

Assignment Sheet 2.1a

HRIS Format

Go into the assigned group. Carefully study the input data of HRIS as given in Annex 2.1 a and do the following tasks.

- Prepare a simple manual format for maintaining information of staff members in your organization.
- Take care that most of the input data suggested in Annex 2.1a are included in the format but it is not necessary to include all of them.
- Use Excel program if facility is available and you are familiar with the program.
- Share the format in the plenary and discuss.

Assignment Sheet 2.1b

Job Analysis

Go into the assigned group. Choose the job of a person in your group for analysis and analyze the job by collecting information from the person using the checklist as given in Annex 2.1b. Do the following tasks.

- Ask questions to the selected job holder based on the checklist.
- Study the relevant documents that give information about the job, if available.
- Summarize the main information about the job discussing the nature of job among you.

Assignment Sheet 2.1c

Job Description and Job Specification Statement

Work in the same group as before. Using the job information collected earlier; prepare job description and job specification statement for the job you have analyzed.

- Use the job description and specification format given in Annex 2.1.c.
- Ask the facilitator for guidance when in doubt as you write various components of job description and specification statement.

Activity: Human Resource Planning

Time: Four Hours

Why do this Activity?

This activity is designed to familiarize participants with the concept and process of human resource planning as a major staffing function to fulfill the workforce requirement of the organization. It helps them prepare a human resource plan for the organization for better staffing.

Learning Objective

- Describe the concept and process of human resource planning and prepare a human resource plan for the organization following a systematic methodology.

How to do the Activity?

Note Make all necessary preparations before the start of the activity. Open up the activity following the general guidelines for facilitators.

Step 1: 60 minutes

Presentation and Discussion

Ask the participants how organizations know when, how many and what kinds of staff will they need and how do they ensure their availability. Based on their responses, introduce the concept of human resource planning.

Briefly explain to participants the need for and importance of human resource planning in organization with the help of materials given in handout.

Step 2: 180 minutes

Illustration Explain to participants the step wise process of human resource planning showing the illustration given in Annex 2.2.

Explain each step by illustrating necessary calculations using whiteboard or chart paper.

Highlight the key points and discuss the techniques and programs that the illustration contains.

Summarize the total process.

Group Work Form small groups of 3 -4 participants each. Give them Assignment Sheet 2.2. Ask them to prepare human resource plan for the organization using the information in the exercise. Ask them to use the same process and formats as shown in illustration (Annex 2.2).

Plenary Assemble the groups. Have each group share their group work outcomes. Facilitate discussions and generate feedback.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.

Time out



Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.



Handouts

- Handout 2.2: Human Resource Planning
- Assignment 2.2: Human Resource Plan for Sahara

Handout 2.2: Human Resource Planning

One of the main objectives of managing human resources in any organization is to provide the organization with the required number and quality of staff to do the work that will lead to the achievement of its goals. Human resource planning serves to achieve this objective. This is the major initial step of staffing an organization or its program/project. Without properly estimating the requirement of people and carefully planning for their acquisition and utilization, the organization should not start recruiting and hiring employees.

What is Human Resource Planning?

Human resource planning is the process by which an organization ensures that it has the right number and kinds of people at the right place at the right time, capable of effectively and efficiently completing those tasks that will help the organization achieve its overall objectives. The process involves analysis and estimation of the need for and availability of staff for implementing organizational strategies and plans as well as development of programs for meeting the need in the most effective way.

As a strategy human resource planning is an exercise to maximize the contribution of human resources in the goal achievement process. As a process it identifies the future needs for human resources both in terms of quality and quantity, compares the needs with the present work force, determines the number and types of employees to be acquired or phased out, based on the organization's strategies and objectives, and formulates programs to meet the workforce needs of the organization.

The basis of human resource planning is the organizational goals and strategies without which human resource requirement of the organization cannot be estimated and planned. In this sense human resource planning is a process that *translates organizational objectives and strategies into the number and types of people required to meet them and develop programs to get the*

Human Resource Planning

- Makes right kind and number of employees available at right time for performing jobs.
- Estimates need for and availability of employees.
- Relates human resources to organizational goals and strategies.
- Develops programs to meet human resource needs in the organization.
- Maximizes the contribution of human resources in goal achievement process.

required people into the organization.

Aims of Human Resource Planning

The main reasons for undertaking human resource planning are to ensure that the organization:

- is able to meet its future human resource needs (i.e. obtains and retains staff in sufficient numbers and with required skills to be able to operate effectively and achieve organizational objectives);
- fully utilizes the human resources employed;
- has access to valuable data base for key human resource decisions;
- integrates and monitors human resource policies; and
- keeps control of human resource costs.

Process of Human Resource Planning

Human resource planning basically involves the following five phases of actions:

Assessing Current Human Resources

This step involves developing a profile of the current status of human resource within the organization. This is an internal analysis that includes an inventory of the current staff and skills already available and a comprehensive job analysis. Such assessment is done by preparing a human resource inventory report. The input to this report would be available from human resource information system (HRIS) of the organization which maintains human resource database. The database contains information about each employee; names, education, training, prior employment, current position, performance ratings, salary levels, capabilities and specialized skills.

Human resource inventory report is valuable in determining what skills are currently available in the organization and also in identifying current or future threats to the organization's ability to perform from human resources perspective. Job analysis provides information about the nature of the jobs in the organization and the behaviors necessary to perform those jobs. Based on this information, the assessment of the current human resources in the organization can be done more accurately.

Analyzing Organization's Plans

The organization's objectives, strategies and targets for the future determine future human resource needs, i.e. the number and skills required. Hence it is important to analyze the plans of the organization to identify its human resource requirements. Demand for human resources is a result of demand for the organization's product or services. Based on the planned level of product or service, the number and skills requirements of human resources can be ascertained.

Forecasting Human Resource Needs (Demand Analysis)

Demand forecasting is usually done by identifying the most appropriate measures that can be related to the need for human resources. Such measures are usually the main outputs of the organization such as service level, revenue level, production level etc.

Demand forecasting can be done for the whole organization first and then the estimated figures can be allocated to each sub-unit (top down approach). Alternatively, it can be done for each sub-unit first and then the estimated figures can be aggregated to project demand for the whole organization (bottom-up approach).

Several methods of forecasting demands are available, e.g. managerial judgment or Delphi method. The ratio trend analysis is the most widely used technique for forecasting the future demand. This technique seeks to calculate a ratio between activity level or output and staff number and between one type of employee compared with another. This can be expressed as the number of people required for a certain activity level or the number of work hours for a given level of outputs. It is carried out by studying the existing ratios. The figures thus arrived are adjusted for the planned productivity enhancement measures and anticipated human wastage.

Forecasting Human Resource Availability (Supply Analysis)

This basically looks at the availability of human resources in the organization at a particular point in time and also in the labor market. The internal supply assessment is done by flow analysis. Flow analysis tracks down the movement or flow of people which either increases or decreases their number in a given period of time.

An increase in the supply of human resources can come from new hires, transfer-in or returns from leave. Similarly a decrease in supply can come from retirements, dismissals, transfer-out, layoffs, voluntary quits, death, and sabbatical. An estimation of such changes needs to be made based on the past trends. The decrease in supply is usually expressed as a turnover rate calculated on the basis of past trends.

Determining Human Resource Requirements

This step involves matching both demand and supply and determining the shortage or surplus of people.

Designing Human Resource Programs

The main programs that may need to be designed to reconcile demand and supply include:

- Recruitment plan
- Staff training and development plan
- Retention plan
- Redeployment plan
- Redundancy plan.

An example of human resource planning preparation process and techniques is given in Annex 2.2.

Annex 2.2

An Example of Human Resource Planning

Zenith is an organization running health programs through various health outlets in a district. It has mainly three main categories of staff: paramedics, managers, and support staff. In 2013 the total number of staffs was 100 and in the current year (2014) it is 140. The staffing pattern or proportion of three staff categories is: paramedics 60 percent; managers 10 percent; and support staff 30 percent. The past trend suggests that the staff turnover rate for all categories is about 5 percent (due to retirement, resignation etc.). The total numbers of people served in the programs run by *Zenith* in years 2013 and 2014 were 24,000 and 27,000 respectively. The organization has a plan to send 5 percent of staff for one year qualification upgrading program each year from 2015.

Zenith has prepared a strategic plan for the next two years. It plans for the expansion of its health programs in the district in next two years that include among others establishment of new health outlets. It also plans to introduce incentive schemes and new health technology that will result in increased productivity of staff by 10 percent in 2016. The plan projects growth targets of 33,000 and 40,000 people to be served in 2015 and 2016 respectively as a result of the above programs.

Based on the information given, human resource plan for *Zenith* can be prepared as follows.

1. Current Human Resources

1.1 Staff categories/ skill-mix

Year	Paramedics (.6)	Managers (.1)	Support Staff (.3)	Total
2013	66	11	33	110
2014	84	14	42	140

1.2 Staff turnover: 5 percent annually

2. Organization's Plans

- Expansion of health programs
- Establishment of new health outlets

- Projected growth rates in people served: 2015 – 33,000; 2016 – 40,000

3. Forecasting of Human Resource Needs (Based on the Ratio Trend Analysis Method)

The activity or output factor selected: number of patients served (as this is the core program output)

2013	2014
24,000	27,000
	0

The staff category selected: paramedics (as this is directly related to the selected output factor)

2013	2014
66	84

Productivity Ratio (Number of patients per paramedic derived by dividing number of patients served by number of paramedics)

2013	2014	Average
364	321	343

Demand forecasts for paramedics					
Year	Projected patients	Existing parameds	Paramed/ patients ratio*	Adjusted ratio☒	Parameds required
2015	33000	84	343	343	96
2016	40000	96	343	377	106
* Average of last two years					
☒ Adjusted for productivity increment					

4. Forecasting of Human Resource Availability

Staff outflow: 5 percent expected turnover based on past records and 5 percent to be absent on account of study leave.

Supply forecast for paramedics			
Year	Existing parameds*	Expected outflow#	Parameds Available
2015	84	8	76
2016	96	19	77

* At the start of the year

5 percent turnover and 5 percent long training

5. Determination of Human Resource Requirements

Estimation of parameds requirements				
Year	Parameds required	Parameds available	Surplus/shortage of parameds	
2015	96	76	-21	
2016	106	77	-29	
Total staff requirements				
Year	Parameds (.6)	Manager (.1)	Support staff (.3)	Total (1)
2015	-21	-3	-10	-34
2016	-29	-5	-15	-48

5. Design of Human Resource Programs

As there will be shortage of all types of staff in both the planning years, the organization has to develop the following programs:

- Recruitment and selection program to hire a total of 34 employees of three categories at the beginning of year 2015 and also at the start of year 2016. For detail, refer to the following activity.
- Orientation of the newly hired staff members and development of orientation packages for the programs immediately after hiring the needed employees in both years.

Activity Three: Staff Recruitment and Selection

Time: Eight Hours

Why do this Activity?

This activity is designed to develop participants' understanding of and ability to plan and execute the most critical staffing function in the organization. It covers the concept and process of recruiting and selecting staff with the necessary procedures, techniques and formats to enable them to design recruitment and selection systems and make hiring decisions effectively.

Learning Objective

- Explain the concept and process of recruiting and selecting staff, design staff recruitment and selection functions in the organization, and recruit and select staff necessary for organizational performance following professional procedures.

How to do the Activity?

Make all necessary preparations before the start of the activity. Note Open up the activity following the general guidelines for facilitators.

Step 1: 60 minutes

Presentation/ Illustration	Ask participants how do their organizations meet the need for more employees. Lead the discussion to the recruitment process as a core staffing function. Link it with human resource planning. Briefly explain the concept and process of recruitment with the help of materials given in Handout 2.3.
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Illustrate the main parts of the management of the recruitment function: recruitment policy, recruitment schedule, job advertisement, and application.

Step 2: 180 minutes

Group
Work

Ask participants from the same type of organization to form their groups. Give them Assignment Sheet 2.3a. Ask them to prepare a recruitment policy and a recruitment schedule for their organization as well as a job advertisement for publication in a newspaper and an application for a position within their organization. They may make several assumptions for this task.

Plenary

Assemble the groups. Have each group present their outputs taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions.

Step 3: 60 minutes

Presentation Illustration

Ask participants how do their organizations select new employees from the list of applicants. Lead the discussion to the selection process as a core staffing function. Briefly explain the concept and process of selection with the help of materials given in Handout 2.3 using visuals.

Illustrate the main parts of the management of the selection function: selection policy, selection plan, selection committee, selection system design, and appointment letter.

Step 4: 180 minutes

Group
Work

Have participants go into the same group as before. Give them Assignment Sheet 2.3b. Ask them to prepare a selection policy and a selection plan for their as well as prepare selection system design, and appointment letter for the same position for which they carried out the earlier exercise. They may make several assumptions for this task.

Plenary

Assemble the groups. Have each group present their outputs taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.



Time out

Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.



Handouts

- Handout 2.3: Staff Recruitment and Selection
- Assignment 2.3a: Design of Recruitment System
- Assignment 2.3b: Design of Selection System

Handout 2.3: Staff Recruitment and Selection

The organization's successful human resource planning should identify its human resource needs. Once the organization knows these needs, it will want to do something about meeting them. The next step in the acquisition function therefore is recruitment and selection. These activities make it possible to acquire the number and types of people necessary to ensure the continued operation of the organization.

Recruitment and selection are the main methods of finding suitable people for jobs that are available in the organization. Hence they are critical functions of human resource management which contribute to ensure the availability of effective workforce in the organization. The cost of mismatch between people and jobs is very high. With proper recruitment and selection, the performance and productivity of staff can be raised up to 20 percent right from the start.

What is Recruitment?

Recruitment is the process of *generating a pool of suitable candidates for the available jobs and attracting them to apply for the jobs*. Its objective is to provide a sufficiently large number of qualified candidates so that satisfactory selections can be made. Recruitment should attract suitable candidates and also discourage unsuitable ones. It should also provide information so that unqualified applicants can self-select themselves out of job candidacy; that is, a good recruiting program should attract the qualified and not attract the unqualified. These dual objectives will minimize the cost of processing unqualified candidates.

Recruiting is the process of *discovering of potential candidates for actual or anticipated organizational vacancies*. Or, from another perspective, it is a process of linking activity— bringing together those with jobs to fill and those seeking jobs.

Objectives of Recruitment

- Attract suitable candidates to apply
- Discourage unsuitable ones
- Provide job information
- Project organization image

Factors that influence recruitment efforts include:

- Size and image of the organization
- Attractiveness of the job
- Image of the organization
- Internal human resource policies
- Union and government requirements

Where to Recruit?

If the human resource plan of an organization suggests that there will be shortage of staff in future, it may be necessary to recruit people to fill in the jobs available. The recruitment program should be carefully planned after exploring some alternatives to recruitment such as outsourcing, internal redeployment, introduction of new technology, reorganization, seeking temporary help, and introducing overtime and flexible working hours. If these measures do not meet the requirement, then the organization should look for the employees needed from two sources: internal and external.

Internal source: Internal methods of recruitment include:

- Job posting (internal notice of vacancies)
- Skills inventories (searching the personal files)
- Referrals (from the present employees)

The benefits of filling open positions with inside candidates include: knowing their strengths and weaknesses; more accurate assessment of their skills than those of outsiders; may be more committed to the organization and less likely to leave; may increase morale; and may require less orientation and training.

The limitations of internal methods include: the employees may become discontented if they don't get the job; may lead to interviewing unsuspecting inside candidates when the manager knows who he/she wants to hire; and may lead to inbreeding.

External source: External methods of recruitment include:

- Job advertisement (newspaper and electronic media; open and blind advertisement)
- Employment agencies
- Professional organization
- University recruitment

The benefits of filling open positions with outside candidates include: larger pool of potential candidates to choose from; and availability of fresh and better skills, ideas and abilities.

The limitations of external methods include: expensive and time consuming; loss of morale and motivation of existing employees; problem of adjustment in the organization; and more orientation and training needed.

How to Recruit?

The process of recruitment of new employees involves several steps including the following major activities:

- Formulation of recruitment policy (An example is given in Annex 2.3a)
- Preparation of job specifications of the vacant or the newly created position (Refer to the earlier session)
- Decision as to the source of recruitment - internal or external
- Selection of specific method of recruitment
- Preparation of recruitment schedule based on the above policies and decisions
- Preparation and publication of notice or job advertisement
- Preparation and distribution of application form/blank
- Collection of completed application form/blank
- Preparation of a list of applicants

Recruitment schedule: After making basic recruitment policies and decisions, the organization should prepare a recruitment schedule for all positions required considering the timing and nature of the planned programs and activities of the

organization. The recruitment schedule specifies the job category and the number of positions to be filled, the time when the position should be staffed, the responsibility for the management of the recruitment efforts, the timings of various recruitment actions, and the potential sources and methods of recruitment. An example of the schedule of recruitments is given in Annex 2.3b.

Job advertisement or notice: It should be prepared carefully to attract the most eligible candidates while discouraging the unsuitable ones. The construction of job ad should follow the principle of attention, interest, desire and action (AIDA) meaning that it should get the attention of the targeted audience, arouse interest in the job offer, create desire to apply, and guide for what action to take for applying. It should contain:

- Attractive headline
- Brief description of the organization
- Outlines of the job (purpose and duties)
- Opportunities for advancement
- Job location
- Required and desirable qualification and experience
- Age limit
- Remuneration package
- Address for application/contact

An example of a job advertisement is given in Annex 2.3c.

Application blank: Application blank is a good way to quickly collect verifiable and fairly accurate historical data from candidates in order to short list them for further selection process. This also provides basic information of the selected candidates to feed into the organization's human resource information system. It should encompass:

- Personal details - name, age, address, next of kin

- Competency information - education, training, qualification, skills
- Career information – job history
- Personal and social circumstances - health records,
- Other relevant information

An example of an application blank is given in Annex 2.3d.

What is Selection?

Selection starts where recruitment ends. Recruitment generates a pool of candidates to choose from. Selection is about making choice. Selection is the *process of choosing from a pool of candidates the persons who are most likely to meet the criteria of the job. It matches people with jobs and predicts their future success on the job.*

Selection is important because if it is done properly and professionally it ensures high performance of employees from the beginning. It is important also from financial perspective. High cost is involved in recruitment and hiring of staff members, and if a wrong candidate is selected it creates a long-term liability for the organization, both in terms of poor performance and the organization's liability to pay for him/her during the entire period of the person's association with the organization. Selection also has costly legal implications if not properly handled.

Importance of Selection

- High performance from the beginning
- High cost of recruitment and hiring
- Costly legal implications of incompetent hiring

How to Select Staff?

The process of selection of employees involves several steps including the following major activities:

- Formulation of selection policy (An example is given in Annex 2.3e)
- Formation or activation of selection committee

- Preparation of selection plan
- Decisions on selection process (approach, methods and procedures)
- Administration of selection tests
- Selection decision
- Issue of appointment letter

Selection Committee: It is a good idea to form a selection committee for executing selection function, either on need basis or on a regular basis, by making necessary provision in Employee Service Rules/ Byelaws. In addition to the relevant directors or managers, including the one looking after human resource functions, it is advisable to include one or two relevant professional human resource or subject experts locally available. The committee should be responsible for preparing staff selection plan, designing selection package, administering selection procedures, and recommending for selection of the candidates.

Selection Plan: The selection committee should prepare a selection plan as given in Annex 2.3f for all positions required on the basis of the recruitment schedule and considering the requirements of the jobs as defined in job specifications. The selection plan specifies the job category and the number of persons to be selected, the responsibility for the management of the selection procedures, the timings of the selection process, criteria or dimensions for assessing the candidates with weights, and the methods of selection with weights.

Selection Process Design: This involves deciding on the selection methods/ predictors, the selection approach and the detailed procedures of the selection function. The main selection methods include:

- References from previous employers or prestigious persons
- Interviews (unstructured, structured and situational)
- Paper and pencil tests on the related knowledge domains
- Performance/ work sample tests related to job performance areas
- Medical examination
- Psychological tests (written or verbal)
 - Ability test
 - Aptitude test
 - Achievement test
 - Personality test
 - Interest/motivation test

Although several methods are available for selection, performance tests, structured or situational interviews, and psychological tests have been found to have high selection validity.

There are three approaches of selection: a. multiple -hurdle approach (eliminating unsuitable candidate at each step, useful when the number of applicants is large and the plan is to use a number of selection methods); b: compensatory approach (selection decision after evaluating candidates on all steps, useful when the number of applicants is limited and the plan is to use only a few selection methods); and c: hybrid process (a mix of both approaches).

A typical selection process involves: short listing of applicants based on the predetermined criteria, design and administration of selection tests, scoring the candidates, and making selection decisions. An example of this process is given in

Annex 2.3g.

Appointment letter: After final selection decision, the authorized person should issue a letter of appointment to the selected candidate. An example of appointment letter is given in Annex 2.3h.

Annex 2.3a:

An Example of Recruitment Policy of a Organization

1. Recruitment is directed to attract the most eligible candidates, with necessary competencies and commitment, in sufficient number by providing timely and adequate information about the nature and timing of staff requirements in the organization, including the core aspects of the jobs to be performed.
2. Job availability is announced formally through the media that are most appropriate in relation to the nature of the positions, their location, and the targeted group of candidates. Unsolicited approach is generally discouraged unless the candidate is exceptionally suitable for the position. The organization, in some cases, may directly tap the most potential source to invite the candidates to apply for the available positions.
3. Job advertisements and/or notices are done professionally so as to attract more suitable candidates and discourage less suitable ones. All candidates should provide relevant information on the prescribed form to help the organization make initial selection decision and maintain staff information system in the organization.
4. Recruitment is decentralized as much as possible for staff.
5. The organization seeks to avoid any form of discrimination in recruitment, and recruits people with focus on their competencies and suitability for the positions available. However, in line with the overall philosophy and focus of the organization, women are actively encouraged to seek employment in all available positions with a view to increasing their number in the selection pool thereby enhancing their chances of being selected.



Annex 2.3d

An Example of Application Blank

Application ID No.

ABC Organization APPLICATION FOR EMPLOYMENT	
<i>Please type or print in black. Give clear, concise and complete information in each case as required. Read and follow carefully all directions. Use additional sheets if necessary.</i>	Attach a recent passport size photo here.
Position applied for: _____ Source of information about the position: _____ _____	

Personal Details

1. Title (check one) Mr/ Mrs/ Miss	Family Name _____	First Name _____	Middle Name _____	2. Sex (check one) Male/ Female
3. Date of Birth Day _____ Month _____ Year _____	4. Nationality _____		5. ID Card Number _____ Place of Issue _____	
6. Marital Status (check one) Single/ Married/ Separated	7. Father/ Husband Name _____ Address _____ Tel # _____		8. Person to Contact in Emergency Name _____ Address _____ Tel # _____	

9. Home Address _____ Tel# _____	10. Contact Address (<i>if different</i>) _____ Tel # _____	11. Office Address (<i>for job holder</i>) _____ Tel# _____
--	---	---

E-mail _____	E-mail _____	E-mail _____
12. Are any of your relatives employed by organization? Yes/ No. If <u>Yes</u> , give the following information.		
Name	Relationship	Position
13. Do you have any personal, family or medical condition or restriction that may impact on or restrict the type of work (including field assignments) you have applied for? Yes/ No. If <u>Yes</u> , give the details below.		
_____ _____ _____		

Competencies

14. Language Proficiency: <u>A</u> . Mother Tongue _____								
	Understand (check one)		Speak (check one)		Read (check one)		Write (check one)	
<u>B</u> . Other Languages	Easily	Not Easily	Fluently	Not Fluently	Easily	Not Easily	Easily	Not Easily
1.								
2.								
15. Educational attainments (maximum three degrees starting from the one below the minimum required)								
Degree/ Level	Institution and Place		Study Duration	Grade or Division	Main Courses			

16. Job-related and Professional Training (last three)

Training Program	Institution and Place	Training Duration	Skills and Knowledge Developed

Competencies con td.

17. Any other special professional and personal skills that are helpful for job performance (three major categories)

Skills	Proficiency Level (check one)			How Acquired?	Where/ When Applied?
	Excellent	Good	Moderate		

Work Experience

18. Employment record (starting with your present/ latest job, describe last three full-time jobs you have had)

A. Present/ Last Job: Position Title _____
From _____ To _____

Employer Name and Address	Type of Organization	Name of Supervisor	Annual Gross Salary	Reasons for Leaving

Describe your work (in key words).

B. Previous Job: Position Title _____
From _____ To _____

Employer Name and Address	Type of Organization	Name of Supervisor	Annual Gross Salary	Reasons for Leaving

Describe your work (in key words).

C. Previous Job: Position Title _____
From _____ To _____

Employer Name and Address	Type of Organization	Name of Supervisor	Annual Gross salary	Reasons for Leaving
Describe your work (in key words)..				
19. Do you have any objections to our making enquiries with your employers/supervisors? Yes/ No				
If “Yes”, explain.				

Other Relevant Information

State any other relevant facts that you think demonstrate your suitability and competence for the job you have applied for or influence its performance in some way.
If selected, how much time you will require to take up the position?
Write, in not more than 100 words, why you think you should be selected for the position?

I declare that the information given above is true, complete and correct to the best of my knowledge, and I understand that any false or dishonest representation of facts may lead to my dismissal.

Date _____

Signature _____

Please attach two reference letters and copies of certificates of the educational and training programs you have listed.

Annex 2.3e

An Example of Selection Policy

1. The organization has the policy of employing the best available persons for the jobs in the Project. For this, selection is made on the basis of the merit of the potential candidates. The merit is defined for each job with reference to the job requirements as identified in the concerned job profile and assessed through a battery of carefully chosen selection predictors (methods).
2. A professionally designed selection package is used for each job category to assess the potential candidates and make selection decisions. The package uses generally validated selection methods and systematic procedures. It is designed to assess entry job competence and knowledge, relevant professional and work experience, commitment and motivation to perform the type of the work required in the job.
3. Regardless of the source of recruitment, the same selection package is used for all potential candidates in the same job category.
4. Selection is decentralized as much as possible.
5. In line with its overall philosophy and focus, the organization in general adopts a policy of positive bias towards the selection of women from among the equally eligible candidates. This policy does not preclude the competent male candidates from being employed in the organization. The organization also encourages to some extent diversity in its work force.

* To be derived from job specifications as defined in job profiles of the concerned jobs

^ To be identified considering the assessment dimensions

Annex 2.3g

An Example of Selection Procedures

Selection Approach

Selection takes place in two phases. Phase one involves preliminary screening in which the applicants are short-listed. In the main selection phase the short-listed candidates are assessed through a battery of selection methods.

The first phase involves a hurdle approach in which the less eligible candidates are screened out. In the second phase a compensatory approach is used in which all the short-listed candidates are taken through all the selection tests and final judgment is made on the basis of their aggregate performance on all the tests.

Short Listing of Applicants

Short-listing is done on the basis of merit and positive discrimination factors. The various factors included in the application blank receive the following weights:

- | | |
|--------------------------------------|----|
| 1. Personal and social circumstances | .1 |
| 2. Job competencies | .3 |
| 3. Job experiences | .3 |
| 4. Other relevant factors | .1 |
| 5. <i>Women</i> | .2 |

The organization may assign internal weights to the various sub-factors within each major factor depending on the nature of the job. It develops a rating scale to assign scores for each merit factor taking into account the relationships between the merit factor/ sub-factor and the nature and requirements of the job. For example, relevant additional educational degree while meeting the minimum educational qualification specified for the position may be given 80 – 100 percent score for this sub-factor considering the grades, whereas the minimum educational qualification may be assigned 70 – 80 percent score.

Each applicant is rated on the merit and positive discrimination factors using the prescribed form. All applicants are then ranked in descending order. The candidates are short-listed by choosing the highest ranking persons in the list.

The number of the candidates in the short-list is determined as follows: one – two positions to

be filled: five times the number of positions; three – four positions to be filled: four times the number of positions; and five or more positions to be filled: three times the number of positions

Battery of Selection Tests

The short-listed candidates go through a rigorous selection procedure in the second phase. The core aspects of this phase are the identification of assessment dimensions (selection criteria) and selection tests with their relative weights. Depending on the nature of the job, both these selection factors may vary across various job categories.

The key assessment dimensions and the principal selection tests for all jobs may include:

Assessment Dimensions	Weight
1. Job competencies (professional and sectoral) - Job knowledge - Job skills	.35
2. Job experiences (professional and sectoral) - Similar job experience - Relevant job experience	.2
3. Personal competencies and attributes - Commitment and motivation (with respect to the job and the sector) - Interpersonal and communication abilities - Personality: adjustability, maturity and confidence - Positive personal orientations and attitudes	.25
4. Women	.2

Selection Tests	Weight
1. Paper and pencil test (including subjective and objective test items covering professional and sectoral issues related to the job)	25
2. Group discussion (on relevant issues related to professional and sectoral aspects of the job)	25
3. Work sample test (covering one or more core tasks to be performed in the job)	25
4. Semi- structured interview (by a panel on personal, professional and sectoral issues related to the job)	25

It is the responsibility of the Selection Committee to choose the specific selection criteria and tests to be administered within the broad guidelines given here. It determines and defines the assessment dimensions on the basis of job profiles of the concerned jobs and the criteria included here. It then chooses and designs the selection tests to match the selection criteria

based on the tests suggested here.

In choosing the tests the Committee uses the selection matrix as prescribed below. The basic principle here is that each assessment dimension is assessed by at least two selection tests, which means that each candidate is assessed on a particular dimension at least twice using two different tests. For example, job knowledge is tested by two tests: paper and pencil test and semi-structured interview.

Selection Matrix

Selection Tests Assessment Dimensions	Paper and Pencil Test	Group Discussion	Work Sample Test	Semi- structured Interview	Other
1. Job competencies					
- Job knowledge	√			√	
- Job skills	√		√		
2. Job experience					
- Similar job experience	√			√	
- Relevant job experience	√			√	
3. Personal competencies and attributes					
- Commitment and motivation		√		√	
- Interpersonal abilities		√		√	
- Personality		√		√	
- Positive attitudes		√		√	
4. Other					

The implication of the selection matrix is that the identified dimensions should be assessed by the corresponding tests, which means that the tests should be designed so as to assess the corresponding dimensions. It calls for a professional approach to designing the selection tests. In designing and administering the selection tests, the Committee may seek professional inputs from external specialists on need basis.

Selection Decision

Selection decision is made by ranking the candidates on the basis of both merit and positive

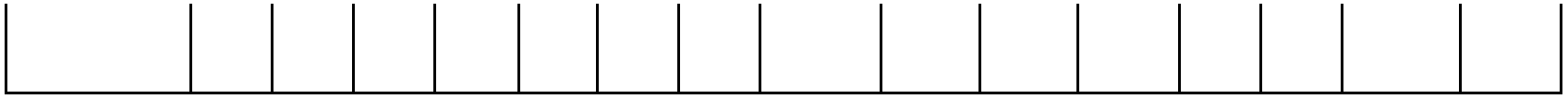
discrimination factors. The ranking is done combining the scores of the candidates on the selection tests with the scores given to them on the basis of the positive discrimination factors. For this purpose the Selection Committee uses the form prescribed.

After adding up the total weighted scores, the candidates are ranked in descending order and the highest ranking candidates are selected in required number.

Form for Short Listing Applicants

S. No.	Merit Factor Applicant Name	Circumstance (.1)*			Competence (.4)*			Experience (.4)*			Other Factors (.1)*			Total Score (1)*

• *The figure indicates weight given to the related criterion.*



Assignment 2.3a

Design of Recruitment System

Form small groups of participants of your own organization. Prepare in the group the following recruitment related documents for your organization:

- Recruitment policy
- Recruitment schedule
- Job advertisement for a position for publication in a newspaper
- Application blank for the same position.

Follow the principles and formats as illustrated during the discussion in the session. You may make several assumptions for this task.

Assignment 2.3b

Design of Selection System

Go into the same group as before. Prepare in the group the following selection related documents for your organization for the same position:

- Selection policy
- Selection plan
- Selection committee
- Selection system design (method, approach, criteria etc)

Follow the principles and formats as illustrated during the discussion in the session. You may make several assumptions for this task.

Activity Four: Orientation to New Staff

Time: Three Hours

Why do this Activity?

This activity helps to understand the concept and purpose of orientating new employees in the organization. It is also designed to develop orientation program for conducting orienting new employees.

Learning Objective

- State the meaning and importance of orientation of new staff and prepare an orientation schedule to orient the newly hired employees.

How to do the Activity?

Make all necessary preparations before the start of the activity. Open up the activity following the general guidelines for facilitators.

Step 1: 60 minutes

Presentation/	Ask participants how do their organizations receive new employees. Lead the discussion to the concept of staff orientation.
Illustration	Explain the meaning, purpose and process of orientation with the help of materials given in Handout 2.4.

Show the examples of orientation checklist and schedule as given in Annexes 2.4a.

Step 2: 120 minutes

Group Work	Ask participants from the same organization to form their small groups. Give them Assignment Sheet 2.4. Ask them to prepare a n orientation schedule for implementing orientation program for newly hired employees in their organization.
------------	--

Assemble the groups. Have each group present their outputs
Plenary taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.

Time out



Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.



Handouts

- Handout 2.4: Orientation of New Staff
- Assignment 2.4: Preparation of Orientation Schedule

Handout 2.4: Orientation of New Staff

Selection or hiring employees results in new people joining the organization. As they are new, they experience some difficulty, uneasiness or stress as they start on their job. It is the responsibility of the organization to ease them into the job and the organization giving them a feeling of comfort and confidence so that they can start their job effectively. This is the function of orientation.

What is Orientation?

When a new employee enters into the job of an organization he/she needs orientation. Orientation is *a process of providing new employees with basic background information about the organization and the job required for effective performance and satisfaction.* Orientation covers the activities involved in introducing a new employee to the organization and to her/his work unit. It expands upon the information received during the recruitment and selection stages and helps to reduce the initial anxiety we all feel when we first begin a new job. For example, an orientation program should familiarize the new member with the organization's objectives, history, procedures, and rules; communicate relevant personnel policies such as hours of work, pay procedures, overtime requirement and fringe benefits; review the specific duties and responsibilities of the new member's job; provide a tour of the organization's physical facilities; and introduce the employee to his or her superior and coworkers.

Orientation is the critical part of organizational socialization that helps new employees identify themselves with the organizational systems and culture while adapting to its requirements. This way, they become part of the organization and are better able to make contributions to the organization.

Why Orientation?

Employee orientation is as much about creating an impression as it is about providing information and confidence to cope with the new situation and perform well from the beginning. It serves the following purposes:

- Reduce the initial anxiety and apprehension and prepare new employees psychologically ready for performance.
- Equip them with the information about work, working culture, expectation, and relationship with others.

- Support them during this difficult period and help them become fully integrated into the organization as quickly and as easily as possible.
- Provide them with necessary motivation to adjust to a new work environment and to encourage the development of loyalty and enthusiasm towards the organization
- Enable them to settle into the organization quickly and become productive and efficient members of staff within a short period of time.
- Ensure that they are highly motivated and that this motivation is reinforced.
- Ensure that they operate in a safe working environment.
- Reduce costs associated with repeated recruitment, training and lost production.
- Make them feel welcome to and valued members of the organization.

How to Conduct Orientation?

The best new employee orientation:

- has targeted goals and meets them
- makes the first day a celebration
- involves organization's family as well as co-workers
- makes new hires productive on the first day
- reduces anxiety of new comers
- is providing information on "what should and should not be done"
- is not boring, rushed or ineffective
- uses feedback to continuously improve
- is all about for better organizational performance

Who is responsible for orienting the new employee? This can be done either by the supervisor of new employee, by the people in administration or personnel or combination of those. In many medium sizes and most large organization, the personnel department takes charge of explaining such matters as overall organizational policies

and employee benefits.

A checklist for designing an orientation program is given in Annex 2.4a.

Annex 2.4a

Checklist for Designing an Orientation Program

1.	Statutory requirement
	a. Relevant legislation
	b. Health and safety
	c. Organization
	d. Environment
	e. Equal Opportunity
	f. Harassment
	h. Organizational structure and chart
2.	Welcome to the team
	a. Meet the executives
	b. Meet the management
	c. Meet the administration
	d. Meet colleagues
	e. Meet Finance person
	g. Canteen and other facilities
	h. Dresses and get ups
3.	Geography and Logistics
	a. Where the offices are located
	c. Access requirement
	<input type="checkbox"/> <input type="checkbox"/> Security in the office
	<input type="checkbox"/> <input type="checkbox"/> After before office hour access
	<input type="checkbox"/> <input type="checkbox"/> Access to key
	d. Phone policy and use
	e. Stationeries and supplies
	f. Transport facility

		Email and internet facility
		Public holidays
		Office time <ul style="list-style-type: none"> ○ Starting time ○ Breaks ○ Finishing time ○ Overtime ○ Weekend
4.		Administrative procedures
	a.	Payment system
	b.	Loan and advance
		Leave <ul style="list-style-type: none"> I. Annual leave II. Sick leave III. Casual leave IV. Leave without pay V. Study leave
5.		Meet the team
	a.	Supervisors
	b.	Managing team
	c.	Other support staff
	d.	Role defined
	f.	Relationship defined
		Regular communication with team (arrange meeting with field or head office team)
	g.	
6.		Opportunity to questions
	a.	Who to ask?
	b.	How to ask?
	c.	Unanswered questions
	d.	Confidentiality in the organization
	e.	Organizational culture
7.		Opportunity to express
	a.	Supervisory meeting

	b.	General meeting
	c.	Email discussion
8.		Organization's expectation
	a.	Targets
	b.	Achievement
	c.	Budget
	d.	Performance standard
	e.	Performance review
8.		Reward systems
	a.	Probation period
	b.	Review period
	c.	Promotion
	d.	Training opportunity
9.		Communication process in the organization
	a.	Notice board
	b.	Master file
	c.	Special meeting
	d.	Staff meetings
	e.	Corporate discussion among department
	f.	Periodic and annual reports
10.		Coaching and learning
	a.	Training
	b.	Refresher training
	c.	Periodic orientation
	d.	Workshop and seminars
11.		Monitoring and evaluation
	a.	Regular report
	b.	Supervisory practices
	c.	Mid-term review
	d.	Final evaluation of the program

Assignment 2.4: Orientation of New Staff

Form small groups of your organization's participants. Prepare in the group an orientation schedule for running an orientation program for newly hired employees. You may make appropriate assumptions for this task.

