

## **DEVELOPMENT COORDINATION**

### **A. Institutional Arrangements and Processes for Development Coordination**

1. The government supports coordination among its development partners in Pakistan in line with the Paris Declaration on Aid Effectiveness. Four working groups led jointly by the government and the development partners have been set up to promote harmonization in (i) sector-wide approaches to development, (ii) capacity development, (iii) procurement, and (iv) monitoring and evaluation. The Asian Development Bank (ADB) is a member of all the groups. The same coordination framework is used for development coordination in road transport.

### **B. Major Development Partners: Strategic Foci and Key Activities**

2. Pakistan has received development assistance from ADB, the Japan International Cooperation Agency (JICA), the World Bank, and other development partners. Until the early 1990s, the World Bank led the road transport assistance, focusing on national highway improvement. However, the World Bank's involvement in highway improvement declined in 1990s as it shifted its support to trade facilitation. In 2001, the World Bank financed the Trade and Transport Facilitation Project, which helped the Ministry of Communication review, improve, and provide institutional capacity building to all major agencies associated with the logistical chain. Under the project, the government introduced a single administrative document and a goods declaration form, both major steps forward in facilitating trade. In 2006, the World Bank processed the National Trade Corridor Improvement Development Policy loan, providing \$200 million to support the government's initiative to develop the National Trade Corridor. The project intended to promote an integrated approach to planning, investing, and managing the corridor's transport logistics system. In 2007, ADB joined the World Bank and processed a multitranche financing facility for the National Trade Corridor Highway Investment Program.<sup>1</sup> However, the World Bank dropped the program in 2007, mainly because of the government's weak commitment to trade and transport sector reforms. Since then, ADB has taken the lead role in road transport assistance.

3. JICA has been one of the other major development partners in road transport. It has focused on Indus highway development, rural roads improvement, and emergency road rehabilitation. JICA played a key role in development partner coordination for providing emergency assistance after the 2011 flood. It continues to be involved in road transport and is one of the two key development partners supporting national and provincial highways along with ADB.

4. ADB got involved in road transport in Pakistan in the 1980s, initially supporting improvements to farm-to-market roads and provincial highways. Since 2001, ADB's involvement shifted to more focused interventions on provincial and rural access roads on a province-by-province basis. In line with the government's plan to integrate Pakistan's economy into the regional economy, ADB in 2003 began to finance sections of the national highway network with links to Afghanistan. Since then, ADB has supported national highway improvements together with institutional reforms and capacity building for National Highway Authority (NHA). In 2013, ADB started to diversify its road transport portfolio, extending assistance for border point service improvements under the auspices of Central Asia Regional Economic Cooperation and provincial roads including components of institutional reforms and capacity building of provincial road agencies.

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<sup>1</sup> ADB. 2007. *Report and Recommendation of the President to the Board of Directors on the Proposed Multitranche Financing Facility and Technical Assistance Grant: National Trade Corridor Highway Investment Program*. Manila.

5. In 2014, the United Kingdom initiated a discussion with ADB on cofinancing opportunities in transport corridor investments in Pakistan. The Department for International Development (DFID) intends to contribute up to £265 million of grant financing to ADB's infrastructure and economic corridors program over the next 6 years (2015–2020).<sup>2</sup> DFID's contribution will have two streams: (i) £210 million to finance a series of works contracts with a total value of £635 million (ADB will provide £362 million and the Government of Pakistan will provide £63 million) for strategic sections of the national highway network; and (ii) £55 million to support an integrated program of technical assistance designed to improve highway operation and maintenance arrangements, ensure strategic alignment between federal and provincial economic infrastructure investments, promote a series of PPP projects focused on the development, and expand economic corridors.

