



Sector Assistance Program Evaluation

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# Sector Assistance Program Evaluation for the Social Sectors in Pakistan

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Operations Evaluation Department  
Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADTA	–	advisory technical assistance
CAPE	–	country assistance program evaluation
CSP	–	country strategy and program
DSSP		Devolved Social Services Program
ESTW	–	economic, sector, and thematic work
FYP	–	five-year plan
LGO	–	local government ordinance
MCH	–	maternal and child health
MDG	–	millennium development goal
NGO	–	nongovernment organization
NWFP	–	North-West Frontier Province
OCR	–	ordinary capital resources
OED	–	Operations Evaluation Department
PCR	–	project completion report
PIHS	–	Pakistan integrated household survey
PPAR	–	project performance audit report
PPTA	–	project preparatory technical assistance
PRM	–	Pakistan Resident Mission
PRSP	–	poverty reduction strategy paper
RWSS	–	rural water supply and sanitation
SAP	–	social action program
SAPE	–	sector assistance program evaluation
SPDC	–	Social Policy Development Center
TA	–	technical assistance
TBA	–	traditional birth attendant
WHO	–	World Health Organization

## GLOSSARY

<i>Tehsil</i>	Subdistrict unit of administration
<i>Nazim</i>	Elected head of district, tehsil, or union council
<i>Katchi abadi</i>	Illegal squatter settlement

## NOTES

- (i) In this report, “\$” refers to US dollars.

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The Operations Evaluation Department (OED) has guidelines on avoiding conflict of interest in its independent evaluations (available at <http://www.adb.org/Evaluation/methods.asp>). To the knowledge of the management of OED, there were no conflicts of interest involving persons preparing, reviewing, or approving this report.

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## 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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## I. INTRODUCTION

### A. Background

1. This report—prepared by the Operations Evaluation Department (OED) of the Asian Development Bank (ADB)—presents the findings of a sector assistance program evaluation (SAPE) of ADB’s social sector operations in Pakistan for 1985–2004. It will contribute to preparation of a Pakistan country assistance program evaluation (CAPE), which, in turn, will support the formulation of a new Pakistan country strategy and program (CSP) to be approved in 2006.

### B. Scope and Objectives of the Evaluation

2. Under ADB’s previous classification system of loans and technical assistance (TA), social sector operations covered those in the education, health and population, urban development, and water supply and sanitation sectors. Under a new classification system, the social sector category is replaced by those of education; health, nutrition, and social protection; and water supply, sanitation, and waste management. Each sector now has a number of subsector categories, not including population or urban development—the latter being included under the multisector category.

3. A joint consideration of the social sectors for policy and investment decision making (and also evaluation of results) would be logical because of the potential for synergy—for example, education, water, and sanitation policies and programs can affect health outcomes. In practice, these potential synergies have proven hard to plan for, and most effort takes place within the sector, even in multisector projects. Individual specialization, functional institutional arrangements, and the enormity of the task within any one sector all contribute to this. This lack of synergy means that this SAPE, of necessity, focuses more sector-specific issues.

4. ADB’s operations over the last 20 years (1985–2004) have been evaluated. The starting point, 1985, saw publication of ADB’s first Pakistan country strategy. A period of 20 years provides ample time to demonstrate changes in strategic choices and, to some extent at least, the consequences of those choices. Operations are defined as the loans; TA; economic, sector, and thematic work (ESTW);<sup>1</sup> policy dialogue; and project administration support using ADB resources.<sup>2</sup>

5. A SAPE acts as a sector synthesis of evaluation findings, but it goes beyond this by seeking answers to broader questions regarding underlying strategy and performance of the program as a whole. A sector synthesis of evaluation findings is a “sum of the parts” evaluation whereby overall results are the sum of the results from the individual operations. However, program of operations guided by a successful strategy should produce results above and beyond those obtained from a series of discrete operations. Also, a successful program should reveal the guiding hand of strategy in the choices made and, importantly, the choices not made. Resources are limited and those managing them need to demonstrate good stewardship by allocating and managing resources so that better results are achieved than those of other alternatives. Given this, the SAPE seeks to answer two broad questions—did ADB do the right things, and did it do things right? The first question has to do with the relevance of the decisions

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<sup>1</sup> ESTW is the term ADB uses to describe economic and sector studies and those covering the crosscutting or thematic areas of importance such as gender, governance, private sector development, environment, and so on.

<sup>2</sup> Appendix 1 lists the social sector loan and TA program approved during the period.

for allocating ADB's resources. The second deals with the results emanating from the choices made. Specific questions addressed by this SAPE include the following:

- (i) How have the social sectors supported by ADB operations performed?
- (ii) What social sector strategies and policies have successive Governments pursued?
- (iii) What strategies were pursued for using ADB resources in support of social sector development?
- (iv) What drove these strategic choices?
- (v) What was the quality of ADB's formalized social sector strategies within country strategies?
- (vi) What was the quality and performance of the program of social sector operations?
- (vii) Was the program well managed?
- (viii) In what ways did ADB resources contribute to sector outcomes, or not as the case may be?
- (ix) Was there effective synergy between ADB resources and those of others?
- (x) Were the choices sound in terms of the evidence available at the time they were made, and in light of the outcome of those decisions?
- (xi) How can choice selection and decision-making processes be improved in future?

### **C. Evaluation Methodology**

6. The methodology for answering the first broad question (were the right things done?) was as follows:

- (i) Description and review of sector performance to identify issues and needs using hard data such as that provided by the Pakistan Integrated Household Survey (PIHS), census data, education and health management information systems, and monitoring data on the millennium development goals (MDGs) among others.
- (ii) Description of government strategies and policies, and assessment of their implementation and achievements.
- (iii) Evaluation of ADB sector strategies within country strategy documents using a set of criteria developed for this study (Appendix 2). The strategy assessment was carried out by sector specialists based on document review, discussions with a wide variety of informed persons, field observation, and their own knowledge. Their assessments were reviewed by the study leader for consistency and correct application of the criteria. Some of the criteria allowed for objective measures. For example, was a baseline level of performance described and quantified along key dimensions? Were timebound targets over a baseline set? Were alternative approaches explicitly described and reasons given for the preferred option? Other criteria required a more subjective assessment. For example, what was the extent of partnership with others? What was the level of stakeholder engagement, influence, and ownership of the strategy? For the more subjective measures, as wide a range of perspectives as possible was sought. Guidance was provided to those carrying out the ratings to ensure consistency (Appendix 2).
- (iv) ADB's program was then reviewed to determine the relationship between strategy and program. By time-sequencing strategies and approvals, a judgment could be made regarding the influence of strategy on the program. Similarly, project design documents were reviewed to determine changing strategic

approaches. Finally, a wide range of perspectives were sought from Government (political and bureaucratic), nongovernment organizations (NGOs), academia, and civil society.

