

**PROJECT PERFORMANCE AUDIT REPORT**

**ON THE**

**SOCIAL ACTION PROGRAM (SECTOR) PROJECT  
(Loan 1301-PAK[SF])**

**IN**

**PAKISTAN**

**November 2001**

## CURRENCY EQUIVALENTS

Currency Unit – Pakistan Rupee/s (PRs/PRs)

	<b>At Appraisal</b>	<b>At Project Completion</b>	<b>At Operations Evaluation</b>
	(December 1993)	(February 1999)	(June 2001)
Pre1.00	= \$0.0333	\$0.0248	\$0.0158
\$1.00	= PRs30.00	PRs40.34	PRs63.25

## ABBREVIATIONS

ADB	–	Asian Development Bank
AOP	–	annual operating plan
CPR	–	contraceptive prevalence rate
DEO	–	district education officer
DHO	–	district health officer
DP8	–	Eighth Five-Year Development Plan
EA	–	Executing Agency
EMIS	–	Education Management Information System
GDP	–	gross domestic product
GER	–	gross enrollment rate
IA	–	implementing agency
ICR	–	implementation completion report
IR	–	immunization rate
LGRDD	–	Local Government and Rural Development Department
MSU	–	“multidonor” support unit
NGO	–	nongovernment organization
NWFP	–	North-West Frontier Province
P&D	–	Planning and Development Division
PCR	–	project completion report
PDP	–	Participatory Development Program
PHED	–	Public Health Engineering Department
PIHS	–	Pakistan Integrated Household Survey
RWSS	–	rural water supply and sanitation
SAP	–	Social Action Program
SAPP I	–	Social Action Program (Sector) Project
SMC	–	school management committee
SOE	–	statement of expenditure
SPDC	–	Social Policy and Development Centre
TA	–	technical assistance
TPV	–	third party validation

## NOTES

- (i) The fiscal year (FY) of the Government ends on 30 June.
- (ii) The school year (SY) begins in August and ends in June.
- (iii) In this report, “\$” refers to US dollars.

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**BASIC PROJECT DATA**  
**Social Action Program (Sector) Project (Loan 1301-PAK[SF])**

**Project Preparation/Institution Building**

TA No.	TA Name	Type	Person-Months	Amount (\$)	Approval Date
2106-PAK	Institutional Strengthening of the Public Health Engineering Department in the Province of Punjab and North-West Frontier	ADTA	76	520,000	23 Jun 1994
2107-PAK	Assistance to Multidonor Support Unit	ADTA	86	500,000	23 Jun 1994
2289-PAK	Impact Assessment of Policy and Institutional Reform Measures	ADTA	8	80,000	27 Dec 1994

Key Project Data (\$ million)	As per ADB	Actual
	Loan Documents	
ADB Loan Amount/Utilization	100.00	103.15 <sup>1</sup>

Key Dates	Expected	Actual
	Appraisal	
Loan Negotiations		3-6 May 1994
Board Approval		23 Jun 1994
Loan Agreement		1 Jul 1994
Loan Effectiveness	29 Sep 1994	1 Aug 1994
First Disbursement		12 Sep 1994
Loan Closing	31 Dec 1996	18 Nov 1997
Project Completion	30 Jun 1997	24 Apr 1997
Months (effectiveness to completion)	33	33

<b>Borrower</b>	Government of the Islamic Republic of Pakistan
<b>Executing Agency</b>	Planning and Development Division of the Ministry of Planning and Development

**Mission Data**

Type of Mission	No. of Missions	No. of Person-Days
Fact-Finding	1	—
Appraisal	1	—
Follow-Up	2	125
Project Administration		
Review	5	284
Project Completion	1	68
Operations Evaluation <sup>2</sup>	1	42

— = not available, ADB = Asian Development Bank, ADTA = advisory technical assistance, TA = technical assistance.

<sup>1</sup> Equivalent to SDR70.312 million. ADB loan amount approved was SDR70.354 million.

<sup>2</sup> The Operations Evaluation Mission comprised R.K. Leonard, Evaluation Specialist (Mission Leader); A. Drexler, Social Sectors Specialist (Staff Consultant); R. Malik (Domestic Consultant); and R. Khan (Domestic Consultant).

## EXECUTIVE SUMMARY

Pakistan's economic growth averaged 6 percent per year between 1960 and 1990. However, despite graduating to lower middle-income status, the country's social indicators were among the worst in South and Southeast Asia. Successive governments did not see social sector development as a priority. The Government allocated only 3 percent of annual public expenditure to education and health between 1986 and 1992, the lowest of any country in South or Southeast Asia. Further, around two thirds of social sector spending was directed to secondary and tertiary education, hospitals, and other higher level services that primarily benefited the upper socioeconomic groups. The situation of rural people and women generally was particularly dire. The Government started to recognize that this had to be addressed by strong affirmative action. However, projects specific to the social sectors had often produced disappointing results. Meanwhile, social sector spending remained low and was frequently of poor quality. It became apparent that a more comprehensive and coordinated approach was required.

In response, the Government, assisted by external agencies, formulated a comprehensive Social Action Program (SAP). SAP covered those subsectors that had traditionally been neglected and where increased public investment was expected to produce the greatest improvement in well-being—primary education, primary health care, population welfare, and rural water supply and sanitation (RWSS), the “SAP sectors.” SAP specifically aimed to reduce or eliminate urban-rural and gender disparities. The primary approach was to significantly increase the level of public funding for the SAP sectors and to improve the quality of that expenditure, in particular by increasing the proportion of nonsalary to salary expenditure. While the main focus was on public expenditure, it was recognized that the Government could not achieve the desired results by itself and that a coordinated effort involving the community, nongovernment organizations (NGOs), and the private sector was necessary. It was also recognized that a number of policy reforms would be required and that public sector institutions would need to be strengthened.

SAP formed a key part of the Government's Eighth Five-Year Development Plan. The cost of the first three years of SAP was estimated at \$4 billion. Of this, the Government planned to fund \$3 billion and sought funding agencies' support for the balance. Led by the World Bank, a number of funding agencies, including the Asian Development Bank (ADB), agreed to jointly support SAP. As part of this support, ADB approved the Social Action Program (Sector) Project<sup>3</sup> (SAPP I). Its goal was to improve the social well-being of the population of Pakistan, in particular of those in rural areas and of women. The objectives were to (i) increase absolute and relative funding for the SAP sectors, as well as the timely release and protection of this funding; (ii) increase funding for the nonsalary component of SAP expenditure; (iii) reduce gender and urban-rural disparities; (iv) decentralize SAP sector finance and administration; (v) increase community involvement; (vi) increase private sector and NGO participation; (vii) adopt and implement a series of policy reform measures; and (viii) create effective intersector linkages and coordination.

ADB's SAPP I formed an integral part of the funding agencies' support for SAP. All external funds were jointly used to reimburse a proportion of the operational expenditure of provincial departments (education, health, and public health engineering) and federal ministries delivering SAP services through vertical programs. ADB's SAPP I provided funding for 15 subprojects with ADB covering around one third of the total external funding of each subproject. External funding used an innovative mechanism that reimbursed a proportion of incremental SAP expenditure beyond a target percentage of gross domestic product. At the time of its approval, SAPP I was identified as a hybrid loan that covered both investment in

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<sup>3</sup> Loan 1301-PAK: *Social Action Program (Sector) Project*, for \$100 million, approved on 23 June 1994.

subprojects and a substantial policy reform component. The loan did not fit either the project or program modality although it was classified as a project loan. In fact, it had many of the characteristics of a sector development program although its approval predated the creation of this modality.

The federal Planning and Development Division of the Ministry of Planning and Development, through its SAP secretariat, was the Executing Agency for SAPP I. The federal ministries and the provincial departments were the implementing agencies. A “multidonor” support unit (MSU), attached to the World Bank office, was established to act as a focal point for funding agency coordination and support and to assist the Government in monitoring SAP. During implementation, there were no major changes in scope or implementation arrangements. SAPP I provided advisory technical assistance for institutional strengthening, assistance to MSU, and policy impact assessment.<sup>4</sup> The scheduled loan closing date was 31 December 1996. This was extended to 18 November 1997 at the request of the Government to allow utilization of loan savings of \$20.5 million as bridge financing until commencement of SAPP II.<sup>5</sup>

SAP has taken place in difficult political and economic circumstances. Although there have been eight governments between 1990 and 2001, there has been broad support for SAP and each government has adopted it as its own. However, economic conditions have deteriorated. There have been significant fiscal pressures from continued high budget deficits and rising debt servicing.

A project completion report (PCR) was prepared in June 1999. The PCR rated SAPP I successful. On the positive side, the PCR noted that (i) incremental SAP expenditure targets were largely met; (ii) girls’ enrollment increased; (iii) health service provision improved; (iv) the contraceptive prevalence rate improved; (v) a uniform policy on RWSS was adopted; and (vi) coordination of external funding was good. It also noted that (i) there was opposition to the reforms in the lower levels of the bureaucracy; (ii) progress with community empowerment was slow; (iii) there were deficiencies in monitoring the ambitious targets; and (iv) weak institutional capacity and high staff turnover were major impediments. The PCR did not seek to establish the cause and effect relationship between results and SAPP I initiatives, or to assess development impact and sustainability, as these were not required under PCR guidelines in effect at the time. These issues are addressed in the project performance audit report.

SAPP I is assessed as relevant. It was highly relevant in terms of need. It was an innovative concept designed to enhance the low profile of social sector development. SAPP I had a high degree of strategic fit with ADB and government objectives and strategies. However, its design was less relevant as it placed too much emphasis on increasing expenditure and investment and not enough on the efficiency of existing and incremental expenditure, governance issues, and the institutional constraints to effective service delivery, including bureaucratic resistance to key reforms. The emphasis on improved quality of expenditure was highly relevant. However, the mechanism of channeling incremental nonsalary expenditure through a largely unchanged and inefficient public service was not sound. The strategic policy reforms (cross-cutting issues) of increased private sector, NGO, and community participation, and greater decentralization and cost recovery, were all highly relevant. However, bureaucratic resistance was underestimated. Almost no resources were directed to the private (fee-for-service) sector despite SAP’s recognition of the need for significant private sector involvement.

SAPP I is assessed as less efficacious although it was effective in achieving expenditure targets. Nonsalary expenditure in health and education showed significant gains. Expenditure

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<sup>4</sup> TA 2106-PAK: *Institutional Strengthening of the Public Health Engineering Department in the Province of Punjab and North-West Frontier*, for \$520,000, approved on 23 June 1994; TA 2107-PAK: *Assistance to Multidonor Support Unit*, for \$500,000, approved on 23 June 1994; and TA 2289-PAK: *Impact Assessment of Policy and Institutional Reform Measures*, for \$80,000, approved on 27 December 1994.

<sup>5</sup> Loan 1493-PAK: *Social Action Program (Sector) Project II*, for \$200 million, approved on 28 November 1996.

increases came largely from incremental revenue (in particular, external funds) rather than reallocation within or among sectors. Generally, SAP expenditure was not protected versus that of other sectors. SAP performance by sector was mixed. The performance of the education sector, which attracted over 60 percent of SAPP I funds, was disappointing. The health sector performed better. Progress in RWSS was disappointing while the population welfare sector performed relatively well. Achievement of results in cross-cutting issues was mixed as well. The need for community participation was accepted by the Government but deep-seated opposition in the public sector to NGO or private sector participation meant that almost no real progress was made in these areas. Some progress was made in decentralization to the district level but this was not extended to the facility level. Cost recovery was initiated in the RWSS sector but doubts exist about the financial viability of many of the government schemes. Without any doubt, though, the profile of the social sectors has been raised significantly as a result of SAP. There is now a much more widespread acknowledgment that greater attention needs to be given to the social sectors. In the national context, this is no small achievement.

SAPP I is rated less efficient. Although efficiency was recognized as an issue, specific ways to improve the efficiency of existing and incremental expenditure were not included in its design or effectively incorporated during implementation (although ADB missions repeatedly raised efficiency issues). It was accepted that more expenditure was required and that the performance-based reimbursement mechanism rewarded incremental expenditure rather than results. There were no demonstrable gains in efficiency as a result of SAPP I. In terms of efficiency of process, results were mixed. The review process was cumbersome but it did engage various levels of government in substantial and sustained dialogue on social sector issues. This was SAPP I's greatest success. The process approach was appropriate. However, adoption of such an approach brings with it the need to have a comprehensive and flexible monitoring and evaluation framework so that targets are redefined, indicators confirmed, and data collected to assist project implementation and subsequent assessment of performance.

Sustainability of SAPP I is assessed as less likely. The increased visibility of and stated political commitment to social sector development have been sustained. However, increased financial allocations have not been sustained, nor has SAP expenditure been protected in relative terms. Education, health, population, and RWSS indicators have generally declined or stagnated since 1996/97. Few further gains have been made in the strategic policy reform areas.

SAPP I is judged to have produced some positive impacts aside from those considered under efficacy. The profile of accountability and transparency, as issues in public sector management, has increased. Gender issues are more openly acknowledged by public sector officials to be an important consideration in social sector development.

The overall rating is partly successful. SAPP I was an ambitious attempt to improve the social conditions of the Pakistan people, particularly women and those in rural areas. SAPP I was an innovative and relevant concept. Despite the rapid population growth and inflation, and the Government's fiscal constraints, SAPP I helped preserve, or even slightly increase, per capita social sector spending in real terms. In some sectors, the investment component performed below expectations as more than half of the funds were directed to the education sector where results were disappointing. The focus on incremental expenditure and a greater share of nonsalary expenditure channeled exclusively through existing public sector systems improved outcomes less than envisaged. The program component had mixed results. SAPP I had its greatest success in the substantial dialogue generated and the consequent commitment to social sector issues and development. A useful start was made to greater community participation and decentralization but little progress was made in involving NGOs and the private sector. SAPP I's lack of support for private sector service provision was a drawback. Where there were positive results, as in the health sector, it was not always possible to attribute these to SAPP I initiatives.

Notwithstanding the partly successful rating, SAPP I was a creditable performance within the context of Pakistan.

ADB performance is assessed as highly satisfactory in terms of the quality of support provided. Although substantially more time was spent for reviews than for other similar-sized projects, the number of staff assigned should have been higher. The Executing Agency and implementing agency performance is judged as partly satisfactory. An insufficient number of full-time staff was assigned to the federal SAP secretariat and provincial SAP coordination committees. High staff turnover in the implementing agencies negatively affected their performance. Women's involvement in management remained minimal. Although this is an endemic problem in the Pakistan public service, it was particularly problematic for SAP given its focus on reducing gender disparities.

A key issue for the future of social sector development in Pakistan is how to fully incorporate the rapidly growing role of the private sector, and the willingness and ability of increasing numbers of people to pay for higher-quality social services, into the SAP policy and strategy framework. What is required is a major change in attitude by the Government and its bureaucracy to support a mix of public and user funding, with largely private provision as the most effective and cost-efficient way of achieving social objectives. Coupled with much greater private sector service provision, scarce public resources should be targeted both to the most needy who lack the ability to pay, and to areas where the private sector is unlikely or unwilling to provide services. SAPP I was an innovative response to a dire situation. Further innovation is needed for a situation that remains dire. Until this is accepted, gains will be painfully slow. Funding agencies and the Government should agree on how external funding can be directed to support and enhance both public and private service provisions.

The following are the key lessons that have emerged from the SAP experience:

- (i) Greater government social sector expenditure and increased nonsalary expenditure may be necessary conditions for improved social outcomes in Pakistan, but they are insufficient by themselves. Directing incremental expenditure and increased nonsalary funds through poorly performing and largely unchanged public institutions produces unsatisfactory results.
- (ii) Incremental public sector SAP expenditure will be financially sustainable in Pakistan only if strong efforts are made to increase revenues through means such as cost recovery, higher resource mobilization from federal and provincial taxes, and privatization of noncore government assets in order to repay debt. Significant resource reallocations among sectors may also be required.
- (iii) Opportunities for efficiency and effectiveness gains from existing expenditures need to be identified and benchmarks for service quality and the costs of service provision established, if incremental public expenditure is to produce expected results. Alternatives to currently inefficient public sector provision and funding need to be explored and tested.
- (iv) The reimbursement mechanism of rewarding incremental expenditure is an incentive to use more inputs rather than produce better results.
- (v) The private sector is a major service provider in all SAP sectors (with a few exceptions, such as immunization). An increasing number of people are prepared to pay for higher-quality and more reliable social sector services. For its part, the private (or fee-for-service) sector has shown itself willing and able to respond to this demand.

## I. BACKGROUND

### A. Rationale

1. Pakistan's economic and agricultural growth was impressive from 1960 to 1990 but social indicators did not show commensurate improvement (Appendix 1). Gross domestic product (GDP) growth averaged over 6 percent per year during the period while annual population growth was 3.1 percent. The increase in per capita GDP over the period was the highest in South Asia. The per capita gross national product of \$400 in 1991 was the second highest in South Asia. However, while economic growth was good, social indicators were poor. The under-five mortality rate was the highest, infant mortality was the second highest, and the adult literacy rate the second lowest in the early 1990s in South and Southeast Asia. Between 1980 and 1992, Pakistan had smaller reductions in infant mortality and average annual fertility rates than any other country in this region. Pakistan also had at that time one of the worst income disparities in Asia, a literacy level of 35 percent (10 percent for rural women), a contraceptive prevalence rate of 12 percent, and a failed family planning program.

2. Pakistan allocated only 3 percent of annual public expenditure to education and health between 1986 and 1992, the lowest in South and Southeast Asia. However, successive governments did not see the social sectors as a priority. Two thirds of the health and education budgets at federal and provincial levels were allocated to secondary and tertiary education, hospitals, and other higher level services that primarily benefited higher socioeconomic groups. It became apparent that there was a need to refocus social sector budgets on (i) primary education, primary health care, and basic social services; and (ii) nonsalary recurrent expenditure to improve the functioning of facilities and the quality of services. In response, the Government, with external assistance, prepared and launched a Social Action Program (SAP) in 1992/93. Initially conceived as a three-year program, it was reformulated as a five-year program for incorporation in the Eighth Five-Year Development Plan 1993-98 (DP8).

3. SAP set ambitious targets for improving key social indicators. The focus was on the most disadvantaged groups by targeting female education, infant care, and rural people not currently receiving basic social services. Responsibility was seen as resting primarily with the provincial governments, which would need to involve nongovernment organizations (NGOs) and the private sector.<sup>6</sup> For primary education, the focus was on improved access (more schools and more teachers, especially girls' schools and female teachers) and quality enhancement. The primary health care focus was efficiency of service delivery and quality given that coverage of basic health facilities was generally adequate. For rural water supply and sanitation (RWSS), the emphasis was on strengthening the operational capabilities of government departments concerned as well as engendering meaningful involvement of community organizations in the identification, planning, execution, and operation and maintenance of water supply schemes. The population program was to focus on increasing contraceptive supply. Program planning and budgeting was to be introduced and management information systems further developed.

### B. Formulation

4. External funding agencies, led by the World Bank, agreed to jointly support SAP.<sup>7</sup> Federal government officials and World Bank staff largely formulated the program of support. Some consultations were held at the provincial level with senior officials, and workshops were

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<sup>6</sup> Throughout this report, the term private sector is used to describe a wide range of mostly small-scale providers operating on a fee-for-service basis.

<sup>7</sup> The abbreviation SAP is used to designate the overall Social Action Program including donor and government funding. SAPP I is used to signify ADB's first loan in support of SAP.

conducted to introduce the concepts to planning officials and to elicit comments and suggestions, but the degree of participation at lower levels tended to be superficial with less ownership as a result. In support of SAP, the Asian Development Bank (ADB) approved the Social Action Program (Sector) Project (SAPP I).<sup>8</sup> There was no project preparatory technical assistance (TA) as ADB largely drew on the work of the World Bank. SAPP I was a hybrid loan that covered both investment in subprojects and substantial policy reform, together with a performance-based reimbursement mechanism. The loan did not fit either the project or program modality although it was classified as a project loan (see paras. 9 and 12 for a description of its unique features). In fact, it had many of the characteristics of a sector development program but its approval predated the creation of this modality.

### **C. Purpose and Outputs**

5. The objective of SAPP I was to support the Government's SAP. The objectives, targets, and outputs for the overall SAP, to which SAPP I was expected to contribute, were outlined in DP8.

#### **1. Project Goal**

6. The goal of SAPP I was to improve the social well-being of the population of Pakistan, and, in so doing, to reduce or eliminate gender and urban-rural disparities. Targets set for the period 1992/93 to 1997/98 were (i) a reduction in the population growth rate from 2.95 percent to 2.74 percent; (ii) an increase in the male and female adult literacy from 50 percent and 25 percent to 66 percent and 40 percent, respectively;<sup>9</sup> (iii) a reduction in the infant mortality from 86 to 65 per 1,000 live births; (iv) a reduction in the maternal mortality from 300 to 150 per 100,000 live births; and (v) an increase in the life expectancy from 61.6 years to 63.6 years for males and from 61.2 years to 63.3 years for females. It was expected that the contribution of improved RWSS would be reflected in health statistics.

#### **2. Project Purpose**

7. The purpose of SAPP I was to increase political commitment to improve social sector indicators as evidenced by (i) increased absolute and relative funding for primary education, primary health care, RWSS, and population welfare, as well as the more timely release and protection of this funding; (ii) increased funding for the nonsalary component of SAP expenditure; (iii) reduction of gender and urban-rural disparities; (iv) greater decentralization (of health, education, and population welfare) for expenditure management; (v) increased community involvement (particularly in primary education, RWSS, and health); (vi) increased private sector and NGO participation across all SAP sectors; (vii) adoption and implementation of a series of sector-specific policy reform measures; and (viii) creation of effective intersector linkages and coordination. Targets were set for the level of increased government funding for the SAP sectors in terms of an aggregate percentage of GDP (1.6 percent in 1993/94, 1.7 percent in 1994/95, and 1.8 percent in 1995/96 and 1996/97). No targets were set for the other elements of the project purpose.

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<sup>8</sup> Loan 1301-PAK: *Social Action Program (Sector) Project*, for \$100 million, approved on 23 June 1994.

<sup>9</sup> Although adult literacy was included as a target within the five-year SAP period, it could not be significantly influenced within the period by improving primary education coverage (for five- to nine-year-old children), given the time lag for this age group to enter the adult category.

### 3. Project Outputs

8. The main outputs of SAP, to which SAPP I was expected to contribute, are shown in Table 1 (see paras. 27-41 for details of achievements against targets).

**Table 1: SAP Outputs**

<b>SAP Sector</b>	<b>Outputs</b>
Primary Education	Construction of new schools and renovation of existing schools with an emphasis on girls' schools. Recruitment of additional teachers with an emphasis on female teachers. Increased primary enrollment with focus on girls' enrollment.
Primary Health Care	Upgrading and limited new construction of rural health centers and basic health units. Recruitment of female health workers and traditional birth attendants. Increased level of immunization and distribution of oral rehydration salts.
Population Welfare	Recruitment of additional village family planning workers. Increased contraceptive prevalence rate.
RWSS	Increased coverage of RWSS. Adoption and implementation of a uniform policy resulting in community ownership and management of schemes.

