

# Institutional Mechanism and Strategies for Approval of Developmental Projects in Pakistan

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*Abstract--The Higher Education Commission (HEC) is one of the prestigious institutions of Government of Pakistan. It sets educational policies for all public and private sector universities of Pakistan. The main objective of this paper is stock of the review on these institutions, their organizations, mechanism and strategies for the processing and approval of Five Year Plans (FYPs) and development projects. For this purpose, projects data were collected from Project Directors, HEC personnel's and consultants. Data were collected from HEC personnel's and project manager of higher learning institution in Pakistan using face-to-face and telephonic interviews. In view of these responses the weak spots in the Central Planning, System also identified.*

**Keywords**-HEC, FYP,ADP, P&D, NEC, ECNEC, CDWP, PDWP,IRC,ADB, IDA,ADP, TA, ATAP.

## I. INTRODUCTION

The Higher Education Commission (HEC) is the primary regulator of higher education in Pakistan [1]. Its main purpose is to upgrade universities in Pakistan to be centers of education, research and development. Developing countries are rapidly becoming the driving force of innovation and entrepreneurship. According to World Bank, emerging economies will outgrow the developed nations by 2015. It is an established fact that there is a direct correlation between knowledge capital and economic development [3-7]. The mission of the Higher Education Commission (HEC) is "to facilitate institutions of higher education to serve as engine of growth for the socio-economic development of Pakistan". The Higher Education Commission (HEC) is faced with three key challenges (a) Quality (b) Access and (c) Relevance.

In order to achieve these objectives, the Government is making significant investments towards developing institutional facilities, introducing new disciplines in cutting-edge and market based technologies, developing human resource including faculty, improving research facilities and student services, creating linkages with local and foreign universities, and promoting university-industry interaction, amongst many others. The planning and development activities of the Commission aim to meet reform objectives through the development, funding and implementation of projects in these key areas.

The literature study shows that Central Planning was deemed suitable for 'Pakistan, wherein government plays central role for the development [2]. The policies and ratifies are set at the national level which are then transited into the

long and short term plans. Development projects as an instrument are interblend with the plans through objectives to pursue the economic development. All the system has been embedded into various institutions [9-10]. This study takes stock of the review on these institutions, their organizations, mechanism and strategies for the processing and approval of FYPs and development projects, and also to identify the weak spots in the central planning, system.

## II. METHODOLOGY

Data were collected using Interview from Project Directors, HEC personnel's and consultants of higher learning institutions of Pakistan. To provide the data, respondents were given a choice of being telephonic / personnel face –to-face interviewed. The data is collected from a selected pool of experienced Project Director / Managers who were involved in project development from last five years in higher learning Institution of Pakistan. The detail points are as follows:

## III. INSTITUTIONAL ARRANGEMENTS

The interaction among different institutions has been strengthened through hierarchical arrangements both at federal and provincial levels. All these institutions have been entrusted upon preparation, coordination and approval of development projects, programs, and Five years plans. Depending upon the overall capital cost of financial arrangements of a project, these institutions have different level of approvals. These institutions are discussed as under:

### A. Project Planning Bodies

The development planning has been institutionalized and coordinated through the establishment of various planning organizations at Federal as well as Provincial levels. These organizations are:

1. Federal Planning and Development Division
2. Provincial Planning and Development Departments.
3. Departmental Planning Cells.

#### i) Federal Planning and Development Division

The main function of the Planning and development Division is to coordinate the planning and implementation activities in the country and facilitate the approving bodies in decision making.

The Federal Planning & Development Division is responsible for advising the government about development

projects, priorities and strategies. Moreover, it also sets general principles and guidelines for the preparation of projects, schemes and programs in respect of objectives targets and strategies and invites development projects, schemes and programs from federal and provincial ministries/departments and executive agencies for inclusion in the Annual Developmental Plans (ADP) and Five Year Plans (FYP). Although Planning and Development Division is an independent body, but it is headed by the Deputy Chairman, Planning Commission, who is an ex-officio Minister in the status for operational management.