7. The methodology for answering the second broad question (were things done right?) had two main parts:

- (i) A “sum of the parts” evaluation.
- (ii) A “whole of program” evaluation.

8. The first part used the following methodology:

- (i) All design documents for loan and TA projects were reviewed. Particular attention was paid to evidence of learning through sound sector analysis, incorporation of lessons from previous experience, and evidence of new means (innovation) for tackling entrenched problems.
- (ii) All prior ADB evaluations of loan projects were reviewed—including project completion reports (PCRs) and project performance audit reports (PPARs).<sup>3</sup>
- (iii) The performance assessments and lessons were examined to identify common issues and recurring themes.
- (iv) The performance of all loan projects with prior evaluations, as well as ongoing ones (excluding those early in their implementation period), was reassessed by the SAPE team (fieldwork was carried out in the last quarter of 2004). Prior evaluations had been conducted over a considerable period of time, mostly by different people following different approaches.<sup>4</sup> While prior evaluations are used by this study, the reassessment of performance is also presented as a method of validating earlier findings through application of a common evaluation methodology, at one point in time, by a single evaluator for each sector.<sup>5</sup> Overall quality control of performance assessment was exercised by the SAPE leader.<sup>6</sup>
- (v) The assessment of TA performance was less structured. Only 26 social sector advisory TAs were approved over the 20-year evaluation period. Few of these have TA completion reports. The performance of some TAs associated with a loan was assessed in the corresponding PCR or PPAR. The SAPE team

<sup>3</sup> Operational departments prepare the PCRs so they are a self-evaluation of performance. OED prepares PPARs, so they are an independent evaluation.

<sup>4</sup> Evaluation methodology has changed over time. OED’s current evaluation guidelines (available at <http://www.adb.org/Evaluation/methods.asp>) were issued in September 2000. A revision to these guidelines is currently being prepared. This revision is expected to introduce further changes—changes significantly influenced by application of the good practice standards for evaluation issued by the Evaluation Cooperation Group of the multilateral development banks. The performance assessment methodology followed for PCRs and PPARs was first harmonized in 1995 (based on 1992 PPAR guidelines) and again from 1 January 2002 (based on the 2000 PPAR guidelines).

<sup>5</sup> While the 2000 guidelines form the basis for the methodology used (footnote 4) some changes likely to be incorporated in the next revision were also adopted. These changes include (i) an extension of the test of relevance to include the soundness of the design and the extent of stakeholder participation in the design and their ownership of the project, and (ii) more attention to efficiency for those projects without economic and financial internal rate of return calculations. Also, the passage of time allowed a more accurate assessment of the likelihood of sustainability. The methodology used for arriving at the performance assessment was largely the same as used for any PPAR, including use of secondary data (PIHS, etc.), other reviews, field visits, and discussions with as many stakeholders as possible.

<sup>6</sup> Following a team briefing, each evaluator developed a set of subcriteria under the main criteria of relevance, efficacy, efficiency, sustainability, and institutional development and other impacts. These were used for the preliminary performance assessments, which were then reviewed by the SAPE leader.

reviewed prior findings and discussed TA in general with stakeholders without attempting to derive individual TA performance ratings.

- (vi) The quantity and nature of ESTW was documented. Reports were reviewed and conclusions developed regarding the quantity, quality, and utilization of ESTW.
  - (vii) The performance of ADB as a source of policy ideas was determined on the basis of a survey of senior officials in the Government and discussions with a number of other development partners.
9. The “whole of program” evaluation was made up of the following elements:
- (i) An assessment of social sector portfolio performance using standard ADB portfolio performance indicators with data drawn from internal databases. The indicators considered included disbursement, cancellation of surplus loan amounts, undisbursed loan balance, time required for approved loans to become effective, and extensions to loan closing date.
  - (ii) Aggregate project performance ratings from PPARs or PCRs (in the absence of a PPAR), with changes identified over three periods by year of loan project approval—the 1970s, 1980s, and 1990s (to 1996, as no social sector loan approved after this year had a PCR or PPAR). Aggregate PPAR ratings for all social sector operations in Pakistan. Aggregate project performance ratings as determined by the SAPE team.
  - (iii) A whole of program evaluation covering the full 20-year period using largely the same criteria as used for the rating of social sector strategies in country strategies. Again, the criteria involve a mix of unambiguous measures (e.g., presence or absence of a feature) along with those where a more subjective assessment is required. To support the latter, a range of stakeholder views was sought.
10. The study has a number of limitations. These include the following:
- (i) The availability and quality of data on the social sectors is generally poor.<sup>7</sup> However, this is a limitation faced by all working in support of social sector development in Pakistan.
  - (ii) The evaluation is not a comparative study of the performance of social sector operations vis-à-vis that of other sectors in Pakistan or other countries, although some comparative data on aggregate project performance ratings in Pakistan is presented. Further cross-sector comparisons will be made in the forthcoming CAPE. A limited amount of cross-country data is presented on sector performance.
  - (iii) The study does not attempt to quantify the aggregate impact of the 20-year program of ADB assistance. With the resources available, this was not possible given the number of sectors being covered and the relatively small contribution by ADB to total sector investment. Rather, a subjective assessment of impact was made based on (i) the degree of output and outcome achievement from ADB’s operations and therefore the likely impact of these, and (ii) overall sector performance.

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<sup>7</sup> See Government of Pakistan. 2004. *Pakistan Millennium Development Goals Report 2004*. Islamabad. Of the six social sector MDGs covered by this report, the quality and regularity of monitoring information were assessed as weak for three, fair for two, and strong for one.