RWSS = rural water supply and sanitation, SAP = social action program.

Source: Loan 1301-PAK(SF): *Social Action Program (Sector) Project*, Report and Recommendation of the President, 1994.

### 4. Scope and Subprojects

9. SAPP I formed an integral part of the support for SAP by several funding agencies. All external funds were used to reimburse a proportion of the operational expenditure of provincial departments (education, health, and public health engineering) and federal ministries delivering SAP services through vertical programs. The qualifying expenditure was designated SAP expenditure, which covered primary education (up to Grade 5), primary health care, RWSS, and population welfare (family planning). The SAP expenditure of a particular line agency (for example, the expenditure of the Balochistan Department of Education on primary education) was considered to be a subproject. ADB's SAPP I provided funding for 15 such subprojects—the SAP expenditure of the departments of education, health, and public health engineering in the four provinces (Balochistan, North-West Frontier Province, Punjab, and Sindh) plus three vertical programs of the Ministry of Population Welfare, Ministry of Health, and Ministry of Education. Expenditure was deemed to be eligible for reimbursement if it was qualifying SAP expenditure and it fell within that approved by external funding agencies under the system of annual operating plans (AOPs). AOPs, which spelt out the proposed expenditure program for the coming year, were discussed with and approved by external funding agencies as a precondition for the subsequent reimbursement of a proportion of actual expenditure.

## D. Cost, Financing, and Executing Arrangements

### 1. Project Cost

10. Total SAP cost over the five-year DP8 period was estimated at \$7.7 billion. The cost of the first three years of SAP was estimated at \$4.0 billion, with almost 60 percent to be spent on education subprojects (Table 2 with a full breakdown in Appendix 2). ADB's loan of \$100 million was expected to provide a different balance of funding (Table 3) with only 39 percent directed to education subprojects. However, given the cost-sharing arrangement adopted (para. 12 and Appendix 3), ADB's sector allocation could in fact not differ from that of the World Bank.

**Table 2: Estimated Cost of SAP**  
(\$ million)

<b>Category of Subprojects</b>	<b>Three-Year Program Cost (1993/94 to 1995/96)</b>
Education	2,382
Health	571
RWSS	576
Federal Programs	354
<b>Total</b>	<b>4,020</b>

RWSS = rural water supply and sanitation, SAP = social action program.

Source: Loan 1301-PAK(SF): *Social Action Program (Sector) Project*, Report and Recommendation of the President, 1994.

**Table 3: Estimated Costs of SAPP I**

<b>Category</b>	<b>Cost (\$ million)</b>
Education	39
Health	21
RWSS	15
Population	12
MOH and MOE Vertical Programs	11
SAP M&E	2
<b>Total</b>	<b>100</b>

M&E = monitoring and evaluation, MOE = Ministry of Education, MOH = Ministry of Health, RWSS = rural water supply and sanitation, SAP = social action program, SAPP I = Social Action Program (Sector) Project.

Source: Loan 1301-PAK(SF): *Social Action Program (Sector) Project*, Report and Recommendation of the President, 1994.

## 2. Financing Arrangements

11. Of the total three-year SAP cost of \$4.0 billion, the Government was expected to fund \$3.05 billion or 76 percent, with the balance provided by a variety of external funding agencies (Table 4). Funding from the external agencies was estimated at \$418 million with a further \$552 million to be provided by disbursements from ongoing and planned projects in the SAP sectors (the “umbrella projects”).<sup>10</sup>

**Table 4: SAP Financing Plan (1993/94 to 1995/96)**

<b>Source</b>	<b>Amount (\$ million)</b>
Borrower-Financed	3,050
ADB	100
World Bank	200
Ministry of Development Cooperation, Netherlands	13
Department for International Development, United Kingdom	17
Others	88
Umbrella Projects	552
<b>Total</b>	<b>4,020</b>

ADB = Asian Development Bank, SAP = social action program.

Source: Loan 1301-PAK(SF): *Social Action Program (Sector) Project*, Report and Recommendation of the President, 1994.

12. External funding agencies' support of SAP used an innovative funding mechanism designed to reward incremental SAP expenditure (see Appendix 3 for details). A proportion of incremental expenditure (beyond a target percentage of GDP) was reimbursed on the basis of actual expenditure reported through statements of expenditure (SOEs). Each year, external agencies prepared a financing plan to determine (i) the level of external agency funding for the fiscal year; (ii) reimbursement ratios for implementing entities; and (iii) sharing of reimbursements among the external funding agencies. The reimbursement ratio between World Bank and International Development Association-administered funds (composed of grants from the International Development Association, the Netherlands grant, and the Department for International Development) and ADB financing was generally two to one.<sup>11</sup>

## 3. Executing Arrangements

13. The federal Planning and Development Division (P&D) of the Ministry of Planning and Development, through its SAP secretariat, was the Executing Agency (EA). The federal ministries and the provincial departments were the implementing agencies (IAs). It was recognized that incremental expenditure needed to be accompanied by better public sector institutions. It was also recognized that the Government needed help to implement such a

<sup>10</sup> Umbrella projects funded by ADB included Loan 850-PAK: *Third Health Project*, for \$30.4 million, approved on 29 October 1987 (closed August 1996); Loan 977-PAK: *Primary Education (Girls) Sector Project*, for \$64.2 million, approved on 26 October 1989 (closed June 1996); Loan 1200-PAK: *Health Care Development Project*, for \$60 million, approved on 1 December 1992 (not yet closed); Loan 1277-PAK: *Population Project*, for \$25 million, approved on 2 December 1993 (closed June 2000); Loan 1278-PAK: *Middle School Project*, for \$78.01 million, approved on 2 December 1993 (middle school was included as an SAP sector only during SAPP II; loan not yet closed); and Loan 1349-PAK: *Punjab Rural Water Supply and Sanitation (Sector) Project*, for \$46 million, approved on 31 January 1995 (not yet closed).

<sup>11</sup> During the SAPP I period, ADB did not finance SAP activities (subprojects) in the Special Areas—Azad Jammu and Kashmir (AJK), Federally Administered Tribal Areas (FATA), the Northern Areas (NA), and Islamabad Capital Territory (ICT). Also, ADB did not contribute to the Participatory Development Program (PDP) established to fund NGO participation in social sector delivery.

complex project. Capacity building focused on the following areas: (i) planning and policy formulation; (ii) coordination; (iii) management (for example, of procurement); (iv) monitoring and evaluation; and (v) sector-specific institutional reforms. A “multidonor” support unit (MSU), attached to the World Bank office, was established to act as a focal point for funding agency coordination and support and to assist the Government in monitoring SAP. During project implementation, there were no major changes in implementation arrangements. SAPP I provided advisory TA for institutional strengthening of the Public Health Engineering Departments (PHEDs) in the province of Punjab and the North-West Frontier Province (NWFP), assistance to MSU, and impact assessment of policy and institutional reform measures.<sup>12</sup> Other SAP funding agencies also provided technical support to MSU, the federal Bureau of Statistics, and provincial agencies.

## **E. Completion and Self-Evaluation**

14. The scheduled closing date for the loan was 31 December 1996. This was extended to 18 November 1997 at the request of the Government to allow utilization of loan savings of \$20.5 million for bridge financing until commencement of SAPP II.<sup>13</sup> A residual amount of \$56,904 was cancelled from the loan account upon closure.

15. A project completion report (PCR) was prepared in June 1999. The PCR rated the project successful. On the positive side, the PCR noted that (i) incremental SAP expenditure targets were largely met; (ii) girls’ enrollment increased; (iii) health service provision improved; (iv) immunization rates (IRs) improved; (v) the contraceptive prevalence rate (CPR) improved; (vi) a uniform policy on RWSS was adopted and schemes handed over to the community; (vii) implementation performance was satisfactory; and (viii) coordination among external funding agencies was good. On the negative side, the PCR noted that (i) a willingness to implement reforms did not filter down to the lower levels of the bureaucracy; (ii) progress with community empowerment was slow; (iii) there were deficiencies in monitoring the ambitious targets; (iv) weak institutional capacity was a major impediment; and (v) high staff turnover at the provincial level was a major constraint. The PCR highlighted the successful and not so successful aspects of SAPP I. However, given the requirements for PCR preparation in effect at the time, it did not seek to establish the cause and effect relationship between results and SAPP I initiatives. It did not assess the qualitative aspects of the outputs or their development impact. The PCR did not address the issue of sustainability in any depth. The World Bank’s implementation completion report (ICR) prepared one year earlier did not provide an overall rating for its first loan in support of SAP. It noted many of the same points as the PCR. It also drew attention to the effectiveness of the policy dialogue. It was optimistic on the likelihood of sustainability.

16. In 1997, a Pakistan policy research NGO, the Social Policy and Development Centre (SPDC), conducted a substantial evaluation of SAP and the support from the various funding agencies.<sup>14</sup> Unlike the PCR or ICR, this evaluation included a field survey that covered 244 communities. The evaluation identified two reasons for success: (i) increased financial outlays, and (ii) greater awareness of social development. However, it also listed a large number of “reasons for failure” including (i) a lack of cost effectiveness, financial sustainability, accountability, community participation, approved guiding policies in health and education, and cross-sector synergy; (ii) excessive staff transfers and absenteeism; (iii) failure to involve the private sector; and (iv) little change in institutional structures and administrative procedures. Interestingly, the evaluation noted that SAP amply demonstrated that NGOs were not a panacea for sector development. On the other hand, it also stated that the private sector had

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<sup>12</sup> TA 2106-PAK: *Institutional Strengthening of the Public Health Engineering Department in the Province of Punjab and North-West Frontier*, for \$520,000, approved on 23 June 1994; TA 2107-PAK: *Assistance to Multidonor Support Unit*, for \$500,000, approved on 23 June 1994; and TA 2289-PAK: *Impact Assessment of Policy and Institutional Reform Measures*, for \$80,000, approved on 27 December 1994.

<sup>13</sup> Loan 1493-PAK: *Social Action Program (Sector) Project II*, for \$200 million, approved on 28 November 1996.

<sup>14</sup> *Review of the Social Action Program*, Social Policy Development Centre, August 1997.

demonstrated that it was more accountable and responsive to the demands of service users. The SPDC evaluation placed much emphasis on the nonsustainability of incremental SAP expenditure without increased revenues. This has proven to be the case (para. 73).

## **F. Operations Evaluation**

17. There are strongly divergent views on the performance of SAP. On the one hand, some see the exercise as largely a failure. This point of view is based on the reality that many of Pakistan's social indicators have shown only limited improvement and generally remain very low. Others believe that SAP has shown considerable success. They point to the fact that prior to SAP, the social sectors had a very low profile and a low priority in the allocation of public resources. Further, they note that the Government previously did not acknowledge aspects, such as gender and urban-rural disparities, NGO involvement, public-private partnerships, and community participation, as relevant. Some people also believe that the situation in the social sectors would have been much worse without SAP highlighting the need to consider the counterfactual—what might have happened without SAP.

18. Evaluation of SAPP I performance is challenging because (i) SAPP I project goal, purpose, and outputs are those of the overall SAP; (ii) as ADB funds went into a common pool with those of other external funding agencies, it is not possible to distinguish between the impact of ADB funding and that of other funding agencies; (iii) as funding agency reimbursement was tied to aggregate incremental funding by the Government, it is problematic to identify specific investments funded by funding agencies because of the fungibility of funds (apart from TA); (iv) concurrent with SAPP I, funding agencies including ADB were funding a number of other projects in support of SAP sectors and the impact of SAPP I cannot be clearly distinguished from those of such umbrella projects; (v) as SAPP I was immediately followed by SAPP II, it is not possible to clearly separate the impact of SAPP I from that of the second phase; (vi) establishing a cause and effect relationship between movements in the indicators of SAP performance and the provision of ADB funding is difficult;<sup>15</sup> and (vii) there is considerable variation in the data from different sources and questions on the validity of much of the available data.

19. Bearing these difficulties in mind, the performance of SAPP I was assessed on the basis of its relevance, efficacy, efficiency, sustainability, and other impacts. Under each of these criteria, a specific set of subcriteria was developed (Appendix 4). The counterfactual is an important consideration in evaluating SAPP I given the turbulent political and economic context during and subsequent to project implementation. Many factors may have prevented SAPP I from demonstrating more success. If external and uncontrollable events adversely affected project performance, its rating should take this into account. Although assessing the counterfactual is extremely difficult as there is no “with” and “without” project scenario since SAP had national coverage, an attempt has been made to do so (para. 94 and Appendix 5).

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<sup>15</sup> The World Bank ICR notes “assessing the SAPP objectives is a daunting task ... even if a particular objective is achieved, it is difficult to ascertain to which activity it is linked, if related to the project at all. Even more problematic, the program covers all basic education, primary health, family welfare, and rural water supply and sanitation programs in a nation of over 135 million people.”

## II. PLANNING AND IMPLEMENTATION PERFORMANCE

### A. Design and Formulation

#### 1. Design

20. SAPP I was highly relevant in terms of needs. Pakistan had extremely poor social indicators compared to its neighbors and it spent substantially less on the social sectors. A causal link between poor social outcomes and low expenditure seemed to be clear. Within the social sectors, the emphasis had traditionally been on higher level rather than primary or basic services, thus public expenditure was not going to where the social returns were the greatest. The imbalance between salary and nonsalary expenditure was seen to be a primary cause of poor quality of social service delivery. Also, poor social outcomes were not distributed evenly across society. SAP recognized that reducing or eliminating urban-rural and gender disparities could produce the greatest benefits. Its design recognized that changed attitudes were required, particularly among those allocating and spending public funds. Accordingly, a campaign approach was adopted to mobilize increased support, in particular funding, for social sector development. SAP also recognized that better social outcomes required a more coordinated effort that involved the public sector and the community, the private sector, and NGOs. Support to SAP adopted a process approach based on AOPs. This was relevant to the need to nurture changed behavior by the Government.

21. Two design assumptions can be questioned, one explicit and the other implicit. First, the design assumed a direct causal link between poor social sector outcomes and a low level of public funding. While social sector expenditure was low by international standards, no analysis was presented in project documents to assess whether existing levels of expenditure were giving the results that accepted norms of efficiency would lead one to expect. Certainly, the need for policy reforms and the imbalance between salary and nonsalary expenditure were recognized in the design but the role of other causal factors of poor social sector performance was not presented, in particular, institutional constraints and governance issues. Importantly, there was also no demonstrated linkage between the proposed incremental funding (input), the additional service coverage and quality improvements targeted (outputs), and the improved level of social indicators (outcomes). In other words, would the proposed inputs produce the planned outputs and, in turn, would these lead to achievement of project purpose in terms of the desired outcomes?

22. A second assumption, which is implicit in the SAPP I design, is that the Government should be the principal funder and provider of social services. Although SAP recognized the need for private sector and NGO involvement in service provision, and the opportunity for cost recovery from users, these aspects became marginal to SAPP I rather than a central part. Although funding agencies continued to bring these issues up, they probably underestimated the level of bureaucratic opposition and the extent to which the stated objectives of the Government did not reflect real commitment. Bureaucrats continued in their view that the public sector should be the dominant provider and funder of basic social services. SAPP I design could have incorporated more specific measures to help turn the Government's stated policy position into concrete actions.

23. Subsequent empirical research by the World Bank illustrates important issues with respect to the relevance of SAPP I design.<sup>16</sup> The research has confirmed that financing matters but only in a good policy environment and that efforts to "buy" policy improvements are unsuccessful unless there is strong domestic leadership and political support. The research has also demonstrated the fungibility of aid directed to particular sectors, and that the quality of

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<sup>16</sup> World Bank. 1998. *Assessing Aid: What Works, What Doesn't, and Why*. Oxford University Press.

public spending is as important as the quantity and that best results are obtained when aid supports changes to the way the public sector does business. The research has highlighted the need for a long-term vision of systemic change, such as a set of agreed guiding principles. This was lacking in SAP, explicitly at least, leading to the question whether the macro-conditions existed for SAPP I success. The unstable political situation of Pakistan and poor governance created a very difficult environment for the changes envisaged by SAP.

24. SAPP I was the first attempt to adopt a cross-sector approach to improving basic social indicators in Pakistan. Prior to SAP, funding agencies and the Government had focused on individual sector projects. SAPP I was a response to the reality that sector-specific initiatives were performing poorly and that a different approach was needed. SAPP I was innovative and, irrespective of the outcome, credit should be given for a willingness to experiment with a new approach. The underlying logic for bundling the SAP sectors as a program had three elements to it. First, and most important, it aimed to create a quantum gain in political and bureaucratic acceptance of the importance of social sector development and the need to allocate more resources to these sectors. SAPP I is widely credited with being extremely successful in this regard. Second, it was seen as an effective way of dealing with broader policy issues that cut across all the social sectors, namely, community participation, decentralization, private sector and NGO participation, cost recovery, and the common need for improved planning, monitoring, and evaluation systems. Results in these areas were mixed (paras. 64-69 and 81-86). Third, the program approach aimed to capture synergies between the SAP sectors—between health, population, education, and RWSS—but little, if anything, was achieved in this regard. The relevance of the program-wide approach was high, but the results were mixed.

25. SAPP I was highly relevant in terms of the Government's priorities and strategies. SAP was the Government's own program and it formed a key part of DP8. SAPP I was also directly relevant to the major objectives of ADB's overall strategy, as stated in the Medium-Term Strategic Framework, 1994-1998. This, and the 1995 Country Operational Strategy, encouraged greater priority to social sectors and increased investment in social sector development.

## **2. Formulation**

26. SAPP I was formulated largely at the federal level. Some consultation occurred with provinces but with insufficient real participation. Former provincial officials say that they were not involved in formulating SAPP I. As a result, they had little ownership and while some provincial officials recognized the rationale for the program and the need for it, others felt that the federal Government and the foreign funding agencies imposed it on them. In any case, what provincial ownership existed initially was diluted through the very high turnover of staff. There was no systematic incorporation of community perspectives in SAPP I formulation. Community-focused ethnographic research should have provided the basis for understanding social systems leading to effective interventions in support of desired social change. Focus groups should have been developed at an early stage to provide comments on community priorities, likely problems, and approaches more likely to work. Private sector and NGO consortia should have been included in formulation, particularly with a view to designing effective ways to involve them in social service provision.

## B. Achievement of Outputs<sup>17</sup>

### 1. Primary Education

27. The education sector did not reach the targets established for DP8 despite receiving 62 percent of the funds under SAPP I. The provincial education departments were unable to establish the planned number of primary schools—a target of 30,400 new schools was set (around 70 percent of which were to be girls' schools). Education Management Information System (EMIS) data show that there were 14,921 more primary schools operating in 1996/97 than in 1992/93 (an increase of 12 percent). However, there were 19,537 more girls' or mixed schools and 6,380 fewer boys' schools with the difference being made up by changes in the number of mosque schools. More girls' or coeducational schools were established as intended but a significant part of the gain was from conversion of boys' schools. The plan was to hire 54,000 new teachers (around 35,000 female teachers). EMIS data show 40,705 more teachers in 1996/97 than in 1992/93, of whom 20,055 were females. The proportion of female teachers remained virtually unchanged. The increased numbers of operating primary schools and teachers did not keep pace with population growth. The gross enrollment rate (GER) in all primary schools (government and private), the critical indicator of progress under SAP, declined from 73 percent in 1990/91 to 72 percent in 1996/97, against a planned increase of 27 percent. According to EMIS data, absolute numbers in primary education reached 9.6 million in 1997/98 compared to the SAP target of 18 million. EMIS data need to be treated with some caution as there is evidence that a significant number of recorded schools are "ghost" schools (9.4 percent according to a 1995 sample survey by the Auditor General), or they exist but do not operate because of poor siting or absenteeism of teachers. Several provinces have enlisted the services of the army in recent years to conduct independent audits of school numbers and teacher presence but the results of this work could not be obtained. Also, EMIS data on enrollment are taken on a single day in the year and there is general acknowledgment that special efforts are made to ensure that the maximum number of "pupils" are present on this day.

28. Progress was made in reducing gender disparities in education, although not to the extent targeted in DP8.<sup>18</sup> Over the period, the female GER increased from 59 to 64 percent while the male GER declined from 87 to 80 percent. The ratio of girls' to boys' enrollment increased from 39 to 42 percent compared to a target of 45 percent by 1997/98, although in part the gender gap closed because of declining boys' enrollment. However, in the context of Pakistan, the increased female enrollment was a significant gain, the importance of which should not be underestimated. The urban-rural disparity in girls' access to education was closed only slightly during SAPP I—the difference was 40 percentage points in 1990/91 and this declined to 38 percentage points by 1996/97. In 1996/97, girls' GER was 53 percent in rural areas compared to 91 percent in urban areas. Overall, little progress was made in reducing urban-rural disparities, despite this being a major focus of SAPP I. Rural GER declined slightly from 66 percent in 1990/91 to 64 percent in 1996/97 with boys' GER declining from 83 to 74 percent. Meanwhile, urban GER showed a slight increase from 92 to 93 percent.

29. A measure of quality is the percentage of children aged 10-18 years who left school before completing primary education. Overall, this showed little change during SAPP I (from 17 to 16 percent). The gender gap narrowed from 5 to 2 percentage points. However, the urban-rural gap widened from 7 to 9 percentage points. A one-time assessment of primary education achievement conducted by MSU in 1995 showed some serious learning deficiencies in Grade 5

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<sup>17</sup> Unless otherwise stated, results are from the various rounds of the Pakistan Integrated Household Survey (PIHS). Achievement of project goal and purpose (including policy reforms) is reported in paras. 56-69. PIHS reports private information on the confidence level of the survey data.

<sup>18</sup> ADB also supported primary education for girls through Loan 977-PAK: *Primary Education (Girls) Sector Project*, for \$64.2 million, approved on 26 October 1989. A project performance audit report (September 2000) rated the project as less than successful (partly successful in the current terminology).

students. The study posed 22 basic math and general knowledge questions to 11,563 students and 914 teachers from 527 schools.<sup>19</sup> Results showed that boys and girls were unable to answer 41 percent and 38 percent, respectively, of the questions correctly.

30. Quality in education was expected to improve under SAPP through increasing nonsalary expenditure (para. 62) and expanded preservice and in-service teacher training. There are very few data available on the extent and results of teacher training provided. EMIS data indicate that between 1992/93 and 1996/97, the proportion of untrained primary teachers dropped from 25 percent to around 5 percent. A 1995 survey of district education officers (DEOs) indicated that 6 percent were highly satisfied with the effect of in-service training on teacher competence, 69 percent were satisfied, and 25 percent dissatisfied.<sup>20</sup> When the same question was posed to primary schools themselves there was a high degree of satisfaction but only just over half saw any improvement over the preceding two years (an impact of SAP). The student attainment survey also tested teachers. This found that teachers with a certificate or diploma scored slightly higher than those without while there was a negligible difference between those with in-service training and those without. This led the report to seriously question the utility of the in-service training provided.