6. In the 2010s, the People's Republic of China (PRC) emerged as a key bilateral development partner for the transport sector. The government expects a PRC–Pakistan economic corridor to be built to connect the Arabian Sea to the PRC border through the main trade corridor. If the plan materializes, a budget of \$45 billion will be allocated or planned, and PRC will become one of the key development partners in the transport sector. Road transport projects and programs supported by development partners since 2000 are summarized in the table.

| Development Partner | Project   | Year | Amount (\$ million) |
|---------------------|---|------|---------------------|
| World Bank          | Trade and Transport Facilitation  | 2001 | 3.0                 |
|                     | Highway Rehabilitation Project  | 2003 | 365.0               |
|                     | Second Trade and Transport Facilitation                                 | 2009 | 25.0                |
| JICA (former JBIC)  | Kohat Tunnel Construction (II)  | 2001 | 34.0                |
|                     | Indus Highway Construction Project (III)                                | 2006 | 166.0               |
|                     | East–West Road Improvement Project                                      | 2008 | 172.1               |
|                     | Rural Roads Construction Project II (Sindh)                             | 2008 | 101.4               |
|                     | KP Emergency Rural Roads Rehabilitation Project                         | 2011 | 163.3               |
| IsDB                | Construction of Khanewal–Multan Section of M4                           | 2010 | 160.0               |
| PRC                 | KKH improvement project (Raikot to Khunjerab 355 km)                    | 2008 | 490.0               |
|                     | Reconstruction of a portion of KKH damaged by flood                     | 2011 | 90.0                |
|                     | Reconstruction of national highway damaged by flood for KKH and N5      | 2011 | 300.0               |
| ADB                 | Road Sector Development Program (Sindh)                                 | 2001 | 200.0               |
|                     | Punjab Road Development Sector Program                                  | 2002 | 150.0               |
|                     | Balochistan Road Development Sector Project                             | 2003 | 185.7               |
|                     | NWFP Road Development Sector and Subregional Connectivity Project       | 2004 | 301.2               |
|                     | MFF: National Highway Development Sector Investment Program (Project 1) | 2005 | 180.0               |
|                     | MFF: National Trade Corridor Highway Investment Program (Project 1)     | 2007 | 170.0               |
|                     | MFF: National Highway Development Sector Investment Program (Project 2) | 2009 | 230.0               |
|                     | Flood Emergency Reconstruction Project                                  | 2011 | 408.4               |
|                     | MFF: National Trade Corridor Highway Investment Program (Project 2)     | 2014 | 200.0               |
|                     | MFF: National Trade Corridor Highway Investment Program (Project 3)     | 2014 | 127.0               |
| <b>Total</b>        |   |      | <b>4,222.1</b>      |

ADB = Asian Development Bank, IsDB = Islamic Development Bank, JBIC = Japan Bank for International Cooperation, JICA = Japan International Cooperation Agency, KKH = Karakoram Highway, KP = Khyber Pakhtunkhwa, MFF = multitranchise financing facility, NWFP = North-West Frontier Province, PRC = People's Republic of China.

Source: ADB staff compilation.

<sup>2</sup> DFID. 2014. *Pakistan Economic Corridor Program Business Case*. London.

### **C. Achievements and Issues**

7. The cooperation and coordination of Pakistan's development partners has improved road transport performance and helped the road agencies grow into a modern road infrastructure manager. Some development partners can coordinate together on the road improvement investment and disaster response. The road transport reforms carried out since the 1990s through development partner assistance has transformed NHA from a conventional road builder into a service-oriented road asset manager equipped with a sophisticated road asset management system. However, such achievements have not been fully extended to provincial road agencies. Development partners will work together to replicate the coordination and harmonization shown in the NHA institutional reforms and capacity building in order to transform provincial road agencies into capable road asset managers.

### **D. Summary and Recommendations**

8. Multiple development partners contribute to the transport sector in Pakistan in the areas of infrastructure, capacity development, and policy dialogue. However, their coordination needs to be enhanced, especially the policy dialogue, to provide the transport agencies a consistent message and direction. More cofinancing opportunities will be explored with the development partners.