- (iv) The study does not attempt to quantify a counterfactual scenario. Some general observations are made.
- (v) By its nature, evaluation is backward-looking. Some decisions that explain current performance reflect prior policies and strategies that no longer apply. However, it is difficult to evaluate current and recent past development projects, which are more relevant, because of the time lag required for results to become evident.
- (vi) Generally, a SAPE considers a single sector, e.g., power sector in Bangladesh. This SAPE covers four sectors—education, health, water supply and sanitation, and urban development. The breadth of coverage has had some impact on the depth of analysis in any one sector.
- (vii) The SAPE is a new evaluation product for OED—only one SAPE has been approved prior to this study. Guidelines for the conduct of SAPEs are yet to be prepared so this study is part of a learning process.
- (viii) In 2001, the Government initiated major changes in the political framework through the conduct of elections at district and subdistrict levels, followed by devolution of responsibility for a range of services to the new local government structure, and introduction of a new accountability framework. Evaluation findings from past experience need to be considered in light of these new political arrangements.

#### **D. Report Content**

11. Subsequent chapters cover sector performance and issues; government strategies and policies, ADB's strategic agenda, a description of ADB's social sector operations, an assessment of the performance of ADB's social sector operations, and conclusions and recommendations. This flow aims to provide a logical "storyline" of context, plans, program, and performance. Sectors are addressed individually in each analytical chapter.

## **II. SOCIAL SECTOR PERFORMANCE AND ISSUES<sup>8</sup>**

### **A. Education**

While South Asia is the most illiterate region in the world, Pakistan is among the most illiterate countries within South Asia.

The Human Development Center. 1998. *Human Development in South Asia 1998 – The Education Challenge*. Islamabad.

<sup>8</sup> Data on social sector performance in Pakistan suffers from problems of availability and reliability. For this reason, the SAPE relies on data from PIHS (which has confidence intervals), United Nations specialized agency assessments, and the Government's 2005 MDG report (in which statistics were selected by a panel of experts). In commenting on the draft SAPE, some government officials indicated that recent data collected by ministries and departments shows much improved performance. The validity of government data on economic and social performance is the subject of heated debate in Pakistan. Given this, and in light of acknowledged deficiencies in departmental management information systems (problems compounded in some cases as a result of devolution), this evaluation takes a cautious approach to the use of data by relying principally upon that with a degree of independent validation. Just prior to finalization of this report, the Government released some data from a recent Living Standards Survey. These show significant improvement in a number of social indicators. However, since the report itself has not been released, its findings have not been considered here.

12. Pakistan's education indicators are poor, even within the context of the South Asia region (Appendix 3, Table A3.1). There are strong gender and regional inequities. For example, in rural Balochistan, only 6% of females over 10 years of age have completed primary school, compared with 38% for both sexes nationally (49% for males and 27% for females).<sup>9</sup> Although the illiteracy rate has fallen for men and women, the rate of decline for men has been much greater than for women. From 1970 to 2005, the decline in male illiteracy was 76% compared with 35% for women. Projections by the United Nations Education, Social and Cultural Organization (UNESCO) indicate that gender discrepancy will continue well into the future, with only slow progress expected in increasing the national literacy rate. Despite this anticipated increase in the literacy rate due to a high population growth rate, the absolute number of illiterate people will continue to climb according to the UNESCO model.

13. The second MDG is for all countries to achieve universal primary education. The indicators are net primary enrollment rate, the proportion of pupils starting grade 1 who reach grade 5, and the primary completion rate. UNESCO estimates for net primary enrollment indicate a slightly worse situation in 2000 than that shown by the ADB data used in Table A3.1 (59% for both sexes, 50% for girls, and 68% for boys). The Government's first MDG report in 2005 (footnote 7) gives a figure of 46% (both sexes) for 1990 and 51% for 2000 compared with the target of 100% by 2015.<sup>10</sup> Data does not exist in Pakistan for the proportion of pupils starting in grade 1 who reach grade 5. Although the Government rates the goal of universal primary education as "potentially achievable," based on current status and past performance, its achievement would seem unlikely. The Government's 2004 MDG report rates the status of the supporting environment for goal achievement as weak but improving.

14. The third MDG concerns the promotion of gender equity, with target 4 being to eliminate the gender disparity in primary and secondary education by 2005, and in all levels of education no later than 2015. The Government's first MDG report presents indicators on the ratio of girls to boys' enrollment at primary, secondary, and tertiary levels. For primary education, the ratio was 0.51 in 1990 and 0.57 in 2000 (compared with a target of 1.0) based on the Ministry of Education's National Education Management Information System. However, care must be taken in interpreting these ratios because the apparent improvement in girls' enrollment is, according to PIHS, "because boys show a larger decline in enrollments than through any overall increase in girls' enrollment" (footnote 9). The Government's first MDG report rates achievement of this target as "unlikely" with the supportive environment being weak but improving.

15. Many reasons are given for weak education sector performance, but chief among these are insufficient resources and ineffective use of those resources actually made available. Successive governments have failed to deliver on education targets set in plans and policies (for example, Appendix 3, Table A3.2 shows the situation for various targets for primary enrollment). Public expenditure on education as a percentage of gross domestic product has been less than 2% in every year since 1997 (the lowest among comparator countries—Appendix 3, Table A3.1) and real expenditure has been declining since 1989 (Appendix 3, Figure A3).<sup>11</sup> Gender and regional inequities are a recurring theme in social sector outcomes. Beyond inadequate access lie a number of important quality issues—namely, curricula, textbooks, teacher training, and the examination and monitoring systems. Although there has been some progress in curriculum revision, changes have not kept pace with needs and the

<sup>9</sup> Federal Bureau of Statistics. 2001. *Pakistan Integrated Household Survey Round IV: 2000–2001*. Islamabad. Available: <http://www.statpak.gov.pk/depts/fbs/statistics/pihs2000-2001/pihs2000-2001.html>

<sup>10</sup> The 51% figure for 2000 was estimated by the MDG subcommittee whereas the National Education Management Information System gives a net enrollment rate of 66%.

