

What Role for ADB in Pakistan?

July 2007

- Pakistan's modern history has been marked by wars and cross-border conflicts with its neighbors; ethnic and cultural divisions; feudal social relations in parts of the country; a complex structure of government; three periods of military rule; 10 changes in the leadership of civilian governments during 1988–1999; erratic economic performance, with periods of faster growth neither sustained nor translated into better social outcomes; rising poverty in the 1990s; international sanctions following the testing of a nuclear weapon in 1998; upshots from serving as a key ally in the "war on terror" following the attacks of 11 September 2001 in the United States; poor governance; corruption; and social indicators that compare unfavorably with the rest of Asia.
- The conclusions of a recent assessment of the performance of ADB's development assistance in Pakistan have implications for resource allocations, design of operations, program management, and business processes.

Background

Pakistan has provided a **challenging context** for development. Notwithstanding, it remains a major **client** of the Asian Development Bank (ADB). As of December 2006, ADB's portfolio had 80 active public sector loans, more than three times as many as the **World Bank**, which has more international staff and three times as many national officers in its resident mission. ADB's portfolio covers 10 sectors and about 30 subsectors, including many multisector projects. In 2006, the Operations Evaluation Department conducted the first **country assistance program evaluation** of ADB's operations, covering the period 1985–2006.¹ The study was informed by prior sector evaluation program evaluations of the **social** and **roads** sectors.

Summary of Findings

In keeping with the **Guidelines for the Preparation of Country Assistance Program Evaluation Reports**, ADB's success was assessed in terms of strategic positioning, institutional positioning, value-added to development results, and sectoral performance. The first three perspectives led to a top-down assessment of whether ADB had done the "right thing". The fourth embodied a bottom-up approach querying whether ADB had "done things right".

The study investigated client perceptions of ADB's performance. These viewed ADB as responsive, flexible,

empathetic, and non-prescriptive. But, ADB's business processes were universally seen as slow and cumbersome. The Pakistan Resident Mission (PRM) was deemed to lack authority and sector expertise.

Performance Ratings by Sector

| S | PS | U |
|--|--|--|
| <ul style="list-style-type: none"> • Energy (Power) • Transport & Communications (Roads) | <ul style="list-style-type: none"> • Agriculture & Natural Resources • Education • Finance • Law, Economic Management, & Public Policy | <ul style="list-style-type: none"> • Health, Nutrition, & Social Protection • Water Supply, Sanitation, & Waste Management |

Legend: PS = partly successful, S = successful, U = unsuccessful.

The study rated the performance of ADB's operations "partly successful". Performance varied by sector. Operations in power and roads were rated "successful". Those in agriculture and natural resources; education; finance; and law, economic management, and public policy were rated "partly successful". The programs in support of health, nutrition and social protection; and water supply, sanitation, and waste management were rated "unsuccessful". No sector program achieved a "highly successful" rating. The study provided detailed sector assessments in supplementary appendixes.

The study concluded that ADB has too many loans in too many sectors and subsectors, given staff and technical assistance resources and the requirements of its business processes. A strategy that produces a desirable level of focus or coherence was needed, together with firm strategic management.

Recommendations

- In the absence of a major increase in the number of staff assigned to support operations in Pakistan, ADB should reduce the number of sectors and subsectors it is involved in. An appropriate scenario would be four core lending and two core nonlending sectors, with a more focused approach within these sectors. ADB should progressively reduce the number of active public sector projects in its portfolio.
- ADB should start a major buildup in its private sector operations in Pakistan in a manner that creates synergies with its public sector operations.
- The balance needs to be adjusted between (i) lending and (ii) economic, sector, and thematic work and policy dialogue. The second element should be emphasized more to ensure that operations are underpinned by a more rigorous analysis, and that ADB becomes recognized as a leading source of ideas in its sectors of core focus. The core sectors and the allocation of technical assistance resources should be aligned better.
- Staff resources allocated to PRM need to be aligned with the requirements of the program. At least two sector experts are needed for each core sector of engagement. The need for more analyst level support should be investigated. In addition to more staff resources, greater authority should be devolved to PRM, with the country director empowered to act on most matters. As a "quick fix" to the problem of inefficient business processes, procurement and safeguard specialists should be assigned to PRM.
- The incentives for international staff to relocate to PRM need to be reviewed to ensure an adequate pool of candidates for vacancies. Similarly, ADB must be competitive in its remuneration policies for national officers.
- The way ADB-funded projects are prepared (including the use of project preparatory technical assistance) should be reviewed to lead to greater

country leadership, albeit with supportive funding provided from resources currently allocated to project preparatory technical assistance.

- If ADB increases PRM staff resources significantly, greater efforts are needed to ensure compliance with the Resident Mission Policy for full involvement of resident mission staff in processing projects. Similarly, and subject to the same proviso, the delegation of project administration needs to be accelerated, and projects should be delegated as soon as possible after approval before they run into implementation problems.
- To complement the within-project focus on corruption, ADB needs to ensure that it understands the nature, extent, and drivers of corruption in each sector in which it engages. The aim is to ensuring that project design and/or separate initiatives incorporate effective anticorruption measures at the sector or country level. Overcoming corruption is likely to involve greater use of country systems (particularly for procurement) and capacity development to implement these.
- The recommendations made as part of the sector assessments contained in this study should be considered when the new country partnership strategy is formulated.

Feedback

ADB Management's Response accepted that three decades with no trend improvement pointed to the critical need to strengthen results and effectiveness. Improved implementation might be made a pillar of the new country partnership strategy, with attendant spring cleaning. It agreed with the general thrust and recommendations of the study. The **Chair's Summary of the Development Effectiveness Committee Discussions** emphasized client perceptions, stocktaking, sector prioritization, pro-poor approaches, private sector operations, capacity building, project processing, delegation of authority, and knowledge management as key elements toward preparation of a new country partnership strategy.

¹ ADB. 2007. *Country Assistance Program Evaluation for Pakistan*. Manila. Available: <http://www.adb.org/Documents/CAPES/PAK/CAPE-PAK-2007/CAPE-PAK-2007.pdf>