MODULE 3: MANAGING STAFF PERFORMANCE

Introduction

This module addresses the issue of how to ensure effective performance from people in the organization by designing and adopting performance-inducing systems and practices. It includes performance planning and appraisal systems, and performance support practices such as motivation, problems handling, and employee relations.

Module Code	WASC-HRM 3
Title of the module	Managing Staff Performance
Objectives of the module	<ul style="list-style-type: none">- Describe the concept and components of performance management and its importance in getting effective results from people;- Design and implement performance planning and appraisal systems for effective performance by staff members; and- Create and manage performance support systems and practices for maintaining and enhancing staff performance.
Time	12 hours
Process	<ul style="list-style-type: none">✓ Activity One: Overview of performance management system (Two hours)✓ Activity Two: Planning and appraising staff performance (Six hours)✓ Activity Three: Performance support systems (Four hours)

Activity: Overview of performance management system

Time: One hour

Why do this Activity?

This activity helps to understand the concept and importance of performance management in the context of NGOs.

Learning Objective

- Describe the concept and components of performance management and its importance in getting effective results from people.

How to do the Activity?

Note

Make all necessary preparations before the start of the activity. Open up the activity following the general guidelines for facilitators.

Step 1: 15 minutes

Presentation and Discussion

Refer to the conceptual framework of human resource management functions as discussed in Unit One and highlight the need for managing performance of employees for better organizational performance.

Ask participants what kinds of staff performance practices and systems do they have in their organizations. Have a general discussion on performance management practices in NGOs.

Step 2: 45 minutes

Case Discussion

Divide participants into mixed groups of 3-4 persons each. Give them Assignment Sheet 3.1. Ask them to analyze the case.

Plenary

Assemble the groups. Have each group present their findings taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Presentation and Discussion

Summarize the key findings based on discussions. Briefly explain the concept of performance and as well as the components and importance of performance management using the materials given in Handout 3.1 with the help of visuals.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.

Time out

Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.
- Copies of assignment sheet for each participant.

Handouts

- Handout 3.1: Overview of Performance Management System
- Assignment 3.1: Swasthya Not Working Well
- Overview of Performance Management System

Importance of Performance and Its Management

Organizations survive primarily on the basis of their employees' performance. When employees achieve high levels of performance, the organization thrives, but when their performance is poor, the organization suffers. This is as true for any organization. The planned organizational outcomes of an organization will be achieved only when all the staff members put up good performance. Managers in organization must therefore know how to manage performance of their staff / workers.

The effective management of staff performance is probably one of the major problems now facing WAPDA managers in view of the fact that most of them are now under pressure to maintain and improve outputs relative to the available resources. WAPDA managers face a major challenge of meeting the ever growing needs with the limited resources. It is only with the improved performance of organizational members that they can hope to meet those needs. For this reason, it is important that they develop an understanding of the basic principles and processes as well as learn the techniques of managing staff performance.

Concept of Performance

Staff performance is traditionally understood in terms of an employee's conformance to organizational norms and rules. For example, if a staff member regularly arrives at the office on time, he/she is often perceived as being a good performer. Similarly, performance is also viewed as the traits, personal characteristics and competencies of the performer. For example, organizational loyalty or accounting skills of a staff member are often treated as examples of good performance. Such conforming behaviors, personal traits or competencies are not performance; they are the conditions that influence performance. This may be described as an input-oriented concept of performance as the personal traits or conforming behaviors are the inputs for performance.

Concept of Performance

- Traditional concept: conformance to organizational norms and rules.
- Modern concept: outcomes produced on a specified job during a specific period of time.

The modern view of performance places stress on output or result. Performance is *the achievement of objectives, outputs or results of a job or a position. It is a set of outcomes produced on a specified job during a specified period of time.*

Performance Management Concept

The best way of understanding performance management is to view it as *a managerial process of getting better results from employees. In this process both the supervisor and the employee are continuously involved in planning, developing, evaluating and reinforcing performance of the employee within the framework of organizational objectives.*

As a management system, performance management involves:

- Agreement on key performance objectives of individual employee or the team;
- Identification and development of competencies for their achievement;
- Provision of necessary supports and resources for performance;
- Evaluation of and feedback on performance against the set objectives;
- Diagnosis and handling of performance problems; and
- Rewards for the results achieved and corrective actions for failing to achieve the objectives.

Performance management provides a practical framework for ensuring better results from employees while developing and rewarding them for their performance. What is more, it links individual or group performance with the organizational goals by breaking them down into individual or group performance targets. This way each individual employee or team is made accountable for specific outputs. It will enhance their sense of contribution to achieving the goals of the organization.

Performance management is based on the simple proposition that when people know and understand what is expected of them, and have been able to take part in forming those expectations, they can and will perform to meet them. Research evidence suggests that people can and will perform better when they:

- Know and understand what is expected of them (performance targets).
- Have been able to take part in forming the goals (participation and involvement).
- Get supervision, supports, and resources (enabling conditions for performance).
- Get feedback on their performance (performance appraisal).
- Are enabled to achieve the goals (development of staff).

- Have positive consequences for performance (rewards for achievement).

The existing management practices in WAPDA Associated Companies do not provide for most of these conditions necessary for effectively managing staff performance. For example, there is no practice of translating organizational goals into individual or team performance targets by making each employee accountable for specific results. As a result, there is little understanding of how individual contributions are linked with the overall performance of the organization. There is no built-in scope for employees' involvement in setting performance goals or planning work activities for achieving them. Similarly, the practices of identifying competencies in relation to the set performance targets and developing them, providing enabling work environment for effective performance, and rewarding good performance are not institutionalized. The absence or limited availability of these critical performance conditions explains in a large measure the low level of staff performance in WAPDA at present. It needs to be corrected. A well-designed and carefully executed performance management system will help do it.

Components of Performance Management Cycle

The formal system of managing staff performance consists of several components as illustrated in the following figure. As can be seen the components are interrelated to each other in a kind of a specific pattern, which may be described as performance management cycle (PMC).

PMC involves the following main components or steps:

- Planning performance
- Maintaining performance
- Diagnosing and handling performance problems
- Appraising performance
- Developing staff for performance
- Rewarding performance

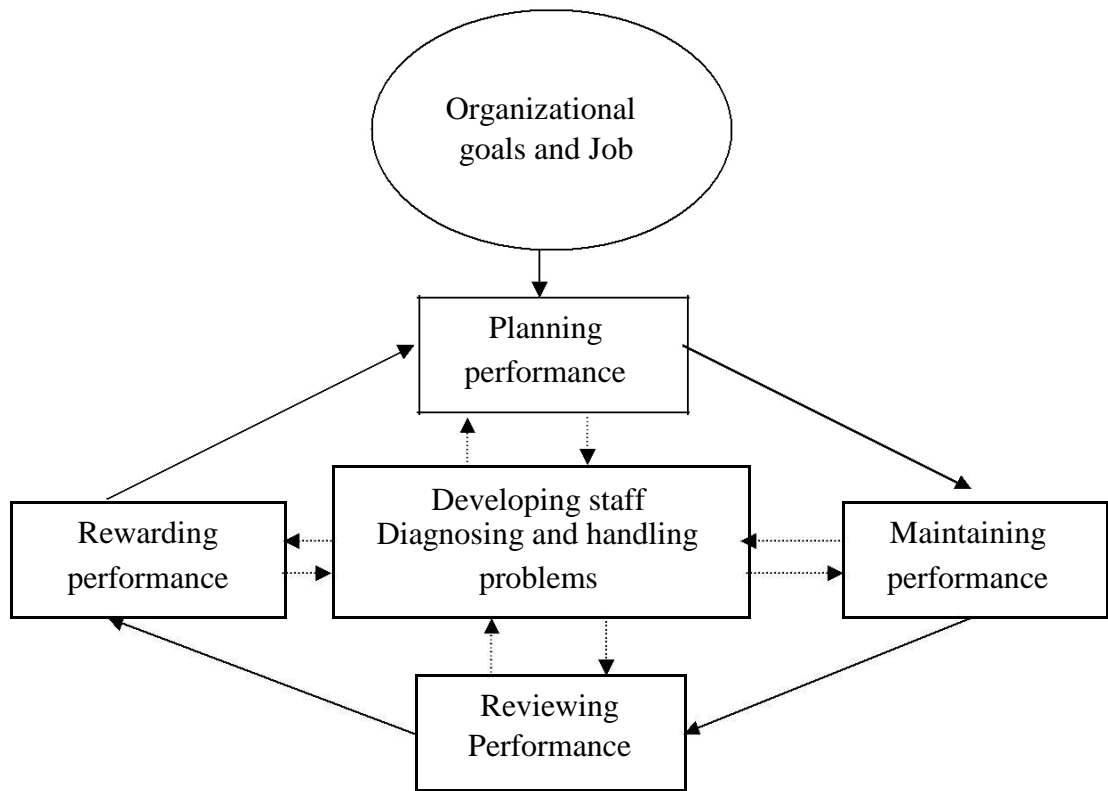


Fig. Performance Management Cycle

The performance management process begins with the formulation and/or full understanding of organizational and departmental goals. Similarly, it is important that job descriptions and specifications are prepared for all concerned employees. These two conditions must be met for implementing performance management system in any organization.

Assignment 3.1:

Read the case given below carefully. In the assigned group, discuss the case and be ready for presentation in the plenary.

Karachi Electric provides electricity to the city of Karachi. It has annual targets related to certain outcomes for the city of Karachi.

Five years after its operations as a privatized entity, an evaluation was carried out. It showed that *Karachi Electric* has not been able to make much effect on the situation of electricity in Karachi. A major reason for this was identified as unsatisfactory performance of its staff members.

When asked to staff members and managers, several things came up. Most staff members did not agree that their performance was low. They said that they had no idea about the level of performance expected of them. "We have not been told just exactly what should we achieve," many of them told. They have also not received any feedback about how well they were performing. Managers told that although they are supposed to evaluate work of their team members, but due to heavy work pressures, they have done it just once in the last three years, that too only ritually.

Many staff members told that there were not much supervisory and other supports when they had difficulty doing their tasks. In such cases, they just abandon the tasks or complete them whatever way they could do them. A few staff said that they had difficulty performing the tasks as they did not have necessary skills. "We have not been given any training to develop our ability", many of them said. There are a few really good workers and they performed very well for the first two years. But it seems they are also not doing well now as their good performance went unnoticed and unrewarded.

Questions for Discussion

1. What are the causes of low performance in this case?
2. What factors of performance management system are involved and how are they being managed?
3. How performance in the organization can be improved?

Activity Two: Planning and Appraising staff performance

Time: Six hours

Why do this Activity?

This activity focuses on the two most critical components of performance management systems. It develops understanding of and ability in planning and appraising performance of staff members in the organization as a basis for managing their performance.

Learning Objective

- Design and implement performance planning and appraisal systems for effective performance by staff members.

How to do the Activity?

Note Make all necessary preparations before the start of the activity. Open up the activity following the general guidelines for facilitators.

Step 1:30 minutes

Presentation / Illustration

Ask participants what kinds of performance goals are given to staff members and how they are set in their organizations. Lead the discussion to the concept and process of performance planning. Explain the purpose and process of performance planning with the help of materials given in Handout 3.2. Show examples of the different steps of goal setting.

Show the example of performance goal setting as given in Annexes 3.2a.

Step 2: 120 minutes

- | | |
|---------------|---|
| Group
Work | Ask participants from the same organization to form their small groups. Give them Assignment Sheet 3.2a. Ask them to prepare a performance plan for one year period based on the job description of the position they have prepared earlier and using the format of performance plan given. |
| Plenary | Assemble the groups. Have each group present their outputs taking their clarify, comment, and critique each others findings. |

Summarize the key findings based on discussions.

Step 3: 60 minutes

Ask participants how staff performance is appraised in their organizations. Lead the discussion to the concept and process of Presentation/ performance appraisal. Explain the purpose and process of Illustration performance appraisal with the help of materials given in Handout 3.2 using visuals. Show examples of the different steps of performance appraisal.

Show the examples of formats of performance reporting, feedback and appraisal as given in Annexes 3.2b, 3.2c, 3.2d, 3.2e and 3.2f.

Step 4: 150 minutes

- | | |
|---------------|--|
| Group
Work | Ask participants to work in the same groups as before. Give them Assignment Sheet 3.2b. Ask them to complete as much as possible the relevant monthly progress report, feedback, and appraisal forms for the position for which they have prepared performance plan using the formats given. |
|---------------|--|

Assemble the groups. Have each group present their outputs Plenary taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.



Time out

Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.



Handouts

- Handout 3.2: Planning and Appraising Staff Performance
- Assignment 3.2a: Performance Goal Setting
- Assignment 3.2b: Performance Appraisal

Handout 3.2: Planning and Appraising Staff Performance

Planning Performance

The first major component of Performance Management Cycle (PMC) is planning performance of individual staff or team. This basically involves *setting performance targets or standards jointly with the concerned staff, communicating them to the staff, developing their understanding of the set targets or standards, and preparing work plan for the achievement of the targets or standards.*

The core part of planning performance is the performance goal setting process. It involves *identification of and agreement on specific performance targets or standards for individual staff members or team as well as outlining of activities, resources and timings for their achievement.*

Performance Planning Process

The process of performance goal setting involves four major steps.

Identification of key result areas (KRAs): Key Result Areas (KRAs) are the priority areas of performance in which significant outputs or results are to be achieved. KRAs should be identified by analyzing the organization or unit goals and job descriptions of the concerned staff or team. For each job, one should identify three to five KRAs for the purpose of setting performance targets or standards.

Identification of performance measures or indicators: They are the criteria against which performance of the job holder can be measured to determine effectiveness.

Measurement of performance can be done in terms of quantity, quality, time, or cost. For each KRA, one or more such indicators should be identified. For example; number of households covered, recovery rate, new connections, employees trained etc.

Setting of performance targets or standards: Performance targets are the outputs an employee is responsible for during a given period of time. Standards are the levels at which an employee is expected to perform. Both are the results to be achieved in a job. Performance targets can be set by putting a numerical value on the identified indicators.

Standards are particularly useful in case of such jobs where setting performance targets may be difficult because of the routine nature or very limit responsibility.

Preparation of work/ activity plan: It is a detailed schedule that identifies what are the activities that need to be carried out and when they should be completed for achieving the set performance targets or standards. It is a guideline for performance for the employee and also a monitoring and supervision tool for the supervisor. The work plan if prepared carefully will serve as a performance contract between the employee and the supervisor.

Guidelines for Setting Performance Targets and Standards

It is important to follow a number of principles and procedures for setting performance targets.

- Performance targets and standards should be developed in consultation with the staff member or team in question. For this, the manager should meet with the concerned members, review office goals and job descriptions of staff members, review their past performance, assess their competencies in relation to the job responsibilities, and identify skills they will need.
- Performance targets should be relatively few in number and related to KRAs. Staff should be able to achieve them through their own efforts. They should be challenging yet attainable.
- They should be specific, quantified where possible, qualitative where appropriate, and written in action oriented terms. They should state a realistic time-frame in which they are to be accomplished.
- They should be accompanied by a work plan that specifies steps for achievement and required resources for their accomplishment.
- They should be consistent with organizational and sub-unit objectives.
- They should be reviewed on a timely basis by both the subordinate and the manager.

Appraising Performance

The next important component of PMC involves evaluating performance of employees and giving performance feedback to them. Research evidence suggests that without

appraisal and feedback, employees will not have information about how well they are doing in relation to their performance targets and how they can improve their performance in future. Appraisal also gives information for managers to decide on what supports and rewards should be given to those employees who are doing well in their jobs.

Performance appraisal is a process of *determining how well employees do their jobs compared to a set of performance targets or standards and discussing with them about their performance and conditions influencing it, so as to improve performance in future.*

Purposes of Appraisal

Appraisal serves mainly two purposes:

- Evaluative/ administrative purpose - such as personnel decisions (promotion, transfer, discipline, retention); motivational decisions (rewards, grades, incentives); and validation of staff selection and development programs.
- Developmental purpose - such as assessment of personal/ professional competency and potential; identification of development needs; and development decisions.

Process of Appraisal

A number of steps are involved in the appraisal process:

Deciding what to appraise: Mainly three aspects of performance can be appraised – personal traits or qualities of the performer such as loyalty, job knowledge, discipline and honesty; behaviors demonstrated in performing the job such as timely decision making, effective supervision, and accurate communication; and job results or outputs such as organization of three awareness programs. From the perspective of performance management, the job outputs are the most important aspects for appraisal. A better approach is to combine them all with greater weight given to output factors for appraising performance.

Deciding how to appraise: This involves the development of a system of appraisal consisting of performance measurement criteria (as suggested above), appraisal forms with rating scales and post-appraisal recommendations, identification of appraisers and relative weights given to them for appraisal, timing and frequency of appraisal, mode of performance discussion and feedback giving, and formal documentation and reporting

of appraisal.

Collecting necessary information for measuring performance: This is part of the regular supervision process. But for effective measurement of performance, it is important that some kind of regular information flow about the progress on performance is maintained. For example, a monthly work progress report may be used to collect information from each employee about the progress against the set targets.

Collecting feedback about performance from other relevant sources: It is a good idea to collect feedback from work colleagues and even from the customers/ beneficiaries of the services of the concerned employee or team. This is called 360 degree feedback or appraisal system and is a powerful approach to improving performance.

Comparing performance with the set targets or standards: This will reveal how well the employee has been doing or not doing. Performance gaps or achievements then can be identified.

Discussing performance with the concerned employees with feedback: This is the stage of the appraiser and the concerned employee sitting together periodically (e.g. every month or quarter or half year) and discussing performance achievements, issues and problems as well as explanations and feedbacks. At this stage the development needs of the employee for further improvement in performance are also identified.

Completing appraisal: This involves formally documenting the appraisal and submitting the appraisal report as per the requirements of the system in place.

Making decisions after appraisal: After appraisal, specific administrative and developmental actions need to be taken. Administrative actions may include personnel and motivational measures (e.g. rewards, grades, incentives, promotion, transfer, discipline). Similarly, developmental actions include such things as assessment of personal/ professional competency and potential, identification of development needs, and training and development opportunities.

It is important to follow all these steps if the appraisal is to be effective in terms of enhanced performance of employees. For this reason, the organization should put in place the system of performance management. If the PMC is fully adopted, it would be possible to implement all the steps of the appraisal process. But, in most of the organizations, the appraisal system is implemented in isolation without integrating it with the system of performance planning and the other components of the performance management system.

The system of staff appraisal is inadequate, limited and highly formal. For example, in many organizations there is no system of performance planning in terms of setting performance targets or standards for each individual employee. Performance measures or indicators are more based on personal traits than on job outputs. Regular performance review and feedback practices between the appraiser and the employee do not exist. The appraisal form is highly restrictive and does not allow for generating feedback and identifying performance development needs.

The existing practices are not sufficient to manage staff performance. Hence some measures and forms have been suggested to make the staff appraisal process more effective for managing staff performance in WAPDA Associated Companies. It would be advisable to follow the following procedures for performance planning and appraisal.

Complete the performance plan form, including the monthly work plan component, jointly by the manager and the concerned employee or team for the next performance period. The form is given in Annex 3.2a

Complete the monthly progress report form every month after the completion of the month recording the progress achieved, problems experienced and development needs identified together by the manager and the concerned employee or team. A format of monthly progress report is given in Annex 3.2.b.

Hold performance review and feedback session between the manager and the concerned employee or team every three month based on the three months' progress reports.

Collect feedback from multiple sources on the performance of the employee or team every six month using the formats given in Annex 3.2e and 3.2f.

Complete the half yearly performance appraisal form. The rating on the appraisal form should be done by comparing the progress and achievements against the annual performance targets and standards as set in the performance plan and as recorded in the monthly progress reports. The ratings should also be based on the core findings of the monthly performance review and feedback sessions. Two appraisal formats, one for senior staff, and another for junior staff, are given in Annexes 3.2e and 3.2f.

Appraisal Interview

A critical part of appraisal process is interview or discussion/feedback session with the appraisee, more popularly known as appraisal interview. It is an interview in which the supervisor and subordinate review the appraisal and make plans to remedy deficiencies

and reinforce strengths.

How to conduct appraisal interview – Prepare for the interview by assembling the data, preparing the employee, and choosing the time and place. Be direct and specific; don't get personal; encourage the person to talk; and don't tiptoe around.

How to handle a defensive subordinate – Recognize that defensive behavior is normal; never attack a person's defenses; postpone action; and recognize your own limitations.

How to criticize a subordinate – When required, criticize in a manner that lets the person maintain his/her dignity and sense of worth, in private, and constructively.

How to ensure the interview leads to improved performance – Clear-up job-related problems and set improvement goals and a schedule for achieving them.

How to handle a formal written warning – Written warnings should identify the standards by which the employee is judged, make it clear that the employee was aware of the standard, specify any violation of the standard, and show that the employee had an opportunity to correct the behavior.

Potential Error in Appraisal

There are several potential problems and mistakes in staff appraisal, some of them related to perceptual errors on the part of the appraiser while others related to the defects in the design of the appraisal system.

- Primacy and recency effect – the appraiser being influenced by either the first impression or the most recent impression of the performer in rating the appraise.
- Halo effect – a positive or negative general impression based on a major trait or quality influencing the rating on other traits.
- Central tendency - sticking to the middle of the rating scales, thus rating everyone average.
- Leniency/ strictness - the tendency to rate everyone either high or low.
- Stereotyping – the tendency to rate people based on some social, cultural or organizational stereotypes of the people.
- Non-performance factor – rating based on factors other than those related to performance.

- Hostility – rating that reflects aggression or negative attitude of the appraiser towards the appraisee.
- Self- comparison/ compatibility – rating based on similarity or difference with the appraiser.
- Unclear standards – lack of specific performance results or standards expected of employees.

To minimize these appraisal problems the following measures may be helpful.

- Awareness of errors/problems and their likely effects
- Use of right appraisal tools
- Training of appraisers
- Use of records

Effective Appraisal System

- Use behavior/ outcome based measures
- Monitor and documents performance records
- Provide on-going feedback
- Avoid perceptual errors
- Have both interactive (interview) and written (form) structure
- Have multiple raters
- Involve the employee in the appraisal process
- Train appraisers.

Annex 3.2a: Format of Annual Performance Plan

(This form is to be completed jointly by the employee and his/her supervisor for the coming financial year in the month of June. At the time of quarterly review and feedback session, this plan must be reviewed and, if necessary, should be adjusted by using a new form.)

Section A: Basic Information

Employee's or Team Members' Name(s):	
Job Title(s):	
Level(s):	Section: n
Supervisor's Name:	Job Title:
Performance Period: <i>From</i>	<i>To</i>
Completion Date: <i>By Employee</i>	<i>By Supervisor:</i>

Section B1: Performance Targets or Standards

Key Result Area	Performance Targets or Standards
1.	
2.	
3.	
4.	
5.	

Section D: *Comments on the targets and activities* (e.g. comparison with the last year; competency and resource requirements; supervision needs; initiative etc.)

Employee(s):	Supervisor:

Signature (employee) _____ Date _____

Signature (supervisor) _____ Date _____

Annex 3.2b: Format of Monthly Progress Report

(This form is to be completed by the employee and his/her supervisor upon the completion of every month. The monthly work plan must be referred to at the time of completing this form. The supervisor must have informal review before giving comments and making assessment.)

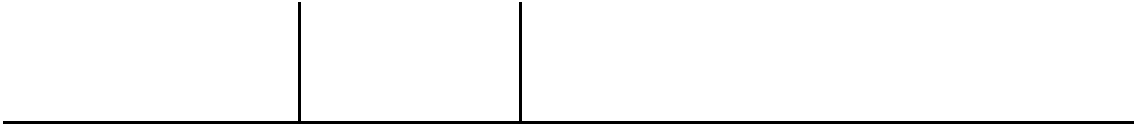
Name of the Employee(s):
Supervisor:

Work Unit:
For the Month of:

Section A1: Work Progress

Target/Standard 1:		
Planned Activities	Achievements	Comments (quality, problems, deviations)
Target/Standard 2:		
Planned Activities	Achievements	Comments (quality, problems, deviations)
Target/Standard 3:		
Planned Activities	Achievements	Comments (quality, problems, deviations)

Target/Standard 4:		
Planned Activities	Achievements	Comments (quality, problems, deviations)
Target/Standard 5:		
Planned Activities	Achievements	Comments (quality, problems, deviations)
Other Planned Works	Achievements	Comments (quality, problems, deviations)
1		
2		
3		



4		
5		

Section A2: *Self Assessment* (Put a cross x in the appropriate box. Attach evidence if possible)

Unsatisfactory () Improvements Needed () Meets Standards (x) Exceeds Standards () Outstanding ()
Perceived development needs

Section B: *Supervisor's Assessment* (Put a cross x in the appropriate box. Verify and examine progress)

Unsatisfactory () Improvements Needed () Meets Standards () Exceeds Standards () Outstanding ()
Comments (including development needs)

Signature (employee) _____ Date_____

Signature (supervisor) _____ Date_____

Annex 3.2c

Feedback Form (Work Colleagues)

STAFF FEEDBACK FORM (Peers)

Section A: Basic Information (to be completed by the Appraiser)

Employee Name:	Job Title:
Section/ Office:	Duty Station:
Peer Name:	Job Title:
Review Period: From To	Date of Previous Feedback:

Section B: Peer Assessment (to be completed by the designated peer)

This person has been my colleague for the full review period. Yes () No ()
If no, how long has he/ she been your colleague? _____ months

Please assess the person on the following personal attributes and job behaviours by putting X in the appropriate box.

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	(S)he has and applies the required knowledge and skills in the job.				
2	The quality, accuracy and timeliness of his/her work are good.				
3	(S)he works with efficiency and is productive at work.				
4	(S)he behave with a sense of responsibility at work.				

5	(S)he adopts a systematic and efficient work approach and method.				
---	---	--	--	--	--

6	(S)he takes initiatives for work is resourceful n doing work.				
7	(S)he demonstrates enthusiasm, positive orientation and confidence.				
8	(S)he has and uses interpersonal/ communication skills in the team.				
9	(S)he is a team player and has good relations with others.				
10	I feel comfortable working with him/ her.				
<i>Please provide your views on the following aspects of the person.</i>					
Performance Strengths					
Improvements Needed for Better Performance					

Date_____

Annex 3.2d

Feedback Form (Customer/Service User)

<p>STAFF FEEDBACK FORM (Customers/ Service Users)</p>
--

Section A: Basic Information (to be completed by the Supervisor/Appraiser)

Employee Name:	Job Title:
Section/ Office:	Duty Station:
Customer/ Service User Name:	Service Used:
Review Period: From	To
	Date of Previous Feedback:

Section B: Customer/ Service User Assessment (to be completed by the designated customer/ service user)

I have been this person's customer/ service user for the full review period. Yes () No ()
If no, how long have you been his/ her customer/ service user? _____ months

Please assess the person on the following personal attributes and job behaviours by putting X in the appropriate box.

		Strongly Agree	Agree	Disagree	Strongly Disagree
1	The quality, accuracy and timeliness of his/her work are good.				
2	(S)he behave with a sense of responsibility at work.				
3	(S)he is polite, cooperative, and efficient in delivering services.				
4	(S)he demonstrates good understanding in dealing with				

us.

5 (S)he adopts a systematic and
efficient work approach and
method.

6 (S)he Demonstrates

	enthusiasm, positive orientation and confidence.			
7	(S)he is sensitive/ responsive to our needs, concerns and problems.			
8	(S)he has good relations with us.			
9	(S)he treats us with fairness, respect and equity.			
10	I am satisfied with his/ her services.			
<i>Please provide your views on the following aspects of the person.</i>				
Performance Strengths				
Improvements Needed for Better Performance				

Date_____

Annex 3.2e

Appraisal Form (Managerial and Professional Staff)

STAFF PERFORMANCE APPRAISAL FORM (Managerial and Professional Staff)

Section A: Basic Information (to be completed by the Administrative Officer)

Employee Name/ Team Members:	
Job Title(s):	Date of Appointment:
Section/ Office:	Duty Station:
Appraiser's Name:	Job Title:
Review Period: From	To
Date of Previous Appraisal:	

Section B: Achievement of Performance Goals (to be completed by the employee or the team and the appraiser)

<u>B1</u> By Employee/ Team		<u>B2</u> By Appraiser*				
Performance Goals (as in the Performance Plan)	Achievements	US	IN	ME	EE	OS
1						
2						
3						

* Rate the level of performance by putting X in the appropriate box. Consider the quantity and quality of work/ outputs, timely completion of the planned tasks, cost effective resource efficiency, beneficiary satisfaction with the work completed, and systematic process adopted.

* Rating scale: US = Unsatisfactory; IN = Improvement Needed; ME = Meets expectations; EE = Exceeds expectations; OS = Outstanding.

<u>B3</u> Self Review (By Employee/ Team)
Significant Tasks/ Contributions not Covered Above:

Objectives not Achieved:	Reasons:
--------------------------	----------

Important Factors Facilitating Performance:	Important Factors Hindering Performance:
Skills/ Competencies Needed for Better Performance:	

Employee (s) Signature _____ Date _____

<u>B4</u> Overall Performance (By Appraiser*)
[[ME] Meets Expectations
[US] Unsatisfactory IN] Improvement Needed [EE
Exceeds Expectations [OS] Outstanding
Comments on performance including notable achievements and major performance deficiencies (quantity and quality of work, timely completion; cost effectiveness, resource efficiency, beneficiary satisfaction, and work process):

Section C: Critical Performance Factors (to be completed by the appraiser)

<u>C1</u> Critical Personal Attributes and Behaviours			Job	US	IN	M E	EE	OS
1	Job and professional competency	Understood job and professional responsibilities and requirements						
		Demonstrated professional competencies and characteristics needed for the job						

	Applied professional knowledge and skills for performing jobs					
--	---	--	--	--	--	--

		Updated oneself with new developments in the job and the profession					
		Sought opportunities for the improvement of the existing job competencies					
2	Work responsibility and orientation	Executed and created responsibilities willingly, innovatively and enthusiastically					
		Demonstrated a sense of responsibility and accountability for results					
		Showed concern for and endeavoured to achieve quality results					
		Valued and worked for the satisfaction of service users					
		Showed positive attitudes and approaches towards the job responsibilities					
3	Analytical and problem solving ability	Diagnosed key problems and addressed them rationally and creatively					
		Analyzed issues and understood underlying causes and implications deeply					
		Solved problems and made decisions timely and effectively					
		Exercised fine judgment in making decisions					
		Was decisive and responsive in the face of problems and issues					
4	Interpersonal and team ability	Communicated and interacted regularly and productively with others					
		Built effective rapport					

		with all developed						
--	--	--------------------	--	--	--	--	--	--

		and facilitated team members					
		Contributed to and made the team achieve results					
		Was open to suggestions and avoided conflicts					
5	Planning and mobilizing ability	Prepared and implemented own work plan for achieving performance goals					
		Prepared and helped subordinates prepare effective work plans					
		Supported seniors to develop policies, plans and Programs					
		Mobilized resources and facilities efficiently and effectively					
		Used information and time productively					
6	Supervisory and supportive ability	Assigned tasks to subordinates appropriately					
		Supervised staff and their performance based on a systematic supervision plan					
		Diagnosed and solved staff problems, motivated and developed them to perform					
		Created a participatory work environment					
		Supported seniors in their tasks					
7	Personal effectiveness	Demonstrated awareness of personal strengths and weaknesses					
		Took initiatives in improving work and self					

		Shown interest and engaged in continuous learning					
--	--	---	--	--	--	--	--

		Demonstrated resourcefulness and innovativeness to achieve results					
		Demonstrated resourcefulness and innovativeness to handle difficult situations.					

* Rate the individual or the team against each personal attribute and job behaviour by putting X in the appropriate box.

* Rating scale: US = Unsatisfactory; IN = Improvement Needed; ME = Meets expectations; EE = Exceeds expectations; OS = Outstanding..

<u>C2</u> Areas of Strengths and Improvements (By Appraiser)	
Major strengths of the employee/ team observed:	Improvements made by the employee/ team since last review:
Areas of improvement for effective performance:	Potential areas for growth:
<u>C3</u> Recommendations for Actions (By Appraiser)	
Recommendations In-house development (be specific):	External for training and development (be specific):
Other recommendations (be specific):	

Appraiser Signature _____

Date _____

Annex 3.2f

Appraisal Form (Junior Staff)

STAFF PERFORMANCE APPRAISAL FORM (Junior Staff)
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Section A: Basic Information (to be completed by the Administrative Officer)

Employee Name/ Team Members:	
Job Title(s):	Date of Appointment:
Section/ Office:	Duty Station:
Appraiser's Name:	Job Title:
Review Period: From	Date of Previous Appraisal:
To	

Section B: Achievement of Performance Goals (to be completed by the employee or the team and the appraiser)

<u>B1</u> By Employee/ Team		<u>B2</u> By Appraiser*				
Performance Goals (as in the Performance Plan)	Achievements	US	IN	ME	EE	OS
1						
2						
3						
4						

* Rate the level of performance by putting X in the appropriate box. Consider the quantity quality of work/ outputs, timely completion of the planned tasks, cost effectiveness resource efficiency, beneficiary satisfaction with the work completed, and systematic process adopted.

* Rating scale: US = Unsatisfactory; IN = Improvement Needed; ME = Meets expectations; EE = Exceeds expectations; OS = Outstanding.

<u>B3</u> Self Review (By Employee/ Team)
Significant Tasks/ Contributions not Covered Above:

Objectives not Achieved:	Reasons:
Important Factors Facilitating Performance: Important Factors Hindering Performance:	
Performance:	

Skills/ Competencies Needed for Better Performance:

Employee (s) Signature _____

Date _____

<u>B4</u> Overall Performance (By Appraiser*)
<input type="checkbox"/> Unsatisfactory <input type="checkbox"/> Improvement Needed <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Exceeds Expectations <input type="checkbox"/> Outstanding
Comments on performance including notable achievements and major performance deficiencies (quantity and quality of work, timely completion; cost effectiveness, resource efficiency, beneficiary satisfaction, and work process):

Section C: Critical Performance Factors (to be completed by the appraiser)

<u>C1</u> Critical Personal Attributes and Job Behaviours			US	IN	ME	EE	O S
1	Job knowledge and competency	Understood job responsibilities, requirements and procedures					
		Demonstrated skills and other characteristics necessary to perform the job					
		Applied job knowledge and skills for performing tasks					
		Updated oneself with new					

		developments in the job and its context					
		Sought opportunities for the improvement of the existing job competencies					
2	Work responsibility	Sought, accepted and executed responsibilities willingly and enthusiastically					

		Shown readiness to take extra work load and put in extra efforts when needed					
		Demonstrated a sense of responsibility for work and outputs					
		Was serious about the tasks assigned					
		Shown positive attitudes and approaches towards the job responsibilities					
3	Work methods	Adopted a planned and organized approach to work					
		Was systematic and methodical in carrying out duties and tasks					
		Followed standard and logical work procedures.					
		Used available resources economically and prudently					
		Used techniques, tools and equipment correctly					
4	Work orientation	Shown concern for and endeavoured to achieve quality at work					
		Was efficient in following work procedures and in managing resources					
		Approached tasks confidently, positively and innovatively					
		Valued and worked for the satisfaction of service users					
		Enjoyed work and was satisfied with work environment					
5	Commitment to duty and discipline	Pursued duties with interest, faith, devotion and inspiration					
		Complied with the organization					

		policies, rules and norms.					
		Carried out seniors' instructions with diligence					

		Served and promoted the interests of the organization					
		Was regular and punctual at work					
6	Interpersonal and team relationship	Built effective rapport with others on the basis of mutual trust and respect					
		Was open to suggestions					
		Sought, received and gave support for task performance					
		Contributed to the team performance					
		Avoided conflicts					
7	Personal effectiveness	Demonstrated awareness of personal strengths and weaknesses					
		Took initiatives in improving work and self					
		Showed interest and engaged in continuous learning					
		Demonstrated personal resourcefulness and innovativeness to achieve results					
		Handled difficult and critical situations effectively					
<p>* Rate the individual or the team against each personal attribute and job behaviour by putting X in the appropriate box.</p> <p>* Rating scale: US = Unsatisfactory; IN = Improvement Needed; ME = Meets expectations; EE = Exceeds expectations; OS = Outstanding.</p>							
<u>C2</u> Areas of Strengths and Improvements (By Appraiser)							
Major strengths of the employee/ team observed:				Improvements made by the employee/ team since last review:			
Areas of improvement for effective				Potential areas for growth:			

performance:	
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<u>C3</u> Recommendations for Actions (By Appraiser)		
Recommendations for training and development (be specific):	<u>In- house</u>	<u>External</u>
Other recommendations (be specific):		

Appraiser Signature _____

Date_____

Annex 3.2i

An Example of Performance Appraisal Policy and Procedures.

The organization periodically reviews performance of its employees to determine how well they are doing their jobs compared to a set of goals or standards so as to improve their performance effectiveness. It is the basis for performance feedback and staff development for further improvement in their performance.

Appraisal Policy and System

- The approved performance plan and monthly progress report are the two main bases for appraising performance of staff. Besides, the regular supervision and interactions between the supervisor and the employee provide relevant information for appraisal.
- The unit of appraisal (i.e. individual or team) is the same as that of the performance plan.
- Although the major components of the appraisal system are same across all staff categories, the appraisal formats are customized according to the nature of jobs of three principal staff groups, viz. senior managerial/ professional staff, clerical staff and field-based staff.
- Performance appraisal is done openly and interactively, and performance rating and feedback are shared with the appraisee.
- While the main responsibility for appraisal lies with the immediate supervisor as identified in the job profile, information and feedback on performance are also gathered and used from other sources. The employees are also to make self appraisal.
- The appraisal factors include both performance results (achievement of performance goals) and critical personal and behavioral attributes affecting performance.
- Appraisal is a regular process between the supervisor and the employee taking place as a part of supervision and facilitation of work. However, formal appraisal is done every six month with monthly assessment of work progress towards set performance

goals.

- Performance is rated on the prescribed forms by the appraisers. The supervisor holds appraisal session with the appraisee before rating him/her in which performance achievement, problems, issues and development needs are reviewed with the appraisee, feedback is given, and performance goals for the next six month are agreed on.