<sup>11</sup> The most recent budget allocations show a reversal of this trend.

process has tended to suffer from “political capture.”<sup>12</sup> Textbook boards previously had a monopoly over textbook production although this is no longer the case. There have been many largely unsuccessful efforts to reform the examination system to allow for alternative examination boards, and the development of a national testing system. Finally, the monitoring system fails to meet the needs for information on the sector.

16. While the public education system has failed to deliver the results parents want, private schools have expanded in response to a strong demand for education (Table A3.3 in Appendix 3). In urban Punjab, survey results showed 55% of primary level enrollments were in private schools. The level of primary enrollment is strongly influenced by income but the lowest quintile by income still shows 21% enrollment in private schools in urban areas (7% in rural areas). This rises to 71% for the highest quintile in urban areas (33% in rural areas).

17. In short, and as the Social Policy Development Centre (SPDC) concludes, “the current state of education in Pakistan is deplorable.”<sup>13</sup> SPDC gives the reasons for this as follows:

Education in Pakistan has suffered from a myriad of issues, as reflected by various educational indicators including low levels of public spending, literacy and enrollments, high levels of dropout from the schooling system, acute regional and gender inequalities, and inequities in the distribution of budgetary allocations to education. Both demand and supply factors explain this state of affairs. On the demand side, poverty and illiteracy appear to be significant factors adversely affecting household decisions to send children to school. On the supply side, high population growth rates and lack of sufficient financial commitment has caused illiteracy to rise. There have been commendable efforts in the private and nongovernment sectors, but the scale of these efforts has not been sufficient to make a difference to the aggregate situation.

## B. Health and Population

Every 20 minutes a woman dies from pregnancy and/or childbirth in Pakistan.  
Two out of five pregnant women are anemic and four out of five deliveries are not assisted by trained health officials.  
In Pakistan, 1 out of 3 babies are born with low birth-weight,  
1 out of 12 dies before his or her first birthday, and  
1 out of 10 children dies before reaching 5 years of age.  
Two out of every five Pakistani children under 5 years of age are malnourished.  
Three out of every five children under 5 years are stunted.

UNICEF: <http://www.unicef.org/pakistan>

18. Goal 4 of the MDGs is to reduce child mortality. Indicators are the under-5 mortality rate, the infant mortality rate, and the proportion of 1-year-old children immunized against measles. Estimates by the United Nations Children’s Fund (UNICEF) of under-5 mortality per 1,000 live births for Pakistan have shown some improvement over time—from 130 in 1990, 118 in 1995, 108 in 2000, to 104 in 2002 (with a target of 52 by 2015). However, only Afghanistan (257) has a worse level among regional countries—the corresponding figure is 19 for Sri Lanka. The

<sup>12</sup> For a review, see Nayyar, A.H. and Ahmad Salim, editors. 2004. *The Subtle Subversion: The State of Curricula and Textbooks in Pakistan*. Sustainable Development Policy Institute: Islamabad.

<sup>13</sup> Social Policy Development Centre. 2003. *Social Development in Pakistan: Annual Review 2002–03: The State of Education*. Karachi.

pattern is the same for infant (under 1-year) mortality rate. Bangladesh and Pakistan had similar levels of infant mortality in 1990—by 2002, UNICEF estimates Bangladesh had halved its rate, while Pakistan went from 100 to 83 (the 2015 target is 40). The proportion of children immunized against measles in Pakistan has increased from 50% in 1990 to 63% in 2002 according to UNICEF estimates (57% according to PIHS)—the target for 2015 is 90%. The current level of performance is the second lowest in the region. The Government’s first MDG report rates the target for under-5 mortality rate as “potentially achievable” and the supportive environment as fair. The rate of progress will need to accelerate significantly to achieve the MDG.

19. Improved maternal health is the fifth MDG. Indicators are maternal mortality ratio per 100,000 live births, and the proportion of births attended by skilled health personnel. Pakistan has no national data for the maternal mortality ratio. Modeling estimates by UNICEF (used in Appendix 4, Table A4.1) show that maternal mortality ratio rose from 340 in 1990 to 500 in 2000 (the reasons for this are not given). On the other hand, Bangladesh showed a decline from 850 in 1990 to 380 in 2002 (Table A4.2). The Government’s first MDG report shows a decline in the maternal mortality ratio from 550 in 1990 to 350 in 2000 (with a target of 140 by 2015). UNICEF provides data for only one year (for 2003) for the proportion of births attended by skilled health personnel in Pakistan—at 23% this is better than Bangladesh (14% in 2003) but well below the 43% achieved by India in 2000 and 97% for Sri Lanka in 2000. PIHS indicates a higher level of performance on this indicator (40% in 2000 compared to the 2015 target of greater than 90%). The Government’s MDG report rates the target of 140 for the maternal mortality ratio as “potentially achievable,” with the supportive environment assessed as fair. Meeting the targets for improved maternal health will be a major challenge.

20. Pakistan has made progress in reducing its population growth rate—from 2.9% per year in 1985 to an estimated 1.9% per year in 2003, according to data in Appendix 4, Table A4.1. However, the most recent census (1998) showed a population of 132 million and an intercensal growth rate of 2.7% per year. The Population Census Organization estimated that the population was 153 million in March 2005, indicating that the population growth rate continues to be about 2.5%.<sup>14</sup> Awareness and use of family planning methods have increased over the 1990s. The contraceptive prevalence rate has risen from 18% in the mid-1990s to 28% by 2001 (the 2015 target is 55%), although this is still the lowest in the region.<sup>15</sup>

21. Private provision and private funding of health care are much more important than public funding and provision. According to the PIHS (footnote 9), 58% of those with diarrhea first consulted a private health provider—either a private practitioner (49%) or chemist (9%). Even in rural areas, 55% consulted a private provider first. Only 20% first sought treatment in a government facility while the balance consulted an “other” provider or did not seek treatment at all (18%). Public provision is relatively more important in Balochistan and North-West Frontier Province (NWFP). Overall, only 35% of pregnant women received prenatal care. Of those that did, 42% went to a government hospital or clinic and 43% to a private hospital or clinic (37% to a private facility in rural areas versus 49% in urban areas).