The Federal ministries are responsible for the preparation of programmes and projects in their respective fields including autonomous organizations under their control. The projects and Programmes prepared by the federal ministries are submitted to the Planning Division for approval.

### **ii) Provincial Planning and Development Department**

Provincial Planning and Development Departments are the principal planning organizations at the provincial levels. It is headed by the Additional Chief Secretary (Development) in each province, who is assisted by staff from the various fields. The department coordinates the annual development budget, projects, and programs. Scrutinize and often approve proposals for projects that are prepared by the provincial departments, coordinate monitoring and the associated review meetings concerning project implementation.

### **iii) Departmental Planning Cells**

Each department maintains a planning cell, which prepare the projects for their departments. The functions include drafting and consolidation of projects documents, drafting or collection of progress reports for review meetings organized by the concerned Planning and Development (P&D) Departments.

## **B. Project Approving Bodies**

Development projects, programs, FYPs, and Annual Development Plans (ADPs) scrutinized by the planning bodies, is then placed before the different federal and provincial approving bodies. These bodies include:

### **i) National Economic Council (NEC)**

The NEC is the highest political authority for development activities. It is headed by the Prime Minister and its members include the federal ministers in charge of the economic ministries, the Deputy Chairman of the Planning Commission and the Chief Ministers of the provinces. NEC has the over all control of the planning machinery and approves all the plans and policies relating to development. It formulates the national policy and objectives for long term plans. The Planning Commission is entrusted with the task of preparing national plans programs according to the directives of the ECNEC. Ministers are responsible to adopt their plans and programs according to the objectives set up by the NEC.

### **ii) Executive Committee of the National Economic Council (ECNEC)**

ECNEC is the executive agency for implementation of the policies decided by NEC (National Economic Council). It is

the highest level in the nation, which comes into contact with the approval of an individual project and is the ultimate approving authority. It also reviews the projects as reported by Planning Commission through Planning and development Division. It considers and approves development projects costing above Rs. 100 million and to review the progress of implementation of development projects. The Federal Minister of Finance, who is the Convener of the meeting, heads the ECNEC. Ministers of the concerned Ministries and provincial governors/chief ministers are all the members of ECNEC. The Planning & Development Division provides secretarial service.

### **iii) Central Development Working Party (CDWP)**

That development project which exceeds a certain financial limit prescribed by the central sectoral ministries, provincial governments, autonomous organizations etc. are submitted to CDWP for processing and approval. CDWP is headed by the Deputy Chairman of the Planning Commission and which includes as its members the secretaries of the federal ministries concerned with the development and the heads of the Planning Departments of the provincial governments. The schemes approved by the CDWP are submitted to ECNEC for final approval. CDWP is competent to sanction federal schemes that cost between Rs.20 and 100 million. Those projects requiring approval from ECNEC require CDWP recommendations such as provincial projects exceeding the cost of Rs. 100 million are supposed to be recommended by CDWP.

### **iv) Provincial Development Working Party (PDWP)**

Each province has instituted a Provincial Development Working Party for provincial projects which is headed by the chairman, Planning & Development Board! Additional Chief Secretary (Development) and includes among its members, The secretaries of the provincial departments concerned with development. The PDWP scrutinizes various projects for inclusion in the Annual Development Plans and Five Year Plans. It is competent to approve all provincial projects costing from Rs.20 million up to and including Rs. 100 million in each case. Projects exceeding this limit are submitted to DDWP / ECNEC for processing and approval.

### **v) Federal / Provincial Departmental Development Working Party**

The federal ministries departmental development working party approves development projects/programmes for federal ministries/divisions according to their approved financial limits. It is headed by the respective secretaries/heads of the departments and includes representatives of the finance division and the relevant technical section in the planning and development divisions. The federal ministries DDWP can sanction projects below Rs.20 million.