Appraisal Procedures

- The cycle of appraisal corresponds with the cycle of performance goal setting, that is to say, September – February and March – August periods.
- The formal appraisal and feedback session and the rating on the form take place in the last weeks of February (covering September – February period) and August (covering March – August period).
- The Director HRM and Admin issues the appraisal and feedback forms to the supervisor (appraiser) of the concerned employee or team at least two weeks before the appraisal periods with necessary information and guidelines.
- The appraiser issues the appraisal form to the concerned employee or team and the feedback form to the concerned persons with necessary guidelines and information.
- The appraiser informs and fixes a date for appraisal and feedback session with the concerned employee or the team giving sufficient time for preparation.
- The appraiser and the employee both make preparation by collecting necessary information and completing and compiling supporting documents, including job profile, performance plan, monthly progress reports forms, and other relevant documents as necessary.
- The employee completes the relevant sections of the form and submits the form to the appraiser at least a week before the appraisal and feedback session.
- The appraiser collects the completed feedback forms from the concerned persons.
- The appraiser and the employee hold appraisal and feedback session to share information and feedback and to agree on the achievements, problems, issues, and development needs. The appraiser also shares with the employee the feedback of the other concerned persons as given in the feedback form. They also agree on the performance plan for the next review period.

- The appraiser completes the relevant sections of the form and submits the form to the concerned officer for information and necessary development/ corrective actions. The Administration and HRM Director documents the appraisal forms for future reference.
- The appraiser/ supervisor implements development and corrective actions as indicated in the form to improve performance effectiveness of the employee or team.

Assignment 3.2a

Performance Goal Setting

Form small groups of participants of your own organization. Take the position for which you prepared earlier job description statement. Using the format given and following the partial illustration of goal setting prepare a performance plan for one year period. You may make several assumptions for this task.

Assignment 3.2b

Performance Appraisal

Go in the same groups as in the preceding exercise. Using the illustration and formats given try to complete as much as possible the relevant monthly progress report, feedback, and appraisal forms for the position for which you have prepared performance plan. You may make several assumptions for this task.

Activity Three: Performance Support systems

Time: Four hours

Why do this Activity?

This activity focuses on the various management practices necessary for motivating and maintaining performance at a higher level. It includes motivation, problems handling, and employee relations, which support and induce better performance.

Learning Objective

- Create and manage performance support systems and practices for maintaining and enhancing staff performance.

How to do the Activity?

Make all necessary preparations before the start of the activity.
Open up the activity following the general guidelines for facilitators.

Step 1: 90 minutes

Discussion

Ask participants how motivated performance do staff members demonstrate in their organizations. Lead the discussion to the concept and process of motivating performance. Explain the concept, importance and approaches to motivating performance with the help of materials given in Handout 3.3.

Form small groups of 3- 4 participants each. Ask them to identify motivated and de motivated employees and develop motivational plan for motivating the de-motivated employees they identify. Encourage them to use the different motivational approaches discussed.

Plenary Assemble the groups. Have each group present their outputs taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions.

Step 2: 90 minutes

- Presentation Explain the concept and process of diagnosing performance problems and approaches to handling them for supporting performance with the help of materials given in Handout 3.3.
- Group Work Ask participants to work in the same groups as before. Give them Assignment Sheet 3.3b. Ask them to identify performance problems of various employees given in the mini cases and prepare a plan to handle their problems. Encourage them to use the different motivational approaches discussed.
- Plenary Assemble the groups. Have each group present their outputs taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions.

Step 3: 60 minutes

- Presentation Briefly introduce employee relations programs that support better performance in the organization with the help of materials given in Handout 3.3.
- Discussion Lead a discussion on what kinds of employee relations can be planned and implemented in WAPDA associated companies.

Summarize the key findings based on discussions.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.



Time out

Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.



Handouts

- Handout 3.3: Performance Support Systems
- Assignment 3.3a: Diagnosing and Handling Performance Problems

Handout 3.3: Performance Support Systems

For effective management of performance, performance planning and appraising practices need to be supplemented by a set of regular practices that support higher performance. These practices include, among others, motivating staff, handling performance problems, and maintaining employee relations, which support and induce better performance. Collectively, they may be called performance support systems.

Motivating Performance

Performance of an employee is largely a function of his/her willingness and ability to work. True, the work environment also affects performance, but without a reasonable level of motivation, no staff member will perform at the expected level, irrespective of the nature of the work environment. Generating motivation among the staff members is thus a major role and also a challenge for all managers.

Inadequately motivated staff is a problem that WAPDA managers frequently encounter. Experience suggests that staff motivation is a major issue that should be addressed to improve the quality of WAPDA associated companies

Motivating performance of staff should be a critical part of the performance management system in WAPDA / PEPCO. In order to achieve the set performance targets and standards it is important that all personnel are motivated for increased performance with high service quality.

Concepts of Performance Motivation

Motivating performance is *a process of generating willingness and commitment in employees to exert a higher level of effort, energy and enthusiasm towards carrying out their jobs and achieving performance goals*. It involves inspiring employees for higher achievements by using various managerial approaches.

Motivation is necessary when an employee is not performing as well as he/she is capable of. In this case the basic purpose is to improve the level of performance to bring it up to the planned or desired level.

Approaches to Motivating Performance

Certain simple approaches may help managers motivate their staff members for increased performance.

Identify motivated and unmotivated employees: Some of the signs of motivated employees include high performance and results being achieved consistently, the

energy, enthusiasm and determination to succeed, willingness to accept responsibility, and willingness to adjust to necessary changes. On the other hand, an unmotivated staff can be identified by such behaviors as indifference to work, high absenteeism, disputes and grievances, less work involvement and participation, dependence, lack of confidence and commitment, lack of cooperation in dealing with problems or difficulties, and unjustified resistance to change.

A manager should carefully observe these behaviors at the work place and identify who among the employees are motivated and who are not. While the first priority for the manager is to motivate performance of the less motivated employees, he/she should also give equal attention to sustain the performance of the motivated ones. Motivation is a dynamic process and without continuous reinforcement it disappears in no time.

Understand what motivates work performance: Despite individual variations in the factors that motivate performance, it is possible to identify some generalized patterns of performance motivation. Various research and experiential evidence does exist that explains what generates motivated performance at the work place.

The needs theories provide a simple and commonsense explanation. The essence of these theories is that motivation is a response to the felt needs. The desire to satisfy the needs generates willingness to perform, and a person chooses to perform in ways that he/she thinks help him/her gratify the needs.

The expectancy theories, explain motivation in terms of the expectations an employee has about the consequences of his/her work behavior. People will put in more efforts if they believe that their efforts will result in better performance and that the performance will bring in rewards they value.

Another model, known as the goal setting theory, maintains that employees are motivated to perform better when they are involved in setting performance goals which they understand and accept and are specific, concrete and moderately challenging. Its implication is that the manager should involve the employee in setting challenging performance goals.

The equity theory states that an employee compares his/her efforts (i.e. inputs) in a job with its outcomes (i.e. outputs) and also with those of his/her work mates. The employee perceives equity if the output to input ratio is positive (i.e. rewards equal to or exceed efforts) and inequity when the ratio is negative (i.e. rewards less than efforts). The perceived inequity results in the person lowering his/her efforts to restore equity, which means less performance.

A different perspective on motivating performance focuses on the nature of the job. The

job characteristics model maintains that the presence of five core dimensions in the job motivates employees for a high level of performance. They include: skills variety (opportunity to use of different and high level skills), task identity (opportunity to do the whole or thee large part of the job), task significance (opportunity to do important work that influences a large number of people), autonomy (opportunity to use own discretion while working), and feedback (opportunity of knowing how well one is doing in the job).

When these characteristics are built into the job, the job holder experiences meaningfulness in the job, feels responsibility for its outcomes, and knows about its results. These psychological conditions create motivated performance.

Use a combination of personal, behavioral, job and work context related techniques : There are broadly two approaches to motivating performance: financial or tangible rewards and behavioral and job focused measures. For many managers, the former approach has only very limited applicability as they do not have much control over financial or tangible rewards to use as a motivator for influencing staff performance. Hence the second approach that combines various personal, behavioral, job and work context related factors to motivate performance is more important from practical point of view.

What the manager needs is to understand the various perspectives that explain what motivates work performance and then to design techniques for motivating performance in their work setting. Below some general guidelines are given.

- Clearly define an acceptable level of performance targets or standards jointly with the employee. Make goals moderately challenging and ensure that the employee understands and accepts the targets or standards. Implementation of the performance planning system, as suggested earlier, helps doing it.
- Help remove all obstacles to reaching the performance targets or standards by ensuring the employee has adequate technical resources, personnel, and supervisory support.
- Design jobs in such a way that the employees need to be quite active in work, use variety of skills, and are responsible for the entire area of responsibility.
- Make rewards contingent on high performance. When discipline is required, treat it as a learning experience for the person.
- Use reinforcing rewards that appeal to the employee. Allow flexibility in individual selection of rewards. Provide both appealing external rewards as well a satisfying

and rewarding work. To maintain value, do not overuse rewards.

- Periodically check workers' perceptions regarding the equity of reward allocations. Correct misperceptions that serve as the basis for equity comparisons.
- Minimize the time lag between performance and feedback on performance, including the administration of rewards or reprimands. Provide honest and accurate assessments of current performance and long range opportunities.
- Develop employees' ownership in the work by asking their inputs and suggestions.
- Give them power to choose wherever possible. Let employees make choices more often. Give them responsibility for their work. Provide leadership opportunities to them.
- Try to meet their need for affiliation and belongingness. Offer opportunities to socialize. Use the power of teamwork.
- Develop their competence to perform. Provide learning opportunities. Tolerate mistakes. Give them opportunity for self improvement.
- Give appreciation and recognition. Encourage employees for good work and for achievement. Show appreciation.
- Create opportunities for advancement not only in terms of promotion but in improving professional ability and activities in the community.
- Show workers the significance and impact of their work.
- Show concerns for their personal and professional problems, needs and issues and make genuine efforts to help them address those concerns and needs.
- Provide better work environment physically, socially and psychologically within the limits of the office resources.

Diagnosing and Handling Performance Problems

In course of implementing performance plans, most employees quite often experience problems and constraints that inhibit the progress in implementation and prevent them from achieving their performance targets or standards. It is only natural. No organization will ever be completely trouble-free. One of the major responsibilities of the manager is therefore to identify the problems employees are encountering and help them resolve the problems.

Proper diagnosis and handling of employees' problems is a critical aspect of effective performance management. It involves discovering the causes of problems and initiating measures to address them. This means that the manager should follow a systematic approach rather than jumping to conclusions that poor performance is the result of deficiencies in personality traits or a bad attitude of staff. The performance diagnosis model offers a systematic way for managers and workers to collaboratively pinpoint the causes of performance problems.

Diagnostic questions: Before corrective actions can be taken to address the problems, the manager must determine the nature of the problems. He/she should begin by asking several diagnostic questions some of which are outlined below.

- Who is involved in the problem?
- What exactly is wrong?
- When did the problem start?
- Where exactly is the problem taking place?
- What is the cause of the problem?
- What resources will be needed to solve the problem?

Approaches to uncover problems: Some of the approaches that may help uncover the problems to be addressed with priority include:

- Study records of employees' activities.
- Meet employees on a regular basis. In such meetings, the manager may discover problems by engaging the employee in discussions about the job, achievements, progress, complaints, and difficulties.
- Observe employees as they do their works and deliver services. This will give first-hand, on-the-spot information about the problems of employees.
- Talk with the users of the services. They will be in a much better position to tell about the lapses or gaps in services they are receiving from employees.
- Talk with the work colleagues and subordinates of employees. This will provide valuable information about the problems of employees at the work place.

Causes of performance problems: In general, there are two kinds of problems the manager has to handle with staff: poor job performance, which results when an employee does not or cannot perform the job properly, and personal problems, which often interfere with collaboration among employees or affect an employee's motivation. These problems may occur because the employee:

- Doesn't fully understand the duties and performance targets or standards
- Doesn't know how to carry out the assigned tasks
- Is not provided with necessary resources, equipment or supports
- Is not properly trained for the jobs
- Is troubled by personal problems
- Has a personality conflict with other employees or service users
- Does not have appropriate aptitude or liking for the job
- The job is boring and not challenging
- Feels that he/she is not being properly or adequately supervised
- Is not rewarded for the better performance
- Is not receiving the rewards he/she values
- Is unable to adjust to the local environment.

Handling performance problems: After determining the nature of the problem, the manager should take measures to correct them. Some important actions could be:

- Provide adequate supervision
- Communicate and make understand performance targets and expectations
- Provide additional resources
- Arrange for training
- Change the job requirements
- Reward for good performance
- Assign to new job
- Discipline the employee

Maintaining Employee Relations

An equally important part of performance management system is the existence of a good employee relations environment in the organization. Employee relations is *a set of policies, programs and mechanisms focused on safeguarding and promoting the basic interests of people at work within the framework of mutual cooperation between management and employees and human dignity and growth* to seek greater organizational effectiveness.

Some important employee relations programs are as follows:

- Employee participation programs such as ownership participation (e.g. stock holding), decision participation (joint consultation, quality circles, team briefing,

- and suggestion schemes), and benefit participation (profit sharing schemes).
- Employee protection programs such as reactive measures – compensation and prevention measures - health and safety.
 - Employee rights programs such as job security - employment at will, employment rights, personal rights, and disciplinary procedures.
 - Employee assistance programs such as employee counseling and employee benefits.
 - Employee communication programs such as upward communications (grievances procedures, suggestion box, and open door practice) and downward communications (handbook, bulletin board, newsletter, meeting, and electronic media).
 - Other social and informal programs

Assignment 3.3a

Diagnosing and Handling Performance Problems

Read carefully the mini cases given below. First, identify what kinds of performance problems the employees are facing in the cases using the model of diagnosing performance problems discussed in the session.

Second, develop a plan to handle the problems using the approaches discussed.

The level and quality of staff performance in your organization is low. You suspect that the continuing problem in performance is largely due to the performance of the core staff team of your organization. So you decide to explore the issues with them. You prepare a profile of each of them.

1. Ahmad thinks he is performing quite satisfactorily. You think he is not. He has improved his skills considerably since last training. He is also committed to his job.
2. Yasmeen confesses that she has not been able to meet your expectations of her but then she argues she does not have the computer hardware which are critical for her to process information fast. She likes her job and is trained for it.
3. Zahid has some difficulties operating the sophisticated equipment he is responsible for. He is otherwise a committed staff and likes his job. He was away for his marriage when he was supposed to do an advance course on the operation of his equipment.
4. Muzaffar had not done well in his engineering course. In fact, he always felt that technical line was not what he had been made for. He writes beautiful poems, He is willing to do as much work as expected of him but his lack of technical comprehension makes him perform poorly.
5. Nadia is simply brilliant. There is no reason why she should not excel in performance. But she is just an average performer in your view. She told you that she had no idea of the level of performance she should achieve. She thinks she has never been told about it.
6. Mohsin is competent but he is frustrated and does not believe that more performance would bring him anything. He thinks that he has been unfairly treated in the

organization. He has not received things he deserves.

7. The case of Aleem is different. He is capable and has performed well in the past. You have also rewarded him many times. But they do not seem to have reversed his declining performance. He wants to do managerial jobs rather than technical ones. But you have decided against it as he is a trained technical person.

1. Identification of Problems

2. Problem Handling Approaches

MODULE 4: DEVELOPING AND EMPOWERING STAFF

Introduction

The focus of this module is on how to empower and enhance capacity of staff for improved performance. It includes staff training and development system and staff empowerment practices.

Module Code	WASC-HRM 4
Title of the module	Developing and Empowering Staff
Objectives of the module	<ul style="list-style-type: none">- Describe the concept and process of developing staff performance and develop and implement practices for developing staff for improved performance; and- Design and implement staff empowerment practices for improved performance
Time	8 hours
Process	<ul style="list-style-type: none">✓ Activity One: Developing Staff for Performance (Six hours)✓ Activity Two: Empowering staff for performance (Two hour)

Developing staff for Performance

Time: Six hours

Why do this Activity?

This activity is designed to help participants understand the concept and process of developing staff performance and develop and implement practices for developing staff for improved performance.

Learning Objective

- Describe the concept and process of developing staff performance and develop and implement practices for developing staff for improved performance.

How to do the Activity?

Make all necessary preparations before the start of the activity.

Open up the activity following the general guidelines for facilitators.

Step 1: 90 minutes

Refer to the conceptual framework of human resource management functions as discussed in Unit One and highlight the need for developing employees for better organizational performance.

Ask participants what kinds of staff performance development practices and systems do they have in their organizations. Have a general discussion on performance development practices in WAPDA.

Introduce the approaches to performance development based on materials given in Handout 4.1. Encourage participants to give examples of each major step and give examples from your experience.

Step 2: 180 minutes

Group Work

Divide participants into small groups of their own organization.

Give them Assignment Sheet 4.1a. Ask them to prepare performance development needs and performance development plan as well as design on-site performance

development methods, utilization plan and evaluation plan based on the formats and illustration given.

Assemble the groups. Have each group present their findings taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings. Summarize the key findings based on discussions.

Step 3: 90 minutes

Ask participants to work in the same group. Give them Assignment Sheet 4.1b. Ask them to prepare staff development policies based on the example given in Annex 4.1d.

Assemble the groups. Have each group present their findings taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.

Time out

Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.
- Copies of assignment sheet for each participant.

Handouts

- Handout 4.1: Developing Staff Performance
- Assignment 4.1a: Preparation of Staff Development Approach
- Assignment 4.1b: Preparation of Staff Development Policy

Handout 4.1: Developing Staff for Performance

Performance of an employee is also a function of his/her ability to work. True, the work environment also affects performance, but without a reasonable level of ability, no staff member can perform at the expected level, irrespective of the nature of the work environment. Developing them to perform is thus a major role and also a challenge for all managers. This is yet another critical part of performance management system.

The existing level of performance ability of many WAPDA / PEPCO employees is not adequate to ensure quality service delivery as required. In any case, WAPDA services and their management is a vast area of activity. Knowledge and skills related to WAPDA / PEPCO functions and their management practices are growing continuously. WAPDA / PEPCO personnel need to be regularly updated for better performance.

Developing performance of staff should be a critical part of the performance management system in WAPDA Associated Companies. In order to achieve the set performance targets and standards it is important that all WAPDA / PEPCO personnel are developed for increased performance with high service quality.

Concepts of Performance Development

Developing performance involves *increasing ability of employees to perform their jobs and achieve performance goals through the process of organized learning*. It means *expanding their capacity to do more or better by equipping them with necessary skills, techniques, attitudes and knowledge by creating an organized process of learning for correct, effective and superior performance*.

Like motivation, development of employees is necessary in both situations – when they are not performing as well as they should due to the lack of ability and also when they need to increase their ability as a result of the changes in the performance situation such as work practices and technology. In the first case, the purpose is to improve

performance to the required level. An employees' performance needs to be developed by making him/her understand both the correct procedures and the value of following

Concept of Performance Development

- Helping to acquire and increase employees ability to perform
- Through the organized process of learning.

them. Even when the current performance is acceptable, an employee may still need to be developed if certain changes in the work and its context take place. The purpose here is to sustain and enhance performance under the changed context. For example, if a new training method is introduced, WAPDA manager or trainer should be developed to use the new method.

Approaches to Developing Performance

Broadly speaking, a manager can use two approaches to developing performance of staff: informal, job-based process of development (such as on-the-job instructions and performance coaching) and formal, off-the-job development (such as institution-based training programs in WASC and Engineering College, Faisalabad). While both would be necessary for developing performance of the WAPDA / PEPCO employees at various stages of their career, WAPDA / PEPCO managers must apply themselves more to developing staff performance through various job-based methods. They are not only more practical but they also meet the development needs of WAPDA Associated Companies employees as and when they arise. However, for both on-site and off-site development approaches, WAPDA / PEPCO managers should start by identifying performance development needs of their staff.

Assess Performance Development Needs of Staff

The most critical initial task in developing performance is to identify whether staff members have problems in performing their jobs, whether the problems can be addressed by developing their competencies, and which competencies are to be developed. Such assessment of development needs is critical in order for the development of staff to contribute to performance improvement. Many performance problems arise because of such factors which cannot be corrected by developing staff members. If the reason why a supervisor is not making effective supervision is that he/she has been assigned heavy administrative works at the office, for example, then developing supervision capability is not a need of the person. What is required in this case is the rationalization of work allocation.

A manager may use the decision tree model to analyze performance problems and determine whether or not a need exists for developing performance. The model is given in Annex 4.1a. As shown in the model, staff training and development is only one of the possible approaches to improving performance and is only appropriate when the performance problem is caused by the lack of necessary skills. Sometimes even if the problem is caused by a skill deficiency, training and development will not always be the

solution. As shown in the model, the employee may actually have the skill but may need more practice to perform effectively. These considerations are important for identifying actual need for developing performance.

The information for assessing development needs of staff may come from different sources: supervision reports, on-the-job observations of the performance, performance feedback and complaints by the users of the services, self reporting by the concerned staff about his/her performance problems, and performance appraisal of staff. It is important that every time when supervision is done, performance problems the supervisee is experiencing should be identified and the potential development needs that may address the problems should be reported. A section of the supervision report could be devoted to staff development needs. In the monthly progress report form, suggested in the earlier session as a part of the performance management system, a section is provided for identifying development needs of the staff members.

WAPDA managers may summarize performance development needs of their staff members on a quarterly basis. A format for preparing development needs of staff is given in Annex 4.1b. The needs thus identified then can be the main basis for developing quarterly staff performance development plan and initiating development actions to improve performance.

Prepare Performance Development Plan

It is advisable to prepare a quarterly performance development plan on the basis of the assessment of development needs of staff members. The plan should specify the improvements in performance expected in the form of development objectives and identify the development actions or programs that would help achieve them while meeting the identified needs. It should also identify the program management issues such as timings, logistics, responsibilities, and resources for the implementation of the programs. The focus of the development plan in case of WAPDA Associated Companies should be on the job-based, informal development methods. A format for preparing performance development plan is given in Annex 4.1c.

Use On-site Development Methods

These methods provide learning experiences which use the existing job and organizational conditions, problems and resources for helping employees improve their performance competencies and enrich them personally. These methods allow employees learn and develop while performing their job responsibilities. Learning takes place in

the familiar and real work setting. Hence, learning takes place more effectively and is also easily transferred. They are based on learning by doing principle. These methods directly involve managers and supervisors in training and developing their staff. Some of the more useful development methods are briefly introduced below.

On the job training (OJT): OJT involves assigning new or less experienced employees to experienced workers or supervisors with a view to helping them learn the job skills by observing the experienced employees and by working with the actual materials, personnel and equipment. The experienced employee or the supervisor provides instruction and guidance as well as a favorable role model with whom the trainee can identify. A typical OJT process involves the following steps.

- Get ready to instruct (break down the job by listing the important steps; pick out the key points; prepare an instructional plan with timetable; and have everything ready (equipment, material, supplies, and workplace)).
- Prepare the employee (put the employee at ease; find out what he/she already know; and arouse interest).
- Present/instruct (one point at a time, stressing key points; tell, show, explain, demonstrate).
- Try out performance (have the employee perform the operation; have the employee explain the key points; provide feedback; correct errors; and reinstruct as necessary).
- Follow up (put the employee on his/her own; encourage questioning/seeking guidance; check progress frequently; tell the employee whom to go to for help; provide guidance as needed; and gradually withdraw assistance).

Performance coaching: Performance coaching is a managerial process of systematically increasing the ability and experiences of subordinates to maintain or improve performance through discussion or instruction, planned and guided activity, and continuing appraisal and feedback around job problems. In coaching the manager consciously uses work as an opportunity for planned learning of subordinates under his/her guidance.

Coaching serves a number of important functions within an organization. It lets subordinates know what their supervisors think about how they do their jobs and enables supervisors and employees to work together on ways in which employees can improve their performance. It also improves communication and collaboration between supervisors and employees and provides a framework for establishing short-and long-

term personal career goals.

A typical coaching process includes the following steps:

- Recognize/make the opportunity for coaching by identifying performance problems and agreeing with the concerned employee about the coaching need.
- Identify resources for coaching including time, learning materials and resources as required.
- Jointly prepare and agree the coaching plan by outlining the performance improvement goals, learning activities and process, timing, learning evaluation, and application of learned abilities.
- Start coaching as per the agreed plan. Coaching may involve using several learning methods such as presentation, demonstration, application assignments, feedback, and behavior correction.
- Review both the learning taking place and progress in work behaviors or practices focused by the coaching process.
- Confirm new competencies developed as a result of the coaching process by letting the employee carry out the work independently.

Performance feedback: Performance feedback as a development method involves communicating to the employees the manager's reactions, comments and suggestions regarding their work performance. Feedback lets them know what they are doing well, where they need improvement, and how they can improve. Feedback should be a regular part of the supervisory relationship between the manager and the employee.

While giving feedback for developing performance, certain principles and techniques should be followed.

- Relate feedback to the actual tasks and work practices carried out by the employee, not on the perception of how they should be done.
- Describe the actual work behaviors; do not make judgments on the performer.
- Make feedback constructive. If a negative feedback has to be given, it should be preceded by a positive one.
- Give factual, specific, and accurate feedback; do not make it vague and abstract.

- Give feedback about the behaviors the person can change, not about situations outside his/her control.
- Give feedback promptly after the events, not after a long time has passed.
- Include in feedback the potential actions or behaviors the concerned employee can use for improving his/her performance.

Create opportunity for applying the learned abilities: The use of the above development methods including formal off-site training will create enhanced capacity to perform, but they will not automatically result in improved performance. What is necessary is the use of the learned abilities to perform the job. Hence, managers should ensure that the employees, after they are put through a development process, get opportunities to use the improved or new skills they have learned. This can be done in a number of ways: by giving new or revised assignment related to the skills learned; by giving specific and challenging performance targets in the same responsibility area; by asking the employee to prepare and implement an action plan to use his/her learning; by providing resources, guidance, supports, and encouragement for performance; and by continuously following up the performance of the employee.

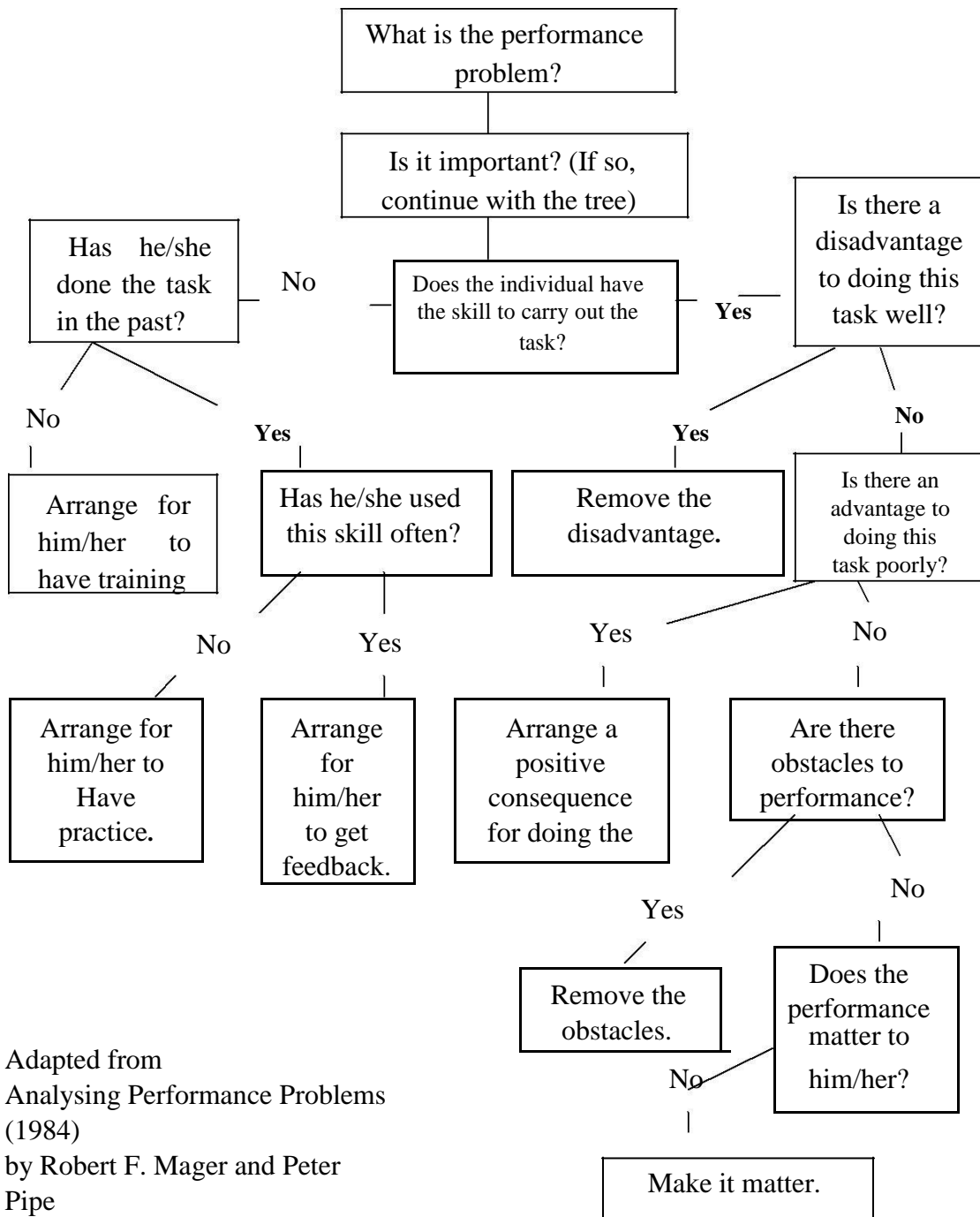
Evaluate the improvement : As the last activity in performance development, the manager should evaluate the change and improvement in performance as a result of the development process. Evaluation should be carried out by comparing the current performance results with the performance problems before the start of the development process and the performance improvement objectives set at the time of designing the development program. Various simple methods can be used for this purpose. The concerned employee may be asked to do a self report after a couple of months identifying whether and to what extent his/her performance has improved. Similarly, work colleagues and users of the services of the concerned employee may also be consulted. Most importantly, the manager should closely monitor and observe the progress being made.

Performance Development Policy

It is a good idea to formulate staff performance development policy of the organization to guide performance development programs and actions. The process and approach of performance development discussed above should be the basis for formulating such a policy.

An example of staff performance development policy of an organization is given in Annex 4.1f.

Annex 4.1a: Decision Tree Model



Adapted from
 Analysing Performance Problems
 (1984)
 by Robert F. Mager and Peter
 Pipe
 Lake Publishing Company,

Annex 4.1b

Format for Preparing Staff Performance Development Needs

Office:

Organization

Period: From

Year:

Performance problems requiring staff development	Name(s) of staff having the problems	Job knowledge, skills and behaviors to be developed	Evaluation of development needs *		
			How important?	When needed?	How to develop?

* How much important for performance? – MUST HAVE; SHOULD HAVE; NICE TO HAVE,

- *When is it needed? - URGENTLY; NEXT THREE MONTHS; WITHIN A YEAR*
- *How to develop the competency? – OFF-SITE TRAINING/EDUCATION; JOB-BASED DEVELOPMENT*

Coordinator: _____

Date: _____

Annex 4.1c

Format for Staff Performance Development Plan

Office:

District:

Period: From

Year:

Performance development needs	Name(s) of staff to be developed	Performance development objectives	Development actions	Program management		
				Timing	Resource	Responsibility

Coordinator: _____

Date: _____

Annex 4.1d

Staff Performance Development Policy

Staff empowerment and development within the organization has twin focuses. It seeks to support the emphasis of the organization on achieving a higher level of staff performance by improving their competencies that are critical for implementing the planned programs and activities.

More importantly, it aims to create conditions for staff members to gain and exercise power and responsibility for achieving better results while enhancing their professional and personal value as individuals for their future growth even beyond the organization.

Staff Development Policies

- All staff members are equipped with necessary authority, resources, information, and skills commensurate with their roles for fully performing their responsibilities effectively and innovatively while pursuing the goal of the organization.
- While the organization emphasizes the acquisition of fully skilled and motivated human resources through its rigorous recruitment and selection program, it recognizes the value of and need for providing a continuous learning and development experience and opportunity for its staff.
- Within the constraints of limited time frame and resources, the organization seeks to offer to its staff a continuous learning environment and opportunity for improving their competencies and enriching experiences for better job performance and also for personal development.
- Much of training and development activities and processes take place in-house in the form of short training programs and one-to-one performance coaching, guidance and feedback. Occasionally the organization may consider sending its

staff for local training programs to develop specific skills which cannot be developed from within.

- Staff training and development needs are identified mainly through the performance planning and appraisal process jointly by the supervisor and the concerned employee.

Staff Training and Development Practices

The organization views training and development as a planned learning experience offered to its staff for acquiring and improving competencies that are critical for effective job performance. The organization seeks to arrange such learning opportunities for its staff as far as possible with stress on utilizing regular work setting and processes for learning and developing by all staff members. On a limited scale formal training opportunities are also provided on need basis.

- Review of staff performance plan and appraisal is the main basis for identifying staff training and development needs. The Training Manager compiles training needs of staff on the basis of the development needs indicated in the appraisal form by the supervisor and the employee. Hs/she then prepares a training plan for six month period in the given format to address the needs approved by the Director, HRM / Admin.
- The organization offers only short duration training to acquire and improve the competency that is critical for effective job performance.
- The organization organizes in-house training to address the identified training and development needs utilizing its own professional expertise and experience as far as possible. Only when in-house expertise and experience is not available, it seeks external supports for addressing staff training and development needs.
- For in-house training, training packages are developed, if necessary with the support of external resource persons, containing curriculum, lesson plans, training resource materials, training guides, and evaluation plan. Such training packages should be reusable.
- The organization staff or officials who contribute to training are trained as trainers before using them in staff training to ensure quality training delivery.
- At the end of each training program staff members are required preparing an action plan to implement the enhanced ability or understanding for improving

job performance. The supervisor of the concerned staff closely monitors post-training performance of the trained staff to ensure the utilization of the learned ability.

- The organization emphasizes on-the-job learning opportunities as part of continuous learning and development of staff. For this senior staffs provide on regular basis performance coaching and feedback, development supervision, challenging job assignments, and thematic seminars and workshops to other staff members. Additionally, the organization makes available to all staff study materials and publications on the relevant topics or issues for self study. Also staff members may be attached to external experts or experienced authorities to learn through guidance while working on special assignments.

Assignment 4.1a

Preparation of Staff Performance Development Approach

Go into your organizational groups. Using the formats given, illustrations presented and principles and methods discussed prepare the followings for your organization. You may make necessary assumptions but try to make them as realistic as possible.

1. Assessment of staff development needs for improved performance (use given formats).
2. Preparation of staff development plan to address the needs identified in the earlier step (use given format).
3. Design of on-site development programs such as performance coaching, performance feedback, OJT etc. identifying the specific activities, steps and timings.
4. Design of utilization plan of the enhanced skills developed through the development plan.
5. Design of development plan to assess the effectiveness of development programs.

Assignment 4.1b

Preparation of Staff Performance Development Policy

Go into your organizational groups. Based on the example staff development policy (Annex 4.1f) prepare a staff development policy for your organization. You may make necessary assumptions but try to make them as realistic as possible.

Activity Two: Empowering staff for performance

Time: One hour

Why do this Activity?

This activity helps to design and implement staff empowerment practices for improved performance in the context of WAPDA Associated Companies.

Learning Objective

- Design and implement staff empowerment practices for improved performance.

How to do the Activity?

Note

Make all necessary preparations before the start of the activity. Open up the activity following the general guidelines for facilitators.

Step 1: 120 minutes

Presentation and discussion

Ask participants what kinds of staff empowerment practices and systems do they have in their organizations. Have a general discussion on employee empowerment practices in WAPDA Associated Companies.

Explain to participants the concept and practices of employee empowerment based on materials given in Handout 4.2. Encourage participants to give examples of each major step and give examples from your experience.

Group Work

Divide participants into small groups of their own organization. Give them Assignment Sheet 4.2. Ask them to design some practices for empowering staff members in their organizations based on the ideas given in Handout 4.2.

Assemble the groups. Have each group present their findings taking their turn. Discuss the outputs of the group work encouraging each group to clarify, comment, and critique each others findings.

Summarize the key findings based on discussions.

Conclude the activity with summary of key learning points. Assess the learning of participants by asking questions randomly about the key contents covered.

Time out



Materials

- Chart papers, markers, flipchart board, white board, overhead projector and transparencies of visuals.
- Copies of handout for each participant.
- Copies of assignment sheet for each participant.



Handouts

- Handout 4.2: Empowering Staff Performance
- Assignment 4.2: Empowering Practices

Handout 4.2: Empowering Staff for Performance

Concept of Staff Empowerment

Empowerment is a way of *encouraging and allowing individuals to take personal responsibility for improving the way they do their jobs and contribute to the organization's goals*. The purpose of staff empowerment is to *put power in the hands of the people who need it most to get the job done by making decision authority, information, resources and skills readily available to them for superior performance*. It encourages and allows staff to take personal responsibility for improving the way they do their jobs and contribute to the organization's goal.

The key elements of employee empowerment include:

- Delegation of authority
- Capacity development
- Information sharing
- Resource availability

Employees can be empowered at various levels. From most simple to highly intensive, empowerment involves the following levels:

Suggestion involvement: Employees are encouraged to contribute ideas through formal suggestion programs.

Job involvement: Jobs are redesigned so that employees believe that their tasks are significant.

High involvement: By providing access to *information* on all aspects of organizational functioning, developing employee *capacity*, making *resources* available to perform, and giving *authority* necessary for performance.

Practices of Staff Empowerment

- Weekly staff meeting to share all relevant information, to discuss on plans, achievements, problems, opportunities, concerns, needs and other issues, and to seek suggestions.
- Creation of a Data Bank and giving access to all staff.
- Timely communication of decisions and other information to all staff.
- Assessment of resource requirements of staff in relation to their roles and responsibilities and preparation of Resource Requirement Plan (RRP) for staff.
- Timely and adequate availability of required resources to all staff as per the

RRP.

- Conduction of half yearly staff satisfaction and suggestion surveys to assess their degree of satisfaction with their work and work environment and to seek suggestions from them for improvements.
- Identification of authority requirement of each position corresponding to its roles and responsibilities in the job profile and delegation of necessary authority formally through issuing job profile.
- Encouragement to exercise the delegated authority for taking decisions and actions by the concerned employee.
- Encouragement to experiment and innovate and tolerance for 'mistakes' for learning purpose.
- Institution of participatory management culture and practices across the organization.
- Provision of skills enhancement, confidence building and experience enrichment opportunities.