31. The inescapable conclusion is that, apart from a welcome increase in girls' GER, little progress was made in expanding primary education coverage, particularly in rural areas, despite an allocation of over 60 percent of SAPP I funds to education. Notwithstanding the disappointing results described above, quite dramatic changes are taking place in the education sector in Pakistan. Increasingly, parents prefer to enroll their children in private (fee-for-service) schools, even in rural areas. The share of primary school enrollment in government schools (excluding kindergarten) fell between 1990/91 and 1996/97 from 86 to 78 percent. Even in rural areas, the government primary school enrollment share fell from 95 to 90 percent (and subsequently to 86 percent in 1998/99). In urban areas, the government share fell from 70 to 56 percent (and to 53 percent in 1998/99)—that is, almost half of all primary education in urban areas was delivered by private schools by 1998/99. Both girls and boys have been moving to private schools. These are major shifts of great importance but the reasons why this is occurring are poorly documented. It is possible to speculate that parents' decisions are influenced by a combination of the generally poor standard or nonavailability of government primary education (including high levels of teacher absenteeism), access, security (for girls), medium of instruction (generally English), accountability because of payment for services, and a perception of quality. The MSU survey on Grade 5 student attainment compared results from private and government schools. The comparison showed better performance by private school pupils—in rural areas, boys in private schools scored 13 percentage points more than boys in government schools, while for girls the difference was at 18 percentage points. According to the survey, the better performance of private schools was not due to the presence of more competent teachers but better learning conditions and better management.

32. Greater private sector involvement in primary education was part of SAP's purpose. Therefore, the increased private sector share of provision is a very positive result. However, SAPP I did little to facilitate or encourage this development. Some funding was directed to education foundations to promote NGO participation but this had almost no effect. A greater awareness of the importance of education is the only possible cause and effect relationship between SAPP I inputs and greater private sector involvement in education. Clearly, a growing number of parents are willing to pay for education for their children. Almost certainly SAPP I would have had a much greater and more cost-effective impact had it incorporated greater parental choice, genuine public-private partnerships (for example, use of school buildings by the

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<sup>19</sup> MSU. 1995. *Social Action Program: Determinants of Primary Students' Achievement: National Survey Result*. Since survey results had to be discarded from Sindh because of irregularities, results represent 782 teachers and 9,901 students from 462 schools.

<sup>20</sup> MSU. 1995. *SAPP Field Review*.

private sector), and direct support to private education providers to improve their already higher-quality service provision.

## 2. Primary Health Care

33. The health sector received the second highest allocation of SAPP I funds (16 percent). Indicators for health outputs showed more positive results than education. The IR, which was targeted to increase from 1990/91 to 1996/97 by 13 percent, rose by 32 percent. However, at 49 percent in 1997/98, the overall IR fell well short of the target of 90 percent set for that year.<sup>21</sup> Overall, the gender gap in IR was eliminated by 1996/97 from 7 percentage points in 1990/91, although it reappeared in 1998/99. The rural-urban gap in IR narrowed from 9 to 6 percentage points.<sup>22</sup>

34. Diarrhea cases in both rural and urban areas declined from 26 percent of children suffering from diarrhea during the past 30 days to 15 percent. The small gender differential remained the same while rural-urban differences were almost eliminated. Overall, the percentage of cases where a practitioner was consulted for diarrhea declined from 84 percent in 1990/91 to 80 percent in 1996/97. The rural-urban disparity fell from 8 to 4 percentage points. The gender disparity declined from 6 to 4 percentage points.

35. The number of basic health units increased by 595 between 1990/91 and 1996/97 compared to a target increase of 122, while the number of rural health centers increased by 43 compared to a target increase of 24.<sup>23</sup> The number of lady health workers reached 31,344 by 1996/97 compared to a target of 12,000. Of the total, a cumulative 25,592 were reported as having received training.<sup>24</sup> There are still considerable rural-urban disparities in the percentage of women visiting a health center for prenatal consultation (54 percent in urban areas and 22 percent in rural areas in 1996/97). Similarly, in 1996/97, 90 percent of pregnant women in urban areas had received a tetanus toxoid injection compared to 77 percent in rural areas. A much higher percentage of rural women give birth at home (89 percent versus 64 percent in urban areas). Traditional birth attendants play the main role in providing assistance in rural areas (in 44 percent of cases).

36. Clearly, there have been sound gains in health output indicators, some of which exceeded targets. The very pleasing increase in the number of female paramedical staff has almost certainly had an impact on women's access to health care. In the health sector, the role of the private (fee-for-service) sector is even more pronounced than in education, although the proportion of private health provision has not changed so much over the SAPP I period. The percentage of cases where a government health practitioner was consulted first for diarrhea declined slightly from 21 percent in 1990/91 to 19 percent in 1996/97. In other words, around 80 percent of first consultations are with the private sector. Even more startling is the fact that there is very little difference between urban and rural areas in this regard. The private sector consists of private practitioners and compounders/chemists, with the latter playing a greater role in rural areas. In 1996/97, only 2 percent of those with diarrhea in rural areas reportedly sought treatment in a government basic health unit while 60 percent consulted a private provider and 21 percent sought no treatment (the balance used a variety of other remedies). The 1996/97 PIHS reveals that the dominant reason for not first seeking treatment from a government facility

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<sup>21</sup> This apparent anomaly (target increase being exceeded but absolute target not being met) results from using different data sets. Target changes in indicators are based on the benchmarks and targets stated in DP8. However, the 1992/93 benchmark figures (presumably based on departmental data) in DP8 are often substantially different from the results of the 1990/91 PIHS. To provide a fair basis for assessing the performance of SAPP I, a comparison is made between the targeted change (percentage difference between target and benchmark) and the actual change as recorded under the various rounds of PIHS. The absolute target is also compared to the actual achievement.

<sup>22</sup> Immunization is a vertical program administered by the federal Ministry of Health rather than provincial departments.

<sup>23</sup> Government of Pakistan. *Economic Survey 1999-2000*.

<sup>24</sup> The lady health worker program is a federally administered vertical program.

was that it was “too far away.” This was followed by “not enough medicines” and “staff not courteous.” The 1998/99 PIHS also asked why people first consulted a private provider. The principal reason was that the government facility was too far away while the private provider was near at hand. This was followed by the availability of the doctor, the ability of the private provider to treat complications, and the fact that staff were helpful.

37. Further to this demonstrated role of the private sector is the anecdotal evidence of the privatization of government services—that is, government health employees running private practices and publicly funded medicines being sold. This observation is not made as a criticism but to illustrate a lost opportunity. As with education, greater private sector involvement in primary health care provision was an objective of SAPP I yet almost nothing was done to encourage this or to develop public-private partnerships. An opportunity to dramatically improve access and efficiency by supporting public-private partnerships was not captured. The focus was almost entirely on public provision.

### **3. Population Welfare**

38. Population welfare is a vertical program that attracted around 3 percent of SAPP I funds. The program did not fully reach its five-year targets for establishment of family welfare centers (1,344 built compared to a target of 1,500), reproductive health services centers (89 built versus a target of 170), or mobile service units (131 versus 251 targeted). Fewer line department outlets were established than planned (13,800 versus 29,500 planned) and fewer workers were fielded (6,101 versus 12,000 planned). However, during the SAPP I period, the CPR increased from 7 percent in 1991 to 17 percent. Although the percentage increase was greater than that targeted under DP8, the actual achievement was less than the target of 28 percent (footnote 16). However, PIHS data are thought to underestimate the CPR (given the sensitivity to questions on this). The Pakistan Fertility and Family Planning Survey reports higher levels of contraceptive practice, with 1996/97 levels of about 24 percent against a 1990 level of 12 percent, so the DP8 target may have been met. Despite this, contraceptive use in Pakistan still remains far below the rates in other South Asian countries, although significant progress was made during the SAPP I period. Married women of reproductive age who knew at least one family planning method increased from 78 percent in 1990/91 to 94 percent in 1998/99. In rural areas, the rate increased from 59 to 91 percent.

39. The private sector is an important factor in family planning practice. About 50 percent of family planning users received their contraceptives from a nongovernment supplier during the SAPP I period, although in many cases the nongovernment entity was acting as an intermediary for public provision. It is estimated that about a third of the growth in contraceptive use was from increased use of traditional methods and, therefore, not due to SAP. There is evidence for considerable unmet demand with 45 percent wanting to use contraception in 1996/97 compared to 24 percent actual use. Nonetheless, the public sector contribution was significant and the increased knowledge and awareness was probably largely due to public sector efforts. Overall, the SAPP I contribution to the population welfare outputs was positive.

### **4. Rural Water Supply and Sanitation**

40. RWSS attracted 14 percent of SAPP I funds. RWSS is a provincial function that is split between two departments—PHED, which generally provides pumped and piped systems, and the Local Government and Rural Development Department (LGRDD), which provides nonmechanized systems, generally hand pumps. A major part of the RWSS program was the adoption of the uniform policy for community ownership and operation. Progress with the uniform policy is considered under the achievement of project purpose (para. 65). Access to clean water and sanitation showed no significant change during the SAPP I period (declining slightly from 74 to 73 percent) compared to a target increase from 47 to 71 percent (footnote 16). However, the absolute DP8 target of 71 percent rural access to water was exceeded. In a majority of cases, access to clean water was a result of private rather than public provision.

Sixty-two percent of rural families get their water supply from privately provided household hand pumps and motorized pumps. During SAPP I, PHEDs provided a total of 1,938 mechanized or gravity-flow water schemes serving 6.8 million people, and LGRDDs provided 487 mechanized or gravity-flow water schemes and 18,025 hand pumps serving 3.2 million people. In total, these schemes served about 10 percent of the rural population.<sup>25</sup> The PHEDs accounted for about two thirds of the service and received 93 percent of the RWSS budget.

41. Rural sanitation access was targeted to more than double but actual results showed a small increase from 32 percent in 1990/91 to 39 percent in 1996/97. Meanwhile, the coverage of drainage schemes did not change significantly (increasing by only 1 percentage point). Drainage schemes were reported in 6 percent of communities and sanitation promotion programs and in 4 percent of villages surveyed by SPDC in 1997. Sanitary facilities at schools were inadequate with only 37 percent of primary schools (29 percent of boys' schools and 48 percent of girls' schools) having latrines, but with only 27 percent of all primary schools having functioning latrines according to SPDC.

### C. Cost and Scheduling

42. Table 5 shows a considerable variation between actual and planned expenditure by sector. Education subprojects, which were expected to receive 39 percent of SAPP I funds, accounted for 62 percent. The losing sectors were health (16 percent actual versus 21 percent planned), population (3 percent actual compared to 12 percent planned), and federal level vertical programs (4 percent actual versus 11 percent planned). The level of disbursement and the share of total expenditure were close to the planned levels for Balochistan and NWFP while Punjab received substantially more (55 percent of total disbursement versus an original allocation of 31 percent). The additional disbursement to Punjab was at the expense of Sindh and the federal level programs (Table 6).

**Table 5: Original Allocation and Disbursement of SAPP I by Sector**

Category	Original Allocation		Disbursement	
	\$ million	%	\$ million	%
Education	39.0	39	64.1	62
Health	21.0	21	16.7	16
RWSS	15.0	15	14.7	14
Population	12.0	12	2.6	3
MOH and MOE Vertical Programs	11.0	11	4.5	4
SAP Monitoring and Evaluation	2.0	2	0.7	1
<b>Total</b>	<b>100.0</b>	<b>100</b>	<b>103.2</b>	<b>100</b>

MOE = Ministry of Education, MOH = Ministry of Health, RWSS = rural water supply and sanitation, SAP = Social Action Program, SAPP 1 = Social Action Program (Sector) Project.

Sources: Loan 1301-PAK(SF): *Social Action Program (Sector) Project*, Report and Recommendation of the President, 1994; Loan 1301-PAK(SF): *Social Action Program (Sector) Project*, Project Completion Report, 1999.

<sup>25</sup> PHED and LGRDD records as quoted in MSU, *SAP Sector Statistics*, April 2000.

**Table 6: Original Allocation and Disbursement by Province and Federal Levels**

Province	Original Allocation		Disbursement	
	\$ million	%	\$ million	%
Balochistan	14.0	14	13.6	13
NWFP	13.0	13	13.7	13
Punjab	31.0	31	56.7	55
Sindh	17.0	17	11.4	11
Federal	25.0	25	7.8	8
<b>Total</b>	<b>100.0</b>	<b>100</b>	<b>103.2</b>	<b>100</b>

NWFP = North-West Frontier Province.

Sources: Loan 1301-PAK(SF): *Social Action Program (Sector) Project*, Report and Recommendation of the President, 1994; Loan 1301-PAK(SF): *Social Action Program (Sector) Project*, Project Completion Report, 1999.

43. Because of performance-based reimbursement, significant differences between actual disbursements and original allocation were neither unexpected nor a bad outcome. However, education subprojects received increased funding but performed worst. In other words, the performance-based reimbursement mechanism provided additional funding to those subprojects that were least successful in turning the extra funding into positive results. Conversely, those projects that performed better, i.e., health and population, received less funding than originally planned.

44. Disbursements took place over four years. Approximately \$10 million or 10 percent of the total loan amount was disbursed in 1993/94 as retroactive financing for expenditure incurred between 21 November 1993 and the loan effectiveness date of 1 August 1994. Performance-based disbursements started in 1994/95 with \$33.2 million being disbursed in that year followed by \$39.4 million in 1995/96. During the extension period, some \$20.6 million was disbursed.

#### **D. Procurement and Construction**

45. It is estimated that the purchase of goods, construction, and hiring of consultants could have accounted for up to 30 percent of SAPP I financing. Under the project agreement, the Government hired a private sector firm that commenced work in June 1995 to monitor compliance with procurement agreements (i.e., compliance with World Bank procedures). Also, a procurement specialist funded by ADB was attached to MSU from April 1995 to assist the Government. From June 1995 to September 1997, the private sector firm reviewed 5,493 procurement actions with a value of around \$175 million. Initially, there were deviations from agreed practice in 67 percent of cases but this improved to just over 20 percent by the quarter ending September 1997. During the period, MSU and its procurement adviser provided training to IAs.

46. In 1998 (during SAPP II), a program of third party validation (TPV) was instituted whereby the Auditor General of Pakistan conducted an annual audit of the degree of compliance by departments with agreed procedures in four key governance areas—procurement, site selection, recruitment, and absenteeism (see Table 7 and Appendix 6 for further details). Four rounds of TPV were conducted between 1998 and 2001. The average rate of compliance with agreed procedures across all provinces over the four years was only 51 percent. Among the four categories, compliance was highest in recruitment, followed by site selection, procurement, and absenteeism. Based on the available evidence, a part of the investment under SAPP I may have been misdirected.

**Table 7: Third Party Validation Pooled Results<sup>a</sup>**  
(%)

<b>Category</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>Average</b>
Absenteeism	45	37	26	33	35
Procurement	49	34	45	44	44
Recruitment	39	98	61	76	69
Site Selection	47	59	66	58	58
All Categories	45	55	50	53	51

<sup>a</sup> Percentage of valid cases in all four provinces.

Source: Auditor General of Pakistan.

47. Typically, annual audit reports were issued up to three years after the end of the financial year to which they applied, thus greatly reducing their impact, particularly in circumstances of high staff turnover, which limited the opportunity to hold people accountable. Further, there was a general lack of interest or importance shown by line departments on audit observations. The Auditor General's report on 1999/2000 SAP expenditure identified less than 2 percent of total expenditure as fraudulent, 12 percent as ineligible, and a further 12 percent as showing internal control weaknesses. This was a better result than some might have expected.

## **E. Organization and Management**

### **1. Performance of the Executing Agency, Provincial Coordination Units, and Implementing Agencies**

48. The terms of reference for the EA required P&D to be responsible for overall planning, supervision, coordination, monitoring, and guidance to facilitate implementation of SAPP I. The tasks that came to dominate its role were those of a generally administrative nature, in particular the gathering, checking, aggregating, and submission of SOEs. Consequently, the other roles of overall planning, supervision, coordination, and monitoring received less attention than desirable. This probably contributed to the loss of focus on strategic issues. This was not helped by members of the SAP secretariat in P&D retaining other functions contrary to the terms of the loan agreement. Consequently, reporting was often late and monitoring of performance was inadequate. MSU was attached to the World Bank office rather than the EA. It tended to provide support and training directly to the IAs. A consequence was that the EA was not strengthened to the extent that it could have been. On the other hand, it can be argued that it was more important to build capacity in the agencies responsible for delivering social services at the provincial level.

49. Performance of the IAs was mixed. The principal reason was high staff turnover, particularly of top management and senior staff. As an MSU report pointed out, this was particularly detrimental where management was centralized, systems were weak, and accountability systems poorly developed as in Pakistan. The high staff turnover reduced ownership of SAP at the provincial level, delayed decision making, led to changes in priorities, reduced accountability even further, and negatively impacted on lower level staff by leaving them directionless, and demotivated. The MSU analysis showed that staff turnover was much higher during SAPP II than SAPP I (Appendix 7).

50. The MSU study also revealed the minimal involvement of women in the management of SAP. Although this is an endemic problem in the Pakistan public service, it was particularly problematic for SAP given its focus on reducing gender disparities. Over the preceding six to eight years, some 600 officials had been appointed to 128 positions in P&D and SAP line departments but only 4 percent were female. For top management positions, the percentage of women was only 3 percent.

## 2. Funding Agencies' Performance

51. If high staff turnover was a problem on the Government side, the same applied to the funding agencies. The complaint from the Government was that the high turnover in the funding agencies' staff brought about frequent shifts in emphasis in policy dialogue and a lack of consistency and coherence. Issues that were given a high priority in one review mission may have hardly been mentioned in the next. Two issues—the size and frequency of the review missions and a perception of micro-management—affected the government view of the funding agencies' performance. Quarterly review missions frequently contained more than 40 persons, dominated by World Bank personnel. To manage this number of people, simultaneous sector and cross-cutting issue meetings were held and this also contributed to the loss of focus on strategic issues. A more efficient review process was required. ADB's contribution to project supervision and review was modest but of high quality. There was generally only one sector specialist participating in reviews who was expected to cover the four SAP sectors plus cross-cutting issues.

52. The perception that the funding agencies micromanaged SAPP I relates to the importance placed on the preparation of AOPs and compliance with financial reporting requirements via SOEs. Issues surrounding accountability in the use of funds became the more visible part of discussions. This perception of an "inputs" focus came at the expense of a greater concentration on results and the key cross-cutting issues, although these issues still formed a significant part of the dialogue process. This, together with the cumbersome review procedure, contributed to a loss of strategic focus whereby less progress was made on cross-sector issues than originally envisaged. There is a widespread view that the planning and financial reporting processes that the funding agencies insisted upon were beyond the capabilities of IAs and the EA, and that insufficient capacity building was provided to assist them to fulfill their obligations. There is an alternative view, shared by some agencies in Pakistan, that the main reason for the problem was bureaucratic resistance to the greater transparency and accountability the procedures required. Both views may have some validity. What is clear is that financial reporting and the planning and review process took up an inordinate amount of time to the detriment of the cross-sector issues, policy dialogue, and a greater focus on results. The procedural requirements also gave rise to considerable tension between the Government and the funding agencies. Notwithstanding the negative aspects, the reporting procedures created a much greater awareness of the need for accountability in the use of public sector and external funds.

53. MSU was established to assist with the preparation of AOPs, and to provide advice and assistance to the SAP secretariat and provinces on implementation and monitoring issues. It was also tasked with facilitating the funding agency coordination and policy dialogue. These were all very necessary tasks and MSU made an excellent contribution to carrying them out. However, the requirement to serve the needs of both the Government (at federal and provincial levels) and the funding agencies proved difficult to meet, particularly when differences emerged between the parties. The choice of name and the location of MSU attached to the World Bank office gave the impression to Government, whether intended or not, that MSU's primary role was to support the funding agencies. It may have been better to split the two roles between two support units, one attached to the EA and the other attached to the World Bank office. Notwithstanding the Government perception of MSU, its staff made a valuable contribution to building capacity in IAs. This was evidenced by its much-reduced involvement in the preparation of AOPs. IAs can now largely produce these without assistance. MSU also undertook some excellent studies and made a valuable contribution to the production and analysis of monitoring information.

54. The funding agencies themselves judge their coordination to be good. The Government saw the coordination as cumbersome as it tended to occur during review missions rather than before and after. Certainly, the coordination could have been much more efficient. It is clear that

the support of the funding agencies to SAP and the joint advocacy this involved did much to raise the overall profile of the social sectors with Government.

### **3. Compliance with Covenants**

55. Of the 34 covenants, 13 were complied with, 4 complied with but with delay, 14 were partially complied with, and for 3 the extent of compliance could not be verified (Appendix 8). It was not possible to ascertain whether the Government had complied with the covenants to insure project facilities and goods. Nor was it possible to verify whether the Government had carried out construction and rehabilitation in accordance with environmental regulations and ADB's environmental requirements. Reasons for non- or partial compliance include inefficiencies in government processes and governance inadequacies.

### III. ACHIEVEMENT OF PROJECT PURPOSE

#### A. Operational Performance

##### 1. Achievement of Goal

56. The goal of SAPP I was partly achieved. Key indicators were literacy, infant mortality, and population growth rate. Literacy for those aged 10 years and over, the most important indicator of progress in education, increased from 35 to 39 percent between 1991/92 and 1996/97, but did not reach the DP8 target of 53 percent for adult literacy. There continued to be strong disparities in literacy between urban and rural areas and among provinces. In 1996/97, literacy was 58 percent in urban areas compared to 31 percent in rural areas. Literacy in Sindh was the highest at 45 percent with Balochistan having the lowest rate at 27 percent. There were also strong gender disparities in 1996/97, with the female literacy rate at 28 percent compared to the male rate at 51 percent. However, there were considerable gains in female literacy during SAPP I. From 1991/92 to 1996/97, it increased at 5.4 percent per year compared to an increase of 1.1 percent for males. This was a better rate of increase in female literacy than what occurred during the 1980s—3.8 percent per year for females and 1.7 percent per year for males. There also continued to be strong disparities among income groups. Among the poorest quintile in each province, literacy ranged from 15 to 20 percent in 1996/97 with the female poor being particularly disadvantaged. In Balochistan, only 2 percent of women in the poorest quintile were literate.