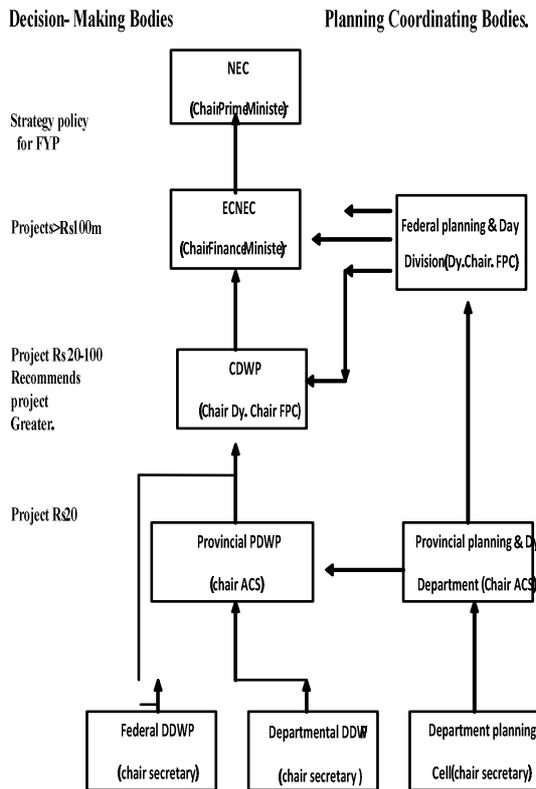
Likewise, every Provincial Departmental Development Working Party is headed by the respective secretaries and includes representatives of the finance department and the relevant technical section in the Planning and Development Department. It can also have the approving authority of projects that have the financial costs below Rs.20 million.

The organizations and their whole mechanism involved in the project approving process are described in the Figure-1.

**IV. INCEPTION OF PROJECT IDEA**

Every project starts with an idea of accomplishing something for certain benefits. A useful idea can in principle occur to anybody but unless it belongs to a dynamic and initiative strong person, there is a little chance of it ever seeing the light of the day. The ideas need to be recorded, properly canalized, and evaluated in series of stages before becoming basis for project profile generation.

There is a very wide range of those who can be a carrier of project ideas. However, in Pakistan, where the executive units of the projects are embedded in the departments and other executive agencies, the ideas usually eliminates at the higher political and administrative levels. The idea is then polished in the form of a presentation paper. The suitable ideas get formal report and processed downward into the shape of project document. The Figure- 2 describes the steps accomplishing the task of idea to project document.



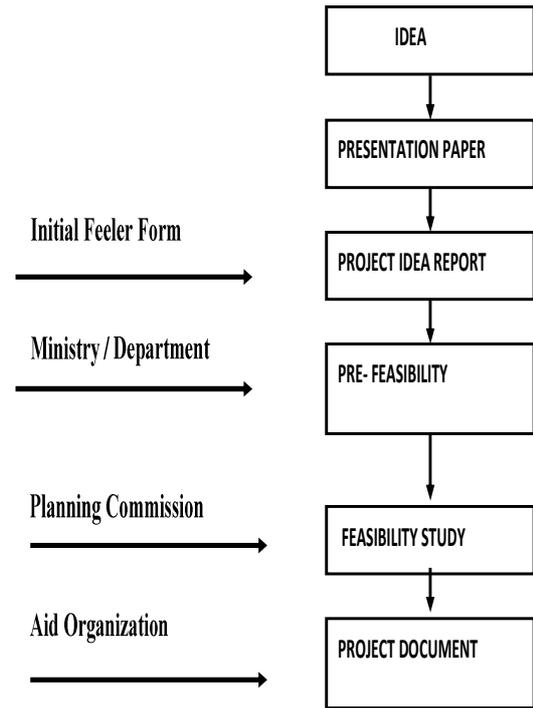
**Fig. 1: Decision Making and Planning Bodies for Development Projects**

**V. PROJECT IDEA INTO DOCUMENT— PC –1**

The project idea’ is then transformed into a more formal document called as Planning Commission Document-I (PC-I). It is the basic form on which all projects/schemes are required to be drawn. It was introduced in its simple form in 1952 and substantially revised up to now. This was a composite form and was used for all sectors. But as time passed on, bigger and complex projects had to be prepared which required quite detailed information. PC-1 form

therefore was continuously made more elaborated and separate forms suitable for particular sectors were introduced from time to time. As many as 12 forms in all are available for various sectors.