MODULE 5: LEADERSHIP DEVELOPMENT

Introduction

Leadership is not simply being in charge but also possessing the ability to influence others. Leadership comes from the ability to inspire trust in other people so that they can follow and work together to achieve organizational goals. In fact organizations learn from the qualities of their leaders. This is why leadership development is vital for any organization. Leadership training and development can help maximize productivity by promoting a culture of proactive attitude in a group, providing guidelines on traits of leaders, goal settings, ways of meeting challenges and other important organizational needs. "Leadership Development" is thus an essential issue for both personal and professional development of the human resources of any organization which will eventually help the organization to reach its desired objectives.

Module Code	WASC – HRM5
Title of the Module	Leadership Development
Objectives of the module	<ul style="list-style-type: none">✓ The participants are expected to achieve a conceptual clarity on leadership.✓ They will learn about the process of building leadership and the importance of alternative leaders.✓ They will also know about decision making process, characteristics of a leader, and conflict resolution.✓ The participants will also gain enhanced knowledge on roles of a leader and on management issues.
Time	10 hours
Process	<ul style="list-style-type: none">✓ Brain Storming, Lectures, Discussion in Large & Small Groups, Plenary, Guided Study, Free Discussion, Question and Answers and Review of Case Studies and Role Playing.

Session-1: Session Title: Conceptual clarity on leadership

Social scientists contend that the group wise living of ancient people laid down the foundation of leadership. When more than one people live socially or form any society or an organization, leadership becomes imperative individually or jointly. A society or an organization is bound to break without leadership. It is a common discussion topic in social science that the perpetual necessity of leadership in societies or organizations is inevitable. In the same way desire for leadership in human being is also perpetual. This desire might be expressive or suppressive.

Objectives of the Session

To enhance the participants' knowledge on the concept of leadership

Outcome of the Session

At the end of the session the participants:

- are able to define and describe the concepts of leadership.
- are able to explain different types of leaders.

Method : Brain storming, Open discussion, and Question & Answer.

Accessories : Boards, Chalks, Dusters, Markers.

Time : 2 Hours

Steps of Conducting the Session 1. Describe the objectives of the lesson

What is Leadership?

Method: Open discussion & Question Answer.

Procedure: The Facilitator can start the session attractively. He will display the photograph of the Penguin team. He will ask the participants- to observe the photograph meticulously and to provide their opinion about it. Two kinds of opinions may evolve:

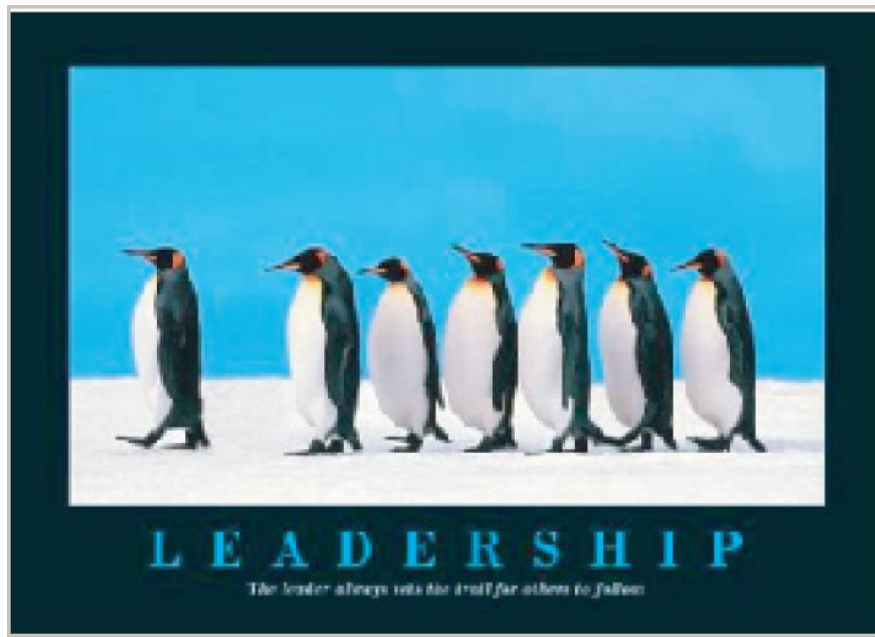
01. Leader is working separately from the team.

02. The leader is leading the way through a difficult terrain.

The Facilitator will express that we will accept the second one.

The facilitator would question the participants concerning what leadership is. The facilitator would briefly write the opinions on the board and would define leadership based on those opinions accordingly.

Time: 30 Minutes



The leader is leading the way through a difficult terrain.

3. Types of Leaders

Method: Discussion in Large group.

Procedure: The facilitator will ask participants about the types of leaders and simultaneously write down the answers on the board. The facilitator will lead the discussion and write down the key points of the discussion on the board and posters. This will help the participants to get a clearer view on the issue of the discussion.

Time: 70 minutes

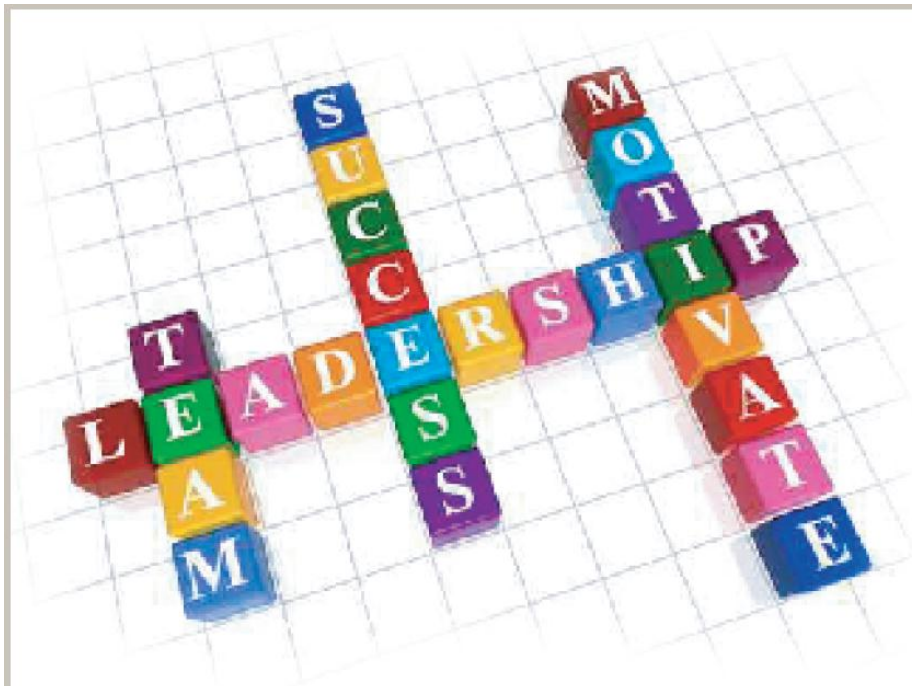
4. Review of the Discussion

Method: Discussion in Large group.

Procedure: The facilitator would end the discussion after verifying that the intended lesson have been learnt by participants based on the following questions;

- What is meant by leader and leadership?
- What are the types of leader?

Time: 10 minutes



Handout

Definition of Leadership:

According to Rev. Theodore Martin Hesburgh, a priest of the Congregation of Holy Cross, and President Emeritus of the University of Notre Dame, the very essence of leadership is that one has to have a vision. Leadership is really a process which leads an organization to this desired goal or vision. The leader contributes the thinking, consciousness and the feeling of an organization. He influences and directs it also. The leader is termed as the custodian, representative and spokesman of his own organization.

Leadership

Leadership signifies achieving a particular goal by activating and managing a group. It implies an influence by which the followers are inspired to do the works directed by the leader. As John Quincy Adams, former President of the USA, said, "If your actions inspire others to dream more, learn more, do more and become more, you are a leader."

Types of Leaders

Social scientists have identified six types of leaders after analyzing the characteristics of leaders in human societies.

1. Religious Leaders

In almost all existing religion in human community there is a main leader. For example, Prophet Muhammad (PBUH) in Islam, Jesus Christ in Christianity and Buddha in Buddhism. The religious leader after this category exists with reference to country and era.

2. Inherited Leaders

Raja, UK monarchy Nawdos , etc. fall in this category. The descendants of these leaders hold the next throne.

3. Social Leaders

There are some individuals in our society who work for individuals and communities voluntarily; they are the social leaders. Some of them form social organizations to manage their efforts effectively.

4. Leader in Professions

In almost all countries various leaders in different professions exist. For example owner of a Shop, leader of a union, Leader of an organization, etc.

5. People's Leaders or Political Leaders

There are some leaders in every political party. They are elected by the people and discharge their duty as Ministers, Prime Ministers and Presidents. They keep their identity as people's or political leaders even if they are defeated in elections.

6. Organizing leaders

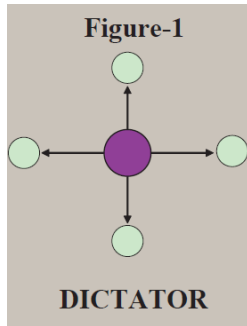
Organizing leaders in human community are for the existing social and cultural organizations. Directors of Organizations, Directors of social welfare clubs, Presidents nominated/elected by poor and landless group fall in this category.

Leadership in democratic characteristics is divided into three divisions. Such as;

1. Dictator (Inactive)

2. Democratic

3. Silent



Explanation of Figure # 01

It is noticed in the figure that only the leader is directing the followers. There is no mutual connection.

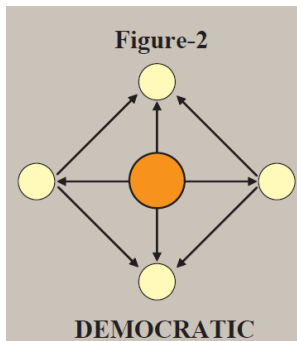
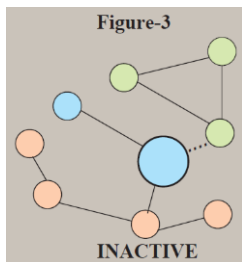


Figure-2

Explanation of Figure # 02

It is noticed in the figure that the leader and the followers are mutually connected. Decision making and implementation are carried out on the basis of mutual discussions.



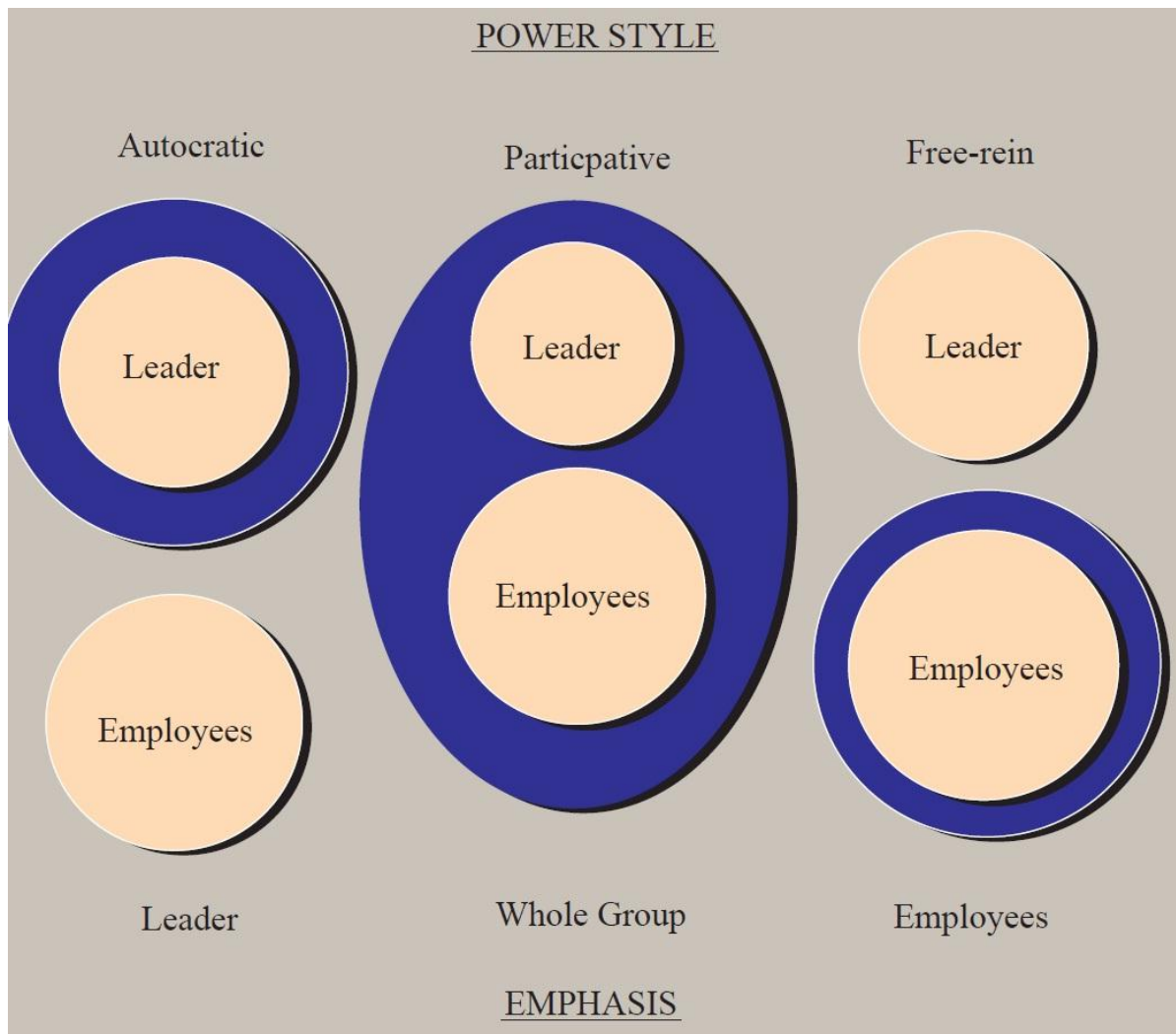
Explanation of Figure # 01

It is noticed in the figure that the followers are not mutually and internally connected. The leader himself is not mutually connected with the followers. As a result, subdivision of the organization is created.

Dictatorship Based Leader: The leader who takes decision and implements alone. He can get leadership in democratic or undemocratic way.

Democratic Based Leader: The leader who is democratically elected. He also takes decisions and implements then democratically with the participation of all.

Inactive Leader: The leader who is selected institutionally. He is influenced and directed by the sub divided groups within the organization. Sometimes he likes to stay with the sub divided groups. He is not capable of or interested in leading his own or sub divided parties actively.



Session-02: Session Title: Characteristics of a leader

There must be some qualities of leadership in institutions by which a leader can conduct and direct institutions/organizations successfully towards the desired goal. These may be the personal, organizational and strategic quality of the leader. These qualities influence the direction and development of institutions immensely. As Admiral Arleigh A. Burke has put it, "Leadership is understanding people and involving them to help you do a job. That takes all of the good characteristics, like integrity, dedication of purpose, selflessness, knowledge, skill, implacability, as well as determination not to accept failure." So the qualities whether personal, organizational or strategic has no scope to be avoided. In this chapter, the personal, organizational and strategic qualities of the leader have been discussed.

Objectives of the Session :

To build knowledge of the participants on types of qualities of a leader.

Outcome of the Session : At the end of the session the participants:

- Are able to explain the personal, strategic and organizational qualities of a leader

Method : Open Discussion, and Question and Answer.

Accessories : Boards, Chalk, Posters, Markers.

Time : 1 Hour

Steps of Conducting the Session

1. Describe the objectives of the Session.

2. Qualities of Leaders

Method: Lecture

Procedure: The facilitator will try to know from the participants by putting questions as to what are the qualities a man should possess to be termed as good man. The opinion of the participant shall be in written (inbullet form). Next the facilitator will try to know from the participants regarding the types of qualities a leader should possess in person or as an organizer. He will write them on the board. (Time: 25 minutes)

Facilitator will exhibit posters written earlier regarding the personal or organizational qualities of a leader in front of the participants and make them understand through explanation.

(Time: 20 minutes)

Total Time: 45 Minutes

3. Review of the Session

Method: Lectures and discussion in large group.

Procedure: The facilitator will put forward the following questions in order to know whether the participants' conception is clear or not?

- o What are the personal qualities of a leader?
- o What are the organizational qualities of a leader?

Time: 10 Minutes

Handout

Qualities in Leadership

There must be some qualities of leadership in institutions by which a leader can conduct and direct institutions/organizations successfully towards the desired goal. As John Gardner had nicely put, "Most importantly, leaders can conceive and articulate goals that lift people out of their petty preoccupations and unite them in pursuit of objectives worthy of their best efforts."

These types of qualities may be divided into three main groups.

1. Personal Qualities

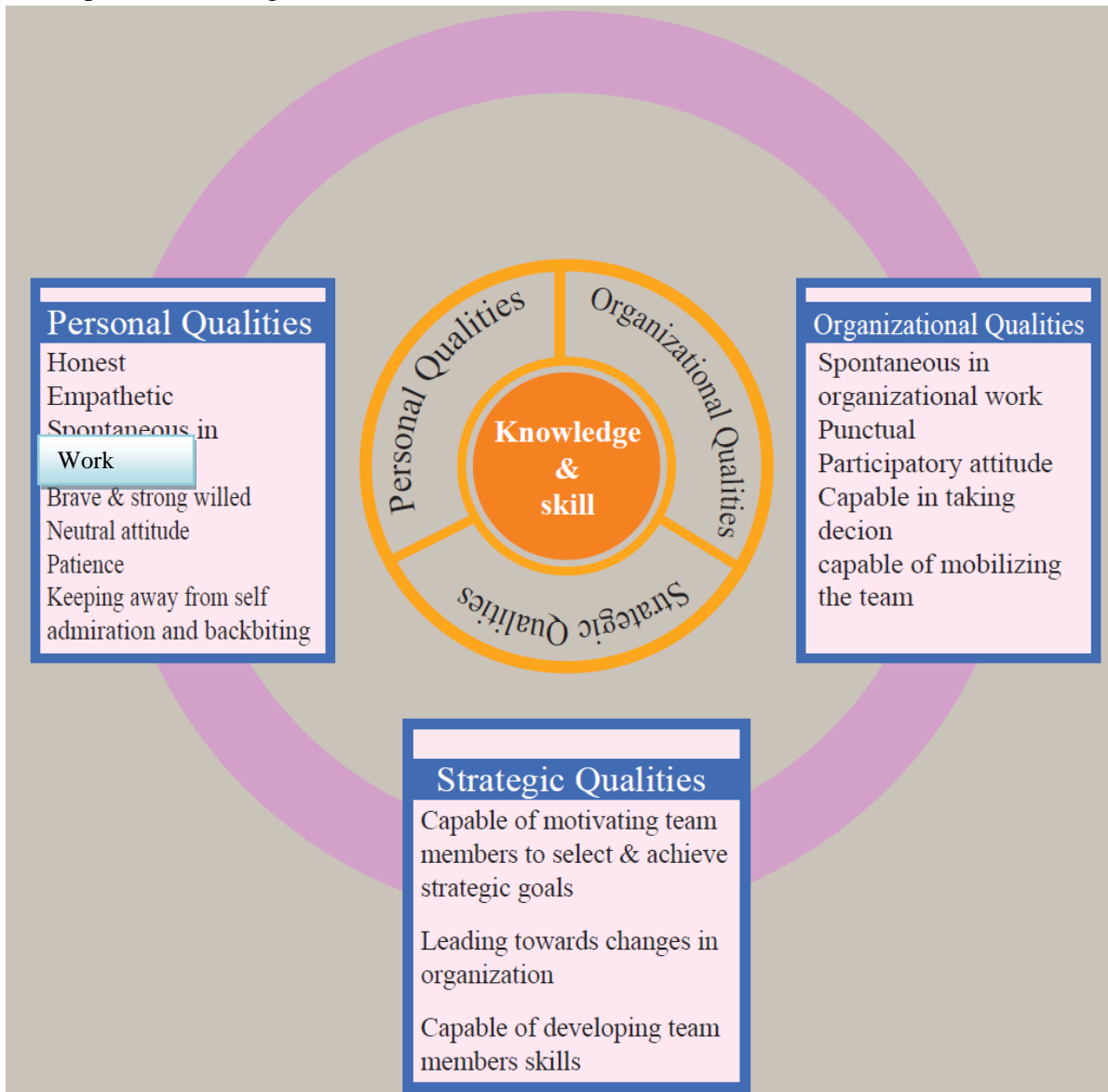
- a. Possession of good character in personal life. To refrain from unsocial or illegal works in the community like taking alcohol, gambling, business of interest (illegal), accepting dowry, torturing woman, etc.
- b. To maintain good relationship with everybody in the organization.
- c. Express happiness with others and feel for others' sadness.
- d. To participate in social welfare works and take the lead in the same.
- e. To respect the elders and be affectionate to the younger one.
- f. To be stiff in truthfulness and daring.
- g. To exercise impartiality always.
- h. To be patient and show endurance to other opinions.
- i. Not to exercise self admiration and backbiting.

2. Organizational Qualities

- a. Actual realization of ideologies and objectives of an organization and to express/explain it.
- b. To be active and to take the leading role in organization activities.
- c. To turn in time in all meeting of the organization and not to leave the meeting while it is still running.
- d. To avoid subversion in the organization and to refrain from taking part in it.
- e. To refund the loan taken from the organization in due time.
- f. To exercise self criticism and self review.
- g. To give priority of the opinion of colleagues in case of taking any decision.
- i. To encourage colleagues in implementing decisions.
- j. To sacrifice own interest for the sake of colleagues and the organization.

3. Strategic Qualities

- a. Strategic quality of a leader is determined by his ability to comprehend thoroughly the goal and objective of the organization, articulate and disseminate the understandings properly among the members and motivate the members to work for achieving the desired goals.
- b. A strategic leader is well aware of when his organization needs a change or reshuffling. He then accordingly plays a proactive role by ensuring active participation of all the members in adopting the necessary changes.
- c. A strategic leader is able to successfully identify the strengths and capacities of his organization and its members. He can thus accordingly play a valuable role in capacity development of his organization and its members.



Session-3: Session Title: Decision making process

Decision making is a process of including all relevant persons of the group and reaching a collective decision after thorough discussion and reviewing with the team members. Decisions can be of different types and it's very important to take the right decision to achieve the organizational goals. Organizational decisions tend to be more effective and fruitful if they are taken in a participatory approach with inputs from all concerned team members. One major advantage of this approach is that even if the decision taken is wrong, then the liability falls on all the members. Therefore, it is essential to know about the process of proper decision making.

Objectives of the Session

To enhance the participants' knowledge on decision making process and its importance at the organizational level.

Outcome of Session : At the end of the session the participants:

- will be able to explain what decision means and usually what is required to be undertaken in an organization.
- will be well aware and able to explain the decision making process in the organization.
- understand and can describe the importance of making collective and right decision.

Method	: Lecture, Open Discussion, and Question and Answer
Accessories	: Chalk, Duster, Board, Marker, Poster
Time	2 hrs

Steps of Conducting the Session

1. Describe the objectives of the Session

2. What "Decision Means" Method: Open discussion

Procedure: The facilitator will try to know from the participants about what decision means. These opinions will be written on the board. The facilitator will then ask the participants to compare his own opinion with the written ones.

Time: 15 Minutes.

3. Kinds of decisions

Method: Open Discussion, and Question and Answer

Procedure: The facilitator will try to know from the participants about the kinds of decision. The opinions of the participants will be written on the board. Then the facilitator will ask the participants to compare their own opinion with the written notes.

Time: 30 Minutes.

3. Necessity to take the right decision

Method: Discussion in small groups and plenary

Procedure: The facilitator will initiate a general discussion on taking right decisions. Then he will divide the participants into three groups. Each of the small groups will discuss about the necessity of taking right decisions. The facilitator will go round the groups and extend necessary help. Group members may also help to record the group discussions. Each leader of the group will present the results of their discussion in the plenary session. Later, the facilitator will explain the necessity of taking right decisions on the chart.

Time: 45 Minutes.

4. Process of taking decisions

Method: Lecture, Open Discussion, and Question and Answer.

Procedure: The facilitator will exhibit the concerned flip chart about the process of taking decision and will explain the said objectives. At the end the facilitator will try to know from the participants by throwing questions about the kind of decisions and will try to probe whether they have understood the topic.

Time: 30 Minutes.

5. Review of Session

Method: Lecture, Open Discussion, and Question and Answer

Procedure: If there is any obscurity regarding the lesson among the participants the facilitator will make it clear before closing the session with thanks.

Time: 5 Minutes.

Handout

What is a decision?

Decision implies reaching a consensus. Otherwise, decision is termed as achieving a goal on any objective, on the basis of discussions and reviews on that particular objective discussed with all members related with that object/matter. It may be of personal or societal.

Kinds of Decision

Decisions are taken on the basis of circumstances. These may be of different kinds. Some types of taking decisions are mentioned below;

- Personal decision
- Family decision.
- Social decision
- Group decision (group, society, organization, etc.)

Necessity of combined and right decisions

It is very important to take decisions on any matter. The advantages of taking a combined decision are as follows:

- To achieve the goal
- To work as per planning
- To avoid time wastage
- To avoid extra expense
- To benefit all stakeholders
- To keep intact the unity of an organization and ensuring its expansion.

What should be done to take combined and right decisions

To take collective decisions on any matter the following should be considered:

- To uphold the objective and necessity of taking decisions for the concerned subject.
- The positive and negative aspects of that issue should be discussed
- The possible outcome of positive and negative aspects of that issue should also be discussed
- To ensure participation of all at the time of the discussion
- To give equal weight to everybody's opinion

- Adopted decisions should be read out repeatedly to all present
- Not to be influenced by anybody personally.

1. Identify the decision to be made (what is the problem)
2. Gather information
3. Identify the alternatives
4. Weigh the evidence
5. Choose from alternatives
6. Take action
7. Review the decision

Session-04: Session Title: Reducing conflict and role of leader.

Debate on any issue in organizations may arise among the team members. The leader's responsibility is to convert debate into consensus. Failing to turn debate or disagreement into consensus will lead to conflict. This conflict may be on organizational, personal, social, and political issues. Existence of conflict might be a very destructive element for organizations. The leader should thus play an effective role of creating consensus in the group instead of conflicts. Imprudent, short sighted and immature decisions or actions may also create conflict in a group.

Objective of the Session

To augment knowledge about human conflicts in a team and the way forward for its resolution.

Outcome of Session At the end of the session the participants:

- will be able to realize the conceptual clarity on conflict, its reasons and can describe it.
- will be explain the problems caused by the conflict, causes and consequences of conflict.
- know and be able to describe the techniques and process of eliminating conflicts.

Method Question

Lecture, Brain storming, Open Discussion, and and Answer

Accessories : Chalk, Duster, Board, Marker, Poster

Time : 1 Hour 45 minutes.

Steps of Conducting the Session

1. Describe the objectives of the

2. What is a conflict?

Method: Lecture, Open Discussion, and Question and Answer

Procedure: The facilitator will try to extricate from the participants about what they understand by conflicts. The facilitator will be acting as an anchor. He will write the points on the board and initiate general discussion on it.

Time: 15 Minutes.

3. Problems and consequences due to conflict

Method: Lecture, Open Discussion, and Question and Answer

Procedure: The facilitator will ask the participants about the type of problems created by a conflict in their organizations. He will write their opinions on the board and the facilitator will exhibit the poster titled "Problems due to Conflicts". He will discuss in according to the opinion of the participants. Likewise, the facilitator will discuss about the outcome of a conflict (good or bad) and will explain and describe the information written on the chart.

Time: 30 Minutes.

4. Process of Eliminating a Conflict

Method: Lecture, Open Discussion, and Question and Answer

Procedure: The facilitator will try to know from the participants as to whether the conflict exists on any issue in the organization. Then he would try to know if there is a conflict and how we try to resolve it. The facilitator will then further discuss on the basis of session guide. The facilitator will present the poster containing ways and means of eliminating conflict.

Time: 30 Minutes.

Handout

Conflict and elimination of conflict

Discrepancies may arise among the members in organizations on any issue. The leader should convert the discrepancies into consensus if the discrepancies arise on any issue among the members in any organization. Conflict arises if the effort to convert discrepancies into consensus fails. This conflict may arise on personal issues, greater social issues political issues or organizational issues.

Conflicts in the root level are very dangerous elements. The leader, for this, should see that any discrepancy does not turn into a conflict instead of being converted into consensus. On the other hand, unforeseen, imprudent and immature decisions of the leader may cause conflict or may be caused due to zest.

Problems due to conflict in Group/Organization:

Let us see first, what are the problems that arise due to a conflict in any group / organization:

1. Reduction of unity and strength in the organization.
2. Misunderstanding among the members, disarray and lack of confidence in the group.
3. Delay in decision making process.
4. Obstacles in approval/implementation of activities.
5. Strength of opportunist outside the group increases.
6. Achievement of goals are hampered.
7. Groups might be broken.

Why the conflicts arise?

Conflicts may arise in the organization for various reasons as below:

1. Conflicts arise if rules and regulations of the group is not followed properly.
2. The same circumstance may arise due to the improper place for meeting, improper person as president, incompetent person as member, etc.
3. Conflicts may arise due to partial behavior of the leader or workers. It may also arise due to partiality in selecting proper person for the development works.
4. Improper management of the organization's accounts may lead to misunderstandings and doubts among the members. This can contribute to conflict.

5. Incompetent leader may also be the cause of conflicts. Unforeseen, imprudent and immature decisions of the leader affect the group/organization and may result in conflicts.

6. Lack of mutual feelings may also be the cause of conflicts. When any group members are privileged for any reason, all the members may not possibly come under the same privilege which might cause the conflict. In that case, those who are deprived of the privilege should be sympathized.

Consequences of Conflict

Good Sides:

- Hidden problems come up front.
- Conception gets clear about others' attitude.
- Helps in changeover.
- Helps in more positive decision making.
- Confidence grows towards group members.
- Becomes more committed towards institution.

Bad Sides:

- The congenial environment of the group is spoiled.
 - Activities of a organization are hampered due to conflict in an organization.
 - No confidence and disbelief grows in mutual relationships.
 - Progress of an organization is halted.
 - Leadership of the party may go to an incompetent person.
 - Self strength of the group is reduced.
- Group may break up.

Techniques and process of eliminating conflict

The preface of eliminating conflict is to avoid, abscond and exert efforts for non-occurrence of grounds mentioned above. Even if for any reason a conflict arises then for the sake of unity, adherence and effectiveness the conflict should be eliminated without delaying it.

Who will eliminate conflict?

Answer: If the conflict is between two individuals, then the leader should solve it by bilateral discussions with the help of other group members. If the bilateral process fails, it should be brought up in a group meeting to initiate a solution. If

the conflict results from organizational causes leading to bipartisan conflict then also it should be mitigated by discussions in the group meeting.

Pre-Conditions for Eliminating Conflict:

1. The leader should take an impartial stand.
2. There should be true willingness among the members to resolve the conflict.
3. A democratic environment should be ensured in the meetings for eliminating conflicts.

Process of Eliminating a Conflict:

1. Group members must produce their own opinions.
2. All members present, particularly the leader, must understand the real cause of the conflict.
3. In the light of the real cause of the conflict, the members will place their proposals of solutions for eliminating conflicts.
4. The leader, among the proposals placed, will decide and approve the most effective one.
5. Everyone should then reach a unanimous decision.

Role Play

Dealing with a post flood period, a team from MEPCO was working for relief and rehabilitation in Rajanpur. They received some relief goods from a private organization for distributing among the affected people. But compared to the demand the amount of relief was insufficient. So a conflict resulted among the members while distributing the relief. Some suggested the relief should be distributed equally to everybody; some opined that it should be given to the selected group and others argued that it should be distributed to a well-known people only. Due to the various opinions the conflict reached a considerable extent.

The leader of the team opinions from all with a cool mind and tried to explain the possible outcomes of everyone's opinion.

- The leader tried to know to everyone, was affected equally or not.
- The necessity of getting the relief of everyone was equal or not
- Who are the people able to manage food stuffs with their own resources?
- Who has no ability to receive any relief?

This is how final decisions made through discussion among the group members and priorities were set. The relief goods were then distributed accordingly. As a result, the conflict within the group was eliminated and thus everyone played their role for relief and rehabilitation works.

Session-05: Session Title: Management and role of a leader

Management is a process of efficient utilization of limited resources by the leader and mobilizing them accordingly for achieving the organizational goals in a defined time period. The key elements of management activity are identified as planning, organizing, controlling and reviewing. In fact, a leader is most successful if he can manage the organizational resources in the most efficient manner. In leadership development training, it is essential that the management issues are properly addressed and its practical implications are comprehended.

Discussions on management, steps of management, participatory management issues in preparing plan, matters for organizing work required for controlling and evaluating, issues related to implementation role of managers in participatory management will increase the knowledge of the trainees.

Objectives of the Session: To enhance the knowledge base of the participants regarding organizational resource management and the role of leader.

Outcome of the Session: At the end of the session the participants:

- will be able to define management and discuss steps of management.
- will be able to acknowledge the role of leader in participatory management and its importance for organizational development.

Method	: Brain storming, Open discussion, and Question and Answer, Small group discussion and plenary
Accessories	: Chalk, Duster, Board, Marker, Poster
Time	: 3 Hours

Steps for Conducting the Session

1. Describe the objectives of the Session

2 .Management and Participatory Management and Steps of management Method: Brain

Storming, Open Discussion, and Question and Answer

Procedure: Introduce the subject matter of the session to the participants and present the objectives of the session with reference to the role of leader.

- i. First try to know from the participants what they think are the steps of a project from the

beginning to the end. Write the opinions and answers received from the participants on a board.

- ii. While writing about the activity, technically divide these tasks with respect to five divisions of management (planning, organizing, implementation, supervision and monitoring and evaluation), and with the help of posters prepared by the management group try to clarify all the concepts regarding all the steps of management.
- iii. Now explain the concept that the services executed for the people may be in vain if there is no participation of the stakeholders. But arrangement of direct participation will make the work easy as per demand and implementation. Now with the exhibition of chart and discussion make the concept clear to all regarding participatory management.
- iv. Ask the following question to the participants at the end of this session
 - What management means?
 - What are the main functions of management?
 - What is the meaning of participatory management?

Time: 60 minutes

3. Issues in Preparing a Plan

Method: Brain Storming, Open Discussion, and Question and Answer

Procedure:

Ask the participants about what are the requirements for preparing a plan. Listen to the answers from the participants, and with general discussion, prepare notes on a board concerning the aspects of preparing a plan and discussing it. Discuss every opinion elaborately, explain it and make it clear if there is any vague idea through discussion.

- Then comment that during preparation of a plan we have to allot time very carefully. It is seen generally that we cannot finish all the works as per the plan due to lack of proper use of time. Sometimes a situation arises in such a way that we have to complete many assignments simultaneously. Then it becomes very important to decide which work should be finished first. Ask for important judgments on that ground, which work has to be finished at first or at last. (prioritization)

Take the opinion of the participants and try to prepare a list of work on priority basis and explain it in the light of experiences. Try to emphasize the following aspects in this case:

Who is responsible for which work?

When will the work be finished?

- iii. Impact of work implies what are the losses to be incurred if it is not finished at the right time or what benefit will be accruing if it is finished at the right time.

- iv. Who are the beneficiaries of the work and how many of them?
- v. Importance of work shall be judged depending on the significance of work, time, number of beneficiaries and its impact. So they should prepare the priority list of work judging the set matters and keeping self interest away for the interest of the organization.

Time: 30 minutes

4. Matters for Organizing Work

Method: Brain Storming, Open Discussion, and Question and Answer

Procedure: Ask the participants, what are the requirements in the organizing phase? Listen to the answer from the participants and write those down on the board with general discussion. Read out the opinions of the participants written on the board. In the same way, exhibit the poster depicting the subject matters to be considered for implementing any work. Discuss every opinion elaborately and explain it.

Time: 30 minutes

5. Required Efficiency in Implementation

Method: Lecture, Open Discussion, and Question and Answer

Procedure: Ask the participants about the requirements in the implementation phase. The facilitator will write down the opinions of the participants on the board chronologically. He will read out the written points. Then he will display a chart on this topic based on the session guide. He will discuss every opinion elaborately and explain it, if necessary.

Time: 30 minutes

6. Related Issues in Supervision and Monitoring

Method: Lecture, Open Discussion, and Question and Answer

Procedure: Ask the participants about the difference between Supervision and Monitoring. Based on the opinions of the participants, the facilitator will define it clearly with examples what are the requirements for preparing a plan? It may be cited as an example for the various steps from the beginning to the end of an activity. Write down the opinions on the board in two separate rows, which will reflect the difference between supervision and monitoring.

Then the facilitator will display the chart on this topic based on the session guide. He will discuss every opinion elaborately and explain it, if necessary

Time: 15 minutes

7. Issues in Evaluation

Method: Lecture, Open Discussion, and Question and Answer

Procedure: The facilitator will ask the participants what they think about evaluation? He will facilitate the discussion and write down the best opinions Based on the opinions of the participants the facilitator will define "What does Evaluation mean". He will provide common understanding and examples on this topic.

Time: 15 minutes

Handout

What is management?

Management is a system through which limited resources are distributed in due time for achieving a goal.

Participatory management

Participatory management is a management system where the concerned stakeholders can take part directly and actively and hereby play an important role in the organizational activities.

Role of Leader in Participatory Management

To create opportunity for everyone to participate in all activities To ensure practical reflection of local situation and demand

To reveal creativity by combining everyone's thinking and skills To plan from root level to facilitate working on priority basis To select the best decision on the basis of everybody's opinion

To disseminate to everyone the aim and objectives of work

To initiate role playing of people effectively in the assignments / activities

To keep transparency in management so that more effective outcomes are reached To keep everybody motivated and ready for the implementation of the project

To create opportunity for people so that they can determine their problems properly, can find the solution and can use it effectively.

To prepare priority list with the help of stakeholders

To create proper environment for creative and active participation of stakeholders for implementing work

Elements of management are as follows:

- 1. Prepare the plan :** Think prior to making any program or activity. Then, accordingly, a work schedule has to be prepared.
- 2. Organizing :** Distribution of resources as per planning
- 3. Implementation :** Implementation is the realization of an application, or execution of a plan, idea, model, design or policy. It starts at the beginning of the project and continues up till the end.

4. Supervision and Monitoring : Supervision means "management by overseeing the performance or operation of a person or an organization".