57. Measurement of rates of infant mortality is problematic. The results of the 1998/99 PIHS, the Pakistan Demographic Survey (1995 and 1996), and the Pakistan Fertility and Family Planning Survey (1996/97) all show results of between 86 and 95 deaths per 1,000 live births compared to a DP8 target of 65 deaths per 1,000 live births. However, surveys in the early 1990s showed rates of over 100, so progress appears to have been made during SAPP I. There were significant urban-rural disparities with the 1998/99 PIHS showing 73 deaths per 1,000 live births in urban areas compared to 95 in rural areas.

58. Based on the DP8 targets, the population growth rate was expected to decline from 2.95 percent per year in 1992/93 to 2.74 percent in 1997/98. Based on recent surveys, the actual decline was from 2.54 to 2.30 percent. Changes in society are having a significant impact on fertility: the age of marriage has been increasing and the number of children ever born to women 15-49 decreasing (from 3.2 to 2.9 over the period 1991/92 to 1996/97, with declines in both rural and urban areas).

##### 2. Achievement of Purpose

59. **Funding Targets.**<sup>26</sup> By completion, SAPP I had a high degree of achievement (over 90 percent) in meeting SAP expenditure targets as a percentage of GDP. Across the relevant sectors, SAP expenditure increased at about twice the rate of non-SAP expenditure. This implies that the increase in SAP expenditure was not at the expense of non-SAP expenditure in absolute terms, contrary to some views. Nominal SAP expenditure rose by 74 percent between 1993/94 and 1996/97. Over the same period, real expenditure increased by 25 percent and real per capita expenditure by 5 percent. This illustrates how fast social sector spending has to rise to maintain the status quo in purchasing power per capita.

60. The Government funded its increased commitment to the SAP sectors from incremental revenue (funding agency contributions and increased revenue from economic growth) rather

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<sup>26</sup> Unless otherwise indicated, all data on SAP expenditure come from figures compiled by MSU.

than by any major reallocation between or within sectors. Over the period 1993/94 to 1996/97, the share of social services in total government expenditure stayed relatively constant at around 12-13 percent. However, this included both SAP and non-SAP expenditures. Over the same period, economic services also remained constant at 7 to 8 percent of total expenditure while defense spending declined slightly from 25 percent of total expenditure to 24 percent. Meanwhile, interest charges increased from 25 to 30 percent of total expenditure. Further analysis of sector expenditure shows that in absolute terms, expenditure on irrigation; SAP; highways, roads, and bridges; law and order; defense; and agriculture all increased during the period 1993/94 to 1997/98. Irrigation expenditure increased at around twice the rate of SAP expenditure. Expenditure on roads and bridges increased at around the same rate as SAP expenditure while the rate of increase for law and order, defense, and agriculture was around half the rate of SAP. This further illustrates that increased SAP expenditure was not at the expense of other sectors.

61. Not only was SAP expenditure expected to rise, it was expected to be relatively protected against non-SAP expenditure, particularly in times of fiscal constraint. MSU compared the ratio of revised estimates to budget estimates for SAP and non-SAP expenditure—in other words, if the Government was forced to cut expenditure from its budget, where were those cuts made? The comparison showed that SAP expenditure was protected in only one year (1996/97).

62. **Nonsalary Expenditure.** Nonsalary expenditure in the education and health sectors grew strongly during SAPP I. Education nonsalary spending, which was only 1.4 percent of total primary education recurrent expenditure prior to SAP, grew from 1993/94 to 1998/99 at over six times the rate of increase in salary expenditure. By 1996/97, it peaked at 7 percent of total SAP education expenditure. Health nonsalary SAP expenditure, which started at a much higher level of 25 percent, grew around 1.7 times faster than salary expenditure to reach 29 percent of total health recurrent expenditure by 1996/97. For RWSS, the share of nonsalary expenditure was 54 percent, 51 percent, and 55 percent for the three years of SAPP I. Data for salary/nonsalary expenditure for the population welfare sector are not available. Considerable progress was made in increasing nonsalary expenditure in the education and health sectors but little in RWSS where the need may not have been so pressing. In part, the improved education and health nonsalary expenditure was translated into results at the facility level. The SAP field review conducted by MSU in 1995 reported 39 percent of respondents saying that the availability of supplies in schools had shown a moderate or substantial improvement over the preceding two years. For basic health units and rural health centers, 54 percent saw a moderate or substantial improvement in the stocks of drugs. However, only 8 percent saw that funds allocated for repairs and maintenance in schools and basic health units had increased.

63. An important issue was for the Government to ensure that nonsalary expenditure was released in a timely fashion to line departments with authority to incur expenditure. A recurring problem was the late or nonrelease of these funds and this remained the case throughout SAPP I. Progress made at times was not sustained. The 1995 SAP survey of schools found that 34 percent of respondents had seen an improvement in the timeliness of provision of funds for supplies while 62 percent saw no change or a decline. For repairs and maintenance, only 9 percent saw an improvement. A similar result was reported in the health sector. Throughout the SAP period, the Government faced a budget deficit. Given this, there were always going to be fiscal constraints and cash-flow problems that could not be remedied by the funding agencies simply making demands on the Government for more timely release of funds.

64. **Community Participation.** Some progress was made in increasing community participation. School management committees (SMCs) were established by executive order in all provinces with the result that by 1997/98, they nominally existed in 74 percent of the elementary schools. However, these SMCs were almost all established by dictate with members nominated by the DEO who directed their work. The intent was to allocate funds directly to

SMCs but 71 percent reported receiving no funds in 1997/98. Even when funds were given to SMCs, the DEO often directed these SMCs on how to spend the funds. In a very few cases, SMCs have established an independent role for themselves. In the health sector, village health committees were to be formed, but they do not yet exist in most communities. In some places, the medical officer in charge has formed a committee on paper to meet departmental requirements. Nonetheless, community participation advanced under SAPP I and there is a greater acceptance among public sector officials of the need for it.

65. All provinces adopted a uniform policy on RWSS. This was also a useful first step toward greater community participation. The policy mandated that water management committees or water user groups should be formed in communities where PHED schemes were undertaken. Implementation of the policy produced mixed results. In most cases, the committees were formed by the PHED in collaboration with influential people from the village. According to the SAP field review, water user committees were paying user charges in 56 percent of the communities, demonstrating a significant willingness and ability to pay for improved social services. However, the charges were adequate to cover the operational costs in only 28 percent of the community-managed water supply schemes indicating a lack of financial viability.

66. The partial success in promoting effective community participation was probably due to (i) inadequate preparation by departments that did not have experience or skills in community mobilization; (ii) a lack of genuine commitment to the concept; and (iii) a lack of financial viability of many of the PHED water supply schemes, which meant communities were unwilling to assume responsibility. While community participation can bring benefits, it can also have problems. Factionalism and sectarianism are a fact of life at the community level and community committees tend to be dominated by one faction or another, to the detriment of other groups. Water is a very "political" and strategic resource and powerful local elites can easily control and capture the benefits of so-called community managed schemes. These realities may have contributed to problems with establishing community participation. Community management of publicly provided schemes is not a panacea and self-provision supported by private sector equipment suppliers may be more viable.

67. **Private Sector and NGO Participation.** The large and growing contribution of the private sector in SAP sectors has been demonstrated, along with the rather limited contribution by SAPP I to this positive outcome (paras. 31, 36, 39, and 40). Similarly, there was virtually no progress in involving NGOs. Attempts to do so through the Participatory Development Program (PDP) actually reduced NGO involvement in social sector programs.<sup>27</sup> The provincial P&Ds and line departments resisted the PDP initiative, through long delays in the approval process. In the event, only the largest NGOs or those with political connections were able to secure funding from the PDP. NGOs raised questions about the transparency of the review and approval process and about whether the Government intended to involve the NGOs in social development programs.

68. **Decentralization.** Some progress was made in the devolution of administrative and financial powers to district level. According to the SAP field review, around 53 percent of DEOs reported moderate or substantial improvement in the delegation of administrative authority and a slightly lower percentage reported improved delegation of financial authority. However, very little authority has been delegated to the facility level. The DEOs and district health officers (DHOs) make virtually all decisions affecting the individual health and education facilities, and very little autonomy is permitted at the facility level. The actual organization in place at the provincial and district levels differs considerably from the formal structure listed in the administrative manuals. The organization is not based on job descriptions and delegation of responsibility, but rather on centralized control by the DHO/DEO. All other officers work as an undifferentiated group who are assigned specific tasks by the DHO/DEO. Lower level staff do not make decisions without asking the DHO/DEO. This system also affects the district-provincial

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<sup>27</sup> ADB did not contribute to the PDP.

relationship, where the provincial departments of health and education maintain the authority for planning services, allocating financial resources, and managing human resources. This prevents the district from planning and programming service activities according to district needs. Decentralization in the social sectors has recently been accelerated by the national decision to devolve substantial responsibilities to the district level and to establish the district as the center for administrative authority in the province. This became effective nationwide in August 2001.

69. **Cost Recovery.** Rural water supply is the only area in which formal cost recovery or “user pays” principle has been implemented to some extent. Around half of the PHED-maintained or community managed schemes have collected user fees to cover operation and maintenance costs, demonstrating that a significant segment of the rural population is prepared and able to pay for improved social services. This is a positive achievement of SAPP I. However, the questionable financial viability of many of the PHED schemes casts doubts on their survival as self-funding operations under community management. Some discussion has taken place in the health sector regarding the possibility of raising funds from user fees and other forms of cost recovery. There has been no such discussion in the education or population welfare sectors. The population welfare program does charge a nominal fee for contraceptives, but the fee is deducted from a worker’s salary and this is seen as a system for monitoring employee activity rather than cost recovery. There is anecdotal evidence that there is a significant level of unofficial collection of fees for service, particularly in the health sector.

## **B. Technical Assistance**

70. Under TA 2107-PAK, ADB provided four individual domestic consultants to MSU including a monitoring and evaluation specialist, a procurement specialist, a budget and finance expert, and a population sector specialist. The TA consultants were fielded between March and May 1995 and retained until project closure in September 1997. The skills provided were those needed to complement existing expertise in MSU. The terms of reference were appropriate. All four consultants were judged to have performed satisfactorily.

71. TA 2106-PAK helped PHEDs of NWFP and Punjab strengthen their institutional capacity. The terms of reference were appropriate and the support envisaged met a clearly defined need. A consulting firm was recruited to provide the services and its performance was assessed as excellent. SPDC noted that the assistance provided to NWFP exceeded expectations because of a receptive agency. The consultants reoriented PHED staff toward community management, developed training programs based on needs assessment, conducted staff training in seven demonstration districts, established a demonstration project for pilot-testing community preparation for water scheme management, and prepared action plans for the eventual handover of some 4,000 schemes. In Punjab, the TA ran into more resistance to the idea of instituting community management as the uniform policy was not fully accepted by counterparts. Political interference in the recruitment of community organizers was also a problem. Nevertheless, the TA demonstrated community ownership and transfer of several schemes, and enhanced staff capability to manage the development of community water schemes in the province. However, it has proven difficult to “mainstream” this capability within the day-to-day work of the PHED in Punjab, and even today, community mobilization only takes place as part of projects funded by external agencies, perhaps because those responsible for this activity are only contracted staff.

72. TA 2289-PAK was conceived as an impact assessment of policy and institutional reform measures. This was highly relevant and could have produced valuable information for implementation and subsequent evaluation. It was planned to recruit one international and two domestic consultants. In the event, it was judged premature to conduct such an assessment as impacts would not be evident and data on which to base an impact assessment were lacking. Instead, a single domestic consultant was recruited to conduct a review of monitoring systems in place and to make an assessment of the operational changes in monitoring brought about by

SAPP I. Overall, the review concluded that monitoring and evaluation systems were performing poorly. A number of sound recommendations were made for improvement but performance monitoring by SAP agencies remained deficient (para. 85). The performance of the consultant was judged very good.

### **C. Sustainability**

73. Incremental SAP expenditure was expected to be sustainable. A key part of the purpose of SAPP I was for the Government to increase the share of public sector expenditure allocated to the social sectors. Implicit in the design of SAPP I and II was the assumption that external funding was required to provide the impetus for this to occur but that, at some point, the Government would be able to maintain the greater share of social sector expenditure from its own resources. To date, and despite considerable support from SAPP II, it has not proven possible for the Government to sustain SAP expenditure. From 1996/97 to 1998/99, real SAP expenditure across all provinces declined by 2 percent and real per capita expenditure fell by 6 percent. Nationally, even nominal SAP expenditure declined by 2.3 percent in 1999/2000 compared to the previous year. Recurrent SAP expenditure was down by 5.9 percent, and local development expenditure by 0.4 percent. It should be acknowledged that the country has suffered an extended fiscal crisis due to the significant slowdown in economic growth and rising debt-servicing costs. A decision to explode a nuclear bomb in 1998 resulted in the imposition of sanctions. Notwithstanding these factors, it is clear that SAP is not financially sustainable in the absence of resource reallocations between sectors, increased revenue generation, or increased private share of the costs—or a combination thereof. This view is shared by SPDC. Although incremental funding targets were largely met during SAPP I, external contributions provided a substantial and increasing proportion of the incremental funding. At the provincial level, the funding agency share of incremental SAP expenditure was 40 percent in 1993/94, 45 percent in 1994/95, and 63 percent in 1995/96. During SAPP II, the share further rose to 70 percent in 1996/97 before dropping to 56 percent in 1997/98. In 1998/99, incremental funding became negative although the external contribution increased. SAPP I also had the objective of improving the quality of expenditure (defined as the share of nonsalary expenditure in total recurrent expenditure). To reinforce this objective, the basis for reimbursement shifted from incremental expenditure toward a fixed proportion of nonsalary expenditure (75 percent for education and health) under SAPP II. Despite that, the sustainability of nonsalary expenditure is mixed. Nonsalary expenditure in the health sector has been maintained (about 5 percentage points higher in 1999/2000 than in 1993/94). On the other hand, education nonsalary expenditure has fallen by about 60 percent from its peak in 1995/96. RWSS nonsalary expenditure has fallen by around 25 percent from its peak in 1996/97.

74. By and large, the momentum in social indicators has not been maintained or earlier gains have been reversed. Indicators in education, health, population, and RWSS have mostly declined or remained stagnant since 1996/97 despite the ongoing support from SAPP II. Gross enrollment in government primary schools has declined from 56 percent to 53 percent and girls' participation from 50 percent to 45 percent, reversing earlier gains. The infant mortality rate has continued to decline (a positive outcome), but immunization rates have remained constant. Access to clean water declined from 79 percent (1994/95) to 77 percent (1998/99), and the share of houses with a latrine/toilet declined from 39 percent in 1996/97 to 37 percent in 1998/99.

75. Despite considerable efforts under SAPP II, there is little evidence that community, NGO, or private sector participation has increased significantly as a result of SAPP I inputs.

## **IV. ACHIEVEMENT OF OTHER DEVELOPMENT IMPACTS**

### **A. Socioeconomic Impact**

76. Poverty in Pakistan is widespread. While poverty declined during the 1970s and 1980s to about 25 percent by 1990, it rose again in the 1990s, and now affects about 40 percent of the population in rural areas, 32 percent in urban areas, and 35 percent overall.

77. Participation in education is negatively correlated with poverty. Primary school GER in 1998/99 was 85 percent in the rural areas for the richest people (fifth quintile) and only 40 percent for the first quintile (the poorest 20 percent). There is a widening gap between the rich and the poor in terms of enrollment. A comparison of GER by province and income shows that from 1996/97 to 1998/99 enrollment rates in rural areas declined among the poorest segment of the population and increased among the richest, except in Balochistan, where enrollment increased for all groups. However, although the evidence is uneven, the expansion of primary schools through the SAP may have started to reduce the income-education gap. This is shown in the dropout rate, where in 1996/97 about 45 percent of the poorest students (urban and rural) did not complete primary school, while in 1998/99 this had fallen slightly to 42 percent. This reduction is due to a decline from 50 percent to 47 percent in dropouts among the rural poor.

78. Preventive health care is more available for the rich, but child morbidity does not appear to be affected by income levels. Immunization rates are higher in the richest segment of the population, especially in urban areas. In urban Sindh, 84 percent of the rich and only 21 percent of the poor are fully immunized, while in Pakistan as a whole, 76 percent of the rich and only 28 percent of the poor have been immunized. SAPP I gave considerable attention to improving immunization and this may have greatly benefited the richer segments of the population. The immunization-income gap increased, as immunization rates for the poor in all parts of the country declined between 1996/97 and 1998/99 while the rates for the rich generally remained constant.

79. Diarrhea and infant mortality appear unaffected by income. There is no difference between diarrhea disease rates in rich and poor children, and only small differences between rural and urban areas, and between boys and girls in most provinces. In some areas, particularly in 1998/99, child mortality in rural areas may have been higher in the richest income groups.

### **B. Environmental Impact**

80. There is no evidence to suggest that SAP has had any significant adverse environmental impacts. New construction largely consisted of school buildings, and generally these were modest structures built at the village level. In the health sector, the emphasis was on rehabilitation of existing buildings. The water supply schemes of PHEDs generally involved pumping groundwater. Water shortage was a problem in a number of schemes visited but this was thought to be a consequence of the prolonged drought affecting the country rather than excessive withdrawal of groundwater resources. The success of the population program and the reduced fertility rate can be expected to have a positive environmental impact. Improved levels of literacy may also be beneficial.

## **C. Impact on Institutions and Policy**

### **1. Institutions**

81. SAPP I design incorporated institutional strengthening through a process approach. Institutional strengthening focused on improving the following areas: (i) planning and policy formulation; (ii) coordination; (iii) management (for example, of procurement); (iv) monitoring and evaluation; and (v) sector-specific institutional reforms. Under the last category, directorates of primary education were formed, health planning cells established, reorganization of primary health center services and financing carried out, and decentralization of administrative and financial powers initiated. TA support was provided by all funding agencies, including ADB (paras. 70-72). The review and approval process for AOPs and the policy dialogue during funding agencies' review missions were also an important part of the capacity-building efforts.

82. The planning and policy formulation capability of SAP agencies was expected to improve as an output of SAPP I. The primary vehicle for improving planning was the process of AOPs. The setting of priorities and objectives and the linking of these to resource allocation were not previously carried out by SAP agencies. This was a success of SAPP I. Departments are generally now preparing their AOPs independently of external assistance but the process still needs to be fully institutionalized. AOPs were expected to incorporate a long-term vision and institutional reform program for each sector. However, they tended to have a much more short-term focus (as their name implies) because of their link to the reimbursement procedure. While those most directly involved in SAP had a longer-term vision and strategic focus in mind, these should have been more clearly articulated, widely disseminated, particularly to lower levels, and followed throughout SAPP I implementation. Improved planning was also supported through establishing planning cells or units in SAP departments. The problems of high staff turnover, inadequate data for analysis of policy options, and variable commitment to consider alternative policy proposals limited the impact of this initiative.

83. Improved coordination of social sector activities was a key institutional capacity-building objective of SAPP I. The vehicles for achieving this were the federal SAP secretariat and provincial SAP coordinating committees. The roles of these bodies covered monitoring and reporting on SAP progress and impacts, and the encouragement of cross-sector planning, coordination, collaboration, and problem resolution. MSU played a key role in developing the capacity in these areas. Bilateral funding agencies also provided support directly to provinces. The coordination structures functioned throughout SAPP I. They achieved some success in getting the various SAP sectors talking to each other and in putting cross-sector issues on the policy agenda. On the other hand, the work of these groups came to be dominated by the issues of approval of AOPs and SOEs. As such, there was a tendency for the management of inputs to dominate at the expense of management of results. P&D departments at the federal and provincial levels drove the coordination function. While P&D departments have a responsibility for allocating and monitoring development expenditure, they do not have responsibility for social sector service delivery. This created some tension between P&D and provincial departments. It also did not provide a strong basis for accountability for results.

84. Improved management was a focus of capacity building in the IAs. Again, MSU played a key role in this. During the period 1993/94 to 1996/97, MSU conducted 57 seminars, workshops, technical group meetings, and other training activities with the participation of 2,628 people. Of the total number of activities, 7 were held in provincial capitals (involving 48 percent of participants), 49 were held in Islamabad, and 1 at the district level. This illustrates a limitation of the institutional strengthening under SAPP I, namely the lack of training provided at the district level and below. It is at these levels that social services are actually delivered to the people but there was almost no capacity building for frontline workers—which is, however, a major undertaking. However, SAP umbrella projects were often providing complementary inputs at the facility level.

85. Improved monitoring of social sector performance was seen as vital both for improving policy formulation and tracking SAPP I performance and impact. Some progress was made. In particular, the support provided for PIHS by the United Kingdom Department for International Development to the federal Bureau of Statistics produced valuable information. Other results were less positive. EMIS and the Health Management Information System are the primary vehicles for monitoring performance in the education and health sectors. However, these are aggregate rather than sample mechanisms. As such, they rely on complete and accurate reporting by all basic service facilities for the output to have integrity and validity. Such reporting never happened. Overall, SAP monitoring relied on two report forms—an annual policy matrix/implementation plan and a monitoring indicators proforma. Neither mechanism worked effectively. Line departments were responsible for filling in the targets but these were continually changing as a result of discussions during review missions. Consequently, they were not properly or completely filled in. The monitoring indicators proforma was used even less. Further, available information was little used in planning and management. Overall, monitoring was inadequate, particularly given the scope and complexity of SAPP I and the process approach adopted. Substantially more resources needed to be put into monitoring and evaluation, not only to track performance but also to provide a sound basis for policy decision making, which was an important part of SAPP I. The monitoring carried out by federal Bureau of Statistics through the PIHS was very good but monitoring by SAP departments should have been substantially upgraded at an early stage. The introduction of TPV during SAPP II was a useful step in this direction but its scope was very limited.

86. Overall, SAPP I efforts to strengthen institutions had mixed results. More progress was made at central levels but there was little impact at the service delivery level. Efforts to strengthen public sector institutions in Pakistan face formidable constraints, not least the very high staff turnover (para. 49 and Appendix 7), and systemic governance and management problems inherent in public service. Many of these issues probably could not be dealt with at the sector level as they affected the whole public service. Consequently, little progress was made in changing the way departments were managed or in redefining their role. While making some changes and recognizing the need for others, SAPP I largely used traditional public sector organizational and institutional structures for the utilization of increased expenditure.

## **2. Policy**

87. The policy reform measures fell into two categories—strategic or cross-cutting policy reforms in the areas of community, private sector and NGO participation, decentralization, and cost recovery that applied to all sectors, and operational policies that were sector-specific. Achievements with respect to the former category have been dealt with under achievement of project purpose (paras. 64-69). Operational policy reforms in the education sector covered areas such as the introduction of coeducation, increased recruitment of female teachers, formation of directorates of primary education, strengthening of site selection criteria, and revision and enforcement of teacher transfer policies. In the health sector, operational policies promoted by SAPP I included improving staff gender balance and expanded participation of departments of health in the population program. Adoption and implementation of a uniform policy were the key objectives for the RWSS sector. For population welfare, operational policy reforms focused on developing planning capacity, improving personnel policies, and increasing participation by the provincial governments in the provision of family planning services. Significant progress was made on most of the operational policies.