The PC-1 form comprises three parts. Part “A” is the project digest that require information on executing and sponsoring agency of the project, and summary of cost in details. Part “B” describes information on location, general dissipation and justification, cost estimates, technical description and sect oral benefits etc. while Part “C” deals with “Project Requirements” in terms of manpower and physical and technical facilities [11-15].



**Fig. 2: From Idea to Development Project Document Performa**

**A. Project Classifications**

Different projects are sorted out into various categories and their procedures and guideline. The projects are divided on the basis of mainly three different criteria as given in Table-I.

**TABLE I: Classification of Project According to Cost Source: Author**

Category	Cost/Investment Size	Level of Approving Authority
A	All projects/schemes costing up to Rs.20 million,	Minister/ Secretary in-charge of the concerned Ministry/Depts. on the recommendation of DDWP.
B	All projects/schemes costing between Rs.20 - 100 million	CDWP / PDWP on the recommendations of the Secretaries of the concerned Ministries/Depts
C	All projects/schemes	ECNBC (Executive Committee of the

Category	Cost/Investment Size	Level of Approving Authority
	costing Rs. 100 million or above,	National Economic Council) on the recommendations of the CDWP

**i) Criterion 1**

There are three category of project according to their cost or magnitude of investment. Table- 1 shows the classification and procedure of these category projects.

**ii) Criterion 2**

For evaluating projects one need a candid picture as much as possible of project benefits. Some projects have easily measurable outputs and the others have a comparatively difficult measurability of outputs. This can cause a dilemma to any project evaluator at a national level, when different project compete for scarce resources. The projects have a varying degree of score on the social cost-benefit evaluation scale. Projects have been categorized for these reasons into following three types:

- Type ‘X’ self-sustaining projects i.e. projects, which earn revenue through sale of output — goods and/or services. These may also be called directly productive projects. Notable examples of this type of projects are projects in the industry sector. It is noted that even such projects may include indirect and intangible benefits.
- Type ‘Y’ productive but non-revenue earning projects i.e. Projects which give rise to tangible output, benefits of which do not accrue directly to projects themselves but to other parties. Notable examples are irrigation & agricultural projects.
- Type ‘Z’ service sector projects i.e. projects which do not give rise to tangible output but provide service benefits to the society e.g. educational institutions, hospitals etc.

**iii) Criterion 3**

In allocation of resources, some projects are given a higher priority than the others based upon their importance for the country. Further, some project; are considered to belong to the core of the development process i.e. has a major linkage value regarding the viability of other projects depending upon it e.g. infrastructure, power, actor and projects producing primary products.

**B. PC-I Processing**

**i) Processing at Department Level**

Procedures for processing development projects vary due to investment size, sources of fund and nature of projects. Following steps are taken in the project formulation stage:

- Project identification
- Check plan provisions and sectoral allocation
- Project preparation
- Approval of the project by the Head of the Agency / Department
- Forwarding of the PC-1 by the Department to the Administrative Department where it is handled by the respective Planning Cells.

**ii) Processing at Planning Cells**

Upon the arrival at the planning cell, they are supposed to examine the PC-I from the following angles:

- Financial viability
- Economic viability
- Conformity to the departmental policies.

The cells look into the cost-benefit and Internal Rate of Return (IRR) etc. techniques. Although only 20 days are allowed per instructions, projects are rarely approved in this much time, because of claimed heavy workload on the Deputy Chiefs and Asst. Chiefs.