Monitoring is the "regular observation and recording of activities taking place in a project or programme." It is a process of routinely gathering information on all aspects of the project. Monitoring is to check on how project activities are progressing. It is observation; systematic and purposeful observation.

Monitoring also involves giving feedback about the progress of the project to the donors, implementers and beneficiaries of the project.

5. Evaluation : To observe the outcome of activities or achievement of goals and to make arrangement for future by necessary modification.

1. Issues to be considered in preparing a plan

Planning is the main pillar of success in any activity. A leader has to perform specific tasks for preparing plans. The leader has to accomplish the following:

i. Work: what are the works to be done, what are the priorities, determine the achievement of objectives of work.

ii. Resources: Determine the projects for which the resources will be utilized. E.g. What quality is available through local procurement and is than utilized in the organization?

- Feasibility of human resource: The leader needs to determine how many employees are available as per work requirement and skills.

- Preparation of budgets: The leader has to prepare budgets according to previous experiences and present requirements.

iii. Time: The leader has to set up a time frame for any activity after discussing with relevant persons and team members.

iv. Environment and Situation: The leader must be able to analyze the existing situation and probable situations that might arise in the future. This is essential to successfully accomplish any task at hand.

2. Issues to be considered in organizing

One of the main tasks of leaders is to arrange human and resource accumulation. To furnish this task the following has to be accomplished by him:

i. To ensure development of resource plan (human resource, finance, etc.)

ii. To fulfill the conditions as per rules and regulations.

iii. To arrange the required human resource (labor, people, etc.)

iv. To ensure required skills and training

- v. To record all preparation of work
- vi. To furnish all relevant information of work
- vii. To ensure presence of all physical facilities on time

- **Issues to be considered for implementation**

- Baseline survey

- Stakeholder selection/identification/finalization

- iii. Inform project activities to stakeholder
 - iv. Allocation and distribution of money
 - v. Start activities and implementation
 - vi. Collection/purchase of materials
 - vii. Finance management
 - viii. Staff meetings
 - ix. Monthly working plan implementation
 - x. Monthly report submission
 - xi. Documentation of activities/case study

4. Issues to be considered for Management and Monitoring

A leader has to accomplish some specific activities as a regulator during the implementation of plans. In this regard following are the activities that should be carried out by a leader:

- i. Ensure all works have started as per work plan
- ii. Monitor whether the activities are making progress according to the work plan. If necessary, work plan can be modified.
- iii. Monitor whether the expenditure is being manipulated as per budget or not. If the market price

increases suddenly, the budget has to be adjusted through dialogue with concerned authorities.

iv. Monitor the standard of work.

v. Ensure preparation of proper documentation of activities.

vi. Ensure accounts are being maintained properly.

5. Issues to be considered for evaluation:

i. To monitor if the works are being implemented as per plan or not.

ii. To ensure the organization of human capital (staff) as planned.

**Leadership-Management Synergy
Synergy Between Management and Leadership Roles**

Leaders	Resulting Synergy	Managers
Provide vision	Empowerment	Provide resources
Pursue opportunities	Achievements	Reduce risks
Inspire	Teamwork	Coordinate
Lead improvisation	Innovation	Provide structure
Do right things	Effectiveness	Do things right

MODULE 6: A CASE STUDY IN TRAINING AND DEVELOPMENT (INSTRUCTORS GUIDE)

Teaching Notes

This resource is designed to promote learning in the area of training and development.

Case Overview

This fictionalized case study is based on a real organization. The case is set in a school, but many of the issues raised are the same across different countries and sectors (for example, the tension between the school's professional staff members and support staff members). The case study's author was the organization's HR manager when the events took place in 2004-05.

Additional information about the school:

- Industry:** UK public sector, education
(a mixed comprehensive secondary school).
- Size:** The annual revenue of the organization is in excess of £1 million.
It is a nonprofit organization (it is government-funded).
- Staff:** 120 (80 teaching and 40 non-teaching).
- Student Body:** 800 students aged 13-18.

Student Learning Objectives

- . To identify the components of an effective training program.
- . To understand what needs to be considered when designing a training program.
- . To compare the soft and hard skills required by the appraisers and appraisees in this case study.
- . To identify the vital role of appraisees in an effective performance management program.
- . To effectively evaluate a training program.

Use of These Resources

The resources provided for this case study are designed so instructors can use a combination of the activities. It is recommended that instructors present the PowerPoint material first before students read the actual case study. Additional “key points” are included in the Notes section of the presentation.

Time Needed to Complete the Case Study

The presentation should take about 20 minutes to deliver, with some additional time required if students have questions. Students will need approximately 15-20 minutes to read the case study.

The instructor can choose which activities (in Part B) are most appropriate for their group. The following times are suggested for each of the activities:

Discussion Questions	Allow 20 minutes for each discussion question. The instructor can divide the class into groups and ask them respond to specific questions or respond to the questions as a class.
Group Tasks	These activities are more advanced. Each activity will require 30-45 minutes to complete. More time should be allowed if results will be presented to the full class. Students should work together in teams.
Extension Tasks	These tasks encourage students to think about the issues in more depth. They can be assigned as homework or independent study and should take between 20-30 minutes to complete.

Sample answers are provided for all student tasks, highlighting key areas students should identify through their work.

Accompanying Resources

PowerPoint Presentation	This presentation introduces the case study. Instructor’s notes are included.
Case Study Narrative	Students should read this narrative before they undertake any of the activities.
Teaching Notes for Student Activities	Detailed notes are provided for each activity. There are more than 20 activities included in this exercise. The activities are separated into three types: discussion questions, group tasks and extension tasks. The instructor can choose which combination of activities to use.
Possible Responses to Questions—	Possible responses to the activities are provided. The instructor can use

Student Activities	this document as the basis for feedback to students' responses.
Sample Training Program Schedules	Examples of two training schedules are included and are used for one of the activities where students are asked to analyze each session's strengths and weaknesses.
Training Evaluation Form	Students are asked to analyze an actual training evaluation form as one of their discussion questions.
Appraisee Training Program Agenda	This document provides a more detailed overview of what an appraisee training program could include. This helps students understand how agendas are used in the business world.

Bibliography/Additional Reading

Please note that the main text for this case study (referenced in the presentation) is Dessler's *Human Resource Management*. It is required reading to successfully complete the case.

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Case Study Narrative

Introduction

Southwood school administrators realized that a newly designed performance management system for their support staff¹ would require a formal training program. Designing and implementing the new performance management system was a challenge for the organization; the last system was unpopular with employees, and negative feelings about the value of performance management linger.

Case Overview

As discussed in the first Southwood case study, some of the issues identified with the previous performance management system included:

Annual deadlines to complete the process were missed by many staff members.

Some staff members were confused about what exactly needed to be completed and when.

There were complaints that the previous system was a “waste of time” and that there were no measurable outputs.

A trade union representative felt the system was not appropriate for all staff members.

Criteria on the forms were irrelevant to support staff. For example, support staff could not set objectives in pupil progress or have lessons observed.

There was little attention on identifying training needs, and where needs had been identified, there was no follow-up with appropriate actions.

Appraisals were led by teachers with little knowledge of their appraisees' jobs.

Performance meetings were a one-way process; often, performance goals were identified before the meeting and without the appraisee's input.

A new system was designed in consultation with all stakeholders to address the issues raised with the previous system. School leaders felt that a formal training program was vital to ensure all employees supported the new system. This case study demonstrates how the training was designed and delivered and some of the complexities involved in this process.



Case Details

The case study consists of two parts:

Designing the training program for managers (appraisers).

Designing the training program for appraisees.

I. Designing the Training Program for Managers (Appraisers).

The managers in this case study are the appraisers in the new performance management process. In some cases, they will be teachers with no formal management qualifications. In other cases, they will be support staff with specific management responsibilities in the organization.

Needs Analysis

Initially, the director of administration recommended that a selection of managers complete a standard Internet-based training program provided by an online training organization. Managers who completed the online training would receive a certificate of achievement. Based on input from the HR manager, however, it was decided that a custom-designed program would be more appropriate because it would better meet managers' needs. A custom-designed program would also allow the school to relate the training back to their new performance management system and provide flexibility in the program's delivery.

There were a number of options available to determine who would design and deliver the program:

The HR manager could design and deliver the training.

The HR manager could design the content, and the training could be conducted by a member of the school's senior management team.

An external consultant could design and deliver the training.

An external consultant could design the content, and the HR manager could conduct the training.

In the end, it was decided that the HR manager would design and develop the program with support from the senior management team, if necessary. The reasons for this decision:

Specialized knowledge. The HR manager had developed the new performance management system and was therefore the most knowledgeable about it.

Experience. The HR manager was experienced in developing training programs.

Cost. This was the least expensive option; no direct costs would be incurred.

Context. It would be easier to include specifics about the new performance management system if the training was designed by an internal person.

Flexibility. The sessions could be run at the times convenient to managers, which may have been more difficult to accommodate with an external trainer.

PLEASE NOTE: From this point forward, the HR manager is referred to as the trainer.

Designing the Training

A focus group was held with five managers to find out what they wanted from the training and to assess their concerns about performance management. This was a useful process. The managers wanted to include training in how to deal with difficult people, which otherwise may not have been included in the program. Including this also assured managers that their views were important and had been considered in the program's design.

The training would take place in-house and outside the normal workday. It was agreed that the most appropriate method was a two-hour workshop. The workshop would include various activities geared to develop the skills and knowledge of the participants:

- n Trainer-led interactive presentations.
- n Role play exercises.
- n Use of a specially designed case study.
- n Small-group exercises.

By developing and delivering the session in-house, training materials specific to the new

performance management system could be created, rather than relying on generic training materials. It was hoped that this would facilitate the transfer from training to the workplace. The training would be mandatory for all appraisers to ensure consistency. The trainer developed a plan for the two-hour session and included activities that would appeal to participants of various learning styles. Appropriate resources and handouts were designed. The trainer used the organization's generic training evaluation form (provided at the end of this workbook) to evaluate the program.

The program would include the following:

- n How to develop questioning and listening skills.
- n How to complete the new performance management documents.
- n How to develop SMART objectives (objectives that are specific, measurable, achievable, relevant and time-bound).
- n How to help employees identify training and development opportunities.

Training Delivery

Participants were asked to read all the documents related to the new performance management system before the training. The session was held in a classroom with the necessary IT equipment during non-school hours. Eighty percent of appraisers attended this scheduled session; the remaining 20 percent participated in another presentation four weeks later.

Evaluation of the Training Program: The Trainer's Perspective

The following is an excerpt from the trainer's evaluation report:

Overall, I thought the session went really well. I covered all of the materials and had some good responses.

I think most of the participants now have a good understanding of how to carry out a performance review, but I am not entirely sure they believe there are benefits to a performance appraisal system.

I was a bit disappointed with two participants who did not actively participate in the activities. Perhaps they thought they already knew the information.

I might have misjudged one of the communication activities. I estimated that it would take about 45 minutes, but everyone completed it in 20 minutes. Unfortunately I didn't have any extra activities, so I had to stretch out the final discussion so we didn't finish too early.

Evaluation of the Training Program: The Managers' Perspective

Managers were asked to provide feedback at the end of the training. Some of the results are shown below:

How would you rate the...	Percentage who rated it as good/very good
Quality of materials	78%
Knowledge of trainer	90%
Presentation skills of trainer	70%
Location of training event	50%
Duration of event	85%
	Percentage who rated it as agree/strongly agree
Rate the following statements:	
The session met the stated objectives.	78%
I feel confident in leading performance reviews with members of my team.	80%
The training methods used were appropriate.	60%

Qualitative feedback was also offered:

n “The trainer was very good and was clearly knowledgeable about the subject.” n “I found the practical tips to be really useful.”

n “It was a bit annoying when the administrators kept interrupting us to pass on messages.”

n “It would have been easier if everyone had read the new performance management documents before they arrived at the session.”

n “Some of the activities were a bit too childish – I think the trainer forgot that we are all teachers.”

n “Some of the handouts are really good.”

n “I am still not convinced that performance management is something which benefits us – it seems like another paper exercise.”

II. Designing the Training Program for Appraisees

Needs Analysis

The HR manager was assigned responsibility for this program because of the successful design and delivery of the manager's training. This session was internally led, for the same reasons the manager's training was internally led.

Past experience showed that it was difficult to hold focus groups with support staff members. Instead, an e-mail was sent to all support staff asking them what they wanted to be included in their training program. Less than 10 percent of the support staff responded to the e-mail.

The following instructional methods were chosen for this program based on experience with previous training programs (see "Sample Training Program Schedules"):

- n Presentations by trainer
- n Practical activities
- n Role plays
- n Worksheets

Training Delivery

The appraisees were not assigned pre-work before the training because this may have intimidated some participants. Although details of the new performance management system had been shared with appraisees in an earlier e-mail, most participants had not seen the actual documents that would be used. The documents were distributed during the session so the trainer could guide them through and answer any questions immediately.

The session was held in a school classroom, but was scheduled outside of normal working hours (see "Appraisee Training Program Agenda") to avoid disrupting staff and students during the normal school day. To compensate for the inconvenience, attendees received overtime for the two hours spent in the training.

Training Program Evaluation

The trainer ran out of time during training. Consequently, no formal evaluations were submitted by participants. The trainer thought it had been a challenging session; it had been difficult to engage the participants. The participants had very different needs and it was difficult to accommodate them within a two-hour session.

The trainer also reported that few trainees participated in the activities or asked any questions.

Conclusions

This case study shows that there are many issues to consider when planning, designing and delivering training programs. It is also clear that because people have different needs and learning styles, it is difficult to produce a program that will be rated well by everyone. In this instance, it was harder to satisfy people because of the topic; negative experiences with the school's previous performance management system made this training unpopular.

Teaching Notes for Student Activities

Part A

Deliver the PowerPoint presentation on training and development at Southwood School. This may be formally presented in class or students could be asked to read the presentation slides independently.

Have students read the Southwood School case study narrative and underline any unfamiliar terms. These should be defined in class. Some anticipated terms and definitions are provided to be sure students have a clear understanding.

Part B

Once students read the case study documents, select from the following activities (based on which ones are most appropriate for your audience).

3. Discussion Questions

These questions are suitable for independent work, small groups or a class-wide discussion.

Would it be appropriate to use e-learning to deliver the performance management training? Explain your answer.

What are the potential barriers to a successful training session? Outline how you might overcome them.

Discuss the advantages and disadvantages of the training sessions being led by an external consultant.

How would you deal with a participant with a negative attitude toward the training?

In the information provided in the case study, do you see any evidence that the trainer considered Dessler's "Five-Step Training and Development Process" in the manager's training program? Explain your answer. Required reading. See page 3.

- 3.6. Would you require any information about your participants before the training session?
- 3.7. What skills do you think are important for the trainer to have?
- 3.8. Do you think it is possible for learners to obtain the necessary information using a more informal or experiential learning technique?
- 3.9. How can the trainer ensure skills transfer so employees apply the training to the workplace?
- 3.10. How can the trainer motivate the participants to learn?
- 3.11. How would you evaluate the success of the training program (not including the end-of-session feedback forms)?
- 3.12. How would you rate Southwood's existing evaluation form?
- 3.13. Why is it important for appraisees to be trained in using the new performance management system?

4. Group Tasks

These activities work well when students work in teams. Students could present their responses to the class for tasks 4.1., 4.3 and 4.4.

- Design an opening presentation for the training session which includes session goals and objectives.
- From the perspective of the trainer, describe how you would incorporate the participating managers' feedback (as detailed in the case study) into future programs.
- Look at the sample training program schedules and answer the following questions:

How would you rate **the appraisee's training program** on a scale of 1 to 10, where 1 is very poor and 10 is excellent? Explain your reasons for this rating.

How would you rate **the manager's training program** on a scale of 1 to 10, where 1 is very poor and 10 is excellent? Explain your reasons for this rating.

Complete the table on the following page showing the strengths and weaknesses for each program.

	Strengths	Weaknesses
Manager's Training Program	<ul style="list-style-type: none"> o o o o 	<ul style="list-style-type: none"> o o o o
Appraisee's Training Program	<ul style="list-style-type: none"> o o o o 	<ul style="list-style-type: none"> o o o o

4.3.4. Discuss how a new program could be designed to address the weaknesses identified in the previous question.

4.4. Write an overview of the appraisee's training program. Use the questions below to help structure the outline:

Who will deliver the training?

How long would the session(s) last?

What are the key areas to cover?

Can you use any of the same areas from the manager's training program?

What are the key differences between a session suitable for managers and one geared toward employees?

How would you allocate time for the different activities during the training?

If you split the session into two parts, how would you divide the content between the two sessions?

Considering your answer to the previous set of questions, how would you rate the proposed appraisee program?

Design an evaluation form that could be completed by participants at the end of the training program.

5. Extension Tasks

These tasks are suitable for undergraduate students who would like to further develop their knowledge and skills in this area.

They could also be used as independent learning or homework activities.

- 5.1. Discuss how your proposed training program could be adapted to meet different learning styles.
- 5.2. Describe what you would cover if you were asked to provide a shortened (one-hour workshop) version of the program for three managers.

Make a list of top ten tips for preparing a training event and ask for feedback from one of your fellow students.

- 4. Design criteria that could be used to select an external trainer.
- 5. Provide a report to the director of administration for the business case to provide more training in people management issues for non-HR specialists.
- 6. As part of the training evaluation process, outline what evidence could be gathered to measure the effect on work performance.

Possible Answers to Questions— Student Activities

Please note that these answers are indicative only, and are not intended to be exhaustive.

Question	Key areas to cover
Part B Discussion Questions	
3.1 Possible Answer	<p>Would it be appropriate to use e-learning to deliver the performance management training? Explain your answer.</p> <p>Pro: There are many advantages to e-learning. It provides flexibility for learners to work at their own pace and at a time which is convenient for them. E-learning enables participants to concentrate on areas most appropriate for them and enables employers to track participants' progress. One popular design is to use a generic online course to teach fundamentals and follow up with a workshop for experiential exercises.</p> <p>Con: E-learning is not appropriate for all topic areas and should not be seen as the easy or best option in all cases. In this case study, it would not be appropriate to deliver it exclusively in this format because one of the key topics to be covered is soft skills. When dealing with soft-skill issues (such as how to have difficult conversations), it is more effective to have the personal touch of a skilled trainer. Participants also need the practical experience of taking part in simulations and role plays. A trainer-led session also enables participants to have any questions answered immediately.</p>

3.2 Possible Answer	What are the potential barriers to a successful training session? Outline how you might overcome them. Examples might include:	
	Potential barriers	How could they be overcome?
	Poorly-skilled trainer.	Ensure an appropriate trainer is selected using objective criteria (see question 5.4 for a list of possible criteria).
	Unclear objectives.	Ensure the trainer sets clear objectives at the start of the session.
	Lack of time management.	Ensure the training session is well organized and that the trainer's plan shows suggested timing for each section.
	Unmotivated participants.	The trainer can use warm-up activities to motivate participants and can emphasize the benefits of participating in the training. The trainer could also ask participants to be open about their concerns so they can be addressed during training.
	Lack of flexibility.	The trainer should have a session plan which allows for flexibility, to ensure time to answer participant questions and to respond to different needs.
	Over-reliance on one training method.	Trainers should remember that participants have a variety of preferred learning styles.
	The technology breaks down and the session relied on it.	The trainer should anticipate such problems and have training materials available in a different format. For example, handouts could be provided if the PowerPoint presentation fails.
	The content is not at an appropriate level for the audience.	The trainer must receive a detailed brief explaining the purpose of the training and participants' existing skills and knowledge. The trainer should provide a variety of activities so all ability levels are accommodated.
	The content is not relevant to the organizational context.	Where possible, the trainer should make activities as relevant as possible to the organization. This includes using real organizational documents, rather than generic materials. This will help participants transfer their learning to the workplace.
	Poor training environment.	Ensure a suitable room with the necessary computer equipment is provided for the session. Ideally, it should be in a quiet location where people will not be disturbed.
Lack of time to practice skills.	The trainer should plan a combination of activities so participants can learn the theory and then practice the skills.	
Lack of perceived relevance to workplace.	Content should be as relevant as possible to the workplace. The trainer must emphasize this to participants so they understand how to apply it when they go back to their workplace.	

<p>3.3 Possible Answer</p>	<p>Discuss the advantages and disadvantages of the training sessions being led by an external consultant.</p> <p>Advantages may include:</p> <ul style="list-style-type: none"> ◦An external trainer may be more knowledgeable about the subject area. ◦An external trainer can bring experiences gained in other organizations. ◦An external trainer is less likely to be biased toward certain participants. ◦An external trainer may bring a fresh perspective (and not just the organization’s view). ◦Participants may be more willing to discuss experiences and concerns with an external consultant. <p>Disadvantages may include:</p> <ul style="list-style-type: none"> ◦An external consultant may not understand the context of the organization. ◦It may be harder for an external consultant to design content at the appropriate level for the audience. ◦An external consultant may require assistance to operate the technology required for the session. ◦An external consultant may not be as familiar with the performance management documents as an internal trainer. ◦Other options may be more suitable, such as training led by either an HR director or other respected manager from the organization.
<p>3.4 Possible Answer</p>	<p>How would you deal with a participant with a negative attitude toward the training?</p> <p>The trainer should talk with the person to identify what the problem is and find a way to resolve it. It may be that the content was not as expected or they think the training is not a good use of their time. The trainer should ensure that this person does not negatively affect the rest of the group.</p>
<p>3.5 Possible Answer</p>	<p>In the information provided in the case study, do you see any evidence that the trainer considered Dessler’s “Five-Step Training and Development Process” in the manager’s training program? Explain your answer. Required reading. See page 3.</p> <p>There is some evidence that the trainer used this model. For example:</p> <ol style="list-style-type: none"> 1. Needs analysis. The trainer considered the skills needed for participants to complete the new performance management process and consulted with participants. This stage of the process could have been more detailed. Analysis typically provides information that feeds into the design phase. Based on the case study, not enough information is provided to gauge this. While it appears that the performance management system will be covered, techniques on how to use the system are not mentioned. Some soft-skills training will be offered, but other than conflict management, no other soft-skills topics are mentioned. 2. Instructional design. There is evidence that the trainer identified and organized suitable activities. The steps taken are not detailed, but would include identifying topic areas; the sequence of topic areas; topic objectives; times for each topic; learning activities; delineation of teaching methods (such as role play, lecture, etc.); and test items. 3. Validation. There is no evidence that the program was tested with a small group. 4. Implementation. The training sessions occurred. However, the administrative documents did not indicate what equipment, student-to-instructor ratio, student materials, etc., would be needed. 5. Evaluation. The manager’s training program included time for an evaluation, but this did not happen at the end of the appraisee training session.
<p>3.6 Possible Answer</p>	<p>Would you require any information about your participants before the training session?</p> <p>The following information would be useful for the trainer to have before the training program:</p> <ul style="list-style-type: none"> ◦The average number of years managers and support staff have worked at the organization. ◦The job titles for managers and how many appraisees they will be evaluating. ◦Any special needs that will require additional support.

- The number (if any) of managers who have received supervisory training.
 - Any previous experience participants have had with performance management (this could be achieved through a questionnaire) and their preferred learning styles.
-

<p>3.7 Possible Answer</p>	<p>What skills do you think are important for the trainer to have?</p> <ul style="list-style-type: none"> ◦ Knowledge about the subject area. ◦ Confidence. ◦ Ability to handle questions effectively. ◦ Time management skills. ◦ Flexibility, so if part of the program is not going well, an alternative could be used. ◦ IT skills (especially if this is a large part of the training session). ◦ The ability to differentiate tasks depending on participant needs. ◦ A sense of humor!
<p>3.8 Possible Answer</p>	<p>Do you think it is possible for learners to obtain the necessary information using a more informal or experiential learning technique?</p> <p>There are many instances where informal learning can be effective for both the employee and the employer, but in this instance, this may not be the case. Because the performance management system is new, it is better for all employees to receive the same information via a formal training program to eliminate any ambiguities.</p>
<p>3.9 Possible Answer</p>	<p>How can the trainer ensure skills transfer so employees apply the training to the workplace?</p> <ul style="list-style-type: none"> ◦ The trainer should maximize the similarities between the training and work situations. This includes using actual forms and making sure that the examples provided in role plays are relevant to the work environment. ◦ The trainer should create a learning atmosphere where participants can practice their skills until they feel confident. This will make the transition to the work less stressful. ◦ The trainer should be realistic about potential problems that could arise so they can discuss possible coping strategies with employees.
<p>6. Possible Answer</p>	<p>How can the trainer motivate the participants to learn?</p> <p>Provide a range of activities so employees stay engaged. Use relevant examples, case studies and role plays so employees understand how it relates to them. Accommodate different learning styles.</p> <ul style="list-style-type: none"> ◦ The duration of this training may motivate employees because it does not place too much of a burden on their time. ◦ Training that is delivered in a professional manner is more likely to motivate employees than training delivered with a lacklustre approach. ◦ Outline goals and objectives at the start of the session. This gives employees a structure, and they may find the training easier to follow if they know what is going to happen next. ◦ Reinforce how the training will benefit them.
<p>3.11 Possible Answer</p>	<p>How would you evaluate the success of the training program (not including the end-of-session feedback forms)?</p> <ul style="list-style-type: none"> ◦ Employees could be contacted after three months to see if the training had a positive effect on their job. ◦ The percentage of completed performance management reviews may be a useful performance indicator. ◦ The trainer could seek informal feedback from participants, either face-to-face or by e-mail. If more objective evidence is needed, a sample of employees could be asked to provide anonymous feedback. ◦ A questionnaire could be completed at the end of the performance review cycle to see if the training enabled employees to carry out their roles effectively.

<p>3.12 Possible Answer</p>	<p>How would you rate Southwood's existing evaluation form?</p> <p>Comments might include:</p> <ul style="list-style-type: none"> ◦It is good that it is only one page. If it was more than a page, some people might not complete it. ◦It would be useful to get more specific feedback, such as perceived strengths and weaknesses of the session. ◦Respondents could be asked to provide examples so the trainer has a better idea about how to improve future sessions.
<p>3.13 Possible Answer</p>	<p>Why is it important for appraisees to be trained in using the new performance management system?</p> <p>For the new system to be successful, all stakeholders must understand and commit to it. If appraisees do not understand how to complete the documentation, it will not be successful. The training reinforces the organization's commitment to performance management and shows that appraisees' needs are recognized just as much as appraisers' needs. For those employees who had negative experiences with performance appraisal before, this may reassure them that it can be a positive process.</p>
<p>Group Tasks</p>	
<p>4.1 Possible Answer</p>	<p>Design an opening presentation for the training session which includes session goals and objectives.</p> <p>The opening presentation should:</p> <ul style="list-style-type: none"> ◦Ensure that all participants understand why the organization values performance management and identify the benefits of such a program. ◦Provide the opportunity for participants to seek clarification about any concerns they may have. ◦Introduce communication skills that enable effective performance reviews. ◦Share practical details about how the new system will work (for example, how the appraisers will be assigned).
<p>4.2 Possible Answer</p>	<p>From the perspective of the trainer, describe how you would incorporate the participating managers' feedback (as detailed in the case study) into future programs.</p> <ul style="list-style-type: none"> ◦Obtain information about participants ahead of time so the program can be tailored to their needs. ◦Be more responsive to the needs of the group when the session is taking place. ◦Encourage participants to take more ownership of the session and identify areas they wish to discuss. ◦Accept that it is nearly impossible to meet everyone's needs in a single training session.
<p>4.3.1 Possible Answer</p>	<p>How would you rate the appraisee's training program on a scale of 1 to 10, where 1 is very poor and 10 is excellent? Explain your reasons for this rating.</p> <p>Students are likely to give this program a low rating (perhaps 5/10 or lower) due to the following reasons:</p> <ul style="list-style-type: none"> ◦Much of the session was trainer-led and lacked interaction. ◦A lecture is not the best way to cover communication skills. ◦No chance was given to practice skills. ◦It did not use a wide variety of training methods. ◦No time was allocated for evaluation. ◦There was no mention of learning objectives.

<p>4.3.2 Possible Answer</p>	<p>How would you rate the manager's training program on a scale of 1 to 10, where 1 is very poor and 10 is excellent? Explain your reasons for this rating.</p> <p>This program is likely to be rated higher than the previous program. Comments about this program may include:</p> <ul style="list-style-type: none"> ◦It is more detailed. ◦Participants' needs are taken into account, which means there is flexibility. ◦A variety of training methods were used. ◦The training methods were appropriate to the different sections of the training. ◦There were opportunities to practice skills. ◦Relevant topic areas were covered. ◦Practical areas were addressed (e.g., how to complete the documentation). ◦The session ends with an evaluation. 										
<p>4.3.3 Possible Answer</p>	<p>Complete the table below showing the strengths and weaknesses for each of the programs.</p> <table border="1" data-bbox="376 764 1492 1318"> <thead> <tr> <th data-bbox="376 764 630 810"></th> <th data-bbox="636 764 1058 810">Strengths</th> <th data-bbox="1065 764 1492 810">Weaknesses</th> </tr> </thead> <tbody> <tr> <td data-bbox="376 814 630 1054"> <p>Appraisee's Training Program</p> </td> <td data-bbox="636 814 1058 1054"> <p>An outline was provided. There was an opportunity for participants to ask questions. There weren't too many activities for a two-hour training session.</p> </td> <td data-bbox="1065 814 1492 1054"> <ul style="list-style-type: none"> ◦Did not incorporate activities for different learning styles. ◦Not very detailed. ◦Trainer-led with limited interaction. ◦No chance to practice skills. ◦Limited variety of training methods. ◦No evaluation at the end of the event. </td> </tr> <tr> <td data-bbox="376 1058 630 1318"> <p>Manager's Training Program</p> </td> <td data-bbox="636 1058 1058 1318"> <ul style="list-style-type: none"> ◦It was very detailed. ◦It was flexible. ◦A variety of training methods were used. ◦Appropriate range of training methods used. ◦Opportunity to practice skills. ◦Wide range of topic areas covered. ◦Evaluation at the end. </td> <td data-bbox="1065 1058 1492 1318"> <ul style="list-style-type: none"> ◦There was a lot of material to be covered in a two-hour session. ◦No time was allocated for general communication skills. ◦May not meet the needs of people with more complex learning style preferences. </td> </tr> </tbody> </table>			Strengths	Weaknesses	<p>Appraisee's Training Program</p>	<p>An outline was provided. There was an opportunity for participants to ask questions. There weren't too many activities for a two-hour training session.</p>	<ul style="list-style-type: none"> ◦Did not incorporate activities for different learning styles. ◦Not very detailed. ◦Trainer-led with limited interaction. ◦No chance to practice skills. ◦Limited variety of training methods. ◦No evaluation at the end of the event. 	<p>Manager's Training Program</p>	<ul style="list-style-type: none"> ◦It was very detailed. ◦It was flexible. ◦A variety of training methods were used. ◦Appropriate range of training methods used. ◦Opportunity to practice skills. ◦Wide range of topic areas covered. ◦Evaluation at the end. 	<ul style="list-style-type: none"> ◦There was a lot of material to be covered in a two-hour session. ◦No time was allocated for general communication skills. ◦May not meet the needs of people with more complex learning style preferences.
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<p>Possible Answer</p>	<p>Discuss how a new program could be designed to address the weaknesses identified in the previous question.</p> <ul style="list-style-type: none"> ◦More interaction. ◦Include a greater variety of training methods. ◦Design more flexibility into the program. ◦Ensure participants have a chance to practice their new skills. ◦Incorporate activities for different learning styles. For example, learners with a preference for the theorist learning style would learn from a structured activity such as a lecture. ◦Plan a realistic number of activities for a two-hour session. ◦Focus on important communication skills. 										

<p>4.4 Possible Answer</p>	<p>Write an overview of the appraisee's training program. Use the questions below to help structure the outline:</p> <ul style="list-style-type: none"> ◦ Who will deliver the training? ◦ How long would the session(s) last? <p>What are the key areas to cover?</p> <ul style="list-style-type: none"> ◦ Can you use any of the same areas from the manager's training program? ◦ What are the key differences between a session suitable for managers and one geared toward employees? ◦ How would you allocate time for the different activities during the training? ◦ If you split the session into two parts, how would you divide the content between the two sessions? <p>It may be appropriate for the training to be delivered by a combination of people, including the HR manager, but with input from other senior management team members. Appraisers could also take part in some elements of the session, although this may intimidate some appraisees from voicing any concerns.</p> <p>The session should be short, probably no more than two hours. This could be arranged as a single two-hour session or two one-hour sessions. This should be sufficient to cover all of the key topics. If other issues are identified during training (e.g., the need for more communication skills), a follow-up session could be arranged.</p> <p>The main areas to be covered would be:</p> <ul style="list-style-type: none"> ◦ Why the organization needs a performance management system. ◦ Appraisees' roles. ◦ How to prepare for the performance review. ◦ How to complete the documentation. ◦ How to set objectives. ◦ How to identify training needs. <p>Some of the areas would be the same for appraisers, but appraisee training should focus more on the practical details of how to participate, rather than linking it to strategic objectives.</p>
<p>4.5 Possible Answer</p>	<p>Considering your answer to the previous set of questions, how would you rate the proposed appraisee program?</p> <p>The proposed training program looks quite comprehensive. Students may highlight some of the following strengths:</p> <ul style="list-style-type: none"> ◦ It is a well-structured program. ◦ The program begins clearly, with an introduction to the session and an overview of objectives. ◦ Participants understand why they are taking part. ◦ It does a good job in covering the practical details. ◦ There are interactive activities to allow participants to practice (e.g., the role plays). ◦ The content is specific to appraisees and is not just a copy of the appraiser program. ◦ Small group activities allow the trainer to get to know the participants. ◦ There is an evaluation at the end of the session.

<p>4.6 Possible Answer</p>	<p>Design an evaluation form that could be completed by participants at the end of the training program. The evaluation form may include the following questions:</p> <ul style="list-style-type: none"> . How well did the training session meet the stated objectives? . How well did the trainer deliver the training? . Was the content appropriate for the audience? . Do you understand how you can apply this training? . Would you recommend the training to others? . Did the training provide value for the money? . Were the training methods appropriate? . Was the duration appropriate? . What were the strengths of the training? . What were the weaknesses of the training? . How could the training be improved? . How can this training help you in your job? (This could be divided into short-term and long-term.) . What were the key items you learned in this training? . Do you need any further support to help transfer this learning to the workplace? . Is follow-up training needed?
<p>Extension Activities</p>	
<p>5.1 Possible Answer</p>	<p>Discuss how your proposed training program could be adapted to meet different learning styles. Students should refer to one of the learning style models discussed in the recommended texts and provide examples of how content and material could be differentiated to meet the needs of people with different preferences. The example shown below uses Honey and Mumford's learning styles (an introduction to their learning styles is provided in the accompanying presentation):</p> <p>Participants with a preference for the activist learning style:</p> <ul style="list-style-type: none"> • Play business 'games' where participants solve a set of problems. • Work in small teams on tasks, where everyone can express an opinion. • Include activities which are not too structured or prescriptive. <p>Participants with a preference for the reflector learning style:</p> <ul style="list-style-type: none"> • Observe role plays and provide feedback. • Analyze scenarios and report on them. • Write activities after time for consideration. <p>Participants with a preference for the theorist learning style:</p> <ul style="list-style-type: none"> • Use logical, structured activities. • Provide references to back up key themes. • Use probing activities. <p>Participants with a preference for the pragmatist learning style:</p> <ul style="list-style-type: none"> • Provide clear links between the activities and the topic. • Participate in role plays with the opportunity to gain feedback. • Link activities to practical benefits. • Apply a given formula.
<p>5.2 Possible Answer</p>	<p>Describe what you would cover if you were asked to provide a shortened (one-hour workshop) version of the program for three managers.</p> <p>Students should identify the most important topics:</p> <ul style="list-style-type: none"> • The new system's benefits. • The new documentation and how to use it. • Setting SMART objectives.

•How to help employees identify their training and development needs.