## V. OVERALL ASSESSMENT

### A. Relevance

88. SAPP I is assessed as relevant. It was highly relevant in terms of need. The emphasis on reducing or eliminating gender and urban-rural disparities was highly appropriate. SAPP I was an innovative concept designed to increase the low profile of social sector development. Its fresh approach recognized that past sector-specific projects had often failed to deliver the expected results. The cross-sector approach was a very relevant way of attracting the attention of the Government and senior public sector officials. SAPP I had a high degree of strategic fit with ADB, and government objectives and strategies. However, its design was less relevant. While social sector expenditure in Pakistan was, and is, low by international standards, the design placed too much emphasis on increasing expenditure and investment, and not enough on the efficiency of existing and incremental expenditure, governance issues, and the institutional constraints to effective service delivery, including bureaucratic resistance to key reforms. The emphasis on improved quality of expenditure was highly relevant. However, the mechanism of increasing nonsalary expenditure through a largely unchanged and inefficient public service was less relevant. The design did not incorporate adequate proposals for addressing institutional processes, capacity, and management. The linkages between inputs, outputs, and the achievement of project purpose were not clearly demonstrated. The strategic policy reforms of increased private sector, NGO, and community participation, and greater decentralization and cost recovery, were all highly relevant. However, project design underestimated bureaucratic resistance, and almost no resources were directed to the private (fee-for-service) sector, despite the recognition of the need for private sector involvement.

89. The World Bank played the lead role in the formulation of funding agency support to SAP. There was much analysis and dialogue at the federal level but the amount of participation, and hence ownership, decreased from the provincial to the district level and below. As the provinces were responsible for the delivery of most SAP services, the formulation process should have developed greater ownership among provincial IAs and lower level officials. Similarly, SAPP I could have been strengthened had the views of the community, NGOs, and the private sector been incorporated in its design.

### B. Efficacy

90. SAPP I is assessed as less efficacious. In arriving at this rating, the wide differences in financing provided to the four SAP sectors have been taken into account (para. 42). SAPP I was effective in achieving expenditure targets. Nominal increases in expenditure were over 90 percent of targets during the period of SAPP I. This helped increase per capita social sector spending in real terms, despite the rapid population growth and inflation (para. 59). Nonsalary expenditure in health and education showed significant gains. Expenditure increases came largely from incremental revenue (in particular, external funds) rather than reallocation within or among sectors. Generally, SAP expenditure was not relatively protected versus that of other sectors. Some gains were made in achieving more timely release of funds but these were later reversed.

91. SAPP I performance varied from sector to sector. The performance of the education sector was disappointing although some progress was made in reducing gender disparities, albeit partly due to a reduced male GER (paras. 27 to 32). On the other hand, rural-urban disparities, a key target area, showed little improvement. The health sector performed better (paras. 33 to 37). The level of immunization increased while gender and urban-rural disparities decreased. The numbers of female paramedical staff increased considerably. Progress in RWSS was disappointing while the population welfare sector performed relatively well.

92. Achievement of results in the cross-cutting issues was mixed. The need for community participation was accepted by the Government. However, the establishment of SMCs and water users associations often did not involve genuine participation or a real transfer of resources. The bureaucracy remained suspicious of the process. In the RWSS sector, contracted staff handled the responsibility for community preparation and it has proven difficult to “mainstream” the process within PHEDs. The process was impeded because many of the PHED schemes had not been designed with financial viability in mind. Deep-seated opposition in the public sector to NGO or private sector participation meant almost no progress was made in these areas. Some progress was made in decentralization to the district level but this was not extended to the facility level. Cost recovery was initiated in the RWSS sector but doubts exist about the financial viability of many of the PHED schemes.

93. The achievement of project purpose was expected to be associated with a much-improved political commitment to improving the health, education, and general well-being of the population, in particular rural people, infants, and women. For many, this is SAPP I’s greatest achievement. Without any doubt, the profile of the social sectors has been significantly raised. There is now a much more widespread acknowledgment that greater attention needs to be given to the social sectors. In the context of Pakistan, this is no small achievement.

94. SAPP I may not have produced the positive achievements expected but did it prevent an even worse outcome? A comprehensive assessment of the counterfactual is beyond the scope of this evaluation. Determining the counterfactual is also problematic given the national coverage of SAP. An examination of long-term trends in selected social indicators was carried out along with some analysis of the age group most affected by SAPP I efforts to enhance primary education (Appendix 5). No definitive conclusions are possible based on the analysis. The most significant finding is that literacy of the 10 to 14 age cohort showed strong growth between successive rounds of PIHS in 1996/97 and 1998/99. While this is a very encouraging result, further work would be required to confirm the trend and to claim it as a success of SAPP I. There are indications that SAPP I may also have had a positive impact on female primary school completion rates in rural areas, the CPR, and the under-five mortality rate.

### **C. Efficiency**

95. SAPP I is rated less efficient. Although efficiency was recognized as an issue, specific ways to improve the efficiency of existing and incremental expenditure were not included in project design or effectively incorporated during implementation. Nor were benchmarks established for key efficiency measures or efficiency indicators monitored to track changes. Consequently, there are few data on which to base estimates of efficiency. Apart from recognizing a need to increase nonsalary expenditure, there was no analysis during design or implementation of the efficiency of existing expenditure. It was accepted that more expenditure was required and that the performance-based reimbursement mechanism rewarded incremental expenditure rather than the results achieved (although the AOPs aimed to ensure that expenditure was soundly based).

96. SPDC analyzed cost-effectiveness of expenditure in the education sector by comparing the change in the ratio of GER (output) to the growth rate of real expenditure (input). Comparing the periods 1985/86 to 1991/92 and 1991/92 to 1994/95, the analysis showed a decline rather than an increase in efficiency. Wastage is another measure of efficiency. From 1987/88 to 1993/94, there was a downward trend in the continuation rate from class 1 to class 2 for both boys and girls—in other words, a trend for more pupils not to continue education after the first class. For boys, the downward trend slowed during SAPP I but for girls it continued. There does not appear to have been an efficiency gain in terms of reduced wastage in the education sector.

97. SPDC also pointed to inefficiency in investment planning whereby in 1995/96, there were 2,276 SAP-sector projects being executed by provinces with a total value of PRs68 billion.

Given an annual allocation of PRs10.8 billion, schemes were taking over six years to implement on average. For individual provinces, the average implementation period ranged from 4 to 10 years. Too many projects were approved in relation to implementation capacity and the availability of counterpart funds. Consequently, implementation capacity was exceeded and limited recurrent funds were spread across too many projects. SPDC attributed this tendency to the politicization of the project approval process. It concluded that SAP might have added to cost-ineffective investment programming practices in the health and RWSS sectors.

98. In terms of efficiency of process, results were mixed. The review process was cumbersome (para. 51) but it did engage various levels of government in substantial and sustained dialogue on social sector issues. The stated commitment by politicians and officials generated by this dialogue was SAPP I's greatest success. The process approach was appropriate. However, adoption of such an approach brings with it the need to have a comprehensive and flexible monitoring and evaluation framework so that targets are redefined, indicators confirmed, and data collected, to help the management of implementation and subsequent assessment of performance.

#### **D. Sustainability**

99. Sustainability is assessed as less likely (paras. 73-75). The increased visibility of and political commitment to social sectors have been sustained. This is a major achievement given that Pakistan has had eight governments since 1990. However, increased financial allocations to social sectors have not proven to be sustainable in times of fiscal crisis, nor has SAP expenditure been relatively protected. Education, health, population, and RWSS indicators have mostly declined or stagnated since 1996/97. Few further gains have been made in the strategic policy reform areas.

#### **E. Institutional Development and Other Impacts**

100. SAPP I is judged to have produced some positive impacts aside from those considered under efficacy. The profile of accountability and transparency as issues in public sector management has increased. Gender issues are more openly acknowledged by officials to be an important consideration in social sector development.

#### **F. Overall Project Rating**

101. The overall rating is partly successful. SAPP I was an ambitious attempt to improve the social conditions of the people in Pakistan, particularly women, children, and those in rural areas. SAPP I was an innovative and relevant concept. Despite the rapid population growth and inflation, and the Government's fiscal constraints, SAPP I helped preserve, or even slightly increase, per capita social sector spending in real terms. In some sectors, the investment component performed below expectations. More than half of SAPP I's resources was directed to the education sector where results were disappointing. The focus on incremental expenditure and a greater share of nonsalary expenditure channeled exclusively through existing public sector systems improved the situation less than envisaged. The program component had mixed results. SAPP I had its greatest success in the substantial dialogue with the Government that raised its awareness of social sector issues and generated firm commitment to social sector development. A useful start was made to greater community participation and decentralization but little progress was made in involving NGOs and the private sector. SAPP I's lack of support for private sector service provision was a drawback. Where gains were made in social indicators, as in the health sector, it was not always possible to attribute these to SAPP I initiatives.

102. Given that SAPP I is assessed as only partly successful, the obvious question is why? Several reasons seem plausible.<sup>28</sup> First is the elitism of Pakistan society whereby powerful groups do not derive benefit from taxing themselves to invest in social capital formation. Similarly, men are not prepared to invest in women's development. Second is the strong polarization in Pakistan society into linguistic, regional, and religious factions that find it difficult to agree on the level and nature of public investment in social development for all. Third is the low accountability of the government—those that suffer most have the least voice (women and rural inhabitants), high political instability means accountability of politicians to voters is weak, and a highly centralized top-down system means that services are supply rather than demand driven. Frequent staff turnover in government agencies also limits accountability, particularly in long-gestation social sector projects.

103. Notwithstanding the partly successful rating, SAPP I was a creditable performance within the context of Pakistan. Although a single government was in power for most of the SAPP I period, there have been eight governments in the 1990s. A slowdown in economic growth coupled with rising debt-servicing costs and maintenance of a high level of defense expenditure means that social sector spending can only be maintained or increased by a combination of significantly increased revenue generation, higher user payments, and significant reallocations between sectors. This will require some hard decisions by the Government.

#### **G. Assessment of ADB and Borrower Performance**

104. ADB's contribution to project design and supervision was modest in terms of quantity, given the complexity of external funding arrangements for SAP and the size of ADB's loan (around one third of external funding). Although the review process was very much driven by the World Bank, ADB staff made a valuable contribution to monitoring and reviewing progress and engaging the Government in policy dialogue. The joint review missions should have been conducted in a more efficient way. The funding agencies heavily emphasized procedural issues. While these were important, such emphasis contributed to a loss of focus on strategic reforms—an area where government commitment was lacking. ADB performance is assessed as highly satisfactory in terms of the quality of support provided but unsatisfactory in terms of the number of staff assigned even though substantially more staff time was provided than for most similarly-sized projects. EA and IA performance is judged partly satisfactory. An insufficient number of full-time staff was assigned to the federal SAP secretariat and provincial SAP coordination committees. High staff turnover in IAs negatively affected their performance. Women's involvement in management remained minimal. Although this is an endemic problem in the Pakistan public service, it was particularly problematic for SAP given its focus on reducing gender disparities.

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<sup>28</sup> Easterly, W. 2001. *Pakistan's Critical Constraint: Not the Financing Gap but the Social Gap*.

## VI. ISSUES, LESSONS, AND FOLLOW-UP ACTIONS

### A. Key Issues for the Future

105. The overriding issue for the future of social sector development in Pakistan is how to fully incorporate the rapidly growing role of the private sector and the willingness and ability of increasing numbers of people to pay for better social services into the SAP policy and strategy framework. Currently, there appears to be a major divergence between public policy and strategy, and what is actually happening on the ground. Public funds are being spent almost exclusively on publicly provided services while people are increasingly spending their own money on private services. What is required is a major change in attitude by the Government and its bureaucracy to support a mix of public and user funding with largely private provision as the most effective and cost-efficient way of achieving social objectives. Coupled with much greater private provision, scarce public resources should be targeted to the most needy who lack the ability to pay and to where the private sector is unlikely or unwilling to provide services. SAPP I was an innovative response to a dire situation. Further innovation is needed for a situation that remains dire.<sup>29</sup> Until this is accepted, gains will be painfully slow. Funding agencies and the Government should agree on how external funding can be directed to support and enhance both public and private provision.

### B. Lessons Identified

106. The following important lessons have emerged from the SAP experience:

- (i) Greater social sector expenditure and increased nonsalary expenditure by the Government may be necessary conditions for improved social outcomes in Pakistan but they are not sufficient. Directing incremental expenditure and increased nonsalary funds through poorly performing and largely unchanged public institutions produces unsatisfactory results.
- (ii) Incremental public sector SAP expenditure will be financially sustainable in Pakistan only if strong efforts are made to increase revenues through means such as cost recovery, higher resource mobilization from federal and provincial taxes, and privatization of noncore government assets to repay debt (thereby reducing debt servicing and, in some cases, recurring losses). Significant resource reallocations among sectors may also be required.
- (iii) Opportunities for efficiency and effectiveness gains from existing expenditure need to be identified and benchmarks established for service quality and the costs of service provision if incremental public expenditure is to produce expected results. Alternatives to inefficient public sector provision and funding need to be explored and tested.
- (iv) The reimbursement mechanism of rewarding incremental expenditure was an incentive to use more inputs rather than produce better results.
- (v) The private sector is a major service provider in all SAP sectors (with a few exceptions such as immunization). An increasing number of people is prepared to pay for a higher quality and more reliable supply of social sector services. For

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<sup>29</sup> Opportunities for innovative actions in the health sector are described in World Bank, 1998, *Pakistan: Towards a Health Sector Strategy* and The Futures Group International, 1997, *Public-Private Partnership in Health Study*.

its part, the private sector has shown itself willing and able to respond to this demand.

- (vi) There is a need for the Government to redefine the role of the public sector in social service funding and provision with a view to greater adoption of user-pays mechanisms (according to need), greater fee-for-service provision, targeting of scarce public funds to the most needy through innovative schemes such as vouchers, and genuine and widespread public-private partnerships. Public servants often see community, NGO, and private sector participation in areas of service delivery traditionally handled by the public sector as a threat. Therefore, ways of overcoming public servant resistance must be found.
- (vii) In reform programs such as SAP, it is critical that formulation and design of projects involve all stakeholders—particularly those responsible for service delivery at the provincial, district, and facility level, private providers, and the community.
- (viii) Policy reform agendas need to be coherent and consistent. To ensure this, there is a need to clearly articulate and continually repeat and reinforce a vision for the future, together with a core set of guiding principles, policies, and key strategic actions. If this is not done, there is a high likelihood that the programmatic or strategic focus will be diluted, intersector synergies will not be fully captured, and the emphasis will shift more to the operational and administrative level. The policy reforms need to be prioritized and sequenced in a logical fashion. The adoption of strategic policies should take precedence over operational policies, unless a strong case can be made to the contrary (for example, the need to demonstrate an early positive result in order to increase commitment).

### C. Follow-Up Actions

107. The following actions are recommended for consideration by ADB:

Recommendation	Responsibility for		Timing
	Action	Monitoring	
1. Reevaluate SAPP I as part of the project performance audit report for SAPP II and, in so doing, incorporate a robust analysis of the counterfactual.	OED	OED	2003
2. Continue to support social sector development in Pakistan. Every effort should be made to develop ways for this assistance to extend and enhance private provision of social services (on a fee-for-service basis and as publicly funded contracted provision) with public funds and provision targeted to the most needy. Social service provision should test a range of innovative delivery and funding mechanisms.	SARD/SSD	RSDD	18 months and ongoing

OED = Operations Evaluation Department, RSDD = Rural and Sustainable Development Department, SARD = South Asia Regional Department, SSD = Social Sectors Division.

108. The following actions are recommended for consideration by the Government:

<b>Recommendation</b>	<b>Responsibility for</b>		<b>Timing</b>
	<b>Action</b>	<b>Monitoring</b>	
1. Further document the role of the private sector in SAP service provision in terms of coverage, cost, quality, constraints, and opportunities.	Planning and Development Division in cooperation with SAP agencies	Cabinet Social Sector Committee	12 months
2. Strengthen the Education Management Information System and the Health Management Information System by incorporating sample survey data, undertaking client satisfaction surveys, and increasing coverage of fee-for-service providers.	Provincial departments of education and health	Ministries of Health and Education	Six months and ongoing
3. Develop new SAP sector policy statements that incorporate strategies and a set of strategic actions to put in place a genuine public-private partnership in the funding and provision of SAP services.	Cabinet Social Sector Committee and concerned ministries and departments	Cabinet	18 months

SAP = social action program.

## APPENDIXES

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6	Results of Third Party Validation	54	16,46
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8	Compliance with Major Loan Covenants	57	18,55

### SUPPLEMENTARY APPENDIXES

(available on request)

- A Partial Logframe for Social Action Program (Sector) Project
- B Summary of Findings of Asian Development Bank Project Completion Report, World Bank Implementation Completion Report, and Social Policy and Development Centre Evaluation
- C Trends in Key Performance Indicators
- D Policy Reform Matrix

## SOCIAL, POLITICAL, AND ECONOMIC CONTEXT

1. This appendix describes the context prior to and during Social Action Program (Sector) Project (SAPP I) implementation. Despite impressive general economic and agricultural growth during 1960-1990, Pakistan saw almost no improvement in social indicators. Gross domestic product (GDP) grew at an average rate of over 6 percent annually over this period and agricultural production at a rate of 4.3 percent, while the population grew at 3.1 percent annually. The average per capita GDP growth rate from 1980 to 1991 was 3.2 percent annually, the highest in South Asia. Pakistan's economic indicators compared very favorably with other countries in South and Southeast Asia. Its average per capita gross national product (GNP) growth rate for 1980-1991 was the highest in South Asia, and its inflation rate was the lowest. Pakistan's per capita GNP of \$400 in 1991 was the second highest in South Asia, behind Sri Lanka (Table A1.1).

**Table A1.1: International Economic Comparison**

Country	GNP per Capita, 1991 (\$)	GNP per Capita Growth, 1980-1991 (%)	Percent of Government Expenditure Allocations, 1986-1992			
			Health	Education	Total: Education and Health	Defense
Bangladesh	220	1.9	5	11	16	10
India	330	3.2	2	2	4	17
Indonesia	610	3.9	2	9	11	8
Nepal	180	2.1	5	11	16	6
Pakistan	400	3.2	1	2	3	28
Philippines	730	1.2	4	16	20	11
Sri Lanka	500	2.8	5	8	13	9
Thailand	1,570	5.9	7	20	27	17

GNP = gross national product.

Source: *Human Development Report*, United Nations Development Programme, 1996.

2. However, while economic and agricultural growth was good, in relation to other countries of South Asia, Pakistan's social statistics were poor. The Government allocated only 3 percent of its expenditures to education and health, the lowest in South or Southeast Asia. By the early 1990s, the country's under-five infant mortality was the highest in South and Southeast Asia, and its adult literacy rate the second lowest in South and Southeast Asia. Between 1980 and 1992, Pakistan had smaller reductions in infant mortality and average annual fertility rates than any other country in the South and Southeast Asia. Pakistan reduced infant mortality by only 0.8 percent annually during this period, while other countries of South and Southeast Asia reduced their infant mortality rate by much greater rates—1.2 percent in Indonesia and the Philippines, 2.7 percent in Nepal, 3.0 percent in India, and 8.4 percent in Sri Lanka. Similarly, Pakistan had a smaller reduction in the average annual fertility rate (only 1.0 percent) compared to other countries in the region.

3. Pakistan had one of the worst income disparities in Asia (6.5 rich/poor ratio, comparing the income of the top 20 percent with that of the bottom 20 percent), a literacy level of 35 percent nationally and 10 percent for rural women; a contraceptive prevalence rate of 12 percent; and a family planning program that was cited by Population Action International as the world's foremost example of a national program failure.

**Table A1.2: International Social Indicators**

<b>Country</b>	<b>Under-5 Mortality Rate, 1992</b>	<b>Infant Mortality Rate, 1992</b>	<b>Total Adult Literacy Rate, 1990</b>	<b>Under-5 Mortality Rate, Average Rate of Reduction, 1980-1992 (%)</b>	<b>Total Fertility Rate, Average Annual Rate of Reduction, 1980-1991 (%)</b>
Bangladesh	127	97	35	4.2	2.4
India	124	83	48	3.0	1.7
Indonesia	111	71	82	1.2	2.9
Nepal	128	90	25	2.7	1.3
Pakistan	137	105	32	0.8	1.0
Philippines	60	46	90	1.2	1.7
Sri Lanka	19	15	88	8.4	2.8
Thailand	33	27	93	5.1	4.1

Source: *State of the World's Children*, United Nations Children's Fund, 1994; *Human Development Report*, United Nations Development Programme, 1996.

4. Contraceptive prevalence at 12 percent was the lowest in South Asia and the population growth rate was a serious impediment to future economic growth. The high levels of infant mortality indicated endemic disease patterns, including diarrhea and respiratory diseases, where poor health interferes with children's ability to learn and workers' ability to produce goods for society. The lack of an educated workforce, the poor health status of the people, and the excessive national population growth rate were serious impediments to economic progress.

**Table A1.3: Pre-SAP Social Statistics**

<b>Item</b>	<b>1975</b>	<b>1980</b>	<b>1985</b>	<b>1990</b>
Literacy (%)	23	26	28	32
Female (%)	13	16	17	19
Rural (%)	—	17	—	31
Enrollment – Primary (%)	44	42	45	54
Girl's Enrollment – Primary (%)	27	28	32	38
Contraceptive Prevalence (%)	5	—	9	12
Population Growth Rate (%)	3	—	3	3
Infant Mortality Rate (%)	94	—	116	105
Urban (%)	74	—	92	77
Rural (%)	101	—	126	125
Life Expectancy (years)	—	57	57	57
Access to Water (%)	37	47	—	69
Access to Sanitation (%)	29	—	—	35

— = not available, SAP = social action program.

Source: *Social Development in Pakistan*, Social Policy Development Centre, 1999.

5. The effect of increasing government debt and high levels of interest payments began to be felt in the 1990s and these factors gradually impinged on the Government's ability to support the social sector programs.

**Table A1.4: Economic Context Pre-SAP (%)**

Item	1960s	1970s	1980/81	1984/85	1988/89	1990/91	1991/92
GDP Growth Rate	6.77	4.84	6.40	8.71	4.81	5.57	7.71
Interest Payments (% of GDP)	—	—	2.10	3.50	5.00	4.90	5.20
Overall Deficit (% of GDP)	2.10	5.30	5.30	7.80	7.40	8.70	7.40

— = not available, GDP = gross domestic product, SAP = social action program.

Source: *Pakistan Economic Survey*, 1999-2000. Government of Pakistan, Economic Advisers Wing, Finance Division.

