

## EXECUTIVE SUMMARY

This report evaluates 20 years (1985–2004) of Asian Development Bank (ADB) support to social sector development in Pakistan. Under ADB's previous classification system, social sector operations included those in the education, health and population, urban development, and water supply and sanitation sectors. Over the period being evaluated, ADB has approved social sector loans for \$1.9 billion (86% from the Asian Development Fund), around 16% of total approvals, for 28 projects—10 in education, 5 in health and population, 5 in water supply and sanitation, 4 in urban development, and 4 multisector projects. As of 31 December 2004, 47% of the total approved amount had been disbursed and 16% had been cancelled. Over the same period, ADB approved 57 technical assistance (TA) grants for the social sectors for a total of \$41 million. This amount includes 31 project preparatory and 26 advisory TA projects. The latter cover economic, sector, and thematic work (ESTW); capacity building; and implementation support. Other support provided by ADB included ESTW not funded by TA, policy dialogue, and implementation support by staff.

The performance of the social sectors in Pakistan is poor. In its recent millennium development goals (MDGs) report, the Government expressed optimism that most of the MDG targets were potentially achievable. However, this will require a turnaround from negative progress in the 1990s or much faster progress than has been achieved in the past. Pakistan's performance generally lags that of comparator countries. A high, although declining, rate of population growth often more than negates any percentage improvements in social indicators. Having said this, the availability of reliable data on social sector performance is a major problem—this reduces public awareness of the need for action, constrains strategy and policy development, and limits the ability to design effective interventions. The persistent poor performance of the social sectors emphasizes the need for action but also the difficulty in achieving results, significantly influenced by political, social, and cultural constraints.

There has been no shortage of Government policies and strategies to address the problems. Many targets have been set but few have been achieved. Over the last 20 years, there have been 15 administrations (including caretaker governments) and many of these were replaced before they had time to implement their policies. However, policies generally appear to have been made (and targets set) with insufficient consideration of the resources required and available to achieve them. Sometimes there has been insufficient political or bureaucratic support for stated policies. In such circumstances, an alignment of ADB's strategy and program with the formal policy documents of the Government, while necessary, is not a sufficient test of relevance.

Over the 20-year period, ADB has formulated five strategy documents to guide its operations in Pakistan (plus two annual updates). These documents have generally not contributed significantly to decision making on support for social sector development. Program choices already made have had a much greater influence on strategy than the reverse. In general, the strategies have lacked focus, have been based on inadequate sector analysis, and have not specified alternatives or the reason for selecting the preferred alternative. Having said this, the most recent strategy is an improvement on earlier documents.

ADB has employed four broad strategies in support of social sector development in Pakistan, either separately or together: (i) going for growth to increase the "size of the pie" thereby allowing the Government and/or individuals greater scope to buy better social outcomes; (ii) investing directly in public provision of social services, largely through infrastructure and training; (iii) increasing the relative share of public expenditure on social

service provision—with insufficient concern for availability of resources under the social action program—and, in recent times, provincial debt restructuring to create fiscal space; and (iv) influencing the policy environment to achieve better social outcomes. Support for greater involvement of the private and nongovernment sectors in social service provision has been a largely unrealized part of most ADB (and Government) strategies.

The first strategy of pursuing economic growth as a means of achieving better social outcomes has been de-emphasized because of equity considerations. However, given the high level and rapid growth of private funding and private provision of social services, support to growth with equity and private provision of services should be a key part of any strategy for social sector development. Investing directly in public provision has generally led to disappointing results, as did attempts to influence the policy environment during the 1990s. It is too soon to draw firm conclusions about more recent attempts at policy reform, although it is clear that many challenges remain and intensive support will be required. Similarly, efforts to increase public expenditure on the social sectors during the 1990s were unsuccessful at producing better social outcomes. It is also too early to judge if the approach of creating fiscal space will yield better results. Prior experience gives some grounds for concern as incremental expenditure has not produced better results in the face of poorly performing delivery systems. On the other hand, the process of decentralization represents a significant break from the past, one that potentially can contribute to better social outcomes.

In keeping with overall sector performance, and relative to performance of some other sectors, the performance of ADB's social sector operations has been poor. According to this evaluation, only 8% of 24 projects assessed were rated as successful, with 58% judged as partly successful and 33% as unsuccessful. These figures are in line with the ratings in project performance audit reports for all social sector operations in Pakistan (9% successful, 64% partly successful, and 27% unsuccessful).

As a whole, the 20-year program of social sector operations was assessed against a set of 20 criteria. The criteria and assessment are shown below.

Criteria	Rating		
	Low	Moderate	High
Analytical Rigor	✓		
Balance	✓		
Continuity		✓	
Credibility		✓	
Critical Mass	✓		
Demonstrated Learning	✓		
Efficiency	✓		
Flexibility	✓		
Impact/Results		✓	
Innovation		✓	
Needs-Based			✓
Partnerships		✓	
Playing to ADB's Strengths		✓	
Political Awareness	✓		
Responsive to Emerging Opportunities		✓	
Selectivity/Focus	✓		
Sustainability	✓		
Synergy	✓		
Value-for-Money	✓		

Making a difference in social sector outcomes in Pakistan is extremely difficult. On the other hand, the need is great, and both ADB and the Government have committed to achieving the MDGs. However, the persistent poor performance shows that a new approach is needed. It is suggested that elements of this approach include the following:

- (i) The greatest challenge is to support what has been shown to deliver results—namely, private provision and private funding. More innovation and commitment are needed to increase public–private partnerships dramatically, private provision or private funding for the better off, and innovative funding arrangements that will provide choices to the poor. These need to be accompanied by a renewed emphasis on economic growth with equity as a means to better social outcomes.
- (ii) The second challenge is to improve dramatically the quantity, quality, and timeliness of data on social sector performance. A wide variety of public, quasi-public, and nonpublic agencies can contribute to generating, analyzing, and publicizing the required data.

The following principal recommendations are made:

- (i) The Government should commission an independent stocktaking of assets provided by ADB loan funding for social sector development and assessment of the extent to which these are delivering planned benefits. Based on this, an action plan should be produced to increase benefit flows where this is financially viable.
- (ii) The Government should ensure that the monitoring and evaluation of development outcomes, as specified in loan agreements, are undertaken to a high standard for all ongoing and future projects.
- (iii) ADB should review its strategy for social sector operations in Pakistan and produce an action plan to improve the performance of its program.
- (iv) As part of a strategy review, decisions should ensure critical mass and focus. Depending upon resource availability, this may imply fewer sectors and a greater degree of focus within sectors.
- (v) There should be somewhat less emphasis on lending and more on policy dialogue, capacity building, community outreach, implementation support, and ESTW.
- (vi) A dedicated support unit should be established in the Pakistan Resident Mission for the devolved social services programs.
- (vii) The program of social sector operations in Pakistan must find ways to further develop private provision and private funding of basic social services, both quantitatively and qualitatively. As part of this, consideration should be given to extending private sector operations to the social sectors in Pakistan.
- (viii) A more rigorous consideration of the impact of corruption and the means for addressing it are required in social sector strategies and projects.

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