22. World Health Organization (WHO) data on health expenditure show that the private share of the total health expenditure in Pakistan was 76% in 2001—similar to Indonesia (75%), but below India (82%) and above Nepal (70%), Bangladesh (56%), and Sri Lanka (51%).<sup>16</sup> In

<sup>14</sup> Data available at <http://www.statpak.gov.pk/depts/pc/>

<sup>15</sup> National Institute of Population Studies. 2001. *Reproductive Health and Family Planning Survey: 2001*. Islamabad.

<sup>16</sup> Data available at <http://www3.who.int/whosis/menu.cfm>

terms of public expenditure on health, this accounted for 3.5% of total general government expenditure in Pakistan compared with levels of 8.7% in Bangladesh, 8.1% in Nepal, 6.1% in Sri Lanka, and 3.1% in India. Annual per capita public expenditure on health was \$4 in Pakistan, \$5 in Bangladesh, \$4 in India, \$3 in Nepal, and \$15 in Sri Lanka. Similar levels of total health expenditure per capita are buying quite different health outcomes among regional countries.

23. The health sector issues presented thus far have focused on the problems emanating from underdevelopment. However, “Pakistan is experiencing a ‘double burden,’ one in which diseases associated with underdevelopment (infectious diseases and nutritional deficiencies) have not yet been controlled and risk factors associated with development (chronic and cardiovascular diseases and cancer) are significant.”<sup>17</sup> This highlights the huge challenge that health policy development and health delivery systems must address.

### **C. Water, Sanitation, and Urban Development**

24. Target 10 of the seventh MDG is to halve, by 2015, the proportion of people without sustainable access to safe drinking water and sanitation. According to WHO-UNICEF estimates for 2002, Pakistan has a high rate of population coverage with access to safe drinking water—90% overall, 95% in urban areas, and 87% in rural areas. Overall coverage was up from 83% in 1990. Pakistan rates well in cross-country comparisons, particularly for rural coverage. Based on this evidence, Pakistan has a good chance of meeting the water supply part of this MDG. However, the data need to be treated with some caution. Using a definition of access to piped water, the Government’s 2004 MDG report gives the proportion of the population covered as 53% in 1990 and 63% in 2001 compared with the 2015 target of 93%. The target is rated as “potentially achievable” with a fair supportive environment. Using the definition of safe water as access to piped water indicates there is a long way to go to achieve the target.

25. Coverage for access to improved sanitation is much lower than for safe water according to WHO-UNICEF data, which gives a figure of 54% for overall coverage in Pakistan (92% in urban areas and 35% in rural areas) in 2002. Overall coverage was up from 38% in 1990. The Government’s 2004 MDG report gives estimates of 30% for 1990 and 40% for 2000, compared with a 2015 target of 90%. Achieving the MDG goal for improved sanitation coverage is probably unlikely (the Government’s 2004 MDG report does not rate the likelihood of achieving this target).

26. Determining service coverage and investment levels in the water and sanitation sectors is particularly difficult. Different data sets present very different pictures of the sector. Unlike the health and education sectors, the water supply and sanitation sectors rely on two limited data sets: (i) the four rounds of the PIHS, which was focused on the rural water supply and sanitation sector (RWSS); and (ii) the 1981 and 1998 censuses. Neither data set touches on critical issues related to water quality, while each has a number of definitional shortcomings.<sup>18</sup>

27. Performance data from the PIHS from 1991 to 2001 reveals almost static coverage for water supply, and substantial improvements in sanitation, with wide differences across

<sup>17</sup> Pappas, G., P. Gergen, W. Haden, and A. Khan. 2001. Health Status of the Pakistani Population: A Health Profile and Comparison with the United States. *American Journal of Public Health*, Vol. 91, No. 1.

<sup>18</sup> Most importantly, the separation of “urban” and “rural” continues to be problematic—the debate on the nature of urban population and the spatial demography of settlement patterns is ongoing. Emergent features of this spatial analysis suggest the growing significance of urban systems in Pakistan, particularly the rural-urban interface, peri-urban areas, and ribbon development. These were not captured by the last census for methodological reasons.

provinces and income groups. Private provision predominates. Over the period, the following were observed:

- (i) The proportion of households with taps in their houses stayed much the same—22% overall in the most recent PIHS (53% in urban areas and 8% rural areas). In urban and rural areas the gap between the poorest and richest quintiles did not register any marked change.
- (ii) Households remained the single largest supplier at 61% through hand pumps, motor pumps, open wells, and closed wells. Although local governments were responsible for 94% of piped water, they accounted for only 26% of total provision. Variations among provinces are marked.
- (iii) At the household level, the usage of flush latrines went up from 28% to 45% but the percentage of households with an underground drainage system remained around 15%. The percentage of households with no sanitation system increased from 37% to 49%.

#### D. Data on Sector Performance

28. The previous sections highlight major problems with data availability, accuracy, and consistency. This is further highlighted by summarizing the Government's self-assessment of its capacity for monitoring and reporting on MDG attainment (Table 1). For six of the seven goals this is rated as fair or weak across five criteria. Availability, quality, and dissemination of data are rated as weak four times out of seven. A lack of timely, reliable, and accurate data is a constraint on addressing poor sector performance because it impedes the identification of causes; limits the effectiveness of policy analysis to explore possible solutions; and lessens the ability to evaluate what works, what does not, and the reasons why. A lack of dissemination limits the extent to which problems are recognized or acknowledged. For these reasons, addressing the information gap should have a high priority in any program of assistance to the social sectors in Pakistan. Having said this, gathering reliable data is no easy task for reasons covered in the next section.

**Table 1: Capacity for Monitoring and Reporting on MDG Attainment**

MDG	Availability	Quality	Statistical Analysis	Use of Data in Policy	Dissemination
1. Eradicate extreme poverty and hunger	S	S	S	F	F
2. Universal primary education	W	W	F	F	W
3. Gender equity	W	W	F	F	W
4. Reducing child mortality	F	F	F	F	W
5. Improving maternal health	F	F	F	F	F
6. Combating HIV/AIDS, malaria, and other infectious diseases	W	W	W	W	W
7. Environmental sustainability (includes targets on water supply and sanitation)	W	W	F	F	F

HIV/AIDS = human immunodeficiency virus/acute immunodeficiency syndrome; MDG = Millennium Development Goal; F = fair; S = strong; W = weak.