**Table A1.5: Economic Context During Implementation and After (%)**

Item	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000
GDP Growth Rate	2.3	4.5	5.3	6.8	1.9	4.3	3.2	4.5
Overall Deficit (% of GDP)	8.0	5.9	5.6	6.4	6.4	7.7	6.1	6.3
Interest Payments (% of GDP)	5.9	5.8	5.2	6.2	6.5	7.6	7.7	8.5

— = not available, GDP = gross domestic product.

Source: *Pakistan Economic Survey*, 1999-2000. Government of Pakistan, Economic Advisers Wing, Finance Division.

6. During the SAPP I period, GDP growth increased, the overall national deficit decreased, and interest payments fell as shown in the table above. This created a favorable climate for the initial stages of project implementation and enabled the Government to provide economic and political support to the Social Action Program activities as noted above. Government expenditure in the SAP sectors increased as a percentage of the national expenditures during each of the SAPP I project years and came close to meeting the targets for SAP expenditure as a share of GDP. However, beginning in 1994/95, interest payments and the overall deficit began to increase and GDP growth dropped dramatically in 1996/97 to 1.9 percent. The Government continued to increase the level and percentage of SAP expenditure in 1996/97, but these began to decline during the succeeding years.

7. Political changes during the 1990s created enormous challenges for the Government and placed a great deal of stress on the commitment to social change that had formed the basis for SAP. No elected government has completed its five-year tenure since the start of the SAP process. The Government of Prime Minister Nawaz Sharif, during its first administration (1990-93) after the end of martial law initiated the SAP project. It was endorsed by the two appointed caretaker governments and then adopted by the elected Bhutto government in 1993. A total of eight separate governments ruled Pakistan during the implementation period of SAPP I and SAPP II. The political changes caused confusion and lack of direction throughout the administration and created problems for the civil service in administering development programs. The governments during SAP preparation and SAPP I and II implementation were as follows:

**Table A1.6: Governments in Pakistan During SAP Preparation and SAPP I and II Implementation**

Leader	Held Office		Method of Gaining Power	Type
	From	To		
Nawaz Sharif	6 November 1990	18 April 1993	Elected	
Balakh Shere Mazari	18 April 1993	26 May 1993	Appointed	Caretaker
Nawaz Sharif	26 May 1993	18 July 1993	Reinstalled	
Moeen Quareshi	18 July 1993	19 October 1993	Appointed	Caretaker
Benazir Bhutto	19 October 1993	5 November 1996	Elected	
Malik Mehraj Khalid	5 November 1996	17 February 1997	Appointed	Caretaker
Nawaz Sharif	17 February 1997	12 October 1999	Elected	
Gen. Pervez Musharraf	10 October 1999	Present	Appointed	Chief Executive (now President)

SAP = social action program, SAPP = Social Action Program (Sector) Project.  
Source: Operations Evaluation Mission.

## SOCIAL ACTION PROGRAM COST ESTIMATES AND FUNDING

**Table A2.1: Cost Estimates/Funding for FY 1994-1997**  
(\$ million)

Item	At Appraisal (FY1994-FY1996)					Actual (FY1994-FY1997)					Variance (FY1994-FY1997)				
	Three-Year Program Costs	Government Contribution	Disbursement from Ongoing Projects	ADB Financing	Other Funders	Three-Year Program Costs	Government Contribution	Disbursement from Ongoing Projects	ADB Financing	Other Funders	Three-Year Program Costs	Government Contribution	Disbursement from Ongoing Projects	ADB Financing	Other Funders
Punjab	1,789	1,494	177	31	87	1,416	1,268	9	57	95	373	226	168	(26)	(8)
Education	1,259	1,056	140	16	47	1,034	939	0	39	65	225	117	140	(23)	(18)
Health	260	202	37	10	11	190	158	6	9	17	70	44	31	1	(6)
RWSS	270	236	0	5	29	192	170	3	8	13	78	66	(3)	(3)	16
Sindh	782	631	93	17	41	624	530	63	11	22	158	101	30	6	19
Education	577	490	66	9	12	462	390	51	8	15	116	100	15	1	(3)
Health	105	72	15	2	16	103	91	6	2	4	2	(19)	9	(0)	12
RWSS	100	69	12	6	13	59	49	7	1	3	41	20	5	5	10
NWFP	594	432	94	13	55	470	378	56	14	25	124	54	38	(1)	30
Education	378	272	61	7	38	309	244	41	10	16	69	28	20	(3)	22
Health	99	55	21	2	21	70	57	8	2	4	29	(2)	13	0	17
RWSS	117	105	12	4	(4)	91	77	7	3	5	26	28	5	1	(9)
Balochistan	364	190	140	14	20	329	247	45	14	24	35	(57)	95	0	(4)
Education	168	90	63	7	8	181	120	42	7	13	(13)	(30)	21	(0)	(5)
Health	107	74	14	7	12	82	73	0	4	6	25	1	14	3	6
RWSS	89	26	63	0	0	66	54	3	3	5	23	(28)	60	(3)	(5)
Provincial Subtotal	3,529	2,747	504	75	203	2,838	2,423	174	95	165	691	324	330	(20)	38
Education	2,382	1,908	330	39	105	1,985	1,693	133	64	109	397	215	197	(25)	(4)
Health	571	403	87	21	60	445	380	20	17	31	126	23	67	4	29
RWSS	576	436	87	15	38	408	350	20	15	26	168	86	67	0	12

ADB = Asian Development Bank, NWFP = North-West Frontier Province, RWSS = rural water supply and sanitation, SAP = social action program.

Note: Figures do not tally because of rounding off.

Sources: Operational Plans; Planning and Development Division, Islamabad; SAP Secretariat; and Multidonor Support Unit Financial Analysis.

**Table A2.1: Cost Estimates/Funding for FY 1994-1997(continued)**  
(\$ million)

Item	At Appraisal (FY1994-FY1996)					Actual (FY1994-FY1997)					Variance (FY1994-FY1997)				
	Three-Year Program Costs	Government Contribution	Disbursement from Ongoing Projects	ADB Financing	Other Funders	Three-Year Program Costs	Government Contribution	Disbursement from Ongoing Projects	ADB Financing	Other Funders	Three-Year Program Costs	Government Contribution	Disbursement from Ongoing Projects	ADB Financing	Other Funders
Federal Subtotal	491	303	48	25	115	398	275	69	8	48	93	28	(21)	17	67
Federal Territories	104	85	10	0	9	84	78	1	0	5	20	8	9	0	4
Other Federal Areas	137	115	0	0	22	120	104	0	0	15	17	11	(0)	0	7
Education	79	65	0	0	14	74	65	0	0	9	5	0	0	0	5
Health	26	18	0	0	8	24	20	0	0	4	2	(2)	0	0	4
RWSS	32	32	0	0	0	22	20	0	0	3	10	12	(0)	0	(3)
Population Participatory Development Program	173	85	19	12	57	93	38	45	3	7	80	47	(26)	9	50
SAP-Monitoring and Evaluation	5	0	0	0	5	1	0	0	0	1	4	0	0	0	4
Vertical Activities (MOH and MOE)	6	0	0	2	4	2	0	0	1	1	4	0	0	1	3
National Total	4,020	3,050	552	100	318	3,237	2,698	242	103	214	783	352	310	(3)	104

MOE =Ministry of Education, MOH = Ministry of Health.

Note: Figures do not tally because of rounding off.

Sources: Operational Plans; Planning and Development Division, Islamabad; SAP Secretariat; and Multidonor Support Unit Financial Analysis.

Table A2.2: Cost Breakdown by Project Sector

Category	Appraisal Estimate			Actual		
	Foreign	Local	Total	Foreign	Local	Total
Punjab	295	1,494	1,789	148	1,267	1,416
Education	203	1,056	1,259	95	939	1,034
Health	58	202	260	31	158	189
RWSS	34	236	270	22	170	192
Sindh	151	631	782	94	530	624
Education	87	490	577	72	390	462
Health	33	72	105	12	91	103
RWSS	31	69	100	10	49	59
NWFP	162	432	594	92	378	470
Education	106	272	378	65	244	309
Health	44	55	99	13	57	70
RWSS	12	105	117	14	77	91
Balochistan	174	190	364	82	247	883
Education	78	90	168	61	120	181
Health	33	74	107	9	73	82
RWSS	63	26	89	12	54	66
Provincial Subtotal	782	2,747	3,529	415	2,423	2,838
Education	474	1,908	2,382	293	1,693	1,986
Health	168	403	571	65	379	444
RWSS	140	436	576	58	350	408
Federal Territories	19	85	104	7	78	85
Other Federal Areas	22	115	137	16	104	120
Education	14	65	79	9	65	74
Health	8	18	26	4	20	24
RWSS	0	32	32	3	20	23
Population	88	85	173	55	38	93
Participatory Development Program	5	0	5	1	0	1
SAP - Monitoring and Evaluation	6	0	6	2	0	2
Vertical Activities (MOH and MOE)	48	18	66	43	55	98
Federal Subtotal	188	303	491	124	275	398
National Total	970	3,050	4,020	539	2,698	3,236

MOE = Ministry of Education, MOH = Ministry of Health, NWFP = North-West Frontier Province, RWSS = rural water supply and sanitation, SAP = social action program, SDR = special drawing rights.

Sources: Loan 1301-PAK(SF): Social Action Program (Sector) Project, Report and Recommendation of the President, 1994 and Loan 1301-PAK(SF): Social Action Program (Sector) Project, Project Completion Report, 1999.

Table A2.3: Summary of Disbursements

Category	Original	Net Amount Disbursed				Total	Variance
	Allocation	FY1994	FY1995	FY1996	FY1997		
Punjab	31.00	3.94	20.11	20.13	12.49	56.67	(25.67)
Education	16.00	3.10	13.66	13.05	9.44	39.25	(23.25)
Health	10.00	0.45	3.80	3.87	1.29	9.41	0.59
RWSS	5.00	0.39	2.65	3.21	1.76	8.01	(3.01)
Sindh	17.00	0.74	3.24	4.03	3.41	11.41	5.59
Education	9.00	0.55	2.33	2.81	2.49	8.17	0.83
Health	2.00	0.10	0.60	0.82	0.57	2.09	(0.09)
RWSS	6.00	0.09	0.31	0.40	0.35	1.15	4.85
NWFP	13.00	0.33	4.55	6.15	2.64	13.68	(0.68)
Education	7.00	0.25	3.07	4.22	1.98	9.53	(2.53)
Health	2.00	0.04	0.58	0.61	0.40	1.63	0.37
RWSS	4.00	0.04	0.90	1.32	0.26	2.52	1.48
Balochistan	14.00	4.09	2.47	6.07	0.96	13.59	0.41
Education	7.00	2.24	0.95	3.27	0.63	7.10	(0.10)
Health	7.00	1.10	0.76	1.50	0.18	3.54	3.46
RWSS	0.00	0.75	0.76	1.30	0.15	2.96	(2.96)
Federal	25.00	0.91	2.81	2.98	1.08	7.80	17.20
Population	12.00	0.91	1.69	0.00	0.00	2.60	9.40
SAP - Monitoring and Evaluation	2.00	0.00	0.11	0.34	0.20	0.66	1.34
Vertical Activities (MOH and MOE)	11.00	0.00	1.01	2.64	0.88	4.54	6.46
Total (in \$)	100.00	10.00	33.19	39.39	20.58	103.15	(3.15)
(in SDR)	70.35					70.31	0.04

MOE = Ministry of Education, MOH = Ministry of Health, NWFP = North-West Frontier Province, RWSS = rural water supply and sanitation, SAP = Social Action Program, SDR = special drawing rights.

Sources: Loan 1301-PAK(SF): Social Action Program (Sector) Project, Report and Recommendation of the President, 1994 and Loan 1301-PAK(SF): Social Action Program (Sector) Project, Project Completion Report, 1999.

## SOCIAL ACTION PROGRAM PROJECT DISBURSEMENT AND REIMBURSEMENT MECHANISMS

### A. Disbursement Mechanism

1. Under Social Action Program (Sector) Project (SAPP I) procedures, the Government had to first allocate funds for each of the Social Action Program (SAP) sectors in its annual budgets. These are then progressively released to implementing departments and spent on SAP activities. Following expenditure, departments submit statements of expenditures as the basis for claiming reimbursement.

### B. Reimbursement Mechanism<sup>1</sup>

2. Between 1993/94 (the first year of donor funding) and 1997/98, the reimbursements were not based on categories of expenditures. Subject to compliance, all rupee expenditure of all subprojects (province, area, and federal ministry) was reimbursed at a certain rate. Basically, all rupee expenditure allocations (aggregated at the national level) beyond a minimum threshold (a proportion of gross domestic product) were reimbursed by the donors on the basis of actual expenditure reported through statements of expenditures. Reimbursement to each entity in a particular year was based, in general, on a relative incremental change in total SAP allocations to provinces, special areas, or federal ministries. This is explained below.

3. At the beginning of a fiscal year, a financing plan was prepared by the donors. The plan determined (i) the level of donor funding for the fiscal year, (ii) reimbursement ratios for implementing entities, and (iii) sharing of reimbursements between the donors.

4. The aggregate level of reimbursement at national level (TotNatReimb) was the difference between the total budget allocations at the national level (NatAlloc) and the minimum targeted government rupee expenditure (TargNatAlloc), being a certain percentage of the gross domestic product, for a particular fiscal year. Thus:

$$\text{TotNatReimb} = \text{NatAlloc} - \text{TargNatAlloc}$$

5. The implementing entities (provinces, special areas, and federal ministries) were reimbursed on the basis of their respective share in the incremental rupee allocation at the national level. The relative share (RelShareEnt) was defined as:

$$\text{RelShareEnt} = \frac{\text{Change in entity's allocations from last fiscal year}}{\text{Change in national level allocations from last year}}$$

6. Total reimbursements to an entity (TotReimbEnt) were worked out by apportioning the total national reimbursements on the basis of relative incremental shares:

$$\text{TotReimbEnt} = \text{TotNatReimb} \times \text{RelShareEnt}$$

7. The reimbursement ratio for an entity (ReimbRateEnt) was determined by working out the proportion of entity's reimbursement to its total allocation (TotAllocEnt). Thus:

$$\text{ReimbRateEnt} = \frac{\text{TotReimbEnt}}{\text{TotAllocEnt}} \times 100$$

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<sup>1</sup> Information provided by "multidonor" support unit.

8. Some minor adjustments in reimbursements were also made. Support activities like technical assistance and monitoring and evaluation were reimbursed at 100 percent. A Participatory Development Program for nongovernment organization assistance was also financed on a 100 percent basis by the International Development Association (IDA).

9. The reimbursement ratios (other than Participatory Development Program) were further broken down for IDA-administered (IDA, Ministry of Development Cooperation, Netherlands), and the British Overseas Development Administration (subsequently Department for International Development), and the Asian Development Bank (ADB) financing. Generally, the formula was two thirds and one third respectively. During the SAPP I period, ADB did not finance SAP activities in the special areas—Azad Jammu and Kashmir (AJK), Federally Administered Tribal Areas (FATA), Northern Areas (NA), and Islamabad Capital Territory (ICT). In SAPP II, FATA was included for ADB financing. Of the IDA-administered trust funds during SAPP I, the Netherlands' grant was reserved for education programs in North-West Frontier Province (NWFP) and Balochistan and the Overseas Development Administration/Department for International Development grant was reserved for education (excluding NWFP and Balochistan) and health programs.

10. From 1998/99, the reimbursement process changed. The reimbursements were then based on the categories of expenditure rather than relative incremental change of allocations. The ratios, in general, were:

- (i) 75 percent for nonsalary part of the recurrent expenditure for education and health subprograms in provinces and special areas;
- (ii) 5 percent for salary part of the recurrent expenditure for education and health subprograms in provinces and special areas;
- (iii) 5 percent for salary and nonsalary part of rural water supply and sanitation expenditures in provinces and areas;
- (iv) 5 percent of all Annual Development Program expenditures in provinces and areas;
- (v) 10 percent for federal subprograms; and
- (vi) 100 percent for all support activities.

## EVALUATION METHODOLOGY AND BASIS FOR PERFORMANCE RATING

### A. Methodology

1. Given the availability of existing data and the enormity of the task, no survey for primary data collection was carried out. Rather, the very large volume of available data was reviewed, analyzed, and assessed through widespread consultation and field inspection. Approximately three and a half weeks were spent in Pakistan during which time team members jointly visited the four provinces (Balochistan, North-West Frontier Province, Punjab, and Sindh), as well as the National capital, Islamabad. These visits involved discussions with provincial officials (typically from planning and development, education, public health engineering, local government and rural development, and finance and audit departments) and staff of nongovernment organizations (NGOs), as well as field inspection of education, health, and water supply sites. Detailed discussions were also held with federal officials, donors, consultants, and NGOs in Islamabad, both prior to and following the provincial visits. A wrap-up meeting was held in Islamabad to obtain preliminary reactions from the Executing Agency. Further analysis, reflection, and peer review followed the fieldwork.

2. Evaluation of Social Action Program (Sector) Project (SAPP I) performance is challenging for a number of reasons.

- (i) There is no distinct definition of project objectives (goal and purpose) and outputs for SAPP I in the report and recommendation of the President (RRP). The objective stated in the RRP was to support the Government's Social Action Program (SAP). The objectives and targets for SAP are outlined in the Government's Eighth Five-Year Development Plan (DP8). Many of these are quoted in the RRP. To clarify the goal, purpose, and outputs of SAPP I, a partial logical framework (logframe) was developed based on project documents and DP8 (Appendix 2). SAPP I performance is largely assessed in light of achievements of the overall SAP.<sup>1</sup>
- (ii) The Asian Development Bank (ADB) funds went into a common pool with those of other donors and these were used to reimburse selected areas of implementing agency operational expenditure. As the reimbursement was tied to aggregate incremental funding by the Government, it is not possible to identify specific activities funded by donors. Attempts to do so are simply an accounting artifice. Also, apart from the technical assistance, it is not possible to distinguish between the impact of ADB funding and that of other donors.
- (iii) SAPP I was immediately followed by SAPP II<sup>2</sup> so it is not possible to clearly separate the performance of SAPP I from that provided under the second phase.

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<sup>1</sup> This is consistent with the approach adopted by ADB's project completion report and the World Bank's implementation completion report (ICR). The project completion report notes "all activities falling under SAP became part of the project, this aspect has to be kept in mind when evaluating the implementation of activities and other cross-cutting issues." The ICR states that "the IDA-financed SAPP cannot be evaluated without assessing the Government's SAP."

<sup>2</sup> Supported by ADB through Loan 1493-PAK: *Social Action Program (Sector) Project II*, for \$200 million, approved on 28 November 1996.

- (iv) Given (ii) and (iii), establishing a cause and effect relationship between movements in the indicators of SAP performance and the provision of ADB funding is not possible.<sup>3</sup> Some conclusions can, though, be drawn with respect to the cause and effect relationship between SAP indicators and overall donor funding.
- (v) There is considerable variation in the data from different sources (and even on analysis of data supposedly from the same source) with consequent questions arising regarding the validity of some of the data and analysis. There is a general consensus among those consulted that the results of the various rounds of the Pakistan Integrated Household Survey provide some of the more reliable data and the project performance audit report (PPAR) has used this in preference to other sources.

3. An important additional question for this evaluation is the counterfactual, particularly given the turbulent political and economic context during and subsequent to project implementation. This part of the evaluation seeks to assess what would have been the situation in the social sectors had the Project and the SAP not gone ahead. The question is important because many factors may have prevented SAP from demonstrating more success. If external and uncontrollable events adversely affected project performance, its rating should take this into account. Of course, assessing the counterfactual is extremely difficult as there is no “with” and “without” project scenario as SAP had national coverage. Appendix 5 contains a tentative assessment of the counterfactual.

## **B. Basis for Performance Rating**

4. The performance rating follows the guidelines for the preparation of PPARs.<sup>4</sup> Given the hybrid nature of the Project, consideration was given to the need to vary the ratings applied to relevance, efficacy, efficiency, sustainability, and other impacts. It was decided that the standard weights (20 percent, 25 percent, 20 percent, 20 percent, and 15 percent, respectively) were appropriate. However, the subcriteria were customized for the evaluation of SAPP I.

5. The relevance of SAPP I was assessed based on (i) the degree of fit with federal government and ADB strategic development objectives; (ii) the soundness of the problem analysis and sufficiency of the design; (iii) the adequacy of the formulation process, including the level of participation and hence ownership generated; (iv) the likelihood that inputs would produce outputs, outputs would achieve the purpose, and the purpose would achieve the goal; (v) adequacy of assessment of management abilities, organizational structures, and individual incentives; and (vi) the degree of flexibility exercised during implementation to enhance relevance.

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<sup>3</sup> The World Bank ICR notes “assessing the project objectives is a daunting task ... even if a particular objective is achieved, it is difficult to ascertain to which activity it is linked, if related to the project at all. Even more problematic, the program covers all basic education, primary health, family welfare, and rural water supply and sanitation programs in a nation of over 135 million people.”

<sup>4</sup> *Guidelines for the Preparation of Project Performance Audit Reports*, September 2000.

6. The efficacy of SAPP I was assessed based on (i) the extent of achievement of expenditure targets (20 percent weighting);<sup>5</sup> (ii) achievement of education objectives (30 percent weighting); (iii) achievement of health objectives (20 percent weighting); (iv) achievement of rural water supply and sanitation targets (5 percent weighting); (v) achievement of population targets (5 percent weighting); (vi) achievement of cross-cutting objectives—NGO participation, public/private partnership, decentralization and community participation (10 percent weighting), and achievement of enhanced planning, monitoring and evaluation, and financial management capability (10 percent weighting).

7. The efficiency of SAPP I is assessed in terms of efficiency of investment and efficiency of process. Both are problematic. Efficiency of investment is difficult to determine because no indicators or benchmarks were established during project design. On the other hand, assessment of efficiency of process relies on qualitative assessments and anecdotal evidence. Efficiency of investment was assessed on the basis of (i) the timeliness in the release of SAP funds with authorization to expend; and (ii) cost-effectiveness in the production of education, health, population, and rural water supply and sanitation outputs. Efficiency of process was assessed in terms of (i) processing and management of the project by ADB; (ii) efficiency and effectiveness of executing and implementing agency management; (iii) efficiency and effectiveness of donor coordination; and (iv) efficiency and effectiveness of policy dialogue.

8. Sustainability is a critical area for evaluation. Development impacts must not only be produced, they must be sustained. Therefore, the assessment of sustainability looks beyond project completion to the situation at the time of evaluation. Sustainability was assessed on the basis of (i) the degree to which increased resource allocation to the SAP sectors has been sustained; (ii) the relative protection afforded SAP sectors, particularly in a time of fiscal constraints; (iii) the extent to which the nonsalary share of SAP expenditure has been sustained; (iv) trends in education, health, rural water supply and sanitation, and population sector indicators post-SAPP I; (v) trends in community, NGO, and private sector involvement and decentralization post-SAPP I; (vi) sustainability and furtherance of policy reforms; and (vii) the extent to which lessons have been identified and changes incorporated in SAPP II to improve outcomes.