<p>5.3 Possible Answer</p>	<p>Make a list of top ten tips for preparing a training event and ask for feedback from one of your fellow students.</p> <p>The lists may include some of the following tips:</p> <ul style="list-style-type: none"> ◦ Choose an appropriate location. ◦ Choose a date and time that is convenient to the majority of participants. ◦ Plan your time carefully so that the key areas are prioritized. ◦ Ensure that the trainer is well-organized. ◦ Use a variety of training methods. ◦ Hire a knowledgeable trainer. ◦ Find out if any of the participants have special learning needs which may require additional support (e.g., enlarging handouts for someone with a visual impairment). ◦ Be clear about any pre-work the participant should complete before attending the session. ◦ Be clear about the goals and objectives of the session. ◦ Be flexible; if one activity is not working well, try a different approach. ◦ Remember to cover the practical details in the content design. ◦ Make the most out of the feedback you receive.
<p>Possible Answer</p>	<p>Design criteria that could be used to select an external trainer.</p> <ul style="list-style-type: none"> ◦ Personal characteristics: <ul style="list-style-type: none"> • Ability to speak confidently. • Flexibility when working. • Confidence. • Excellent communication skills. • Motivational. ◦ Experience/reputation as a trainer. ◦ Previous relationship with the organization. ◦ Knowledgeable about the latest developments in the field. ◦ Experience in providing training to similar organizations. ◦ Technologically competent (able to operate the audiovisual equipment). ◦ Can tailor resources to the organization. ◦ High-quality training materials. ◦ Good references.
<p>5.5 Possible Answer</p>	<p>Provide a report to the director of administration for the business case to provide more training in people management issues for non-HR specialists.</p> <p>Points that may be included in the report are:</p> <ul style="list-style-type: none"> ◦ Enabling managers to address some of the simpler HR issues will free HR specialists to concentrate on more strategic issues. ◦ Managers will feel empowered to manage their own team. ◦ The training will develop manager skills, which may be a useful retention tool. ◦ Managers are in the best position to determine the needs of their own staff. ◦ Cost-effective. ◦ May enhance the organization's reputation as being a committed employer. ◦ Highly skilled employees are likely to have higher levels of job satisfaction. ◦ May enhance manager loyalty to the organization.
<p>5.6 Possible</p>	<p>As part of the training evaluation process, outline what evidence could be gathered to measure the effect on work performance.</p> <p>Students should note that it depends on the job; some jobs have more measurable outputs than others.</p> <p>Points that may be included are:</p>

Answer

- Trainees could be asked to perform self-assessments before and after training.
 - Trainees' managers could be asked to perform an assessment.
 - Administer a test to assess trainee learning.
 - Tangible statistics on output could be obtained
-



Sample Training Program Schedules

Program 1—Manager/Appraiser Training Program

Suggested Timing for Each Session Segment

Total Time: 2 hours

- Introduction to session: 15 minutes
 - Lecture on general communication skills: 15 minutes
 - Refreshment break: 10 minutes
 - Lecture on how to complete performance management documentation: 25 minutes
 - Video on performance management: 30 minutes
 - Questions and answers: 10 minutes
 - Computer-based test: 15 minutes
-

Program 2—Appraisee Training Program

Suggested Timing for Each Session Segment

Total Time: 2 hours

- Introduction to the training (includes goals and objectives): 10 minutes
- Discussion with participants about what they want to get out of the session: 5 minutes
- Lecture on why performance management is important: 10 minutes
- Case study on dealing with difficult situations (whole group discussion): 20 minutes
- Role-play on dealing with difficult situations (pairs with a third person providing feedback): 20 minutes
- Interactive presentation on SMART objectives and training needs analysis: 10 minutes
- Small group case study on setting SMART objectives and identifying training needs: 15 minutes
- Whole group discussion on how to complete performance management documentation: 15 minutes
- Introduction to additional resources, including handouts and website addresses: 10 minutes
- Session evaluation: 5 minutes

Training Evaluation Form

Your name					
Name of training session					
Name of trainer					
Why did you attend this training session?					
Please rate the following aspects of the training					
	Very Good	good	Satisfactory	Poor	Very Poor
Quality of materials					
Knowledge of trainer					
Presentation skills of trainer					
Location of training event					
Duration of event					
	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
The session met the stated objectives					
The activities in the training session worked well					
The training methods were appropriate					
The training helped me develop my knowledge in this area					
This training helped me develop my skills in this area					

I now feel confident conducting performance reviews with members of my team					
<p>Rating:</p> <p>On a scale of 1 to 10 with 1 being the lowest and 10 being the highest, rate your level of knowledge before the program.</p> <p style="text-align: center;">1 2 3 4 5 6 7 8 9 10</p>					
<p>On a scale of 1 to 10 with 1 being the lowest and 10 being the highest, rate your level of knowledge after the program.</p> <p style="text-align: center;">1 2 3 4 5 6 7 8 9 10</p>					
Additional comments or suggestions:					

Thank you for taking the time to complete this evaluation

Appraisee Training Program Agenda: Performance Management

vi. Session introduction (led by trainer)

- Session overview
- Goals and objectives
- Question-and-answer period for initial questions from participants

Introduction to performance management (interactive presentation led by trainer)

- What does performance management mean?
- Why does the school have a performance management system?
- What are the benefits of performance management?

vii. Review of the new system (lecture by trainer)

viii. Practical considerations

- Who will conduct staff appraisals?
- How long will the appraisals take?
- Where will the appraisals take place?
- How far in advance will appraisees know the date for their performance review (one week, more)?
- What documents/evidence will you need to show your appraiser?

ix. Review the new documents and explain how they were designed.

x. Explain how to complete the new documents.

xi. Role-play activity

The group will be split into teams of three and will receive a completed performance review preparation sheet. One person will play the appraisee, one person will be the appraiser, and a third person will observe and provide feedback.

n Communication skills

After a brief interactive presentation, the trainer will work with the groups through role play scenarios.

5. How to make the most out of your performance management review

- Five tips for a successful performance review.
- Dealing with difficult issues.
- Following up after your meeting.

6. Question-and-answer session followed by the distribution of the performance management documents

7. Session evaluation

SOUTHWOOD SCHOOL: A CASE STUDY IN TRAINING AND DEVELOPMENT

Introduction

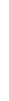
Southwood school administrators realized that a newly designed performance management system for their support staff¹ would require a formal training program. Designing and implementing the new performance management system was a challenge for the organization; the last system was unpopular with employees, and negative feelings about the value of performance management linger.

Case Overview

As discussed in the first Southwood case study, some of the issues identified with the previous performance management system included:

- Annual deadlines to complete the process were missed by many staff members.
- Some staff members were confused about what exactly needed to be completed and when.
- There were complaints that the previous system was a “waste of time” and that there were no measurable outputs.
- A trade union representative felt the system was not appropriate for all staff members.
- Criteria on the forms were irrelevant to support staff. For example, support staff could not set objectives in pupil progress or have lessons observed.
- There was little attention on identifying training needs, and where needs had been identified, there was no follow-up with appropriate actions.
- Appraisals were led by teachers with little knowledge of their appraisees’ jobs.
- Performance meetings were a one-way process; often, performance goals were identified before the meeting and without the appraisee’s input.

Examples of support staff jobs include: administrative positions (secretaries, administrators); student support positions (learning mentors, learning support assistants, special needs assistants, computer technicians); teacher support positions (teaching assistants, departmental assistants such as science technicians); and strategic/management positions (HR manager, finance manager, director of administration, director of information technology).



A new system was designed in consultation with all stakeholders to address the issues raised with the previous system. School leaders felt that a formal training program was vital to ensure all employees supported the new system. This case study demonstrates how the training was designed and delivered and some of the complexities involved in this process.

Case Details

The case study consists of two parts:

- a) Designing the training program for managers (appraisers).
- a) Designing the training program for appraisees.

I. Designing the Training Program for Managers (Appraisers)

The managers in this case study are the appraisers in the new performance management process. In some cases, they will be teachers with no formal management qualifications. In other cases, they will be support staff with specific management responsibilities in the organization.

Needs Analysis

Initially, the director of administration recommended that a selection of managers complete a standard Internet-based training program provided by an online training organization. Managers who completed the online training would receive a certificate of achievement. Based on input from the HR manager, however, it was decided that a custom-designed program would be more appropriate because it would better meet managers' needs. A custom-designed program would also allow the school to relate the training back to their new performance management system and provide flexibility in the program's delivery.

There were a number of options available to determine who would design and deliver the program:

- The HR manager could design and deliver the training.
- The HR manager could design the content, and the training could be conducted by a member of the school's senior management team.
- An external consultant could design and deliver the training.
- An external consultant could design the content, and the HR manager could conduct the training.

In the end, it was decided that the HR manager would design and develop the program with support from the senior management team, if necessary. The reasons for this decision:

Specialized knowledge. The HR manager had developed the new performance management system and was therefore the most knowledgeable about it.

Experience. The HR manager was experienced in developing training programs. **Cost.** This was the least

expensive option; no direct costs would be incurred.

Context. It would be easier to include specifics about the new performance management system if the training was designed by an internal person.

Flexibility. The sessions could be run at the times convenient to managers, which may have been more difficult to accommodate with an external trainer.



Please Note: From this point forward, the HR manager is referred to as the trainer.

Designing the Training

A focus group was held with five managers to find out what they wanted from the training and to assess their concerns about performance management. This was a useful process. The managers wanted to include training in how to deal with difficult people, which otherwise may not have been included in the program. Including this also assured managers that their views were important and had been considered in the program's design.

The training would take place in-house and outside the normal workday. It was agreed that the most appropriate method was a two-hour workshop. The workshop would include various activities geared to develop the skills and knowledge of the participants:

- Trainer-led interactive presentations.
- Role play exercises.
- Use of a specially designed case study.
- Small-group exercises.

By developing and delivering the session in-house, training materials specific to the new performance management system could be created, rather than relying on generic training materials. It was hoped that this would facilitate the transfer from training to the workplace. The training would be mandatory for all appraisers to ensure consistency. The trainer developed a plan for the two-hour session and included activities that would appeal to participants of various learning styles. Appropriate resources and handouts were designed. The trainer used the organization's generic training evaluation form (provided at the end of this workbook) to evaluate the program.

- The program would include the following:
 - How to develop questioning and listening skills.
 - How to complete the new performance management documents.
 - How to develop SMART objectives (objectives that are specific, measurable, achievable, relevant and time-bound).
 - How to help employees identify training and development opportunities.

Training Delivery

Participants were asked to read all the documents related to the new performance management system before the training. The session was held in a classroom with the necessary IT equipment during non-school hours. Eighty percent of appraisers attended this scheduled session; the remaining 20 percent participated in another presentation four weeks later.

Evaluation of the Training Program: The Trainer's Perspective

The following is an excerpt from the trainer's evaluation report:

Overall, I thought the session went really well. I covered all of the materials and had some good responses.

I think most of the participants now have a good understanding of how to carry out a performance review, but I am not entirely sure they believe there are benefits to a performance appraisal system.

I was a bit disappointed with two participants who did not actively participate in the activities. Perhaps they thought they already knew the information.

I might have misjudged one of the communication activities. I estimated that it would take about 45 minutes, but everyone completed it in 20 minutes. Unfortunately I didn't have any extra activities, so I had to stretch out the final discussion so we didn't finish too early.

Evaluation of the Training Program: The Managers' Perspective

Managers were asked to provide feedback at the end of the training. Some of the results are shown below:

How would you rate the...	Percentage who rated it as good/very Good
Quality of materials	78%
Knowledge of trainer	90%
Presentation skills of trainer	70%
Location of training event	50%
Duration of event	85%
rate the following statements:	Percentage who rated it as agree/strongly agree

The session met the stated objectives.	78%
I feel confident in leading performance reviews with members of my team.	80%
The training methods used were appropriate.	60%

Qualitative feedback was also offered:

“The trainer was very good and was clearly knowledgeable about the subject.” “I found the practical tips to be really useful.”

“It was a bit annoying when the administrators kept interrupting us to pass on messages.”

“It would have been easier if everyone had read the new performance management documents before they arrived at the session.”

“Some of the activities were a bit too childish – I think the trainer forgot that we are all teachers.”

“Some of the handouts are really good.”

“I am still not convinced that performance management is something which benefits us – it seems like another paper exercise.”

II. Designing the Training Program for Appraisees Needs Analysis

The HR manager was assigned responsibility for this program because of the successful design and delivery of the manager’s training. This session was internally led, for the same reasons the manager’s training was internally led.

Past experience showed that it was difficult to hold focus groups with support staff members. Instead, an e-mail was sent to all support staff asking them what they wanted to be included in their training program. Less than 10 percent of the support staff responded to the e-mail.

The following instructional methods were chosen for this program based on experience with previous training programs (see “Sample Training Program Schedules”):

- Presentations by trainer
- Practical activities
- Role plays
- Worksheets

Training Delivery

The appraisees were not assigned pre-work before the training because this may have intimidated some participants. Although details of the new performance management system had been shared with appraisees in an earlier e-mail, most participants had not seen the actual documents that would be used. The documents were distributed during the session so the trainer could guide them through and answer any questions immediately.

The session was held in a school classroom, but was scheduled outside of normal working hours (see “Appraisee Training Program Agenda”) to avoid disrupting staff and students during the

normal school day. To compensate for the inconvenience, attendees received overtime for the two hours spent in the training.

Training Program Evaluation

The trainer ran out of time during training. Consequently, no formal evaluations were submitted by participants. The trainer thought it had been a challenging session; it had been difficult to engage the participants. The participants had very different needs and it was difficult to accommodate them within a two-hour session. The trainer also reported that few trainees participated in the activities or asked any questions.

Conclusions

This case study shows that there are many issues to consider when planning, designing and delivering training programs. It is also clear that because people have different needs and learning styles, it is difficult to produce a program that will be rated well by everyone. In this instance, it was harder to satisfy people because of the topic; negative experiences with the school's previous performance management system made this training unpopular.

Sample Training Program Schedules

Program 1—Manager/Appraiser Training Program

Suggested Timing for Each Session Segment

Total Time: 2 hours

Introduction to session: 15 minutes

Lecture on general communication skills: 15 minutes Refreshment break: 10 minutes

Lecture on how to complete performance management documentation: 25 minutes Video on performance management: 30 minutes

Questions and answers: 10 minutes Computer-based test: 15 minutes

Program 2—Appraisee Training Program

Suggested Timing for Each Session Segment

Total Time: 2 hours

Introduction to the training (includes goals and objectives): 10 minutes

Discussion with participants about what they want to get out of the session: 5 minutes
Lecture on why performance management is important: 10 minutes

Case study on dealing with difficult situations (whole group discussion): 20 minutes

Role-play on dealing with difficult situations (pairs with a third person providing feedback): 20 minutes

Interactive presentation on SMART objectives and training needs analysis: 10 minutes

Small group case study on setting SMART objectives and identifying training needs: 15 minutes

Whole group discussion on how to complete performance management documentation: 15 minutes

Introduction to additional resources, including handouts and website addresses: 10 minutes

Session evaluation: 5 minutes





TRAINING EVALUATION FORM

Your name:

Name of training session:

Name of trainer:

Why did you attend this training session?

Your name					
Name of training session					
Name of trainer					
Why did you attend this training session?					
Please rate the following aspects of the training					
	Very Good	good	Satisfactory	Poor	Very Poor
Quality of materials					
Knowledge of trainer					
Presentation skills of trainer					
Location of training event					
Duration of event					
	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
The session met the stated objectives					
The activities in the training session worked well					

The training methods were appropriate					
The training helped me develop my knowledge in this area					
This training helped me develop my skills in this area					
I now feel confident conducting performance reviews with members of my team					
<p>Rating:</p> <p>On a scale of 1 to 10 with 1 being the lowest and 10 being the highest, rate your level of knowledge before the program.</p> <p style="text-align: center;">1 2 3 4 5 6 7 8 9 10</p>					
<p>On a scale of 1 to 10 with 1 being the lowest and 10 being the highest, rate your level of knowledge after the program.</p> <p style="text-align: center;">1 2 3 4 5 6 7 8 9 10</p>					
Additional comments or suggestions:					

APPRAISEE TRAINING PROGRAM AGENDA: PERFORMANCE MANAGEMENT

Session introduction (led by trainer)

- Session overview
- Goals and objectives

Question-and-answer period for initial questions from participants

Introduction to performance management (interactive presentation led by trainer)

- What does performance management mean?
- Why does the school have a performance management system?
- •What are the benefits of performance management?

Review of the new system (lecture by trainer)

- Practical considerations
- Who will conduct staff appraisals?
- How long will the appraisals take?
- Where will the appraisals take place?

- How far in advance will appraisees know the date for their performance review (one week, more)?
- What documents/evidence will you need to show your appraiser? Review the new documents and explain how they were designed. Explain how to complete the new documents.

Role-play activity

The group will be split into teams of three and will receive a completed performance review preparation sheet. One person will play the appraisee, one person will be the appraiser, and a third person will observe and provide feedback.

Communication skills

After a brief interactive presentation, the trainer will work with the groups through role-play scenarios.

How to make the most out of your performance management review

- Five tips for a successful performance review.
- Dealing with difficult issues.
- Following up after your meeting.

Question-and-answer session followed by the distribution of the performance management documents

Session evaluation

Bibliography/Additional Reading

Please note that the main text for this case study is Dessler's *Human Resource Management*. It is required reading to successfully complete the case.

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MODULE 7: BUILDING THE FUTURE: HR'S ROLE IN ORGANIZATIONAL DESIGN

Case Overview

This case study provides a history and overview of organizational design (OD). You will use the information in the overview to complete an exercise as a hypothetical organizational design Manager working with a real company of WAPDA / PEPCO.

You will read about the definition and purpose of organizational design, methods of measurement, six models of organizational structure and two models on how to apply organizational structure principles.

This case provides an overview of organizational design and includes a scenario based structured exercise.

Learning Objectives

Undergraduate students will participate in a structured exercise about organizational design, learning overarching principles and critically applying those principles to a hypothetical situation. At the end of the case, students will be able to:

1. Identify how organizations gain sustainable competitive advantage through human capital strategies such as organizational design.
2. Describe HR's role in developing human capital strategies and HR's effect on an organization's success.
3. Apply an organizational design model to an organization.

Organizational Design an Overview

Read this section before attempting the structured exercise.

Definition and Purpose of Organizational Design

Organizations are composed of deliberately selected and deselected people who coordinate their efforts toward a specific goal (Etzioni, 1964). The ultimate purpose of an organization is to achieve a specific goal or mission. The people selected (whether self-selected or chosen)

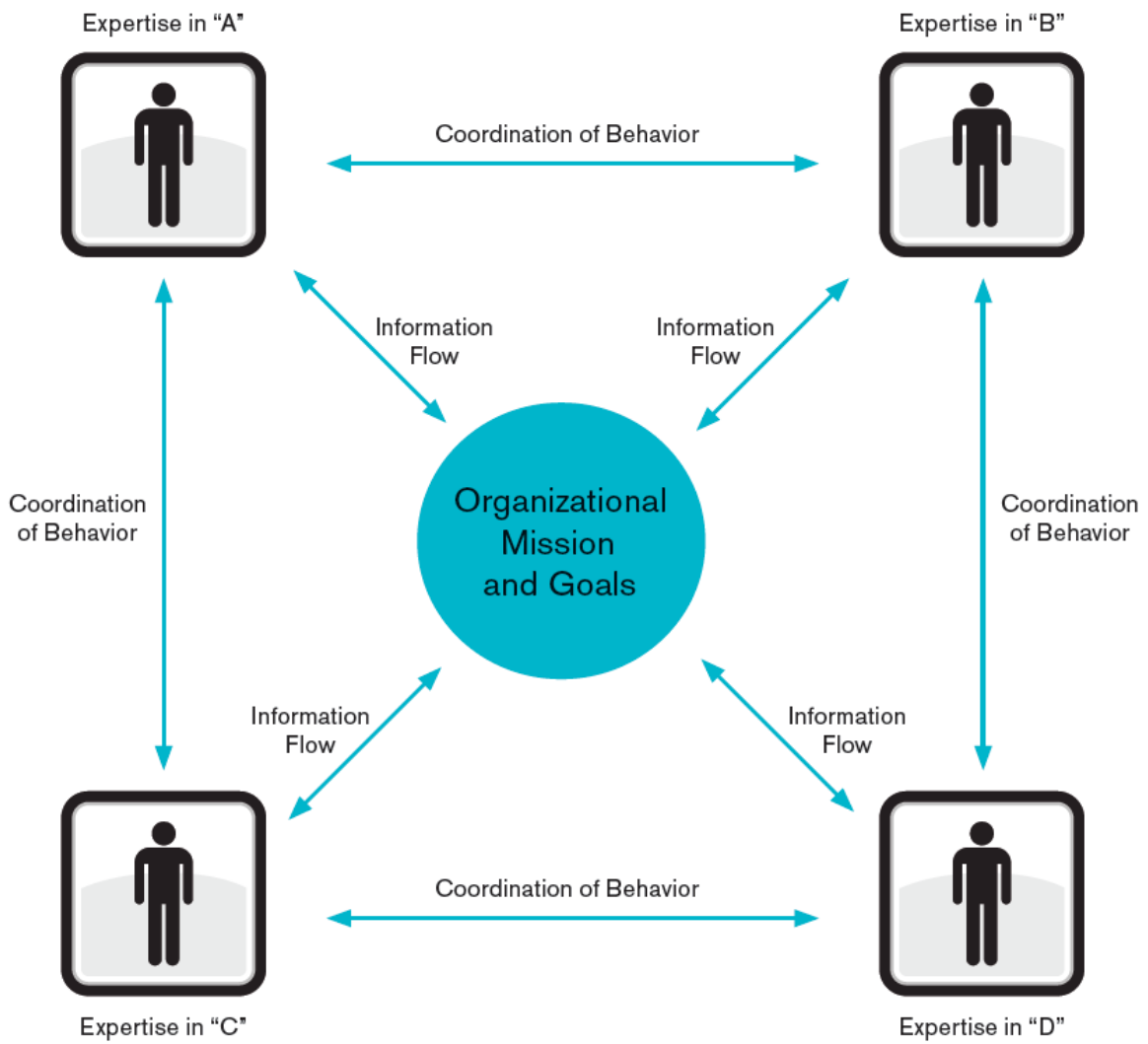
and deselected are significant in some manner that helps the organization achieve the desired goal.

Organizational design centers on the organization's human resource needs to achieve the organization's specific goal. Organizational design answers the question, "What is the best organizational structure?" and has two objectives:

1. To facilitate the flow of information within the organization.
2. To integrate organizational behavior across different parts of the organization so the behavior is coordinated (Duncan, 1979; see also Stanford, 2007 for a similar definition).

Organizational structure and its connection to strategy are core components of the organizational design process.

Organizational design centers on the human resource requirements an organizational needs to achieve its specific goal



The organizational design definition presented in this case is simplified; scholars tend to define organizational design more broadly. For scholars, organizational design often refers to all aspects of the relationship between the organizational work and the employee (Sandler, 1974). This relationship includes organizational strategy and structure as well as more granular issues such as work processes and leadership (e.g., see Burton, DeSanctis and Obel, 2006; Nadler, Tushman and Nadler, 1997).

In fact, it is the organizational design process—specifically the structuring process—that is the pivotal connector between the business of the organization (e.g., top-level leadership and organizational strategy and goals) and the other forms of HR support (e.g., workflow process design, selection, development and compensation).

An example of this connection is provided through an integrated management system known as requisite organization. One implementation map of requisite organization involves an eight-step process:

Step	Process
1.	Build the senior leadership team.
2.	Design the organizational strategy
3.	Determine the structure needed to implement the strategy
4.	Design the working relationships between functions
5.	Ensure people are in the right roles for now and in the future
6.	Manage performance; ensure that managers are skilled at managerial leadership
7	Strengthen the role of managers who are responsible for managing others managers
8	Build the compensation system

Adapted from Dutrisac, Koplowitz and Shepard (2007).

This case focuses on how to determine the structure needed to implement strategy and set the foundation for other HR processes.

The HR practitioner’s main role in the organizational design process is that of partner. There are three core aspects of this partnering relationship:

1. To provide leaders with structural diagnosis through identification of the root causes of organizational performance issues.
2. To help leaders evaluate a range of design options by offering clear design criteria.

3. To ensure that leaders align their organizational design decisions to short-term and long-term strategic goals by identifying critical organizational activities and current areas of strength and weakness (Corporate Executive Board, 2009).

With these aspects of the relationship in mind, the HR practitioner best contributes to the partnership by:

- Providing tools that measure the current internal and external environment and current organizational structure.
- Offering knowledge of various organizational structures, including the pros and cons associated with each structure.
- Reinforcing that leaders consider strategy as a cornerstone in their design and structure decisions.

These activities represent the strategic role of HR, encouraging HR professionals to engage with others in the organization to create the right culture and build the right organization (SHRM, 2007).

Most of the HR practitioner's organizational design work occurs when an organization's design needs to be revisited or redesigned because changes in the competitive environment require changes for the organization and its goals; a redesign may be needed to maintain or achieve alignment (Nadler, Tushman, & Nadler, 1997).

In fact, it is critical to identify the current organizational strategy and the internal and external environment of the organization to develop the structure. Structures must fit the current and future environment of an organization. Reorganization is needed when the current structure does not align with the situation (Bolman and Deal, 2003). To understand the current and future organizational strategy, it is essential that the OD Manager, whether internal or external, has access and input into the knowledge gained through senior leadership decisions regarding organizational direction. The OD Manager must have the available scope to identify the number of items that go into organizational design decisions (Robinson & Robinson, 2005).

The first step to determine the most appropriate organizational design is to identify aspects of the organizational environment. A large component of the internal environment is determining where an organization is in the organizational life cycle. Organizational life cycle models depict stages where an organization is born, develops, grows, matures and dies.

One of the more delineated models of the organizational life cycle is summarized on the following page.

Passage	Organization Description
Courtship	<ul style="list-style-type: none"> - There is no organization - Founders are in love with an idea
Infant	<ul style="list-style-type: none"> - Very busy doing - Risk is introduced - Focus is on short-term results - Idea generation is no longer vital
Go-go	<ul style="list-style-type: none"> - Moves fast and often intuitively - Danger of having too many opportunities viewed as priorities - Short-term focused but with vision - Founders may be using strategies that are no longer efficient
Adolescent	<ul style="list-style-type: none"> - Planning and coordinating for the long term - Less focus on short-term results - Employees desire organizational stability
Prime	<ul style="list-style-type: none"> - Stable and predictable results - Plans and procedures are in place for achieving efficiency - Awareness of external environment - May become more inward-focused toward the end of this stage
Mature	<ul style="list-style-type: none"> - Results-oriented - Institutionalized systems - More interpersonal relationships - Sense of urgency is lost
Aristocratic	<ul style="list-style-type: none"> - Admiration of the past and desire to maintain status quo - More interested in how something is done (ritual) than what is done or why it is done - Less awareness of external competition - May see increased prices of product or service
Early bureaucracy	<ul style="list-style-type: none"> - Results stray for earlier higher levels - In-fighting and expulsion of some leaders
Bureaucracy	<ul style="list-style-type: none"> - Very little is accomplished - Peaceful and friendly - Agreement without action
Death	<ul style="list-style-type: none"> - No results - Organization is dissolved

Adapted from Adizes (1979)

There are no guarantees that an organization will make it from one stage to the next. In fact, one of the key opportunities for an OD Manager is to recognize indicators that suggest an organization is in a risky or an unhealthy stage and aid in making adjustments. One example might be the recognition that an organization has extreme levels of formalization (e.g., an inappropriate desire for everything to be written) as part of a greater overall syndrome. Reverence for documentation might suggest that an organization is in the bureaucracy phase, which would place it at risk of death. An OD Manager could help redirect the organization to a healthier stage. In addition to the organization's life cycle, other aspects of the organizational environment should be considered for organizational design or redesign (Duncan, 1979).

Internal Environment	External Environment
Organizational goals	Customer and client profiles
Talent management strategy	Supplier's profiles
Cross-functional cooperation and conflict	Competitors' profiles Sociopolitical environment Industry technology environment

Adapted from Duncan (1979)

The above list is intended to be overly inclusive (Duncan, 1979). Each organization will have varying environmental factors that influence decision-making. Ideally, the OD consultant will ask questions (e.g., "What are your strategies?", "Who are your key clients?", "How is your competitive environment changing?") about the most relevant environmental demands or will identify those key demands through direct client focus.

Measuring the Current Organizational Structure

An analysis of an organization's internal and external environment is necessary when deciding what structure will best aid the organization.

Understanding of the internal environment is achieved through the measurement of the following structural dimensions:

Structural Dimension	Description
Specialization	Degree to which an organization's activities are divided into specialized roles.
Standardization	Degree to which an organization has standard rules or procedures.
Formalization	Degree to which instructions and procedures are written down.
Centralization	Degree to which the authority to make certain decisions is located at the top of the management hierarchy.
Configuration	The shape of the role structure of the organization. This includes: <ul style="list-style-type: none"> - Chain of command: the number of vertical levels or layers on the organizational chart. - Span of control: the number of direct reports per manager; number of horizontal levels or layers on the organizational chart.

Adapted from Pugh (1973)

These dimensions are usually measured through a survey and subsequent analysis. It should be noted that in measuring the internal organization, the question then arises, "What level for each dimension is appropriate?" It is important to understand that the structural dimensions are more for comparison purposes rather than overall intensity measurement. These dimensions are especially useful in defining a profile for where an organization may be in terms of:

- Self-perception of culture.
- External perception by clients and customers.

- External comparisons to competitors.
- External perceptions by potential partners.

Understanding of the external environment is achieved through the measurement of contextual factors:

Contextual Factor	Description
Origin and history	Whether an organization was privately founded; the kinds of changes in ownership, location and other related changes the organization has experienced.
Ownership and control	Type of ownership (e.g., private or public). Is control divided among a few individuals or spread among many individuals?
Size	Number of employees, net assets and market position.
Charter	Nature and range of goods and services.
Technology	Degree of integration achieved in an organization's work processes.
Location	Number of geographically dispersed operating sites.
Interdependence	Extent to which an organization depends on customers, suppliers, trade unions, any owning groups or other related entities.

Adapted from Pugh (1973)

Contextual dimensions help formulate a better understanding of the external environment and the relationship between the internal and external environment.

Once the structural dimensions and contextual factors have been examined and the connection between an organization's structure and strategy is understood, the OD Manager can consider alternatives for solution design. The art of organizational design is assessing the essential aspects of the environment and their meaning for the organization's future. Translating those aspects into the right structure is critical to building results like increases in efficiency and cost avoidance. There is no one best structure, and the Manager's decisions depend on the supporting evidence for each organization.

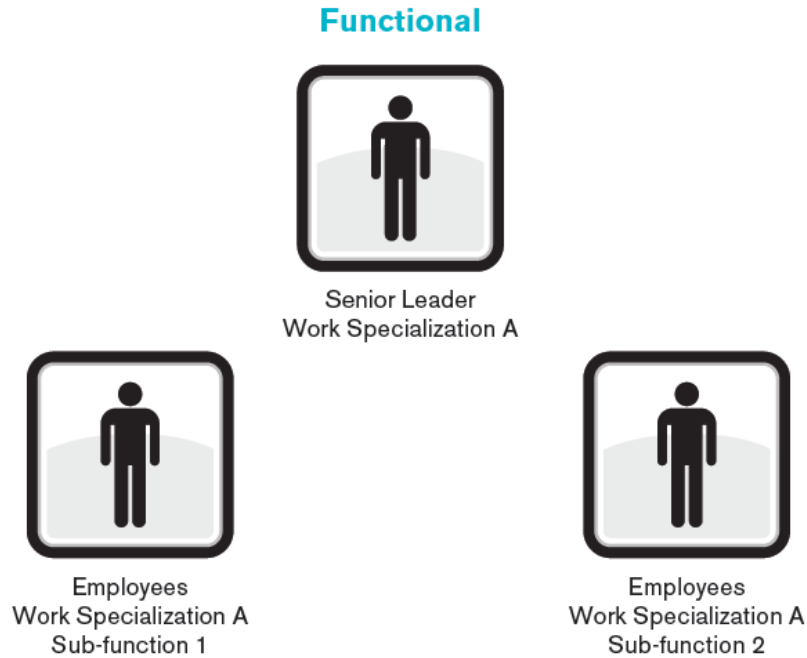
Models of Organizational Structure

As stated above, there is no one best organizational structure; however, several forms have emerged over time. Most current thought leaders address the vertical and horizontal structures (at a minimum). Much of the following summaries of vertical, vertical and horizontal, and open boundary structures are adapted from Anand and Daft (2007).

Vertical Structures (Functional and Divisional)

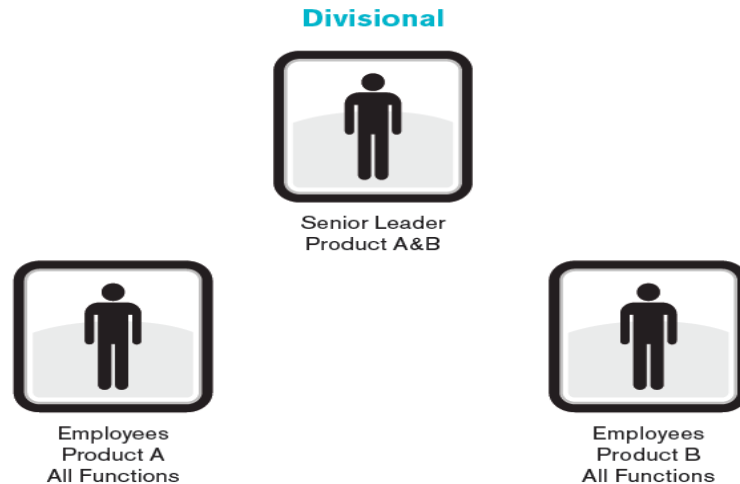
Two main types of vertical structure exist, functional and divisional. The functional structure divides work and employees of the organization by specialization of activity. For example, all

HR professionals are part of the same function and report to a senior leader of the HR function. The same reporting process would be true for other functions, such as finance or operations. A functional structure provides the advantage of having technical expertise located in one place. The structure tends to be resistant to change, though, and cross-functional activity is more difficult to promote.



The work of one organization is divided by specialization of activity.

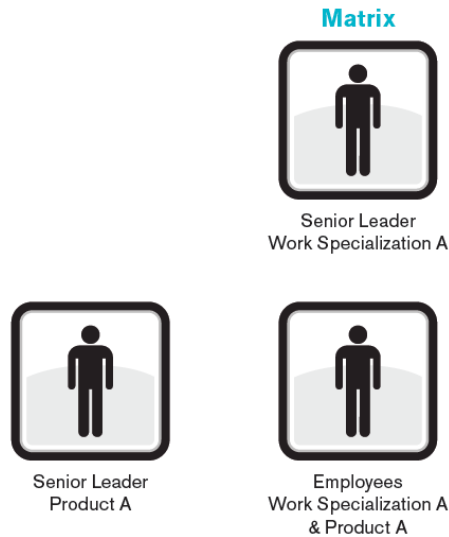
In a divisional structure, work and employees are most often divided by output, although a divisional structure could be divided by another variable such as geography. An example of a divisional structure would be a food manufacturer that divides work and employees by the type of food product. The candy division would have an entire staff (e.g., HR, finance and operations staff), while the frozen foods division would have an entirely different staff (e.g., HR, finance and operations staff). The divisional structure provides more focus and flexibility on each division's core competency and allows for more coordination than the functional structure. In a divisional structure, however, there is less interaction between employees with similar technical career paths; there are no centers of excellence. A divisional structure can also result in a loss of efficiency and duplication of effort because each division needs to acquire the same resources.



The work of one organization is divided by output.

Vertical and Horizontal Structure (Matrix)

As a solution for some of the issues found in the functional structure, matrix structures are sometimes used. A matrix structure combines the functional structure with the divisional structure and creates a dual-command situation. An example of a matrix structure would be a clothing manufacturer that divides work and employees by function, but also arranges employees to have accountability to a geographical manager. The major advantage of the matrix organization is that it creates a functional and divisional partnership, and the intent of the structure is to focus on the work more than the people. The common disadvantage for matrix structures is that it is hard to manage. The matrix structure also requires greater interpersonal competency by organizational staff. These disadvantages can be exacerbated in situations where the matrix goes beyond two-dimensional (e.g., a function's employees report to two different managers) to multi-dimensional (e.g., a function's employees report to more than two different managers).



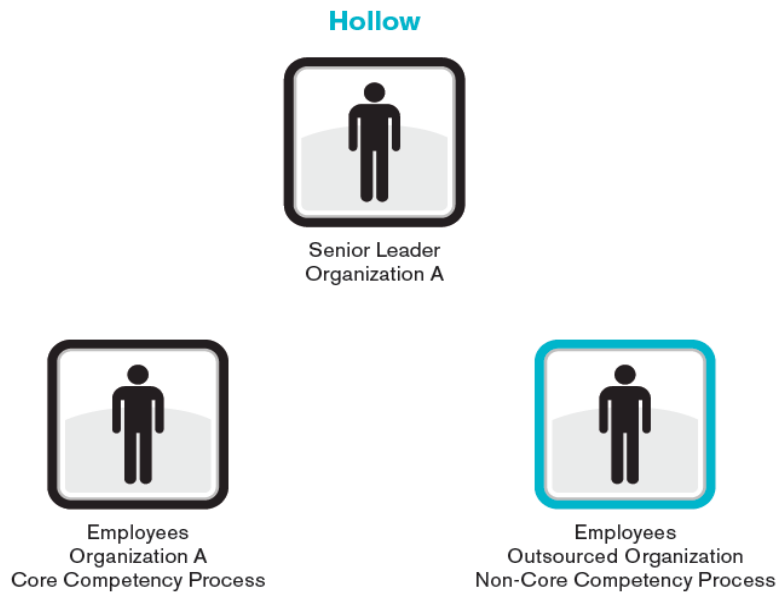
The work of one organization combines a functional and divisional structure.

Open Boundary Structures (Hollow, Modular and Virtual)

More recent trends in structural forms remove the traditional boundaries of an organization. Structures using this “boundary-less” concept include the hollow, modular and virtual organizations (Anand & Daft, 2007). Please note that in the following charts, distinctions between organizations and size of work are depicted through the use of “encompassing” boxes and alterations to the size of individual graphics.

Hollow structures divide work and employees by core and non-core competencies. Hollow structures are an outsourcing model. The organization maintains its core processes internally but outsources non-core processes. Key to this model is that work processes are the point of decision. For this model to succeed, incentives must be aligned between the organization and the outsourcing organizations. Hollow structures are most effective when the industry is price competitive and there are enough choices for outsourcing. An example of a hollow structure is a sports organization that has its HR functions (e.g., payroll and benefits) handled by outside organizations.

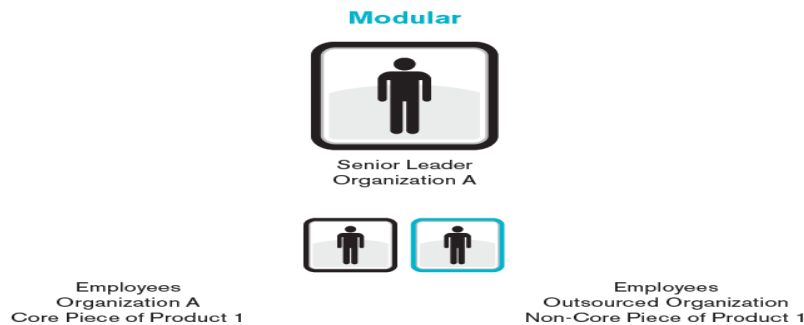
Consideration of organizational environment remains crucial in open boundary models. For example, some industries cannot outsource non-core processes due to government regulation (for example, health insurance organizations may face considerable problems in outsourcing Medicare processes). In some cases, the potential for outsourcing may have to be negotiated with a union.



The work processes of one organization are split between internal employees and outsourced organizations.