Source: Government of Pakistan. 2004. *Pakistan Millennium Goals Report 2004*. Islamabad.

## E. Reasons for Poor Social Sector Performance

29. A detailed analysis of the causes of poor social sector performance is beyond the scope of this SAPE, yet such an understanding is essential in order to ensure (i) that the merits or otherwise of proposed interventions can be judged on the basis of realistic expectations about the results that can be obtained in the time envisaged, and (ii) the major assumptions and risks inherent in alternative interventions are adequately identified and addressed in project selection and design.

30. There is a growing understanding that the fundamental causes of poor social sector performance in Pakistan are systemic, and are the product of deeply entrenched social relations. As such, they will be slow to change and active resistance to change can be expected. Easterly concludes that two political economy hypotheses—elite domination and ethnic factionalism—fit the realities of Pakistani society, explaining in large part Pakistan’s poor social performance despite its respectable economic growth.<sup>19</sup> Analysis by Kahn has supported the hypothesis that feudal landlords oppose universal primary education.<sup>20</sup> More generally, Husain (quoted by Easterly) has argued that ruling elites found have a vested interest in perpetuating low literacy rates in order to preserve their own positions of power. On the constraining influence of ethnic diversity and factionalism, Easterly concludes: “The results are uneven but supportive of the hypothesis that Pakistan’s poor level of human capital investment for a given level of income is related to its high degree of ethnic and class polarization.”

31. This analysis of underlying causes shows that attempts to improve social outcomes in Pakistan are not operating in a context of benign neglect or well-intentioned but misguided effort. Those allocating development funds and planning interventions for social sector development in Pakistan need to be aware of the political economy dimension and its constraining influence of the attainment of results. Easterly’s conclusion is sobering:

While foreign aid and government programs may have contributed to overall economic growth, they were an egregious failure at promoting social and institutional development under the circumstances of elite domination and ethnic division.

## III. STRATEGIES AND POLICIES

32. This chapter discusses Government and ADB strategies and policies for education, health, water and sanitation, and urban development. ADB’s formal strategic agenda is described—at the country and institutional levels. The social sector strategies in each of ADB’s country strategies is scored according to criteria developed for this SAPE (para. 6[iii]). ADB’s relevant institution-level policies—both sector and crosscutting—are noted and their influence on country strategy assessed.

<sup>19</sup> Easterly, W. 2001. *The Political Economy of Growth Without Development: A Case Study of Pakistan*. Available at <http://www.nyu.edu/fas/institute/dri/Easterly/File/Pakistan.pdf>

<sup>20</sup> Kahn, S. R. 1999. *Reforming Pakistan’s Political Economy*. Lahore: Vanguard Books. Using (admittedly old) data from a 1986 Rural Income Distribution Survey, Kahn’s analysis showed a negative association between high absolute landed power and rural schooling in all provinces. The effect was with size of landholding rather than relative power. The author argues that this is probably due to large landowners being “interested in a cheap and docile labor force.” Further, he found that the influence was on the demand rather than supply side (school supply was independent of the influence of large landholders) with the influence possibly through discouragement or intimidation.

## A. Government Strategies and Policies

### 1. Social Sector Policies

33. Government strategies and policies are detailed in Appendix 5. The main points resulting from the assessment are:

- (i) There has been no shortage of well-intentioned policies, strategies, and targets for improving social sector performance in Pakistan, but the level of policy implementation and attainment has been extremely limited.
- (ii) In some cases, political instability has resulted in administrations being replaced before they could implement their policies.
- (iii) Policies generally appear to have been made in isolation from a detailed consideration of the resources required and available to implement them.
- (iv) Much of the time there was insufficient political or bureaucratic support for stated policies, at least by those allocating financial resources and with the power to influence outcomes.
- (v) These findings raise the question of whether it is sufficient to claim that ADB strategies are relevant based solely on their alignment with Government policies. In such circumstances a greater emphasis may need to be placed on supporting implemented actions rather than statements of intent.

### 2. Devolution

34. The creation of elected local governments at the district and subdistrict levels in 2001 was a major initiative that changed the way in which a range of basic services will be delivered. The newly created local governments were given devolved responsibility for social service delivery (among other responsibilities) and new accountability arrangements were put in place. Local revenue raising powers were granted. Of the newly created positions, 33% were reserved for women. Elected assemblies at district and *tehsil* levels are led by a mayor. A district coordinating officer, appointed by the provincial governor, is the senior official. While devolution has the potential to improve social service delivery (and this is one of its technical objectives), the overarching objective was to remake the political landscape by creating an alternative to the traditional political parties.<sup>21</sup>

35. A recent study undertaken by ADB and others concludes that it is too early to determine the impact of devolution on the delivery of social services.<sup>22</sup> However, based on field work in two subdistricts in each of the six districts, citizens have gained more voice as a result of the reforms. Further, there were examples of better attendance by health personnel, improved supply of medicines, and more efficient procurement (e.g., reduced cost of local-level infrastructure such as school construction) because of better local level accountability. There was some evidence that the incentive structure had improved. These are all positive outcomes. On the other hand, the study noted numerous challenges and the partial and variable implementation of the reforms. Important issues include (i) the unaltered tendency for provinces to interfere in district management and a lack of delegation by provinces of the employer role; (ii) confusion regarding responsibility and accountability caused by the so-called vertical (federally-controlled) development programs, which are common in the health, education, and

<sup>21</sup> The Economist Intelligence Unit. 2001. *Country Report: Pakistan and Afghanistan*. London.

<sup>22</sup> Asian Development Bank, Department for International Development, and World Bank. 2004. *Devolution in Pakistan: An Assessment and Recommendations for Action* (four vols.). Islamabad.

water and sanitation sectors (including some ongoing ADB projects)—these vertical programs made up over half the annual development program in the districts studied; (iii) very limited citizen influence as yet; (iv) lack of a district-wide approach because of local or factional interests; (v) problematic relationships between mayors and district coordination officers, particularly where these have different party affiliations; (vi) a weak tax base at the district level and difficulty in imposing local level taxes such as user fees; and (vii) continued control of school management committees by head teachers. Notwithstanding these challenges, the study was “cautiously optimistic” about the future.