9. Other impacts attributable to SAPP I were assessed based on (i) enhancement in policy analysis capability and extent of formulation and adoption of sound SAP policy; (ii) enhancement in systems of accountability and transparency; (iii) the extent to which awareness of, and commitment to, greater expenditure and improved quality of expenditure on the social sectors have become firmly entrenched among resource allocation decision makers; and (iv) changes in attitudes in SAP agencies toward greater gender equity and greater community and private sector/NGO participation in the delivery of social services.

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<sup>5</sup> Weightings were used for the various subcriteria under efficacy because of the considerable variation in funding for, and emphasis in, the various sectoral subprojects and cross-cutting activities. For example, the breakdown of SAPP I funding was education (62.1 percent), health (16.2 percent), rural water supply and sanitation (14.2 percent), population (2.6 percent), vertical programs of the Ministries of Health and Education (4.4 percent), and monitoring and evaluation (0.6 percent).

## ASSESSMENT OF THE COUNTERFACTUAL

### A. Introduction

1. This appendix seeks to provide an indication of whether the situation in Pakistan's social sectors would have been worse without the Social Action Program (SAP). Some argue that this is indeed the case and that even if SAP and its external funding agency support did not produce targeted improvements in social indicators, the situation would have been much worse without the major effort that took place. Assessing the counterfactual is difficult, not least because SAP was a program with countrywide coverage so there is no "without project" scenario. The various rounds of the Pakistan Integrated Household Survey (PIHS) indicate a before, during, and after scenario but these data do not indicate what would have happened without the project—would the observed trends have occurred in any case?

2. A comprehensive assessment is beyond the scope of this evaluation. Two approaches have been taken to provide a possible indication of the counterfactual.

(i) Examination of trend analysis carried out by United Nations Children's Fund (UNICEF) Pakistan for the following social sector indicators:<sup>1</sup>

- contraceptive prevalence rate (modern methods), 1985 to 1999;
- gross enrollment rate, 1970 to 1999;
- net enrollment rate, 1972 to 1999;
- net enrollment rate (male and female), 1972 to 1999;
- use of improved drinking water (urban and rural), 1980 to 1999;
- use of improved sanitation facilities (urban and rural), 1980 to 1999;
- stunting, 1975 to 1999;
- total fertility rate, 1976 to 1999;
- under-five mortality rate, 1981 to 1997; and
- infant mortality rate, 1970 to 1999.

(ii) A cohort analysis of the 10- to 14-year-old age group in successive rounds of the PIHS (1991, 1995/96, 1996/97, and 1997/98). This looks at selected education sector indicators to identify changes for the age group first affected by Social Action Program (Sector) Project's (SAPP I) increased emphasis on primary education—namely, those 5- to 10-year-olds in 1993/94.

### B. Social Indicator Trends Analysis

3. **Contraceptive Prevalence Rate (CPR).** The data and trend analysis show that the CPR grew slowly from 1976 to 1990 (increasing by around 0.5 percentage points per year from 5 to 12 percent). Between 1990 and 1993 (pre-SAPP I), the rate of increase doubled to around 1 percentage point per year such that CPR reached around 15 percent. Thereafter, different sources give widely different results. Averaging the results from four sources gives a CPR of 18.6 percent in 1996, an increase of about 1.2 percentage points per year over the period of SAPP I. Using 1997 data shows an annual increase of just under 2 percentage points for the

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<sup>1</sup> These data will appear in a report to be published by UNICEF. Permission to draw from the data and analysis is kindly acknowledged. UNICEF considered the problems of using data from all available sources. As such, the data have the limitations inherent in the validity of each source and problems of comparing data collected using different methods.

preceding four years. These results show that a trend for the CPR to accelerate was established pre-SAPP I but that the Project may well have provided added impetus to this trend.

4. **Gross Enrollment Rate (GER).** The GER showed little change between 1970 and 1981. Thereafter, it climbed steadily through the 1980s from around 40 percent to 70 percent. During the 1990s, there was little significant improvement. The gender differential remained almost constant. The trend for the GER to stagnate was already apparent in the early 1990s prior to SAP and neither SAPP I or II appears to have changed this.

5. **Net Enrollment Rate (NER).** The NER remained static during the 1970s. It trended up modestly during the 1980s and declined back more or less to 1970s' levels by the end of the 1990s. Again, SAP appears to have had no impact on long-term trends. The pattern for males and females is very similar during the 1990s but the female NER almost doubled between the early 1970s and 1991 while that for males remained relatively constant at just over 50 percent. Again, neither SAPP I or II appears to have had a demonstrable impact on trends.

6. **Use of Improved Drinking Water Sources.** Both urban and rural trends were flat for the first half of the 1980s but from 1986, the percentage with access to clean water increased rapidly until the end of the decade, particularly in rural areas. This may have reflected actions taken during the Water Decade declared by the United Nations from 1980 to 1990. The increase in access then slowed until 1994 at which point it again rose more rapidly through to the end of the 1990s. This could indicate an impact from SAP but this is not considered likely for two reasons. First, around 60 percent of the total coverage resulted from self- or private provision. Second, around the end of SAPP I, the policy moved away from funding new schemes. Rather, the emphasis was on transferring schemes to community management. Therefore, it is unlikely that SAPP I was influential in the increase in coverage that occurred in the second half of the 1990s. The rural-urban gap in access narrowed during the latter part of the 1990s. SAPP I focused on rural areas, so it is possible that it had an impact on this reduction in disparity. On the other hand, the emphasis was not on increased coverage by SAPP I during this period. Also, by this stage, urban coverage was approaching 100 percent so the growth in urban coverage naturally slowed down.

7. **Use of Improved Sanitation Facilities.** The use of improved sanitation changed little during the 1980s but then grew more rapidly throughout the 1990s. This growth occurred from 1990. The growth in rural coverage slowed slightly during SAPP I and then picked up again from 1996. The rural-urban gap widened slightly during the 1990s. No impact of SAPP I is evident.

8. **Stunting.** Stunting is a measure of chronic malnutrition. The very limited time-series data on stunting show no change between 1977 and 1999.

9. **Total Fertility Rate.** The total fertility rate showed little change between 1976 and 1985. Thereafter, it started to decline. The rate of decline picked up slightly after 1987 and was on a steady downward trajectory from that point until 1999. There was a slight slowing of the downward trend between 1991 and 1993 and again between 1994 and 1995 but these are unlikely to be significant. Overall, no impact of SAPP I is evident.

10. **Under-Five Mortality Rate.** The limited measures on this indicator during the 1980s show a decline from around 150 deaths per 1,000 live births to just over 125 between 1981 and 1990. Thereafter, there was only a slight decline evident up to 1994. Thereafter, the rate again started to decline, possibly reaching a level of around 110 deaths per 1,000 live births by the late 1990s (there is quite a wide variation between sources). SAPP I may have had some

impact, particularly as a result of increased immunization (although this is contradicted by evidence in para. 12 below). However, malnutrition is the main cause of the under-five mortality rate.

11. **Infant Mortality Rate.** Primary trend data show a decline in the infant mortality rate between 1970 and 1976. By 1986, it had returned to the 1970 level. From that point on, there was a slow but steady decline from about 110 deaths per 1,000 live births to around 95. No impact of SAPP I is evident.

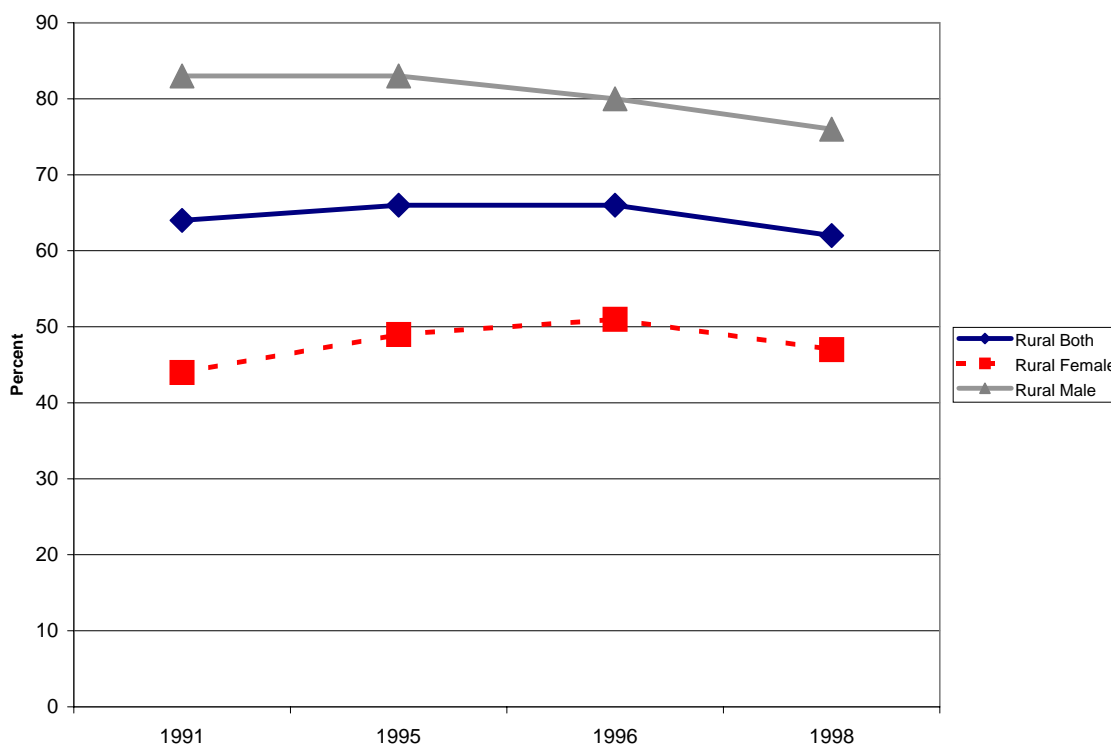
12. **Fully Immunized Children.** Between 1990 and 1999, the percentage of fully immunized children showed little change, based on the trend analysis. No impact of SAPP I is evident.

13. Although all conclusions should be treated as tentative, the examination of long-term trends in the above indicators does not reveal any clear and evident impact of SAPP I in changing preexisting trends. There are possible SAPP I effects on the CPR and, to a less certain extent, the under-five mortality rate.

### C. Cohort Analysis on Education Indicators

14. **School Attendance.** SAPP I was expected to significantly increase access to primary education, particularly in rural areas. Those aged 10 to 14 in 1998 would have been at primary school age at the time SAPP I started in 1993. SAPP I does not appear to have increased the percentage of 10- to 14-year-olds who have ever attended school.

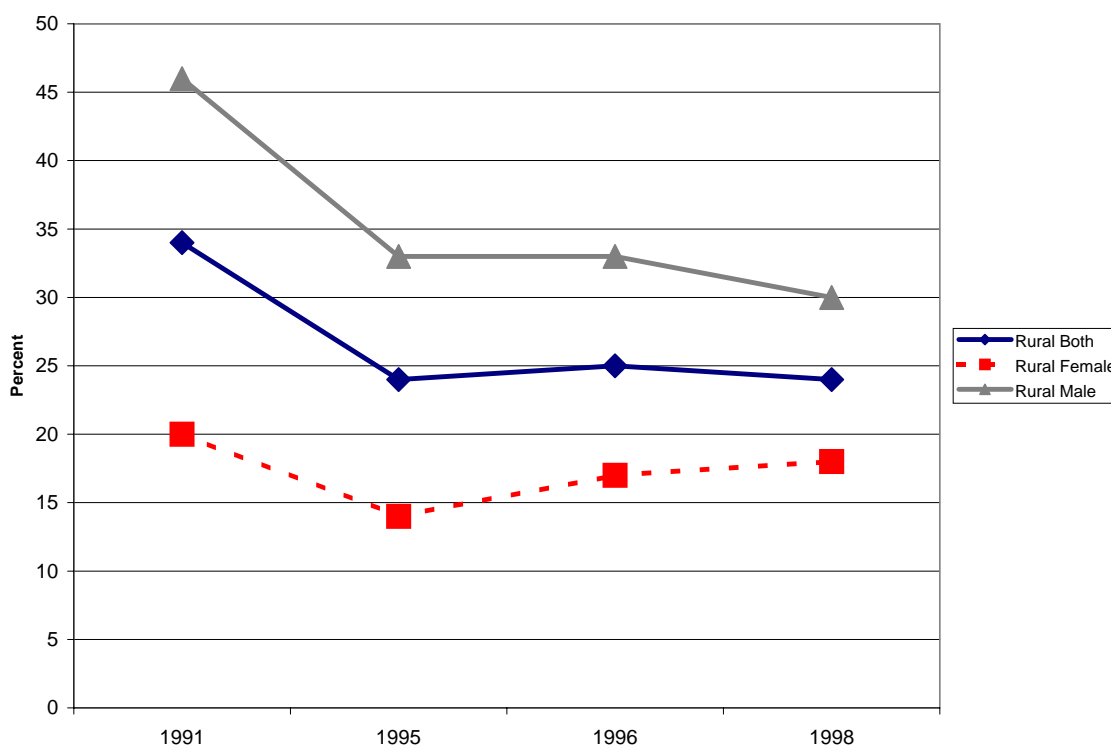
**Figure A5.1: 10- to 14-Year-Old Cohort Analysis for Primary School Attendance (Rural Areas)**



Source: Pakistan Integrated Household Survey (1991-1998).

15. **Primary School Completion Rates.** Primary school completion rates appear to have fallen significantly between the 1991 and 1995 PIHS. However, this may reflect a change in methodology and needs further investigation. SAPP I may have had a small influence on the rural female primary school completion rate.

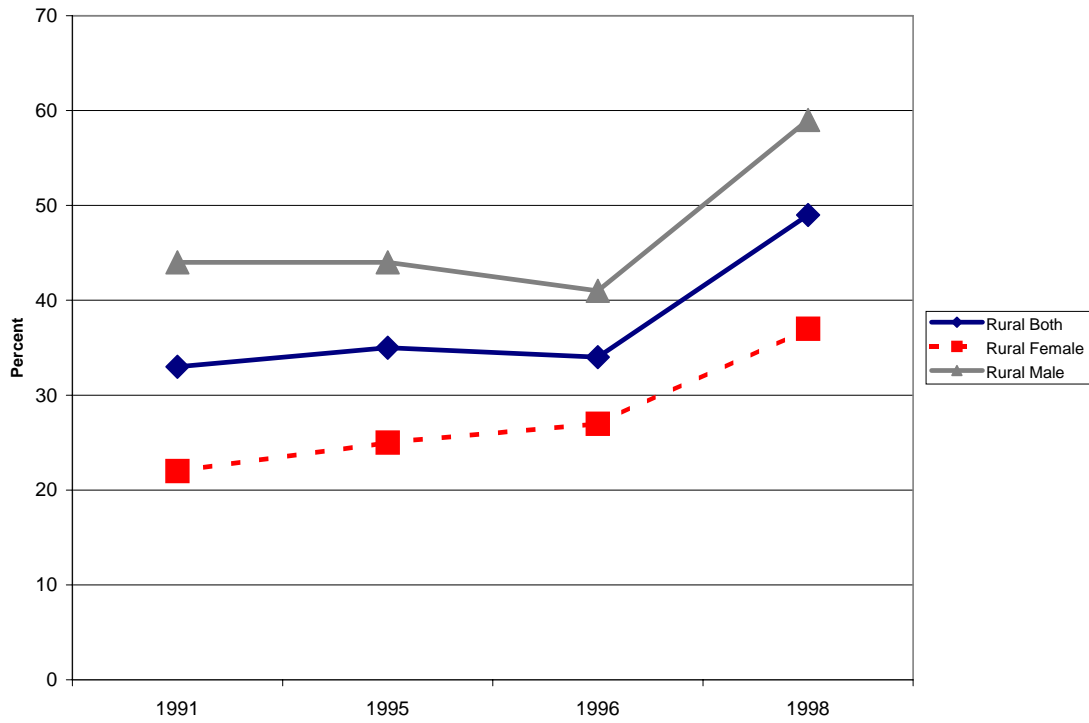
**Figure A5.2: 10- to 14-Year-Old Cohort Analysis for Primary School Completion (Rural Areas)**



Source: Pakistan Integrated Household Survey (1991-1998).

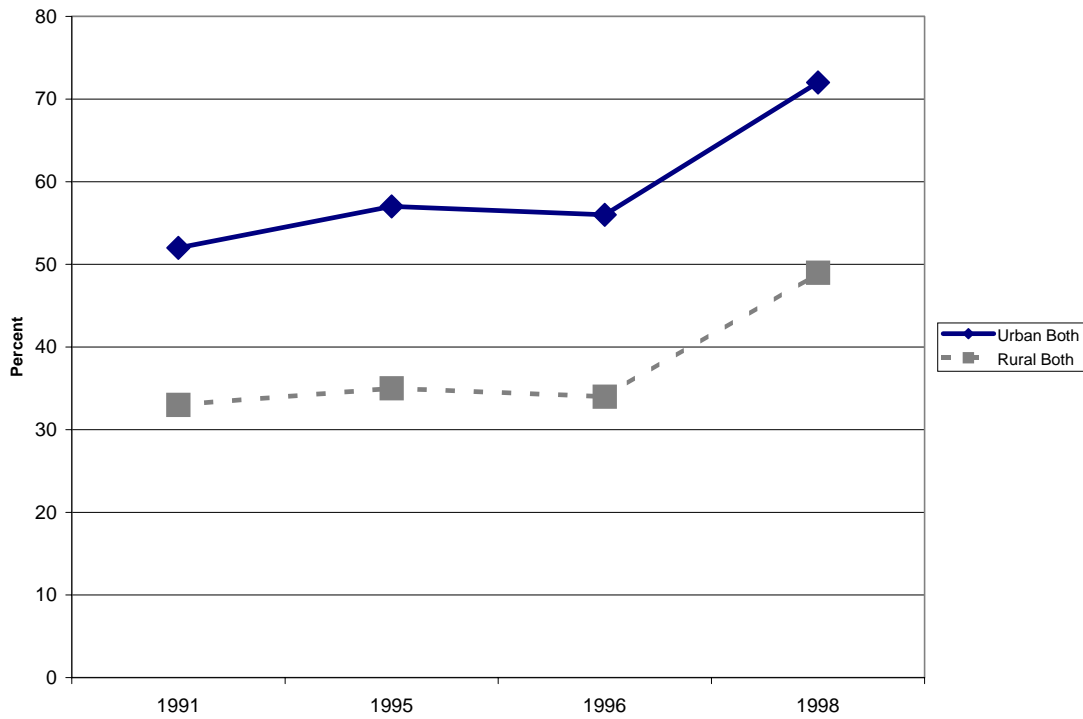
16. **Literacy.** Rural literacy levels showed a marked increase for the 10- to 14-year-old group between the 1996/97 and 1998/99 rounds of PIHS (Figure A5.3). As this is an outcome measure, it is an important result. In commenting on the overall increase in literacy, the report on the 1998/99 PIHS survey notes the impact of an adult literacy campaign, presumably held over this period. Other age groups also showed increases in literacy but not to the same extent as the primary age group affected by SAPP I. If the data on access are correct, then the improvement in literacy is not due to greater coverage. Rather, it must be a result of a qualitative improvement in primary education. Further work would be required to isolate the impact of SAPP I from other influences on literacy, such as the increase in private education to rural areas, adult literacy program, greater access to written material, and so on. That other factors may have had a major impact on literacy is illustrated by comparing the 10 to 14 age group in urban and rural areas (Figure A5.4). The pattern is almost identical yet SAPP I directed most of its efforts to rural areas. In urban areas, private providers accounted for almost half of all enrollment by 1998/99. Nonetheless, it is reasonable to suggest that SAPP I may have had an impact on literacy.

**Figure A5.3: 10- to 14-Year-Old Cohort Analysis for Literacy in Rural Areas**



Source: Pakistan Integrated Household Survey (1991-1998).

**Figure A5.4: 10- to 14-Year-Old Cohort Analysis for Literacy in Urban and Rural Areas (Both Sexes)**



Source: Pakistan Integrated Household Survey (1991-1998).

## **D. Conclusions**

17. No definitive conclusions are possible on the basis of the analysis carried out. With the exception of literacy, there is no clear evidence that SAPP I prevented a worse outcome than would otherwise have occurred, although there is some indication that the female primary school completion rate in rural areas, the CPR, and the under-five mortality rate may have been positively influenced by SAPP I. With respect to literacy, the strong upward trend between two rounds of PIHS is a very positive indication. Whether this is confirmed in subsequent PIHS rounds remains to be seen, and the extent to which SAPP I influenced this outcome will need time and further work to determine.

## RESULTS OF THIRD PARTY VALIDATION

1. A lesson learned from Social Action Program (Sector) Project (SAPP I) was that governance issues were negatively affecting the implementation of the Social Action Program (SAP). Four were identified as being particularly influential—absenteeism, procurement, site selection, and staff recruitment. Efforts under SAPP I to improve coverage of SAP services were frustrated by very high levels of absenteeism of teachers and health workers in particular. Procurement was problematic because of the opportunities for corruption and the provision of inferior quality goods and services at vastly inflated prices. The selection of sites was often based on political considerations rather than need. Also, as provision of sites was usually a community responsibility, badly located land of low value was often made available with the resultant poorly sited facility not used. Recruitment was often not based on merit.
2. In response, under SAPP II, donors requested that a regular independent audit be made of these areas. Under a compromise solution, the Auditor General of Pakistan was tasked with carrying out this exercise, which is known as third party validation (TPV). Although TPV is an exercise carried out entirely during the SAPP II period, its findings are relevant for the evaluation of SAPP I because the issues it addresses arose from the experience under SAPP I. TPV provides some quantification of the governance issues that impacted on SAPP I performance.
3. There have been four annual rounds of TPV since 1998. In using the results of TPV, it is important to understand what TPV actually does. TPV does not directly quantify the extent of the problems in each of the four governance areas. Rather, it seeks to assess the extent of compliance with established procedures by each department. TPV is conducted on the basis of information provided by departments. Each case of recruitment, site selection, and procurement submitted by departments was assessed for compliance with the department's own guidelines. In the case of absenteeism, TPV checks that the appropriate process for monitoring absenteeism is followed by the department and that reports on absenteeism are followed up and dealt with according to established process. Only in the case of site selection is some field validation actually carried out. Following the audit, departments have the opportunity to provide additional information and comment on the findings. After this, the TPV report is finalized.
4. The results of TPV are a measure of compliance by departments with their own procedures for handling each of the governance areas. Only indirectly can inferences be made about the extent of the problem. Even more problematic is the issue of the severity of the problem. For example, noncompliance with procurement criteria may indicate major fraud or simply a lack of documentation. Bearing in mind these caveats, the results of the four rounds of TPV are summarized below.
5. There has been only a small gain in the extent of compliance over the four rounds of TPV across the four governance areas (see table below). Averaging the results across the four years, there is some provincial variation. Sindh shows the lowest level of compliance (42 percent) and North-West Frontier Province the highest (58 percent). Balochistan and Punjab record 47 percent and 55 percent, respectively. There were quite large variations in compliance between governance categories averaged over the four rounds of TPV (see table below). Monitoring of absenteeism showed the lowest level of compliance at 35 percent while recruitment followed procedures on average in 69 percent of cases examined over the four rounds. Procurement procedures were assessed as valid in 43 percent of cases and site selection in 55 percent.