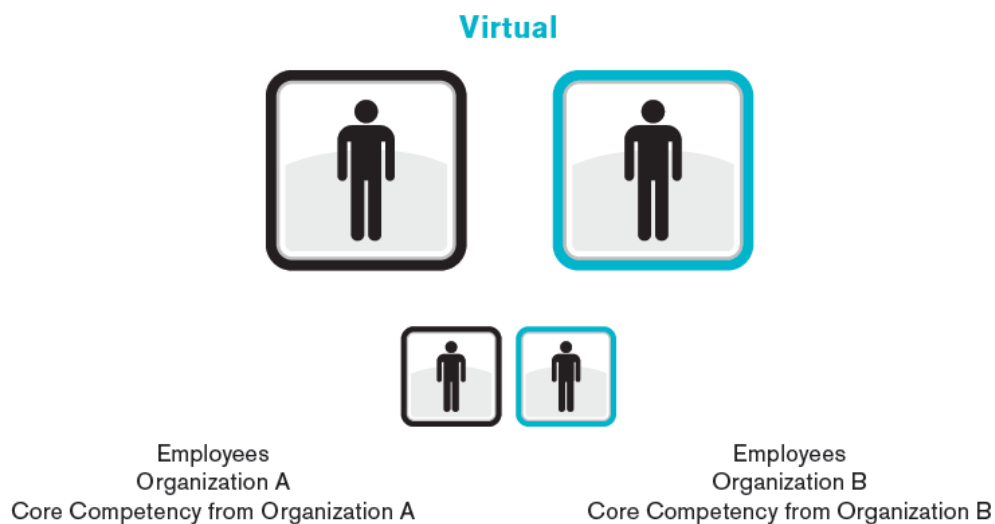
Modular structures differ from hollow organizations in that components of a product are outsourced. Modular structures may keep a core part of the product in-house and outsource non-core portions of the product. An example of a modular structure is a headwear manufacturer that outsources hat knitting, purchases the pre-shaped hat and then applies specialized embroidery in-house before placing the headwear on the market. Modular structures can help with efficiency and speed and may lead to increases in quality. For the modular structure to be an option, the product must be able to be broken into chunks.

In a modular structure, risk occurs if the parent organization removes itself from the quality check on the end product or if the outsourced organization uses a second outsourced organization. In those cases, the reputation of the parent organization may be compromised if the product quality is jeopardized and the name of the parent organization appears on the product.



The work product of one organization is split between internal employees and outsourced organizations.

Virtual structures are collaboration organizations. Partnerships are formed with external organizations—often competitors—that complement one another’s competence. These structures are created to respond to an exceptional and often temporary marketing opportunity. An example of a virtual structure is an environmental conservancy where multiple organizations provide employees to a virtual organization to save, for example, a historical site, possibly with the intent of economic gain for the partner organizations. Virtual structures require increased communication. Two potential drawbacks to virtual structures are a lack of trust between organizations and a lack of organizational identification among employees. In the conservancy example, the lack of trust may lead to competition instead of cooperation, and employees in the virtual structure may lack a common goal, possibly jeopardizing the opportunity for success.



The work and employees of two organizations are combined to form a partnership.

Open boundary structures may add pressure to OD Manager’s decisions. Arguably, there is more risk associated with open boundary designs. Employees in the current structure could be adversely affected in the name of efficiency. Because open boundary designs represent external partnerships, if restructuring does not lead to greater organizational effectiveness quickly, organizations may be quick to abandon change. This would be seen as a failure for the OD Manager.

Other structures exist beyond those reviewed here. As noted with the matrix structure, creation of a new structure may be appropriate. It is the OD Manager’s responsibility to identify and propose the best structure to fit a particular situation.

Models to Apply Structure Principles to Organizational Design

An OD Manager needs models and tools to guide an initiative. In organizational design consulting, the types of information a Manager wants to obtain and present relate to the previous content in this module. That information helps determine the fit of the current structure, possible redesigns and the link to organizational strategy. Many different models and tools exist or could be created to help with organizational design. Two of the more popular diagnostic models are briefly covered here.

Goold and Campbell's Toolkit

Goold and Campbell (2002) reviewed how organizational executives make design decisions and created nine tests of organizational design. The tests are questions for the Manager to ask the organizational executive and for the organizational executive to then decide whether a possible design meets the standards. Four of the tests are related to fit, and the remaining tests are related to good design. The tests are summarized below.

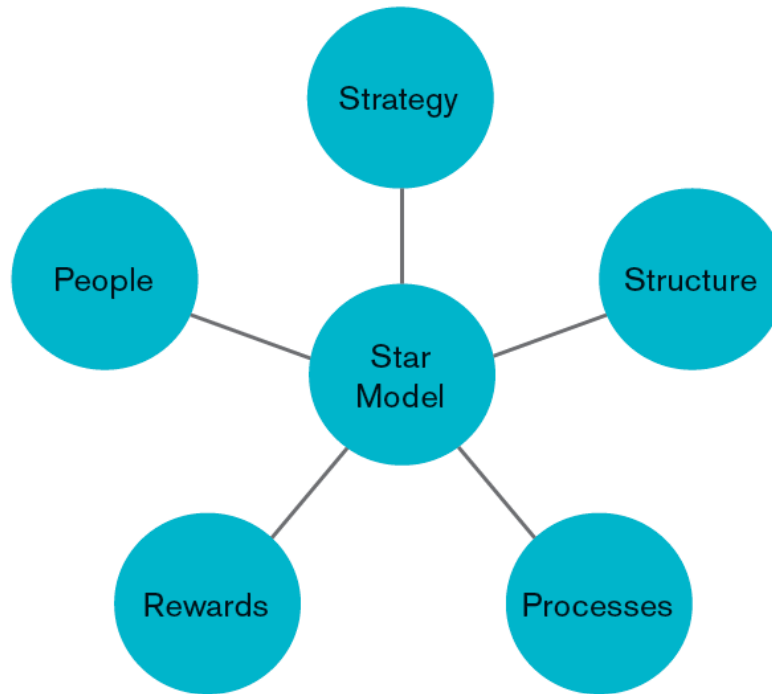
Test	Key Question
Market advantage	Does your design direct sufficient management attention to your sources of competitive advantage in each market?
Parenting advantage	Does your design help the corporate parent add value to the organization?
People	Does your design reflect the strengths, weaknesses and motivations of your people?
Feasibility	Have you taken account of all the constraints that may impede the implementation of your design?
Specialist culture	Does your design protect units that need distinct cultures?
Difficult links	Does your design provide coordination solutions for the unit-to-unit links that are likely to be problematic?
Redundant hierarchy	Does your design have too many parent levels and units?
Accountability	Does your design support effective controls?
Flexibility	Does your design facilitate the development of new strategies and provide the flexibility required to adapt to change?

Adapted from Gold & Campbell (2002)

The Goold and Campbell tests of organizational design help balance the right amount of hierarchy, control and process into organizational structure.

Galbraith's Star Model

Galbraith's Star Model of organizational design links strategy to structure. Five organizational design categories included in the Star Model are strategy, structure, processes, rewards and people. Conceptually, the five categories are interrelated; changes in one category affect another.



Adapted from Galbraith, 2005.

Aspects of the Star Model may be more or less important depending on the organization. What is crucial is to ensure that the five categories align with each other.

From a practitioner standpoint, the one common theme is that it is important to stay focused on strategy each step of the way (e.g., see Williams & Rains, 2007).

Key Takeaways from the Overview

1. Organizational design should be linked to strategy.
2. HR's role in organizational design is strategic and sets the foundation for additional HR work and processes.
3. Consider the organizational environment.
4. Open your mind to internal and external design models.

5. Use models and tools to lead the organizational design process.

Structured Exercise

Your Role and the Organization

You are an OD Manager with expertise in human resources.

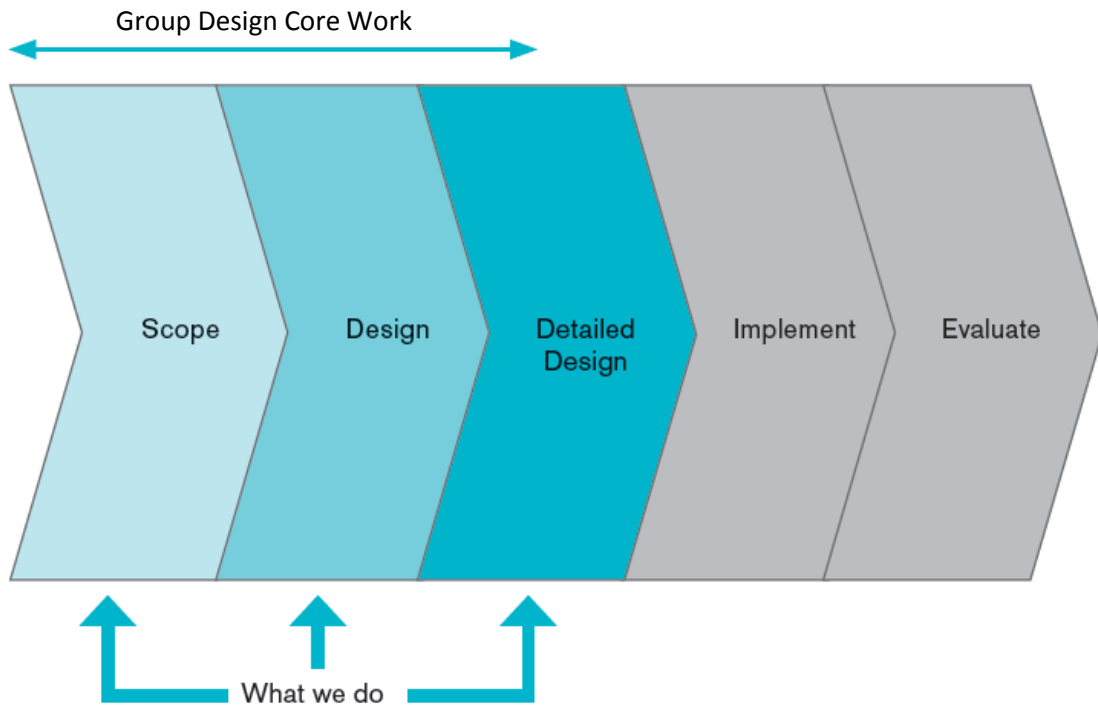
The scope of your groups work sometimes encompasses design or redesign of an entire organization, but mostly the focus is at the departmental level.

The general operating model and business process for your group is shown below.

- Your Organization's Operating Model
- Your Consulting Firm's Model of Work

Your Groups Operating Model

Your Groups Model of Work



Your group tends to manage projects using a seven-step process. A pivotal step to your group's success is the internal review meeting where you share your recommendations with other members of your group.

Phase	Involved Parties	Key Activities
Initial (WASC) discussion	<ul style="list-style-type: none"> - WAC - Assigned consultants from your group 	<ul style="list-style-type: none"> ○ Conversation about organizational and departmental needs ○ Discussion of possible barriers to organizational effectiveness
Determination of Project	<ul style="list-style-type: none"> - WAC - Assigned consultant from your group 	<ul style="list-style-type: none"> ○ Brief recommendation to client about goals of the project and the work to be completed ○ Agreement by client that there is a project
Information gathering	<ul style="list-style-type: none"> - WAC subject matter experts - Assigned consultants from your group 	<ul style="list-style-type: none"> ○ A review of the current state of the organization and/or department ○ Appropriate interviews
Solutions design	<ul style="list-style-type: none"> - Assigned consultants from your group 	<ul style="list-style-type: none"> ○ Identification of alternative models ○ Analysis of advantages versus disadvantages
Internal review meeting	<ul style="list-style-type: none"> - All members of your group 	<ul style="list-style-type: none"> ○ Presentation of WAC needs and recommendations ○ Shared learning and feedback from colleagues of your group
Client presentation	<ul style="list-style-type: none"> - WAC - Assigned consultants from your group 	<ul style="list-style-type: none"> ○ Recommendations presentation and document and discussion with WAC. ○ Agreement on solution

Refinement	- Assigned consultants from your group	<ul style="list-style-type: none"> ○ Change to project recommendation ○ Preparation for implementation
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WAC: WAPDA Associated Company

Current Projects

Your group currently has several projects underway. You have been assigned to one of those projects. As part of your work, you are expected to:

1. By using organization design models, analyze the situation associated with the engagement to which you are assigned with a WAPDA associated company.
2. Form recommendations for the design/redesign of the structure associated with the particular engagement with a WAPDA associated company.
3. Participate in the internal review meeting discussion about the recommendations, including the similarities and differences between the engagements undertaken by each of the groups.

For the information gathering step, prepare to brief your course mates on your engagement in two to three minutes. Explain what the WAC does, what the organization is interested in accomplishing and how your group can help the WAC . Specifically, make recommendations for WAC and provide support for why those recommendations are appropriate. Following your presentation, open the floor for discussion with your classmates and instructor. Your course mates and instructor will offer supportive feedback and constructive challenges to your recommendations. The discussion should last 10 to 15 minutes.

Your Assignment

1. Read the “Organizational Design: An Overview” background information.
2. Select an organization as the WAC. This can be an organization at which you work or an organization that you research. Use the organization’s website, government websites to learn more about the organization.
3. Collect as much information as you can to answer questions related to the organizational design. Some of the information may include evidence of organizational strategy, stage in the organizational life cycle, internal environment, external environment, structural dimensions and contextual dimensions. Use the “Organizational Design Consulting Survey” to capture information related to your client (WAC).
4. Once you have collected sufficient information about the organization, brainstorm design models that might fit with the organization’s strategy.

5. Form your recommendations about organizational design. Note the reasons and risks associated with your recommendations. Use the “Organizational Design Recommendation Form” to capture the recommendations for your client. (WAC)
6. Prepare your presentation for the internal review meeting. This should consist of speaking notes (either in a text document or in graphical presentation form) that summarize information related to the selected organization, and recommendations and supporting evidence. You may use the “Internal Review Meeting Preparation Form” to organize your speaking notes, or you can create your own template.
7. Participate in the internal review meeting. Be sure to review the “Ground Rules for the Internal Review Meeting.”

Organizational Design Consulting Survey

Use this form when collecting information about your client organization. Use those questions that seem most relevant. You will probably be unable to answer some of the questions.

Organizational Purpose

What is the mission of this organization? What are the main goals?

What organizational cultural beliefs support the mission and goals of the organization?

How does the organization measure its success?

Organizational Passage

Describe the historical development of this organization.

How does this organization respond to risk?

Describe the balance between short-term and long-term focus for this organization.

Describe how this organization approaches its external environment. How aware is this organization of its external environment?

How much emphasis does this organization put on results, both short term and long term?

Internal Environment

How well does this organization coordinate across functions? How is information shared across functions?

What are the core processes and products provided by this organization? What unique processes and products does the organization produce well?

Are there processes and products that prevent this organization from optimal performance? If so, how?

External Environment

■ Describe the clients of this organization. Are there potential future clients that are desirable for this organization?

■ What suppliers does this organization depend on to meet its mission and goals?

■ Describe the competitors of this organization. What are some industry trends?

■ Is there any regulation anticipated that will affect this organization and its industry? Please explain.

■ Is there any new technology anticipated that will affect this organization and its industry? Please explain.

Structural Dimensions

What activities at this organization are performed by specialists?

How specific are procedures at this organization? Does this organization use detailed work processes?

How important are items such as employee handbooks, organizational charts and job descriptions to this organization?

What levels of leadership have decision-making authority at this organization? Is this organization focused on employee empowerment?

What is the span of control at the highest level of the organization (i.e., CEO level)? What is the span of control for first-line supervisors at this organization?

Contextual Factors

Describe any major changes that have occurred in the history of this organization.

Explain the ownership structure of this organization.

How many employees work at this organization? What financial information is available for this organization? How does this organization rank in comparison to its competitors?

What are the goods and services this organization provides that support its mission?

How specialized is the equipment used by this organization? Can work only be performed sequentially? Or is simultaneous work permissible for this organization?

How is this organization structured geographically?

How dependent is this organization on its largest suppliers? How dependent is this organization on its largest customers?

Organizational Design Recommendations Form

Strategic mission and goals of client organization (WAC)	
Strategic gap related to client's current organization design	
Strategic goals of recommended organization redesign	
Recommended model for client organization	
Why is the recommended model most appropriate?	
Why are other models not appropriate?	
What are the risks	

associated with your recommended model?	
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Internal Review Meeting Preparation Form

Key descriptive points about your client organization	1. 2. 3.
Key points about your client	1. 2. 3.
Other key points about your client organization	1. 2. 3.
Your recommendation and how the recommendation links to strategy	1. 2. 3.
Key points supporting your recommendation	1. 2. 3.

Respect the time limit for presenting your recommendations. Plan to present for 3-5 minutes and use an additional 10-15 minutes to address questions from other course mates.

Ground Rules for the Internal Review Meeting

1. The internal review meeting is the opportunity to present your organizational design recommendations to colleagues before presenting them to your client.
2. Prepare the presentation for the internal review meeting in advance and rehearse it with the consideration that your colleagues do not know about your client organization, its strategy or environment. Provide enough description so your colleagues can offer effective feedback.
3. Respect the time limit for the presentation. Focus on key points and keep statements direct. Try to limit sentences to five to eight words. Decide what the key messages are and reiterate those messages. Be sure your presentation pieces align. For example, your design recommendation should be consistent with the strategy and environmental issues you present.
4. Have additional information available and be knowledgeable about your client organization. This will facilitate discussion and your ability to answer questions posed by your colleagues.
5. When serving as a colleague for recommendations presented by others, approach the situation as if you were a senior leader at the client organization.
6. Provide other consultants (course mates) with feedback that supports and challenges their recommendations.
7. Remember, the goal of the internal review meeting is to develop the best solutions for your client organization.

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MODULE 8: CASE STUDY ON STRATEGIC HR – TRAINING STRATEGY OF GOVERNMENT OF PUNJAB

Introduction

There is a great deal of disenchantment amongst the general public against the civil service of the country. The causes for the prevailing mistrust range from improper attitudes and inefficiency; nepotism and corruption; patronage and politicization; to ineffectiveness and lack of capacity to deliver top class services. Proponents of civil service reform trace the multifarious short comings of the system to its origins, in colonial India, arguing that the British architects of the system designed the civil services for people they meant to rule and not to serve. While some believe that the entire system needs to be reengineered, others argue that it can be modified to adapt to the needs of an independent sovereign state through incremental changes. However, it is a generally agreed principle that in order to achieve the goals of development and good governance, the element of capacity building and human resource development is the key towards bringing about actual change within the public servants and the society at large.

Background

Since the day of Independence, Pakistan has brought about many reforms in its core civil services, the most prominent among them were introduced in 1973 and later in 2001. Despite all these initiatives, the emphasis on developing a service culture was at best vague and lukewarm. There is an ever increasing gap between the public services being provided by the government and the expectations of the society. It is the need of the hour for the government to transcend the ruler or administrator facade and embrace the role of an enabler, a facilitator, a stakeholder and a regulator. This transition would pertinently encompass a service oriented culture dovetailed with the best practices of Human Resource Management. This can be materialized through development and capacity building of human resources available in the public sector.

Civil Service and Development

With a population of more than 85 million, human resource is the most important and crucial resource in Punjab. The Human Development Index (HDI) of Pakistan is very poor and it stands at 139th position out of 179 countries. Its various development indicators show an alarming state of affairs:-

- Life expectancy: 64.6 years 133rd
- Adult literacy rate: 54% 124th
- Gross enrollment ratio: 40% 158th

- GDP per capita: 2370 US\$ 127th

These statistics indicate a very big gap which needs to be rectified and improved at both national and provincial level. People are the major asset of the province and their development would automatically lead to value additions, channelizing quality in products and effective services. Without Human Resource Development (HRD), the objectives of social, economic, cultural and political development cannot be achieved. A competent and trained civil service is crucial and central to development of a country. The success of numerous resurgent Asian economies hinged upon the performance of their civil services, e.g:

- **Singapore**, a city state, has achieved the status of Asian tiger through a dynamic, forward looking civil service. In the mid 1990s, PS21 (Public Service for the 21st Century) was introduced to catalyze the economy and push it forward to become the preferred centre of investment in Asia. According to Mr. Eddie Teo, Permanent Secretary to Prime Minister's Office, **"If you have 120,000 people always on the look out to improve things, you will have an awesome public service"**. Through continuous improvement of the civil service, the goal of sustained development was achieved.
- **Malaysia** has undergone major transformations in the past two decades. It has transitioned from an underdeveloped economy to a vibrant forward looking investor friendly economy. According to Dr. Mahatir Mohammad, the engine of change has been the public service of Malaysia in which the spearheading role has been that of the Malaysian Administrative Modernization and Management Planning Unit.
- Despite **Thailand's** commercial and economic success, the Thai Civil Service attracts the most promising young men and women of the country. The Thai Civil Service has been the main anchor for development and progress of Thailand.

Punjab therefore, needs to develop and train its public servants in such a manner that they become an engine of change. Hence, the Government, needs to formulate effective strategies to develop a dedicated, merit oriented and empathetic public service through appropriate trainings at all levels.

Issues of Service Delivery in Punjab

There is a general lack of awareness among the public officials about the importance of service orientation and professionalism. The most fundamental issue in the public service is the development of a culture which is service-oriented and inculcates the spirit of meeting the expectations of the people of Punjab. The major issues hampering effective service delivery are:-

- The current attitude of the public officials lacks the right set of values and ethos and is embedded in a framework of a ruler / administrative mindset i.e., they are there to govern the people rather than serve them.
- The civil servant's mindset is ingrained with the psyche that he has only to please the influential classes in order to sustain his position and therefore, service to the general public is very low on his priority list.
- Systemic corruption, lack of accountability, inefficiency, patronage, nepotism etc, are major hurdles in effective service delivery.
- Lack of motivation, due to poor compensation and limited career development opportunities, leads to indifference to the demands of the general public.
- Though the civil servants are mostly recruited on merit and are appropriately qualified, but once selected, hardly any training is imparted to them to meet the challenges of professional service delivery.
- The lack of professionalism and lack of knowledge about organizational systems, processes, laws, rules and regulations results in arbitrary action and decision making with inconsistent and unequal application.
- Wherever training is being given, it is generally of poor quality and is not taken seriously.
- The aspect of changing the mindset and psyche is not truly a part of the trainings being conducted (modules on professional ethics, general etiquette, service oriented behavior, etc, are not a part and parcel of most trainings).

Challenges of Capacity Building in Public Services of Punjab

The Punjab civil service is facing challenges in the execution of desired standards of service delivery and has not been able to take on the role of facilitator of change and development, as has happened in many developing countries. The incapacity to achieve this goal can be rectified with focus on HRD and training in the public sector. Limited capacity continues to impact government's performance and its ability to realize its developmental objectives. Addressing the capacity challenge in the public service requires dedicated leadership from the executive and senior management levels, having the ability to build on existing legislative, normative and regulatory systems and processes. The major capacity building challenges are:-

- Improving the Human Development Index of Pakistan and attaining the Millennium Development Goals (MDGs).
- Lack of training opportunities for most categories of employees including the support staff cadres i.e. BS-I --- BS-15.

- Negative attitude towards training -- there is a perception that capacity building is a meaningless exercise.
- There is lack of professional and management training in various sectors e.g., Health, Education, Social Welfare, Agriculture, Revenue, Local Governments and Finance. Institutions may be available but their quality of training is not quite upto the mark.
- There are many public officials who have not been trained over the years and therefore it is imperative to develop a strategy which can encompass the over one million employees of the Government of Punjab.
- The trainings conducted by Government of the Punjab are not aligned with a specific strategy designed for training government employees.
- Research studies show that some officers have been nominated for trainings more than their peers and some were not even nominated once in their careers.
- Many officers have undergone trainings which by no means relate to their responsibilities and neither are the skills they acquire used in the fulfillment of their post-training responsibilities.
- Low budgetary allocation for training / HRD and its non-optimal utilization is a key impeding factor in meaningful development and capacity building.

It is therefore, the need of the hour to make the Punjab government employees more dynamic, efficient and accountable for public service delivery, built on ethos and values of integrity, meritocracy, impartiality and neutrality. Hence, the need of a holistic, integrated, multi-sectoral and all encompassing training strategy for the Government of the Punjab.

Methodology of Developing the Strategy

For formulation of the strategy following methodology / logical sequence of steps were adopted:-

- i. Initially a concept paper on capacity building in Punjab and a concept paper on Benchmarking Training was prepared.
- ii. Two comprehensive training strategy workshops were conducted in which 76 public participants from Administrative Departments, District Governments, Training Institutions of Punjab Government and private sector participated.
- iii. 130 Nos. training strategy survey forms were collected, tabulated and analyzed.
- iv. 59 Nos. feedback forms on MPDD recommendations pertaining to the training strategy were collected, tabulated and structured.
- v. 17 Nos. study visits were conducted along with 32 interviews / discussions with different stakeholders.
- vi. Two TNA workshops were conducted in which over 30 departmental representatives participated.

- vii. Different reports, articles, books, journals and research articles in training fields have been consulted.
- viii. Visits were conducted to different training institutes / departments / districts for training related data compilation.

DIAGNOSTIC ANALYSIS AND RATIONALE FOR THE STRATEGY

At present, there is no training policy in the Punjab Government. In a few departments there are certain trainings which are prescribed, such as in S&GAD for PMS officers, Anti Corruption Establishment and for engineering departments i.e. HUD&PHED, C&W, Irrigation and Power and Local Government Department etc. But due to non existence of a coherent training strategy/policy, departments do not give due importance to training and capacity building of their employees.

1.1 Current Training Scenario

Huge training gaps exist in the province having more than one million employees. Historically, the focus of training has been towards the management cadre at senior levels. Training has seldom been imparted to managers of technical departments. A diagnostic analysis of the problem indicates numerous issues, some of which are discussed below:-

- **Large Size of the Civil Service:** Punjab has 1,018,579 sanctioned positions for government employment. Out of these, 362,175 posts are at provincial level, whereas 657,824 posts are in the 36 district governments. In the first category, namely the civil servants assigned to provincial departmental positions, 12.6 percent positions are in BS-16 to 22 and 87.4 percent are in BS-1 to 15. In the district governments, 18.8 percent positions are in BS-16 to 22 and 81.2 percent are in BS-1 to 15. For the province, 83.4 percent civil servants work in BS-1 to 15. The following table shows the scale wise division of the structure of civil service.

Structure of the Civil Service

Pay Scale	Positions	Percent of total
BS-1	216,212	21.227%
BS-2	16,228	1.593%
BS-3	9,790	0.961%
BS-4	155,968	15.312%
BS-5	39,405	3.869%
BS-6	50,116	4.920%
BS-7	154,902	15.208%
BS-8	4,518	0.444%

BS-9	114,646	11.255%
BS-10	4,434	0.435%
BS-11	19,917	1.955%
BS-12	10,802	1.060%
BS-13	617	0.061%
BS-14	45,242	4.442%
BS-15	5,348	0.525%
BS-16	53,197	5.223%
BS-17	42,186	4.142%
BS-18	13,971	1.372%
BS-19	4,920	0.483%
BS-20	978	0.096%
BS-21	38	0.004%
BS-22	15	0.001%
Unallocated	55,129	5.412%
Total	1,018,579	100.000%

Source: (Based on sanctioned positions shown in the Estimates of Expenditure, Annual Budget Statement 2007 – 2008)

Providing training to such a large number of employees of various cadres, categories and scales is a huge challenge.

- **Training is not Prescribed in Service Rules:** In the service rules of various categories of employees, training is not prescribed either at entry level or at promotion stage. Hence the capacity of various categories of civil servants is not developed to perform the functions for which they have been recruited. It results in poor performance and poor service delivery.
- **Lack of In-Service Training:** Civil servants are mostly recruited on merit but after selection hardly any training is provided to them to meet the challenges of professional service delivery. Training is not a part and parcel of career development, as it should be, not only at the induction or promotion level but also on a regular / annual basis. No criteria has been developed to impart training in accordance with the existing or future job requirement of government employees.
- **Supply Driven Training:** Trainings that are presently being conducted are mostly supply driven. Short-term training – often a day or half-day – is also used in different fields/departments for orientation and for introducing new policies, programmes, and procedures which has very little impact. It is therefore necessary that training activities should be demand driven, tailored to the needs of a particular post or organization.

- **Non-availability of Training Data:** No consolidated data of local and foreign trainings is available in departments and district offices. Even the training institutes of Government of Punjab are neither compiling nor sharing the training data, with the exception of MPDD, which started data compilation in 2007.

1.2 Issues of Training Institutions

Government of the Punjab has developed many training institutes which unfortunately have not delivered the desired results due to the following reasons:-

- **Limited Capacity of Training Institutions:** The training institutes have limited capacity in terms of staff, infrastructure & budget. Moreover, the number and infrastructure of existing training institutions is in-sufficient to cater to the one million plus employees of the Government of Punjab.
- **Overlapping of Training:** Many departments have their own training institutes which are performing almost the same kind of functions without having any inter-departmental coordination.
- **Least Priority / Non-Optimal Utilization of Training Institutes:** Certain departments have established training institutes for technical and specialized staff, but due to lack of interest in training, the institutes are given least priority with respect to provision of necessary facilities. Even some of the institutes have been converted into offices e.g; District Health Development Centre in the Health Department.
- **Lack of Monitoring of Training Institutes:** At present no system of standardized monitoring and evaluation of the training institutions and the trainings conducted by them exists in the Government of the Punjab for training institutes.

1.3 Ethos, Values and Attitude Development

One of the most fundamental issues of concern is the general attitude and behaviour of the civil servant:-

- The prevalent attitude of the public officials is administrative rather than customer focused. These officials generally do not subscribe to values such as meritocracy, responsibility, diligence, commitment and public service.
- The government employees have a tendency to consider the general public as a nuisance only. They are not courteous, helpful or facilitating. The officers have tendency to serve /please the interest of the superiors and mistreat the common people.

- **No Training on Organizational Behaviour, Attitude Formation and Professional Ethics:** One of the reasons of low performance and poor public service delivery is lack of desired attitude and professional ethics among the employees and almost no training is offered in these areas.
- **Negative Attitude towards Training:** There is a mind set of public servants that training is a useless activity, so they do not give importance to it. Non serious attitude towards training also exists among seniors as well as subordinate officials. Seniors also do not give due importance to training and capacity building for their junior officers, and there is a tendency of not sparing them for training courses.

1.4 Absence of Specialized Management Cadres – A Major Capacity Building Challenge

Lack of Management Training for officers of Education, Health and other Departments is a major issue. In these departments, officers flip flop between managerial and technical positions. The number of officers in these cadres is very large and it is neither possible nor feasible to train them all in the field of management and administration. This creates many problems in the departments and also leads to poor service delivery. Without having separate management cadres, management training cannot be imparted properly in these departments.

1.5 Induction Examinations – No Clear Linkage with Job Requirement

The induction examinations are based upon irrelevant knowledge base and outdated procedures of examination. The examination content is not relevant to the service issues. In the management cadres induction exam, there is no mandatory section to evaluate the management comprehension of prospective candidates. Therefore when they join the civil service they are not attuned to the circumstances of the job and the required service culture orientation is completely lacking. In countries like Singapore, Malaysia etc, major emphasis at the time of recruitment, is on **attitude**, but in Punjab no real psychometric tools are used to assess the attitude of an applicant.

1.6 Short Term Approach / Adhocism

Adhocism is present as a general phenomena in the public service, and more so in the various training activities e.g:-

- **Projectization of Training:** Training is imparted through various projects without proper training needs assessment and consulting the concerned departments. It has resulted in wastage of huge local and foreign funds. Such trainings are conducted in an adhoc manner as a donor driven activity or conditionality. Resultantly, even if these trainings are useful, they are never institutionalized.
- **Transfer and Placement of Officers:** There is generally no consideration of qualification, training, performance & merit in the transfers of officers. It is often whimsical and arbitrary, thereby negating the importance of training.

1.7 Lack of Quality Training

- **Supply Driven Programmes:** Most training institutes are providing programmes to the government employees with no specific focus on their job requirement.
- **Lack of TNA in Departments:** Awareness is not yet fully developed. Training courses are conducted without carrying out proper Training Needs Analysis.
- **Training Related Regulations:** No rules and regulations exist with regard to training of public servants.
- **Support of Government to Training:** Due to absence of an enabling document on training, support of government is not available.
- **Lapse of Development Funds in Departments due to Lack of Expertise in Planning and Development Matters:** There are numerous development projects but their implementation and utilization of funds is seriously hampered due to lack of capacity e.g., lack of expertise in preparing PC-I and other technical matters of planning and development. Resultantly, the funds get lapsed at the cost of development and progress.
- **Inappropriate ICT Applications:** Computer and computer based technology is only used by the majority of employees as a typing tool and its benefits are not being capitalized for service delivery.

In short, there is no comprehensive planning for training of officials in the public sector of the province. In order to improve the expertise of public servants and service delivery, strategic planning for training of public servants is necessary to:-

- Develop a service delivery culture.
- Inculcate professional ethics in government officials.
- Enhance the performance of public servants.
- Restructure HRD mechanisms.

Training is a necessity, in fact a right, of employees at all levels. It is the responsibility of the government to provide appropriate training and capacity development opportunities to them. This responsibility extends throughout the career of the employee. The objective of trainings is to enable employees to maximize their potential and develop high level of efficiency and effectiveness.

Therefore, in view of the comprehensive diagnostic analysis of the prevalent training condition in the province of Punjab, it is essential to formulate a Training Strategy which can ameliorate the state of capacity building and training in the Government, to ensure better service delivery within a conducive work environment.

OBJECTIVES & PRINCIPLES OF THE TRAINING STRATEGY

2.1 Objectives

From the diagnostic analysis and rationale the objectives of training strategy flow, which are summarized as under:-

- Develop and maintain a learning culture within the Civil Services of Punjab.
- Assisting in ensuring optimum performance at individual, organizational, department and district levels.
- Develop knowledge, skills, attitudes and behaviors appropriate to current / future role of government servants.
- Enable MPDD to effectively function as the overarching training provider and coordinator in the province to monitor and evaluate all capacity building and training initiatives.
- Develop a comprehensive database of capacity building and training activities of all institutions which will be coordinated by MPDD.
- Enhance the number of training institutions within the province.
- Improve the capacity and quality of existing training institutions within the province.
- Ensure that all departments and districts develop annual training plans.
- Develop collaborative approach to design and deliver training across departments and districts.
- Develop an elaborate system of formal training programmes, on-the-job training and self managed learning / e-learning.

- Ensure that training and HR development is planned in the context of an integrated Human Resource Management strategy.
- Contribute to a positive and conducive work environment through training.
- Promote commitment to equality and gender sensitization.
- Facilitate public private partnership in capacity building.

2.2 Principles

The strategy is based on fundamental principles which reflect internationally recognized best practices. Some of the guiding principles of the training strategy will include:

- Emphasis on transition from supply-driven to demand-driven training.
- Introduce a shift from existing closed training system to well coordinated/linked training system amongst various institutions through public – Public and Public-Private partnerships.
- A culture of continuous learning will be promoted in all the departments.
- Strengthening public sector institutions for the core subjects.
- Promoting private sector participation for non-core subjects.
- Enhancing the role of employees / departments to undertake training related planning, facilitated by MPDD.
- Allocating appropriate budgets to departments / districts for demand driven trainings.
- Motivating staff for training and making training a tool not only for improving capacity and performance but also of self actualization.
- Changing attitudes towards training so that it is perceived as a reward in itself.
- **Trainings for all** -- providing training opportunities to all employees including the support staff in BS1 – 15.

STRATEGY FRAMEWORK AND INSTITUTIONAL DEVELOPMENT

3.1 Role of MPDD

MPDD with a vision to develop a motivated, proactive, dedicated, disciplined and competent public service through high quality capacity building for top class service delivery, is striving hard to train the maximum number of public servants in the most cost effective manner.

MPDD is the apex training department responsible for imparting quality training to the officers and officials of different departments of Government of the Punjab. The basic function of MPDD is to impart training to public servants of the province in order to inculcate requisite attitudes, skills and behaviours, which would enable them to deliver public services efficiently and effectively.

It is supposed to be a focal point of all internal and external training of the civil servants and employees of provincial government and for Training Needs Assessments in consultation with the concerned departments and training institutes. Its mandate is to function as a research house for policy matters and conduct surveys and research work pertaining to civil service development. Its functions include undertaking resource generation through extending suitable, useful and acceptable training and project consultancy. MPDD is planning, organizing, designing and conducting training programmes to improve the human resource potential of Punjab Government.

The training imparted by MPDD is practitioner focused and aims at improving the current and future performance of public servants and to enable them to acquire job related skills, attitudes, knowledge and behaviours in order to achieve the ultimate goal of better service delivery for the people.

3.1.1 Background of MPDD

The Management and Professional Development Department, Government of the Punjab (MPDD) was established in July, 2002 by upgrading Punjab Institute of Human Resource Development (PIHRD). Formerly, PIHRD was established in the year 1997 by merging following training institutions of Punjab Government:-

1. Staff Training Institute.
2. Provincial Civil Service Academy.
3. Punjab Revenue Academy.
4. Project Training Institute.
5. Audit and Accounts Training Institute.

3.1.2 Functions of MPDD

Under Punjab Government Rules of Business many important functions have been assigned to MPDD which are:-

- Training government officers and officials;
- Acting as a research house for policy matters;
- Being a focal point of all internal and external trainings for civil servants and employees of the Provincial Government;
- Conducting training needs assessment in consultation with the concerned departments and training institutes;
- Acting as a clearing house of all management related consultancies and outsourcing of any management function;
- Creating an effective linkage with the private sector so that bureaucratic structures, processes and procedures absorb suitable patterns and practices from it;
- Acting as an engine for re-engineering process and procedures of the bureaucracy;
- Training probationers of the provincial civil service or its successor service cadre;
- Undertaking resource generation by extending suitable, useful and acceptable training, and project consultancy to the public and private sector;
- Preparing and implementing modern comprehensive concepts of internship, based on merit and competitiveness;
- Developing effective collaborative arrangements and linkages with relevant institutions both in the public and private sectors;
- External evaluation of training activities of all other training institutions in the province.

However, all of the above functions are not being executed by MPDD as it is a newly created department. It is gradually taking on the responsibilities assigned to it as per rules of business. So far the focus has been on training, infrastructure development and resource generation. Before the creation of MPDD, some of the aforementioned functions were performed by other departments, which could not be transferred to MPDD. These functions are still within the domain of other departments / PMUs.

To enable MPDD to perform its overarching role as an umbrella training department, it would be necessary that all functions relating to internal and external training are transferred

to MPDD. Furthermore, it is necessary to link all of the training institutions in Punjab with MPDD for coordinating, monitoring and evaluating their training activities.

3.1.3 MPDD's Performance and Its Overarching Role:

MPDD Performance

MPDD, with limited resources and a very lean organizational structure made substantial headway in training activities. Since the year 2007, many initiatives have been undertaken to increase the number of courses / participants and to achieve excellence in training. The following table shows the performance of MPDD:-

QUANTITATIVE IMPROVEMENT IN TRAINING

Year	No. of courses conducted	Total Days	No. of participants	Man Training Days	Increase %
2005	30	394	633	7867	-
2006	24	256	575	6304	-19.8
2007	34	437	963	18271	190
2008	115	715	4265	31241	71
2009 (upto 31st July)	111	609	3930	18937	--

Other achievements of MPDD include:-

- Development of a conducive, congenial, world class infrastructure for training by upgradation and refurbishing of class rooms, seminar halls, library, hostel, etc.
- Due to improved standards of service delivery over the past two years, Departments and organizations now prefer to hold their training programmes and workshops/seminars at MPDD, instead of other venues, such as hotels / clubs.
- During the period from July 1, 2008 to July 31, 2009, a total of 98 paid programmes and workshops were conducted at MPDD premises.
- The host organizations not only saved costs and expenses, but MPDD also generated substantial revenue and deposited Rs 6,889,488/- in the government treasury.
- To improve the quality of training, MPDD has developed modules for long (post induction/promotion related courses) and short courses in the areas of public sector management, financial management, land revenue, human resource management, office management, planning & development, information technology skills, etc.