36. An important factor determining the success of the devolution process will be the extent to which local government can avoid being “captured” by elites who have opposed social development in the past. There is cause for concern here. As the Economist Intelligence Unit reported, in the first round of local elections around 70% of those elected were rural gentry with most having “friendly relations” with “like-minded” members of the traditional parties (footnote 21). Another relevant factor in terms of the likely impact of devolution is that the focus of devolved social service delivery is very much on public funding or public provision, which, while important (particularly for the poor), is only part—and only a minority in the case of health, water supply, and sanitation—of total social sector expenditure in Pakistan.

## B. ADB’s Country Strategies

37. Since 1985, ADB has produced four main strategy documents to guide its operations in Pakistan—in 1985, 1990, 1995, and 2002—two CSP updates (Table 2), and an interim operational framework. Nuclear tests carried out by Pakistan triggered international sanctions in 1998, effectively suspending implementation of the 1995 strategy. A country operational framework was prepared to cover a reduced level of operations over 1999–2000. Preparation of a new country strategy was somewhat delayed due, in part, to the need to take into account dramatically changed circumstances following the 11 September 2001 terrorist attack on the United States. A country assistance plan for 2001–2003 (approved in December 2000) provided some strategic direction pending preparation of a new strategy.

**Table 2: ADB’s Country Strategy Documents for Pakistan Operations**

<b>Title</b>	<b>Period Covered</b>
Strategies for Economic Growth and Development: The Bank’s Role in Pakistan	1985–1989
The Bank’s Operational Strategy in Pakistan	1990–1994
Country Operational Strategy Study for Pakistan	1995–1998
Country Operational Framework	1999–2000
Country Strategy and Program: Pakistan	2002–2006
Country Strategy and Program Update	2004–2006
Country Strategy and Program Update	2005–2006

38. The main objectives of each of the country strategy documents have been variously stated as

- (i) balanced growth (1985);
- (ii) self-sustaining growth (1990);

- (iii) human resource development with economic growth as a secondary objective (1995);
- (iv) improved economic efficiency and export performance, enhanced human and social development, and strengthened governance (1998);
- (v) good governance, poverty reduction, sustainable pro-poor economic growth, and inclusive social development (2002); and
- (vi) poverty reduction (2003 and 2004).

### **C. Assessment of Social Sector Strategies in Country Strategies**

39. ADB's strategies for its social sector operations embedded in country strategies were assessed using a common set of criteria (Appendix 2).<sup>23</sup> A separate score was given for the level of innovation.<sup>24</sup> The results are presented in subsequent sections. The strategies are described in Appendix 6.

#### **1. Education Sector**

40. The scores for education sector strategies in successive ADB country strategies ranged from a low of 20% in 1990 to a high of 60% in 2002 (Table 3). Education strategies within country strategies showed little or no innovation. The more detailed presentation of the assessment (Table 4) shows that the most recent strategy was more results-oriented. Also, for the first time, there was clear evidence that stakeholder preferences were taken into account in the selection of education sector strategies. However, no strategy explicitly described other options that were considered, or provided reasons for selecting the preferred option. Lessons from previous strategies were generally not identified or incorporated in subsequent strategies. Similarly, lessons from successes and failures of previous or ongoing projects were not generally considered. No financial or economic modeling was carried out to investigate alternative investments. A lack of such analysis is considered to be a deficiency of Pakistan social sector operations in general (and probably in other countries as well).

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<sup>23</sup> Strategy documents followed applicable guidelines so they met required internal standards at the time of their approval. The rating provided here goes beyond this to give an independent assessment of the utility of strategies as a tool for making resource allocation decisions. The assessment does not consider other purposes of strategy statements such as their role in communicating what ADB is doing and why. Also, the shortcomings identified are not unique to the social sectors, nor indeed to ADB's Pakistan operations. Rather, they are indicative of a wider issue ADB needs to consider, but one which has an impact on social sector operations in Pakistan.

<sup>24</sup> A separate rating was given for innovation on the grounds that a decision to innovate or not should be the product of an analysis of the particular situation rather than a mandatory requirement. Innovation within each sector was not judged on the basis of broad programmatic changes such as a shift to policy-based lending or a focus on single provinces. This level of innovation is assessed under the whole program evaluation (para. 98). Rather, evaluators were looking for evidence of new ways of dealing with old problems within each of the sectors. For example, were new means proposed to address gender and urban/rural disparities? Particular attention was paid to whether strategies sought alternatives to the public funding/public provision model of social service provision and whether new types of partnerships were proposed, including new ways of dealing with the Government. Many other innovative ideas could have been included in strategies—such as more effective use of traditional Islamic welfare payments, greater involvement of the Pakistan Diaspora, more effective use of remittances, and ways of addressing corruption in the sector.

**Table 3: Rating of Education Strategies in ADB Country Strategy Documents**

<b>Title</b>	<b>Overall Rating (%)</b>	<b>Rating for Innovativeness (%)</b>
Strategies for Economic Growth and Development: 1985	24	0
The Bank's Operational Strategy in Pakistan: 1990	20	0
Country Operational Strategy Study for Pakistan: 1995	56	15
Country Operational Framework: 1999–2000	31	10
Country Strategy and Program: 2002–2006	60	15

Source: Consultant's evaluation using standard criteria.