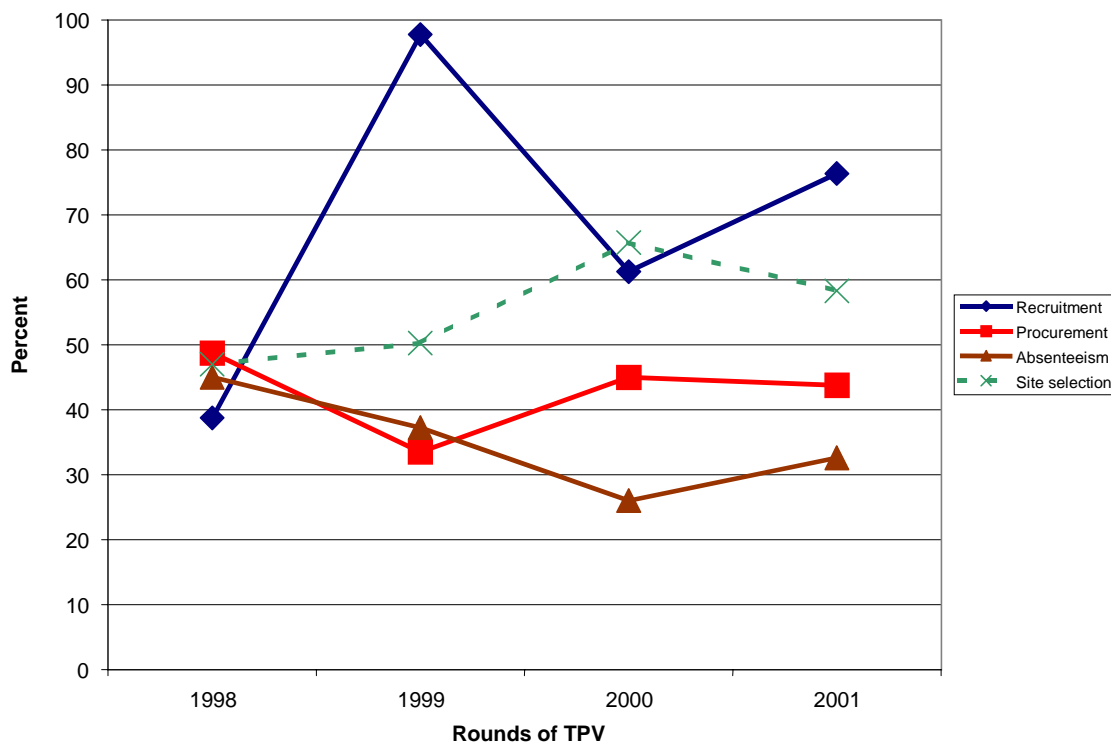
**Third Party Validation Pooled Results**  
(percentage of valid cases)

Item	1998	1999	2000	2001
All Provinces/All Categories	45	55	50	53
Absenteeism/All Provinces	45	37	26	33
Procurement/All Provinces	49	34	45	44
Recruitment/All Provinces	39	98	61	76
Site Selection/All Provinces	47	59	66	58

Source: Auditor General of Pakistan.

6. Trends in compliance for each of the four governance areas over the four rounds are illustrated in figure below. This shows that the number of valid cases for recruitment and site selection has trended up (based on a smoothed trend line) while that for procurement has stayed about the same and compliance with absenteeism monitoring has declined.

**Trends in Third Part Validation (TPV) Compliance by Governance Area**  
(percentage of valid cases)



Source: Auditor General of Pakistan.

## IMPLEMENTING AGENCY STAFF TURNOVER

### Staff Turnover During SAP in Top Management

Province/Department	Position	From	To	Total Period Considered (No. of Yrs.)	No. of Persons Transferred During the Period	Average Duration (months)	Maximum Duration (months)
<b>Federal</b>							
Ministry of Education	Secretary	1993	2000	7	6	8	26
Ministry of Health	Secretary	1993	2000	7	9	9	24
Ministry of Population Welfare	Secretary	1993	2000	7	5	15	26
Planning and Development Division	Secretary SAP Coord.	1991 1993	2000 2000	9 7	7 2	15 38	31 45
<b>Punjab</b>							
Education	Secretary	1992	2000	8	7	13	25
Health	Secretary	1991	2000	9	6	18	36
PHED	Secretary	1993	2000	7	14	6	16
LG and RDD	Secretary	1993	2000	7	11	7	19
Population Welfare	Secretary	1994	2000	6	4	16	23
Planning and Development Department	Chairman Secretary	1993 1993	2000 2000	7 7	4 11	20 7	35 13
<b>Sindh</b>							
Education	Secretary	1993	2000	7	9	9	19
Health	Secretary	1993	2000	7	8	8	18
PHED	Secretary	1993	2000	7	10	6	14
LG and RDD	Secretary	1993	2000	7	10	7	14
Population Welfare	Secretary	1994	2000	6	9	7	15
Planning and Development Department	ACS Secretary	1992 1996	2000 2000	8 4	6 3	16 14	25 34
<b>NWFP</b>							
Education	Secretary	1993	2000	7	8	10	32
Health	Secretary	1994	2000	6	4	4	18
PHED	Secretary	1994	2000	6	2	36	48
LG and RDD	Secretary	1994	2000	6	3	24	30
Population Welfare	Secretary	1993	2000	7	11	8	29
Planning and Development Department	ACS Secretary	1992 1992	2000 2000	8 8	4 3	29 33	74 59
<b>Balochistan</b>							
Education	Secretary	1993	2000	7	13	6	15
Health	Secretary	1993	2000	7	8	8	18
PHED	Secretary	1993	2000	7	7	13	31
LG and RDD	Secretary	1994	2000	6	9	9	16
Population Welfare	Secretary	1994	2000	6	7	12	38
Planning and Development Department	ACS Secretary	1992 1993	2000 2000	8 7	5 7	18 10	39 23
<b>AJK</b>							
Education	Secretary	1993	2000	7	8	10	34
Health	Secretary	1994	2000	6	3	18	30
LG and RDD	Secretary	1993	2000	7	10	8	30
<b>Northern Areas</b>							
Education	Secretary	1994	2000	6	2	33	46
Health	Secretary	1994	2000	6	2	38	46
LG and RDD	Secretary	1994	2000	6	2	32	46
<b>Total</b>	<b>39</b>				<b>259</b>		

ACS = Assistant Chief Secretary, AJK = Azad Jammu & Kashmir, LG = local government, NWFP = North-West Frontier Province, PHED = Public Health Engineering Department, RDD = Rural Development Department, SAP = social action program.

Source: "Multidonor" support unit. May 2000. Staff turnover in SAP implementing agencies.

## COMPLIANCE WITH MAJOR LOAN COVENANTS

Loan Agreement	Loan Covenant	Status of Compliance at Project Completion	Status of Compliance at Evaluation
Article IV Section 4.01 Section 2.01	The Borrower shall cause the Ministry of Education (MOE), Ministry of Health (MOH), Ministry of Population Welfare (MOPW) and the provinces, to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, education, health, population welfare, and rural water supply and sanitation practices.	Complied with.	Partially complied with. Delays in releases of funds at federal and provincial levels; governance deficiencies in terms of site selection, staff recruitment, absenteeism and procurement; and problems in compliance with audit and financial reporting standards are examples of inefficiencies and deviation from sound practice.
Article IV Section 4.02 Section 2.01	The Borrower shall make available, or cause the provinces to make available, promptly as needed, facilities, services, project agreement land, and other resources that are required, in addition to the proceeds of the loan, for the carrying out of the Project.	Complied with.	Partially complied with. Delays in budget releases, and variation between releases and budget estimates are examples of problem areas.
Article IV Section 4.03(a) Section 2.04	In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable Project Agreement to the Borrower and the Asian Development Bank (ADB), to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.	Complied with.	Partially complied with. Evidence of problems in procurement.
Article IV Section 4.03(b) Section 2.04	The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, Project Agreement work schedules, and construction methods acceptable to the Borrower and ADB.	Complied with.	Partially complied with. Agreed budget estimates not made available in many cases. Underachievement of annual operating plans.
Article IV Section 4.04	The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and the operation of the project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.	Complied with.	Partially complied with. The structure of project administration and coordination did not follow normal departmental lines of accountability for the delivery of social services.

<b>Loan Agreement</b>	<b>Loan Covenant</b>	<b>Status of Compliance at Project Completion</b>	<b>Status of Compliance at Evaluation</b>
Article IV Section 4.05(a) Section 2.05(a)	The Borrower shall make arrangements satisfactory to ADB for insurance of the project facilities to such extent and against Project Agreement such risks and in such amounts as shall be consistent with sound practice.	Complied with.	Compliance unable to be verified.
Article IV Section 4.05(b) Project Agreement Section 2.05(b)	Without limiting the generality of the foregoing, the Borrower undertakes to ensure, or caused to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation, and delivery thereof to the place or use or installation and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.	Complied with.	Compliance unable to be verified.
Article IV Section 4.06(a) Project Agreement Section 2.06	The Borrower shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to record the progress of the Project, and to reflect Project-related operations and financial condition of the agencies responsible for the carrying out of the Project.	Complied with.	Partially complied with albeit with delays and a significant percentage of audit queries. The financial reporting procedures were perceived as onerous by the Government. The concept of Social Action Program (SAP) expenditure was new and departments claimed difficulty in accounting for SAP expenditure in some cases. The funding mechanism agreed does not allow the identification of expenditure of the proceeds of the Loan below the "subproject" level.
Article IV Section 4.06(b) Project Agreement Section 2.09	The Borrower shall (i) maintain or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually by auditors acceptable to ADB; (iii) furnish to ADB not later than nine (9) months after the end of its related financial year certified copies of such audited accounts and financial statements and report of the auditors.	Complied with, with delays.	Partially complied with. Delays occurred and audit queries arose.

Loan Agreement	Loan Covenant	Status of Compliance at Project Completion	Status of Compliance at Evaluation
Article IV Section 4.07(a) Project Agreement Section 2.08	The Borrower shall furnish, or cause to be furnished, to ADB (i) all such reports and information as ADB shall reasonably request concerning the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and the services and other items of expenditure financed out of the proceeds of Loan; (iii) the Project; (iv) the administration, operations, and financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of project facilities, or any part thereof; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.	Complied with.	Complied with, with delays.
Article IV Section 4.07(b) Project Agreement	Without limiting the generality of the foregoing, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Project and on the operation and management of the project facilities.	Complied with, with delays.	Complied with, with delays.
Section 2.08(b) Article IV Section 4.07(c) Project Agreement Section 2.08(c)	Promptly after completion of the Project, but in any event not later than three (3) months thereafter or such later date as may be agreed for these purpose between the Borrower and ADB, the Borrower shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the Borrower of its obligations under the Loan Agreement, and the accomplishment of the purposes of the Loan.	Complied with, with delays.	Complied with, with delays. Project completion report dated April 1999.
Article IV Section 4.08 Project Agreement Section 2.10	The Borrower shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.	Complied with.	Complied with.

<b>Loan Agreement</b>	<b>Loan Covenant</b>	<b>Status of Compliance at Project Completion</b>	<b>Status of Compliance at Evaluation</b>
Article IV Section 4.09 Project Agreement Section 2.07(b)	The Borrower shall take all action that shall be necessary on its part to enable the provinces to perform its obligations under the Project Agreement, and shall not take or permit any action that interferes with the performance of such obligations.	Complied with.	Partially complied with. Delays in release of funds and release of less than budgeted amounts severely constrained the ability of provinces to perform their obligations in some cases.
Schedule 6 Para. 3	Federal SAP secretariat shall ensure that a chief finance officer shall be appointed in federal SAP secretariat who shall have, among other things, full time day-to-day responsibility for matters involved in withdrawal of the proceeds of the Loan, including authorization, collection, review of statement of expenditures (SOEs) submitted by MOE, MOH, MOPW or the province concerned in terms of their content, documentation, and certification requirements, preparation of withdrawal applications based on SOEs for submission securing of the proper signature of the authorized signatory, and submission of withdrawal applications along with SOEs to ADB and other donors.	Complied with.	Complied with.
Schedule 6 Para. 4	MOE, MOH, MOPW, and the provinces shall be the implementing agencies responsible for implementation for subprojects under their respective administration, which include, among others, assessment of progress and coordination of the project activities.	Complied with.	Complied with. The implementing agencies at the provincial level were the departments of health, education, and public health engineering.

Loan Agreement	Loan Covenant	Status of Compliance at Project Completion	Status of Compliance at Evaluation
Schedule 6 Para. 5	<p>National Steering Committee (NSC).</p> <p>The Borrower shall cause the existing NSC to be responsible for (i) assessing, reviewing, and monitoring the policy, implementation, financial, institutional, and other design requirements of SAP on a continuous bases; (ii) overseeing and coordinating the SAP planning and implementation activities including appropriate liaison with the provinces, ministries, and other agencies involved in SAP implementation and addressing issues beyond the scope of provincial authorities; and (iii) serving as a forum for reviewing, assessing, and monitoring the impact of SAP policy reform measures, attainment of SAP objectives and ensure timely adjustments, in consultation with donors involved, as needed.</p>	Complied with.	Complied with but met infrequently.
Schedule 6 Para. 6	<p>SAP Planning and Coordination Cells (SAP-PCC).</p> <p>The Borrower shall ensure that SAP-PCC established within MOPW be headed by chief coordinators who shall be senior officials and staffed by qualified full-time staff during project implementation.</p>	Complied with.	Partially complied with. Staff assigned often retained existing functions and were therefore not assigned full time in all cases.
Schedule 6 Para. 8	<p>General Implementation Assurances.</p> <p>The Borrower shall ensure, or cause to be ensured, that (i) implementation, monitoring, and coordination entities/units established, or strengthened, with relation to or under the Project shall continue to operate throughout the project life and shall be staffed by experienced and full-time staff, and (ii) key officials of such entities and units in the concerned ministries, offices of the Accountant Generals, and the federal SAP secretariat as already appointed shall be positioned in compliance with the standard procedures of the Borrower for providing services for the Project.</p>	Complied with.	Complied with.

Loan Agreement	Loan Covenant	Status of Compliance at Project Completion	Status of Compliance at Evaluation
Schedule 9 Para. 9	<p>Policy Matters.</p> <p>Except as ADB may otherwise agree, the Borrower shall (i) take all such measures as may be necessary or required, satisfactory to ADB, for the purpose of increasing the overall level of expenditures for SAP in each fiscal year (FY) during the implementation of the Project to such level formulated within the framework of SAP in each such year acceptable to ADB, provided however, such levels should in no case fall below 2.05 percent of its gross domestic product (GDP) in FY1993/94, 2.14 percent in FY1994/95, and 2.30 percent in FY1995/96; and (ii) in achieving expenditure increases as required in subparagraph (i) above, ensure that the financing of the SAP in each fiscal year during the implementation of the Project from its own resources increase to meet the levels of its contribution formulated within the financing framework of SAP in each fiscal year acceptable to ADB, provided however, that such levels shall in no case fall below 1.6 percent of its GDP in FY1993/94, 1.7 percent in FY1994/95, and 1.8 percent in FY1995/96.</p>	<p>Partially complied with.</p> <p>(a) Actual spending in FY1993/94 was 1.8 percent of GDP; 2.0 percent in FY1994/95; and 2.0 percent in FY1995/96. Spending fell short by 0.25 percent of GDP for FY1993/94 target; 0.15 percent for FY1994/95 target; and 0.3% for FY1995/96 target.</p> <p>(b) Government contribution was 1.7 percent in FY1993/94; 1.6 percent in FY1994/95; and 1.7 percent in FY1995/96.</p>	<p>Complied with to a significant extent (over 90 percent achievement).</p>
Schedule 6 Para. 10	<p>The Borrower shall ensure that the priority of the service delivery in its SAP sectors be protected by refraining from bans on recruitment of basic staff to deliver services in SAP sectors.</p>	<p>Complied with, with delays.</p>	<p>Complied with, with delays.</p>
Schedule 6 Para. 11	<p>The Borrower shall continue its policy and related administrative arrangements for protection and timely release of enhanced Annual Development Plan and budgetary allocations for SAP sectors.</p>	<p>Complied with.</p>	<p>Partially complied with. SAP expenditure protected in some areas and in some years. Annual Development Program (ADP) funds release generally timely but major delays in release of budgetary allocations, especially nonsalary.</p>

Loan Agreement	Loan Covenant	Status of Compliance at Project Completion	Status of Compliance at Evaluation
Schedule 6 Para. 12	<p>Annual Assessment.</p> <p>Commencing from 1994, the Borrower, each province, and ADB, in association with International Development Association (IDA), shall undertake an annual assessment for project implementation for each next fiscal year in April each year or at such other time as agreed by the Borrower and ADB coinciding with the Borrower's budget preparation to (i) review the progress made and problems arising from implementation of SAP in general and the Project in particular in the current fiscal year, and agree on remedial measures to solve these problems; (ii) review and determine the work program prepared in the form of an annual operational plan for the next fiscal year (annual operational plan), which shall include review of the proposed subprojects to be financed by loan, implementation arrangements, and tentative budget proposals including nonsalary component of the nondevelopment expenditures, reform measures in SAP sectors, and the remedial measures to address the problems in connection with the project implementation, policy or administrative, or financial aspects of SAP; and (iii) in July each year assess and determine subproject eligibility for financing of the loan in the fiscal year.</p>	Complied with.	Complied with.
Schedule 6 Para. 13	<p>Annual Operating Plan.</p> <p>For the purpose of annual review, the Borrower shall prepare and present to ADB a draft annual operating plan (AOP) by 31 March for each successive fiscal year. Such draft AOP shall include public expenditure on SAP, reforms in SAP sectors, subprojects proposed to be carried out in the next fiscal year, and implementation arrangements thereof, and a budget and financing plan including development (investment) budget and nondevelopment (recurrent) budget.</p>	Complied with.	Complied with. However, problems resulted when budget provisions differed from amounts agreed in plans. This necessitated revisions to AOPs to fit within budgeted amounts.

<b>Loan Agreement</b>	<b>Loan Covenant</b>	<b>Status of Compliance at Project Completion</b>	<b>Status of Compliance at Evaluation</b>
Schedule 6 Para. 14	The Borrower shall implement the agreed annual operational plans to the satisfaction of ADB.	Complied with.	Partially complied with.
Schedule 6 Para. 15	Eligibility of Subprojects.  The subprojects to be financed by the proceeds of the Loan shall meet the eligibility criteria as agreed upon between the Borrower and ADB in the annual agreement for the concerned fiscal year.	Complied with.	Complied with.
Schedule 6 Para. 16	In addition to the eligibility criteria to be agreed as referred to in para. 15 above, a subproject, the expenditures of which are qualified for reimbursement out of the proceeds of the Loan shall meet the following criteria: (i) satisfactory monitoring arrangements and key staff to monitor the project implementation for the subproject shall have been in place; (ii) concerned agencies responsible for implementation of the subproject shall have made adequate arrangements satisfactory to ADB with regard to receipt of funds or authorization to incur SAP expenditure for the subproject; and (iii) the entire expenditure program under all subprojects including the concerned subproject for the concerned fiscal year shall have been budgeted or sanctioned by the Borrower or the concerned province or clearance or approval of the PC-1 or sanction of new expenditures by the competent authorities of the Borrower for additional expenditures shall have been given.	Complied with.	Partially complied with. Monitoring deficient in many cases. Budgeted amounts often did not meet requirements of agreed AOPs thus necessitating reworking of plans. Budgeted amounts not necessarily released in full or in a timely fashion to allow expenditure according to proper procedures.
Schedule 6 Para. 17	Annual Agreement.  The Borrower shall, based on the annual assessment, reach an annual agreement with ADB and IDA on the annual operational plan and the eligible subprojects for the next fiscal year.	Complied with.	Complied with.

<b>Loan Agreement</b>	<b>Loan Covenant</b>	<b>Status of Compliance at Project Completion</b>	<b>Status of Compliance at Evaluation</b>
Schedule 6 Para. 18	<p>Periodical Reviews.</p> <p>In addition to the annual assessment, the Borrower shall undertake with ADB (i) a review in July each year to review the actual budget allocations passed by the Borrower and the provinces, and (ii) a mid-term budget review of the Borrower.</p>	Complied with.	Complied with.
Schedule 6 Para. 19	<p>Promotion of Community Management in Rural Water Supply and Sanitation Sector.</p> <p>The Borrower shall furnish by 31 December 1994 to ADB for its comments with a comprehensive countrywide promotion plan of the concept of community management of rural water supply and sanitation system.</p>	Complied with.	Complied with.
Schedule 6 Para. 20	<p>Project Implementation Monitoring.</p> <p>The Borrower shall systematically monitor implementation of the Project and shall promptly take remedial measures to ensure its implementation as per schedule.</p>	Complied with.	Partially complied with. Monitoring and the accuracy of data was an ongoing problem. In turn, this limited the ability of managers to take remedial measures.
Schedule 6 Para. 21	<p>Land Acquisition.</p> <p>The Borrower shall coordinate as necessary with MOE, MOH, MOPW, and the provinces to ensure that they may acquire all land and rights to land for timely implementation of the Project.</p>	Complied with.	Complied with. However, significant problems existed in terms of inappropriate site selection often because of political involvement.
Schedule 6 Para. 22	<p>Environmental Consideration.</p> <p>The Borrower shall ensure that construction and rehabilitation under the Project will be carried out in accordance with the Borrower's environmental regulations and ADB's environmental requirements.</p>	Complied with.	Compliance unable to be verified. No evidence that environmental considerations were taken into account at any stage, particularly in rural water supply and sanitation where environmental concerns could be expected to be significant.

<b>Loan Agreement</b>	<b>Loan Covenant</b>	<b>Status of Compliance at Project Completion</b>	<b>Status of Compliance at Evaluation</b>
Schedule 6 Para. 23	Assistance in the Project Benefit Impact Assessment.	Complied with.	Complied with.
	The Borrower shall take necessary steps and extend cooperation to facilitate the consultants engaged under ADB-assisted technical assistance (TA) for institutional strengthening and impact assessment (TA 2106-PAK) in their assessment of the project impact.		