**C. Processing at Planning and Development Department**

On receipt of project proposal on PC-1, the Planning Cell examines the project in the context of the sectoral targets, allocations, priority, technical, economic and financial viability etc.

- If the investment cost of the project is more than Rs.20 millions the Department sends the PC-1 to the concerned Sector section of the Planning and Development Department for further processing.
- The Sectoral section are supposed to examine the following aspects of the Project:
  - Contribution to sectoral targets.
  - Economic benefit in terms of employment generation, production increase etc.
  - Financial viability
  - Technical feasibility
  - Likely availability of external resources
  - Equipment, accommodation and other cost etc.

On examination and when required, after discussion with Department, if the project is found acceptable, the Sector section sends the PC-1 back to the department for required modification in the size and shape of the project. If the projects need no modification or on receipt of the modified project, Planning Department circulates the PC-1 to all its members for their comments/views. After receiving their comments, the Planning Department places the project in the PDWP meeting for its consideration. Figure-3 shows the way of movement of PC-1 from the Department/Division/Ministry to the Planning Commission / Department for approval. It is known by the discussion with the concern authorities that, in practice a number of informal contacts are made by officials and other interests and considerable viewpoints of various persons, involved in the process.

**D. Project Approval Procedures**

A project costing less than Rs, 20 million is approved by the Department / Ministry concerned. A project costing between Rs.20 to 100 million is examined by the PDWP/CDWP in the Planning Department/Commission and if after scrutiny, it is found that the project is acceptable, it is approved. If the investment cost of the project is more than Rs. 100 million then it is recommended for approval to the ECNEC. In case of necessity for modification of the project or any of its components, the ECNEC approve the project on conditional basis to make the required changes in the PC-I.

If the Ministry fails to incorporate all the recommendation of the ECNEC in the recast PC-i, it sends it back to the

Ministry/Department again for incorporation of the changes as desired by the ECNEC. In case of projects costing above Rs. 100 million, the summary is required to be approved by the Deputy Chairman Planning Commission, before it is placed for approval of the ECNEC. The ECNEC examines such projects in its meeting and may either approve it as

recommended or with modification as desired by the FPC. Figure-3 shows the approval procedures of various projects on the basis of their processing, cost and approval of the project.