- MPDD has also conducted customized courses according to the needs of the various departments, after carrying out training needs assessment in consultation with the client organization / department.
- A new concept of Training On Wheel (TOW) Programmes (taking training to door steps of client) has been introduced by MPDD. So far, five TOW programmes have been conducted in districts Sahiwal, Kasur, Mandi Bahauddin and Sialkot.
- Business processes or Standard Operating Procedures (SOP) have been developed for numerous functions of MPDD, to ensure standardization of processes and quality assurance.
- During the past 2 years, business processes have been restructured and realigned by benchmarking world class institutions such as Civil Service College International, Singapore.
- Development of comprehensive annual training plan for the year 2008 and 2009 which has been uploaded on the official Punjab Government Portal.
- On the directives of Chief Minister Punjab, 9 Cohorts of High Achievers Development Programme were conducted at MPDD.
- MPDD has made attitudinal reformation and professional ethics as a part of its training courses. Attitude and behavior change is included through regular trainings on professional ethics in nearly all the modules.
- Highly competent, experienced and knowledgeable resource persons are invited from the public and private sectors to familiarize the participants with the latest methodologies and techniques of management.
- Comprehensive evaluation of training has been initiated to ensure quality training and to take corrective action on the basis of analysis of the valuable feedback from the course participants.

Overarching Role of MPDD

Due to the pivotal role of MPDD, it has been notified as one of the core departments by Government of Punjab. It is required to coordinate and synchronize training activities in the province through:-

- Facilitating, monitoring, coordinating and guiding other departments / districts / Training Institutes in the issues of capacity building.
- Facilitating the development of departmental / district annual training plans and ensuring its implementation.

Therefore, the assignment of developing the Training Strategy and its implementation has been entrusted to Management & Professional Development Department.

3.2 Institutional Development of MPDD

The growing expectations of the people for better service delivery and developmental needs of the province require highly proficient and trained government servants. The increasing demand and requirement of training makes institutional development, restructuring and expansion of the core training department i.e. Management & Professional Development Department, a necessary prerequisite.

3.2.1 Establishment of Research & Training Design Wing

In the changing global scenario research and development is the backbone of any training organization. For a progressive institution the element of continuous improvement is very important. Therefore, the establishment of Research and Training Design Wing in MPDD is essential. The R&TD wing would perform the following functions:-

- Training Needs Assessment.
- Training Design and Module Development and its continuous improvement.
- Research & Training Surveys.
- Case Study Development and other materials like development of exercises, syndicate and research topics etc.
- Training Impact Studies.
- Development of Business Process Reengineering Guidelines.
- Development and Maintenance of Provincial Training Database.
- PPP Management.

3.2.2 Establishment of Coordination, Monitoring & Evaluation Wing

At present, coordination, monitoring and evaluation of training activities of various training institutions is not conducted in the province. In order to streamline and coordinate training activities on a uniform basis at provincial level the establishment of Coordination, Monitoring and Evaluation Wing at MPDD is essentially required. It will perform the following functions:-

- Coordinate with DO (HRM) of districts and focal persons in departments for training plans/activities.
- Develop linkage with training institutes.
- Coordination of internal and external trainings.
- Monitoring of training activities of various training institutes, districts and departments.
- Seek training compliance reports of various training institutes, districts and departments.
- Undertake periodic inspections of various training institutes, districts and departments.
- Facilitate standardization in all the training institutes, districts and departments.

- Internal evaluation of courses in MPDD.
- Publication of Annual Training Report for the Province.

3.2.3 Establishing Regional Campuses in Punjab

MPDD cannot cater for training needs of all employees of the province at Lahore with existing infrastructure and resources. Moreover, it is not cost effective for the government to send the employees for training at Lahore. Therefore, need for establishing regional campuses of MPDD arises.

Two regional campuses of MPDD would be established at Multan and Rawalpindi. It will ensure provision of uniform training facility to the public servants nearer to their offices of the same standard as offered by MPDD in the main campus at Lahore. In this way, training needs of a large portion of public servants would be catered to. If required more campuses at divisional level can also be established later on.

3.2.4 Capacity Building of MPDD

There is a need to improve the quality and relevance of training for employees of the Punjab Government by addressing the training needs of public sector employees in a holistic manner. This can be achieved by strengthening institutional infrastructure, delivery, incentives and standards of training and by expanding and upgrading MPDD/PIMPD. In order to perform all the functions efficiently, capacity of MPDD & PIMPD, in terms of infrastructure, manpower and technical dimensions, must be built as under:-

- PIMPD be given autonomous status under Punjab Educational and Training Institutions Ordinance, 1960 (West Pakistan Ordinance XI of 1960) and amendment in Punjab government rules of business be made.
- Restructuring of MPDD & PIMPD be undertaken.
- Faculty members may be sent on local and foreign trainings to equip them with modern training techniques.
- Salary package and incentives for staff of MPDD/PIMPD be fixed on market rate basis.
- Training related regulations be prepared by MPDD in consultation with S&GAD and all the relevant stakeholders.
- Development of Training Management Information System (TMIS). This would facilitate information sharing and fast processing of training data for training institutes and government employees.
- Promote distance learning/e-learning among the public servants.
- Development of Performance Management System in MPDD/PIMPD.

3.2.5. Provincial Training Coordination Committee

A Provincial Training Coordination Committee (PTCC) will be formed which would comprise Secretaries of MPDD, PPSC, S&GAD, Health, Education, C&W, Irrigation & Power, P&DD and Finance Department. This committee would meet at least twice a year. The Secretary, MPDD will be convener of the Committee. Director General, PIMPD would be the Secretary to the Committee. It's Secretariat would be based in MPDD.

The committee will discuss training matters of different departments/organizations and take decisions. Detailed TORs of the committee would be prepared and submitted for approval of competent authority by MPDD.

3.3 The Training Mandate

The Government of Punjab has over one million employees. It has the responsibility to provide opportunities of capacity building for each one of them and to ensure that the training has a direct bearing on their productivity and performance.

3.3.1 Mandatory Trainings in all the Cadres

At present almost no training at post induction and promotion level is mandatory in most of the departments. It is required that training must be made mandatory at post induction stage and every promotion level in all the departments for all cadres (technical & non technical). Core management trainings would be conducted by MPDD whereas technical/specialized training would be conducted by specialized institutions working under various departments. Trainings for management cadres be prescribed as under:-

Annual Trainings: There should be at least six man training days as mandatory training on an annual basis for all employees in management and specialized cadres in BS-16 and above. The officers in consultation with their supervisors should have the choice to define their own skill-set/competency deficiencies and enroll in programmes/courses. It will be the responsibility of government and training institutions to provide a variety of practitioner focused short courses to fulfill this requirement. Supervisory officers shall not only allow but encourage their subordinates to attend courses, which would provide relevant expertise.

Post Induction Training: Post induction training for management and specialized cadres shall be imparted before assuming duties by the incumbents in MPDD and other concerned institutions by the relevant departments. Duration of such training may range from one month to eight months depending upon the job requirements.

Mandatory Milestone Training for Promotion: Mandatory training on every level of promotion may be imparted to the employees in MPDD and other relevant institutions by the concerned departments. Duration of such training may range from two weeks to sixteen weeks, depending upon the job requirements.

Mandatory Training for Staff in BS-5 to BS-15: At present, almost no training is provided to staff in BS-5 to BS-15. Such staff may be provided four weeks post induction training and two weeks training at every promotion level. This training may be imparted in any institute or **On The Job Training** within the department. It would be the responsibility of the department/district/office to conduct and coordinate these trainings and maintain its record.

3.3.2 Creation of Management Cadres in Education & Health Departments

Presently, the employees of specialized cadres are working against managerial posts without having sufficient management expertise which limits their efficiency as an individual and the organization as a whole. For example, a subject specialist of school education department is transferred as Deputy District Education Officer in a district and in health department a senior medical officer is posted as deputy medical superintendent in a hospital or as district health officers. This trend of shifting between the two roles makes imparting managerial training to this staff an impossible task and it is concluded that:-

- Since the education and health services consist of huge number of employees, it would hardly be possible to impart management trainings to all the employees.
- At present, almost no training on management is imparted to the public servants in Health, Education and Technical Departments. Officers positioned on managerial posts are posted without the managerial training in areas like financial management, planning, decision making and problem solving etc.
- Till the creation of separate management cadres, postings on managerial positions be made after imparting management training to the incumbent.
- If they are shifted from the technical assignment to a management job then they should be given specific management training prior to their appointment.
- However, there is a need for creation of **Health Management Service** and **Education Management Service**. This will not only facilitate MPDD and concerned departments to focus on specialized management trainings for these cadres, but also improve the overall functioning and management of these departments.

3.3.3 Demand Driven Training Programmes

Most of the training in our system is supply based rather than demand driven. Globally trainings are increasingly demand based. The demand must originate from every department and organization through a process of Training Needs Assessment. Demand based trainings are result oriented; as they are tailored according to the training needs of employees keeping in view the specific job requirements. Each Department should develop its own medium term training strategy on the basis of the principles and objectives enumerated in this strategy. The

departmental strategy should consider the existing level of skills of the staff and prepare demand driven training programmes.

Departments should contact the concerned training institutes or MPDD to train their employees according to their needs in management or technical fields.

3.3.4 Training Needs Assessment & Job Descriptions

A needs assessment provides the information that is necessary for designing training programmes. The basic purpose of a training needs assessment is twofold:-

- To identify the gaps between the knowledge and skills that people must possess in order to perform effectively on the job, and the actual skills of the employees.
- To prescribe appropriate interventions that can close these gaps.

In the prevalent situation, almost no TNA is carried out for training programmes. TNA is very important for developing an effective training programme for a specific category of trainees. Therefore, it is necessary to conduct an in-depth training needs assessment for training of all categories of employees. TNA must be conducted by the concerned department / offices in collaboration with experts / stakeholders in training institutes /departments/districts on an annual basis. TNA report will be submitted to MPDD or the concerned training institutions for module development and to conduct trainings.

The basic requirement for carrying out TNA is to have comprehensive job description of each post. Only then the knowledge and skills required for that job can be identified. Therefore, the essential prerequisite of TNA will be the preparation of job descriptions. This exercise on its own will go a long way in understanding and improving the structures, systems and processes of the organization / department.

3.3.5 On the Job Training

There are a huge number of employees in the Punjab to whom training is to be imparted. But number of training institutes to train the large number of employees is limited. Therefore, it is necessary that on the job training programmes must be planned and conducted by the departments for their employees. In this regard, departments must establish a pool of master trainers with the help of MPDD and other training institutions to train their employees at department level in their respective areas.

On the job training target for the subordinate staff is to be achieved over a time span of five years. This would also improve the face of the government because these lower scale employees are the frontline service providers. Data regarding total number of employees of the department and to whom training is imparted in a year must be provided to MPDD alongwith training plan for the remaining employees.

3.3.6 Incentives & Recognition

Incentives and recognition plays an important role to motivate the employees of training institutions and government for enhancing their performance. These are very important for extricating the best performance of the employees of training departments and trainees. Grant of following incentives should therefore be considered:-

- Allowance on completion of mandatory promotion related course.
- Scholarships for higher education should be given to outstanding participants who secure top positions in the long courses.
- Financial incentives should be given for case study writing, carrying out TNA, module development and TOT certification, to develop a culture of capacity building.
- The officers and staff of Training Institutes be allowed to retain 30% of revenues collected from training and out-sourcing. This employee fund can then be distributed as honorarium.
- Master trainer allowance of rupees one thousand per month may be provided.
- Best training institute award can be given by the Chief Minister on an annual basis.

The system of incentives can be further fine tuned on case to case basis, once the idea is approved in principle.

3.3.7 Standardization of Processes

Standards act as a tool for good governance. They reflect the commitment on the part of the management to remain devoted to sustainable professional quality. There should be a well structured plan to implement ISO 9000 certification for MPDD, GEAP and PLGAL and other training institutions.

ISO Certification will have a positive impact on the overall service delivery of these institutions. The standards are not something out of the world but these are formulated after keeping in view the best practices of a large number of organizations around the world. In the current scenario where public organizations are unfortunately less trusted, standards can be a source for getting the stakeholder's confidence. Keeping in view the long term plans, MPDD would implement ISO standards and will obtain ISO certification. ISO certification will have a positive impact on the overall service delivery of MPDD. This will also result in international recognition of MPDD and facilitate the process of developing linkages with well reputed training institutions. Thereafter, all other training institutions will follow suit by benchmarking the acquired standards of MPDD / PIMPD.

3.4 Monitoring, Evaluation and Coordination

To ensure the effectiveness and proper implementation of the training strategy, it is very important to develop monitoring, evaluation and coordination mechanisms.

3.4.1 Developing Training Linkage between Departments & training Institutions

Every department must keep training on a high priority agenda and shall establish a separate wing / section as per requirement to deal with training matters. This wing / section will be provided all facilities and support by the head of the department. It will act as a focal point for liaison with MPDD and other related training institutions. It will coordinate and manage all internal and external trainings for the departments and would have the following responsibilities:-

- Plan and make arrangements for the conduct of training courses for employees of the department according to Training Needs Assessment.
- Prepare, maintain and update complete database of service record and trainings of all the employees of the department on regular basis.
- Make arrangements for “On the Job Training” of employees of the department.
- Training Wings of various departments should coordinate, facilitate and share information amongst each other.
- Provide nominations for training courses to MPDD / other training institutions according to their training calendar.
- Head of department will ensure that after being nominated for a training, public servants must attend the training.
- Provide training data to MPDD /Training Institutions on regular basis or as and when required by MPDD /concerned training institutions.
- Develop departmental demand based training strategy and send to MPDD.
- Develop Annual Training Plan and share it with MPDD
- MPDD and all Training Institutions must send their training calendar to all relevant departments in the beginning of the year.
- Send annual training report to MPDD.
- Ensure participation in the Annual Training Forum to be held by MPDD.

In all these responsibilities, the departmental training wings / sections may seek advice from MPDD. MPDD shall also conduct separate training workshops for enabling the concerned staff to accomplish the above tasks in an efficient manner.

3.4.2 Developing Training Linkage between Districts & Training Institutions

Every district must also keep the training on a high priority agenda and shall establish a separate wing / office under D.O (HRM) to deal with training matters. It will be provided all facilities and support by head of the district. It will act as a focal point for liaison with MPDD

and other related training institutions. It will coordinate and manage all internal and external trainings in the district and would have the following responsibilities:-

- Plan and make arrangements for the conduct of training courses for employees serving in the district according to Training Needs Assessment.
- Prepare, maintain and update complete database of service record and trainings of all the employees serving in the district on regular basis.
- Make arrangements for “On the Job Training” of employees serving in the district.
- Training wings of all the districts should coordinate, facilitate and share information amongst each other.
- Provide nominations for training courses to MPDD / other training institutions according to their training calendar.
- Head of district / office i.e. DCO / EDO etc, shall ensure that after being nominated for a training, public servants must attend the training on priority basis.
- It will provide training data to MPDD /Training Institutions and concerned administrative department on regular basis or as and when required by MPDD /concerned training institutions/administrative department.
- Develop District demand based training strategy and send to MPDD.
- Send annual training report to MPDD.

MPDD and all training institutions must send their training plan / calendar to all districts in the beginning of the year. The D.O (HRM) may seek guidance / advice from MPDD in the accomplishment of the above responsibilities. MPDD shall hold workshops for awareness of the field staff regarding implementation of strategy.

3.4.3 Annual Training Plans and Implementation Report

Training plans are an integral component of a training strategy. They align the strategic objectives with practical implementation processes. Training plans make targets clear, understandable and achievable. Training plans must be prepared in the following manner:-

- MPDD and all other training institutes shall prepare their annual training plans and circulate to all departments and districts in the 1st week of December every year. Plans will also be uploaded on the portal of Punjab government.
- All departments and districts must prepare their demand based training plans on the basis of TNA in consultation with concerned training institutions. They will send it to the concerned training institutions by the month of September every year for making arrangements of the training.

- Departments, districts and training institutions will prepare training implementation reports every year and send to MPDD.
- Annual review of training plans and implementation status would be conducted by the department/district and the concerned training institutions for making improvements.
- Review reports shall be submitted to MPDD.
- MPDD will examine and advise the departments/districts and training institutes regarding their annual plans and its implementation process.

3.5 Development of other Training Institutions

In addition to Management and Professional Development Department, there are many training institutions working under different departments of government of the Punjab. These institutions are imparting specialized trainings in connection with the departmental core functions.

3.5.1 General Scenario of Training Institutions

The rapid change of technologies and globalization has raised importance of training institutions in the context of development. Training institutions are expected to play a vital role in the improvement of efficiency, effectiveness and motivation of the workforce in the province. The current situation of training institutions in Punjab is as follows:-

- Training Institutions have been established but not managed properly, as they are considered to be out of the mainstream.
- The utilization of the resources by the training institutions is not up to the mark.
- Disparity of budget allocation between different training institutions.
- Quantity and quality of the training and training modules is not according to requirements.
- Best HR practices are not being practiced in the training institutions.
- The training institutions of government of the Punjab have a non conducive training environment lacking basic training facilities.
- Most of the training institutions have been provided vast areas but the infrastructure is limited and needs renovation.
- Internal capacity building of staff is lacking and there are no processes or systems to motivate the employees of the training institutions.
- The remuneration, benefits and facilities for the employees of training institutions is far below than the market standards. There are hardly any special incentives to encourage officers to serve in the training institutions.

- The training institutions lack the technology based facilities which could support their delivery mechanisms.
- There are limited career prospects in the training institutions.
- Most of the training institutions do not have local and international linkages.
- Most of the training institutions do not have annual training plans and proper training evaluation systems.

Following are the major areas of training which are being covered by training institutions of different departments in Government of the Punjab:

Department	Major Area of Training
<ul style="list-style-type: none"> • Management & Professional Development Department • Education Department • LG&CD Department • Law Department • Health Department • TEVTA • C&W Department • Irrigation Department • Agriculture Department • L&DD Department • Tourism Department • Forest Department • Fisheries Department • IT Department • Cooperative Department • Home Department • Labour Department • Social Welfare Department 	<ul style="list-style-type: none"> • Management • Teacher training • Local government system • Judicial officers training • Doctors, nurses, paramedical staff • Technical training • Testing laboratories • Irrigation system • Food technologies, pest control, water management, production of crops • Livestock production • Tourism, hotel management • Courses in forestry • Fish farming • IT related courses • Cooperative societies related courses • Jail staff courses • Industrial workers related courses • Social welfare related courses

3.5.2 Development of GEAP

The Government Engineering Academy Punjab was notified as an autonomous training institution in 1984, with a mandate to impart post induction, promotion related and refresher training to all engineering services. All engineers in the Irrigation & Power Department, Communication & Works Department, Housing Urban Development & Public Health Engineering Department, Local Government & Community Development Department,

Agriculture Department, Mines & Minerals Department and Labor & Human Resource Department, have to undergo training at each step of their promotion from BS-17 onwards. The courses are a blend of management and technical modules and are designed on the basis of the departmental requirements.

There is need to upgrade and restructure GEAP so that it can provide quality training and enhance its scope to accommodate all engineers and technical support staff (engineering based) of all departments. The following actions should be under taken for development of GEAP:-

- Currently there is overlapping of technical trainings in different training institutions which need to be streamlined.
- Government Engineering Academy Punjab, Water Management Training Institute, Department of Agriculture, and Road Material and Testing Institute are in close physical proximity of each other and are engaged in technical training. It is essential that these three training institutes may either be merged under the administrative control of GEAP, or appropriate coordination mechanisms be instituted.
- GEAP should develop new modules for subordinate/support staff of engineering department.
- GEAP should have infrastructural development and refurbishment at par with MPDD.
- GEAP should cater to demand based training of the engineering departments.
- GEAP will move the PC-I for up-gradation.
- GEAP will also submit comprehensive plan for improvement of the quality and quantity of its training through MPDD. For this GEAP shall coordinate with and seek advice from MPDD.

3.5.3 Development of Punjab Local Government Academy, Lalamusa

Punjab Local Government Academy, Lalamusa (PLGAL) was established in 1953. The core responsibilities of PLGAL include training of functionaries of Local Government Department, Local Council Service (BS – 5 to BS – 17), and the Chairmen/Vice Chairmen/Councilors of the Local Councils.

This institute should also be re-organized to provide better training services to the employees of Local Governments and elected representatives of Local Governments. Therefore, up-gradation of LGTI is of paramount importance. Its role may be redefined by LG&CD department on the basis of training needs and in consultation with MPDD and Provincial Training Coordination Committee. It may also be used as a satellite campus of MPDD.

3.5.4 Development of other Government Training Institutes

There is a lack of in-house training and skill development initiatives as well as a lack of capacity in the training institutions. Following steps may be taken for development of training institutes in the Punjab:-

- Some Departments already have training institutes, for example Agriculture University, Mines and Minerals Institute, the Tourism Department Institute, Social Welfare Institute, Provincial Health Development Centre, Directorate of Staff Development etc. These institutes can be extremely helpful in imparting “Specialized” trainings to the employees of their respective departments and the frequency of these trainings needs to be enhanced significantly.
- Training institutes and departments should work together and should:-
 - Assist the departments / districts to conduct training needs assessment, module development and constant review.
 - All the training institutes should maintain updated training data and send to MPDD.
 - Overlapping of training should be eliminated.
 - Develop training infrastructure to make training an attractive proposition.
 - Fixing rent rate of different facilities periodically and conveying it to all departments.
 - Calculating per participant cost of training to be charged from client departments and districts.
 - Take steps for capacity building of faculty.
 - Assign priority by the administrative department to training institutes.
 - Regular monitoring and evaluation of training institutes by the administrative Departments.
 - Introducing attractive compensation packages for employees of training institutes.
 - Fifty percent of the faculty should be on permanent strength of the training institute and fifty percent faculty may be posted by transfer.
 - All staff members (BS 1 – 16) of training institutes should be on permanent strength of the institutions.

3.6 Training Related Regulations

It is required that training related regulations and policies must be formulated. Trainings must be linked with recruitment/selection, postings and promotion of the

government servants. It will result in placing right person for the right job and save the government from disadvantages of misplacement in the public service.

- **Linkage of Training with Recruitment and Selection**

Appropriate recruitment has far reaching effects on the performance of an organization. The major purpose of recruitment activities should be to attract best available manpower for government jobs. Recruiting the right persons for a job is essential to ensure proper public service delivery. It is essential that a linkage may be created between training and recruitment/selection. Post induction training must be prescribed in the service rules by every department. Linkages may also be created between departments, Punjab Public Service Commission (PPSC), recruitment committees and training institutions.

- **Linkage with Promotion Policy**

Linking promotion with training and development is very important. Every department must prescribe trainings for promotion of public servants from one level to the next level. These trainings must be designed to meet the future job requirements of public servants. Duration of these trainings can be different for various promotions. At the time of promotion, performance evaluation report of training institutions must be given at least 15% weightage.

- **Linkage with Placement**

The posting policy of every department should be based upon the principle of “right man for the right job”. At the time of posting on a certain position, training taken by an officer in the relevant area must be considered. It would reduce the chance of mismanagement and enhance the performance of public servants.

- **Linkage with Reward and Recognition**

Performance based compensation is one of the most effective tool for motivating the employees for showing good performance. Rewards allocated solely on nonperformance factors – seniority, job title etc., encourage employees to reduce their efforts. Hence, it is the need of the hour that the Government practices the concept of “paying for performance”. Productivity improves when pay is linked to performance; therefore, payment-by-results (PBR) systems and incentive schemes should be developed. If people want more pay and believe that working harder will get it for them, they will work and perform better. A system linking the training and performance with rewards and recognition policy must be developed by all the departments. Monetary rewards / allowances may be given to employees on successful completion of every training. Well performing participants in local courses should be given points which can be utilized for premium in-country and foreign trainings.

3.7 Training Collaboration with Institutes of Excellence

For quality training of employees, departments and training institutions should establish collaboration with institutes of excellence like LUMS, NUST, IBA, Government College University, etc. It will enable the public servants to understand the latest management models and concepts of public policy. This will also act as an incentive to motivate government employees for further studies. In the long term MPDD, GEAP and PLGAL can develop diploma programmes on specialized topics by formulating partnerships with different institutions or universities.

As the CSC, Singapore provides trainings to the Government Officers on Public Policy and Public Management based upon their own country based case studies, similarly Management and Professional Development Department and training institutions may also change/mould its training modules in such a way that they can train the officers by initializing real case studies of the country.

INTAN model of Malaysia can be benchmarked by Management and Professional Development Department to define the different categories of training and then divide the training responsibilities according to each category.

3.8 Public Private Partnerships (PPP)

Public Private Partnership is very important for the training of public servants. The advantages of Public Private Partnerships can be as under:

- High quality training for public servants.
- Availability of high standard training institutes for public servants.
- Availability of high class resource persons for training.
- Provision of standardized need based training modules.
- Government training institutes can improve the quality of training modules in collaboration with private sector.
- Fixed training costs will be lowered.
- SOPs for training institutes can be developed.
- Provision of high quality training in IT sector.

The various models of PPP which MPDD is following to some extent and which can be followed by other institutes are:-

- Imparting training in public sector institutes by hiring the services of visiting faculty from private / public sector.
- Public sector training institutes can conduct courses for private sector and generate revenue.

- Public sector training institutes can rent out their training infrastructure to private sector and generate revenue.
- Public sector training institutes should market their existing modules to the private sector and generate revenue through their nominations.
- Joint programmes can be conducted with private sector training institutes/universities.
- Trainings may be outsourced to private sector service providers, subject to the condition that the collaboration is cost effective.

3.9 Dovetailing Training with Best HR Practices

It is important to dovetail training with best HR practices. Training alone will not bring about sustainable change. Departments must work for introducing and implementing the following best HR practices for the complete impact of training to be materialized:-

- Recruitment practices that result in the selection of excellent staff.
- Viable and attractive benefits and compensation packages according to the job requirement.
- Employee performance management system.
- Workforce continuity and succession planning.
- Conformance with legal obligations.
- Positive workplace culture.
- Change oriented, flexible service culture.
- Support for innovation and continuous quality improvement /work improvement teams.
- Recognition and reward systems.
- Simplification of procedures.
- Business process development.
- Delegation of power.
- Feedback mechanisms/staff suggestions scheme.

The above best practices are necessary prerequisite for developing an effective civil service having the following features:-

- Merit-based and neutral.
- Well-structured, “right”-sized and well-paid.
- Accountable, professional and relatively corruption-free.
- Relatively autonomous, responsive and representative.
- Well-trained, performance-oriented and open.

3.10 Financial & Budgetary Issues

The strategy, envisages decentralization of training to every department and district. Therefore, it is imperative that they should be provided appropriate funds/budget for training and development of their employees. Currently almost no training budget is allocated to the Departments or Districts. Whatever budget is allocated, is directly sanctioned for the training institutions which is the main reason that training institutes have supply driven courses for which there is no ownership in the department. Furthermore, departments / districts do not send requests to government for allocating training funds. To enable every department/district to perform their training functions, specific budgetary allocation be made for the purpose in the following manner:-

- Ample funds for training be allocated to every department, district and training institute annually, enabling them to successfully execute their demand driven training plans.
- Revenues generated by the institutes should be allowed to be utilized by them on training activities. At least 30% of revenue generated by the institute should be given as honorarium to the employees of training institutes, on the analogy of Motorway Police and Federal Bureau of Revenue (FBR).
- Development grants be given liberally to MPDD, GEAP, PLGAL and other training institutions to upgrade their infrastructure and facilities in their main and regional campuses.
- The human resource of MPDD, GEAP, PLGAL and other training institutions be expanded as per their requirements on attractive salary packages. They must be given better pay structures coupled with appropriate transport facility.
- A special training allowance should be sanctioned for officers and officials in the department / district dealing with training matters.
- The employees of all the training institutes, based upon performance can be sent for foreign trainings after every three years (example: Philippines Civil Service). They can be given a certain percentage in the revenues generated both from infrastructure utilization and training consultancies.
- In the context of budgets and financing for civil service training there are two prevailing models i.e. Supplier – Funded Model and Buyer – Funded Model. In view of the current capacity building scenario in Punjab, it is recommended that the government should adopt a mixed system, whereby the government directly funds the basic overheads of the institution (supplier-funded model), but the training institution covers operating and direct training costs from training course delivery (buyer – funded model). This overcomes some of the difficulty of outsourcing i.e. a notion of compromising on dependability and over reliance on private sector and provides a

greater measure of security without disabling the benefits of an internal training market. So, there is some direct government funding, but training activity and performance generate the additional income required. It would also create competition within the training market and more options for government employees.

- Each department / district should have separate budgetary allocation. They should be given funds for different types of trainings by the Finance Department. It is necessary that a separate head of account for training be created and funds be allocated under this head to each department, district and organization. This will automatically generate a demand for training. The fund allocation can be proportionate to the number of employees and their collective pay-roll. Initially 4% of the collective pay-roll can be designated as the allocated training fund which can be increased further as the opportunities of training increase.
- Incentives and rewards for participants are also necessary to promote a training culture for which necessary budget may be allocated.

3.11 Review of Training Strategy

A policy or strategy can be result oriented only if it is properly implemented and followed by the stakeholders. Periodic review of the strategy is therefore essential to ensure that the strategy is implemented in time, letter and spirit and to make continuous improvements in the policy framework.

The training strategy is therefore required to be reviewed by the concerned authorities for making improvements according to the training needs of the stakeholders. Salient features of such a review of the strategy are:-

- It would be reviewed annually by all the departments and districts after which they would send recommendations to MPDD for placing before the Provincial Training Coordination Committee for consideration.
- Review will be based upon the annual plans and implementation reports of departments/districts to be submitted to MPDD by all administrative departments/districts by last week of February, every year. Based upon the review, the training strategy can be realigned to ensure better implementation and adherence to functionality.
- Provincial Training Coordination Committee will review the strategy in consultation with the stakeholders at least once every three years and incorporate improvements on the basis of recommendations of stakeholders.

3.12 Training Strategy Roadmap

The training strategy roadmap is an important component of the overall training strategy because it aligns responsibilities of different organizations in the implementation of the training strategy. The responsibility matrix presented in this section is overarching and all the concerned departments, institutions and district governments would develop comprehensive responsibility matrixes and submit them to the Provincial Training Coordination Committee within four months of approval of this training strategy.

Sr. No.	Main Action	Responsibility
1.	Restructuring of MPDD i. Establishment of Research & Design Wing ii. Establishment of Coordination, Monitoring & Evaluation Wing iii. Establishing Regional Campuses in Punjab iv. Capacity Building of MPDD	- MPDD - P&D Department - Finance Department - Board of Revenue
2.	Provincial Training Coordination Committee	- MPDD
3.	Mandatory Trainings in all the Cadres	- All Administrative Departments - All District Heads , MPDD Regulations Wing, S&GAD
4.	Creation of Management Cadres in Education & Health	- Education Department - Health Department - S&GA Department
5.	Demand Driven Training Programs	- All Administrative Departments - All District Heads - MPDD - All Training Institutions
6.	Training Needs Assessment	- All Administrative Departments - All District Heads - MPDD - All Training Institutions
7.	On the Job Training	- All Administrative Departments - All District Heads - MPDD - All Training Institutions
8.	Dovetailing Training with Best HR Practices	- All Administrative Departments

Sr. No.	Main Action	Responsibility
		<ul style="list-style-type: none"> - S&GAD – MPDD - All District Heads
9.	Incentives and Recognition	<ul style="list-style-type: none"> - All Administrative Departments - Finance Department - All District Heads - MPDD - All Training Institutions
10.	Standardization of Processes	<ul style="list-style-type: none"> - S&GAD - All Administrative Departments - All District Heads
11.	Annual Training Plans and Compliance Report	<ul style="list-style-type: none"> - All Administrative Departments - All District Heads - MPDD - All Training Institutions
12.	Development of GEAP	<ul style="list-style-type: none"> - Irrigation and Power Department - GEAP - P&D Department - Finance Department - MPDD
13.	Development of Punjab Local Government Academy, Lalamusa	<ul style="list-style-type: none"> - LG&CD Departments - PLGAL - P&D Department - Finance Department - MPDD
14.	Development of all Government Training Institutes	<ul style="list-style-type: none"> - Concerned Administrative Departments - Concerned Training Institutions - P&D Department - Finance Department - MPDD
15.	Training Related Regulations	<ul style="list-style-type: none"> - All Administrative Departments - S&GAD - MPDD - All Training Institutions

Sr. No.	Main Action	Responsibility
16.	Training Collaboration with Institutes of Excellence	<ul style="list-style-type: none"> - MPDD - All Training Institutions
17.	Public Private Partnerships	<ul style="list-style-type: none"> - All Administrative Departments - All District Heads - MPDD - P&D Department - Training Institutions
18.	Financial and Budgetary Issues	<ul style="list-style-type: none"> - All Administrative Departments - All District Heads - Finance Department
19.	Review of Training Strategy	<ul style="list-style-type: none"> - All Administrative Departments - All District Heads - Provincial Training Coordination Committee - MPDD

CONCLUSION

Pakistan in general and Punjab in particular is attempting to bring about change in the civil service attitudes, behavior and efficiency for achieving the goal of good governance and improved service delivery. However, despite numerous reforms this goal has remained ever evasive. Other countries who were much behind Pakistan have developed in leaps and bounds, and the engine for development has been their civil services. The much maligned bureaucracy is the backbone of any administration and provides the steel frame around which the administrative edifice is built. The stronger the steel frame, the stronger the edifice. Weaker the steel frame and the structure will collapse sooner than later.

The capacity building issue has not been given due importance and has not been addressed in a befitting manner due to lack of uniform, cohesive and workable training strategy. This capacity gap has resulted in poor service delivery and poor governance.

In order to address the issue of capacity building/training of public servants, Government of the Punjab has formulated this training strategy for all of its departments and districts. The strategy provides the umbrella guidelines for training of all public sector employees.

It is understood that often strategies and policies are formulated and not implemented by concerned authorities due to lack of interest and willingness on the part of stakeholders.

The present strategy is designed to deal with the training issues and to realize the full potential of the public service of the Punjab. Full commitment and ownership for this strategy by the concerned authorities in departments/districts is a necessary prerequisite for its success as they are on the driving seat as far as its implementation is concerned.

In order to meet the challenges of change and to ensure sustainability of system improvement, it is imperative that appropriate skills and expertise of the public servants is enhanced to enable them to perform their functions and discharge their responsibilities efficiently. Therefore, the Government of Punjab's focus on building a vibrant, professional, progressive and responsive public service having a holistic appreciation of public sector environment and capable of advancing the strategic agenda of the government.

Questions for Discussion and Presentation

- Q1. What is the need to develop a strategy in the public sector? What benefits can be gained and how can it streamline organizational change?
- Q2. How can the case study discussed above be benchmarked for WAPDA and WAPDA Associated Companies?
- Q3. What are the lessons learnt from the case study which can be incorporated into WAPDA Administrative Staff College?
- Q4. Identify the gaps in the case study through a SWOT Analysis. Develop a presentation of 15 minutes.

USER GUIDE

This section describes how to use the manual for implementing the module. It suggests guidelines for facilitating sessions. It also gives guidelines for scoring the various tests and indicates the correct answers for the tests.

How to Use the Module?

- Familiarize yourself with the contents and the structure of the module by reading the whole module.
- In particular, study the reference materials (handouts) in depth at the beginning for the understanding of the contents in detail. It is quite important for you to understand and absorb the contents before delivering the module.
- The module is organized into several sections. For the first time, read them in the sequence they are organized to be familiar with its structure.
- Read the Module Overview then, to get a detailed understanding of the focus and structure of the module. Read the other sections of the module selectively, this time in more detail and as required, absorbing the contents and guidelines presented in the manual.
- Adapt or adjust the various components of the module as designed in this module according to the specific needs of the group of participants you are handling and the particular context of the training program at any time. Take whatever is presented in the module as basic guidelines, and not as something which should be rigidly followed. It is possible, and even desirable, to make adjustments in the learning objectives, time allocation, session flow, exercises, and other aspects of the module design as per the specific needs.
- Make adaptations well ahead of the time of delivery, and document them.

- Prepare transparencies and other visuals for delivering the sessions based on the reference materials. It is important to visualize the presentation of core learning materials as much as possible for enhancing learning effectiveness.
- Make other necessary preparations, including the rehearsal of the sessions to build your confidence.

Guidelines for Session Facilitation

- If you have made any changes, note the changes in the session flow sheets at appropriate points. Make further preparations as required.
- Start each session with appropriate greeting, addressing, initial learner motivation/ climate setting activities, and assessment of previous understanding of the learning theme.
- Make the sessions lively and interesting by bringing in appropriate examples, references, ideas, and facts in addition to what has been suggested in the manual.
- Refer to the session flow sheets frequently while facilitating the sessions but avoid reading out of the manuals.
- Check time regularly but do not be obsessive with keeping everything within the suggested time frame. The time frame is given only as a suggested length of a particular part of the session. In reality the immediate need of the situation should be given priority. If you change the time allocation in the course of a session, you should however make necessary adjustment for the remaining part of the session to finish the session in time.
- Follow the methods and activities as suggested. But here again you should be flexible and innovative to adapt the methodology to the requirements of a particular situation.
- If you decide to use a different method or activity for a particular part of the learning theme, prepare or change exercise sheet in advance.

- Use the methods properly following all necessary steps and activities. For this you should have a thorough understanding of the basic focus and standard procedures of the method.

- During the session delivery, follow these techniques;
 - ⇒ Summaries and check understanding from time to time.
 - ⇒ Establish links between sub-topics and between sessions.
 - ⇒ At the time of moving into another learning sub-topic, give a clue about the topic you will be taking up next by previewing it.
 - ⇒ Remind the participants of the previous learning before you take up a new learning topic or sub-topic