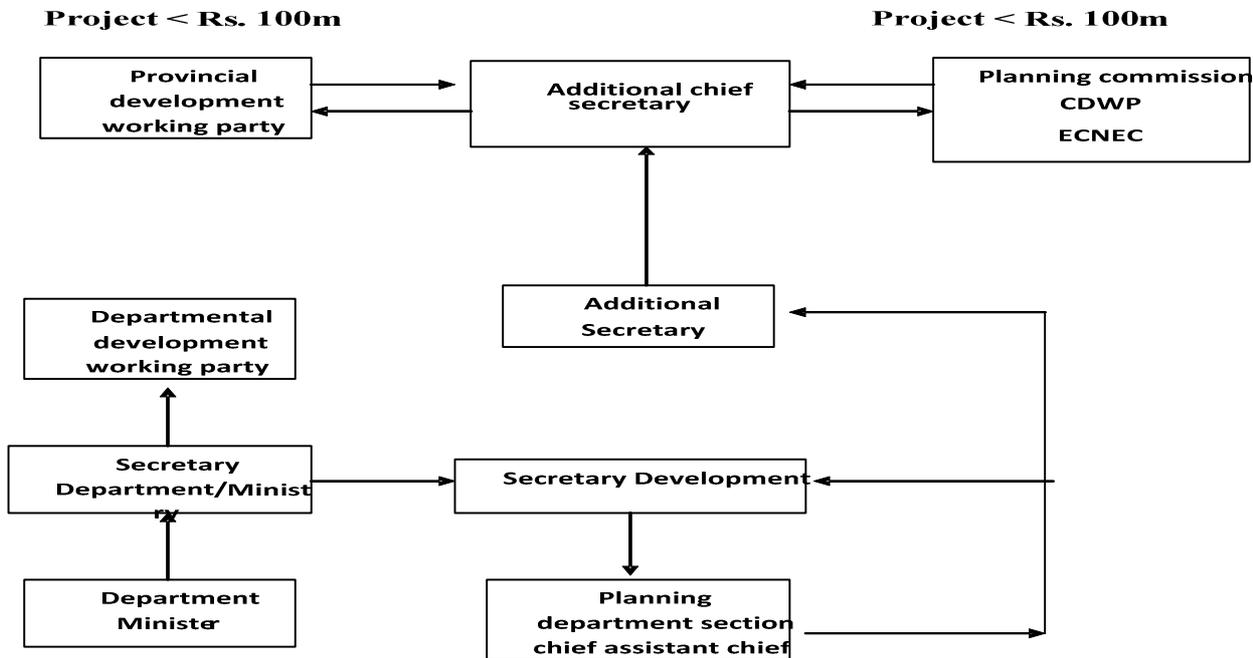


Fig. 3: Movement of PC-1 for Approval

If the project financing depends on project aid, then some special type procedures are to be followed. The International Development Association (IDA) / (World Bank) and Asian Development Bank (ADB) follow their own procedure for their finance to development projects. Project aid lined-up to World Bank, their procedure shown, in the Annexure II. In practice after approval of ECNEC, the project is considered to be more or less administratively cleared. 90% cases do not have any further hindrance or stoppage. Apart from the overall project approval explained above there are detailed procedures within each organization. In investigation, I found that every department has important project associated functions to perform at the initial approval of the projects.

**E. Administrative Approval and Resource Allocation**

Projects are implemented by the executing agencies with funds made available through the development budget and under the control, supervision and support of the administrative Ministry/department. But all projects have to be approved by the competent authority and also included in the Annual Development Programme (ADP). Even after project's approval by the competent authority, its execution does not start till it is included in the ADP or cleared in advanced by the revised ADP. For Technical Assistance (TA) projects clearance of the Project Wing of the Planning Commission needs to be obtained and included in the Annual Technical Assistance Programme (ATAP) or revised Annual Technical Assistance Programme.

Approval of a project however does not mean automatic clearance for starting implementation of the project. Despite a project's approval actual resource availability for its execution depends on its relative priority, size, over-all resource position, and linkage with others projects etc. Therefore, even after a project's approval by the competent authority, its execution does not start till it is included in the ADP and is allocated funds on the basis of various considerations. The executive agency puts in its request for funds on the basis of its own work programme. If it is an aided project the agency makes some estimates of probable disbursement of aid during the year and then calculates how much local currency financing is necessary to absorb that level of disbursement. The sponsoring executive agencies can draw funds for approved projects after the line ministry has issued the administrative order sanctioning approved expenditure. However, the concurrence of the mimicry/department of finance is required before withdrawal of funds. In short, funds for implementation of development projects are released through the ADP which is prepared by the Planning Division/Department in consultation with the Ministry/Department of Finance.

The assessment is not always an easy task. For many projects of 'Y' and 'Z' type categories social cost-benefit analysis are restored to, However, the lined-up project aid and sociopolitical factors like political imperatives over-ride social profitability criterion in many cases.

**VI. CONCLUSION**

The central planning system was adopted to pursue the development of every sector of the economy in comprehensive manner. This paradigm led to the establishment of an elaborated planning and decision making system, where projects of all sector are processed and approved to integrate the policies and resources toward economic development. For this purpose project planning and decision making bodies are formed at Provincial as well as Federal level, which coordinate with each other in project processing and approval. The whole system is very much elaborated and the project document has to pass on in all the system. The mechanism and strategies however has its own bottlenecks. The approval of projects gets delay on average around one year. The fund releases also get delayed. Due to centralized system, some times priorities don't match with need of the project proposals. The system also lacks the proper checking and controlling which result in poor implementation of policies.

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