**Table 4: Assessment of Education Strategies in Country Strategies**

<b>Criteria</b>	<b>Year of Publication of Strategic Document</b>				
	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>1999</b>	<b>2002</b>
Baseline described and quantified?	✓	×	✓	+/-	✓
Quantifiable targets set?	×	×	+/-	×	✓
Strategic gap identified?	×	✓	✓	✓	✓
Progress indicators specified?	×	×	✓	×	✓
ADB's broader strategic agenda sets parameters?	×	+/-	✓	×	✓
Evidence of sound analytical base?	+/-	×	✓	+/-	✓
Evidence of stakeholder influence?	×	×	+/-	×	✓
Explicit consideration of options and justification for selected option?	×	×	×	×	×
Evidence of focus?	+/-	+/-	+/-	+/-	+/-
Internal consistency and coherence evident?	+/-	+/-	✓	✓	✓
External consistency evident?	✓	✓	✓	✓	✓
Assumptions and risks identified?	×	×	+/-	+/-	+/-
ADB's comparative advantage identified and justified?	×	×	+/-	+/-	+/-
Performance monitoring and evaluation provided for?	×	×	+/-	+/-	+/-
Partnerships clearly developed?	+/-	×	+/-	+/-	+/-

Source: Consultant's assessment using standard criteria.

ADB = Asian Development Bank; ✓ = yes; × = no; +/- = to some extent.

## 2. Health and Population Sector

41. The scores for health sector strategies in ADB country strategies ranged from a low of 45% (1990) to a high of 62% (1995)—see Table 5. The strategies were not innovative according to the assessments and lacked baseline data and progress indicators (Table 6). The lack of depth in situation analyses is a particular concern—these tended to reflect the prevailing development thinking rather than being the product of research and analysis. Related to this, ADB's strategies have been aligned with government policies and plans, although it was hard to establish which was influencing the other. In fact, both may have arisen from a wider international environment that has progressively placed a greater focus on selected population and health issues.

**Table 5: Assessment of Health and Population Strategies in Country Strategy Documents**

<b>Strategy</b>	<b>Rating (%)</b>	<b>Innovativeness (%)</b>
Strategies for Economic Growth and Development: 1985	50	0
The Bank's Operational Strategy in Pakistan: 1990	45	0
Country Operational Strategy Study for Pakistan: 1995	62	0
Country Operational Framework: 1999–2000	59	0
Country Strategy and Program: 2002–2006	61	0

Source: Consultant's evaluation using standard criteria.

**Table 6: Detailed Rating of Health and Population Strategies in Country Strategies**

<b>Criteria</b>	<b>Year of Publication of Strategic Document</b>				
	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>1999</b>	<b>2002</b>
Baseline described and quantified?	x	x	x	x	x
Quantifiable targets set?	x	x	✓	✓	✓
Strategic gap identified?	x	✓	✓	✓	✓
Progress indicators specified?	+/-	x	x	x	x
ADB's broader strategic agenda sets parameters?	✓	✓	✓	✓	✓
Evidence of sound analytical base?	+/-	+/-	✓	+/-	+/-
Evidence of stakeholder influence?	+/-	+/-	+/-	✓	✓
Explicit consideration of options and justification for selected option?	x	+/-	✓	+/-	+/-
Evidence of focus?	+/-	+/-	+/-	+/-	+/-
Internal consistency and coherence evident?	+/-	✓	✓	✓	✓
External consistency evident?	✓	✓	✓	✓	✓
Assumptions and risks identified?	+/-	x	x	+/-	+/-
ADB's comparative advantage identified and justified?	+/-	+/-	+/-	+/-	✓

*Continued on next page*

Criteria	Year of Publication of Strategic Document				
	1985	1990	1995	1999	2002
Performance monitoring and evaluation provided for?	x	x	x	x	+/-
Partnerships clearly developed?	✓	+/-	✓	✓	+/-

Source: Consultant's assessment using standard criteria.

ADB = Asian Development Bank; ✓ = yes; x = no; +/- = to some extent.

### 3. Water, Sanitation, Urban Development, and Housing

42. The scores for water, sanitation and urban development sector strategies in successive ADB country strategies ranged from a low of 39% (1990) to a high of 59% (2002)—see Table 7. The strategies were not assessed as innovative. The results orientation of water, sanitation, and urban development strategies within country strategies was generally less than desirable, as were the analytical base and the influence of stakeholders (Table 8). Conversely, the degree of focus, and internal and external consistency were good. Strategies included little baseline data and none mentioned the poor availability and quality of data. Strategies included very little TA for sector analysis. Over the 20-year period, only three TA projects were approved for sector work (less than 1% of the sector portfolio). Apart from feeding strategies and policies, sector analysis creates momentum within the agencies concerned, and an impetus to engage with stakeholders on a substantive and informed policy dialogue. The relevance of strategies and projects was based on their alignment with the Governments' five-year plans (FYPs). This is of concern as the quality of the FYPs and their effectiveness as planning tools is increasingly being questioned.<sup>25</sup> No strategies identified opportunities for partnerships.

**Table 7: Rating of Water, Sanitation, and Urban Development Strategies in Country Strategy Documents**

Strategy	Rating (%)	Innovativeness (%)
Strategies for Economic Growth and Development: 1985	52	0
The Bank's Operational Strategy in Pakistan: 1990	39	0
Country Operational Strategy Study for Pakistan: 1995	48	0
Country Operational Framework: 1999–2000	48	0
Country Strategy and Program: 2002–2006	59	0

Source: Consultant's assessment using standard criteria.

<sup>25</sup> According to Planning and Development Department senior staff at the federal level, the FYPs are (i) rarely used to guide investments; (ii) do not feed into the annual budget in any meaningful way; (iii) reflect, to a large degree, investments already identified by donors; (iv) set targets for improved service coverage in each plan period but these are not based on any analysis of the actual resources available and the constraints in the sector; and (v) lack consistency and coherence in the planning documents as they include "cut and paste" from various, sometimes conflicting, government and donor documents. The FYPs provide too general and generic a framework, and they demonstrate a limited evolution and thinking on sector issues. Water supply, sanitation, and urban development are provincial subjects. Although, in principle, the FYPs are consensus documents, formulated on the basis of federal and provincial government input, the generic nature of the documents, the lack of a framework for sector planning at the provincial level, and the tensions that exist between the federal and provincial governments contribute to their lack of usefulness as a provincial planning tool.

**Table 8: Detailed Rating of Water, Sanitation, and Urban Development Strategies in Country Strategies**

Criteria	Year of Publication of Strategic Document				
	1985	1990	1995	1999	2002
Baseline described and quantified?	✓	+/-	+/-	+/-	+/-
Quantifiable targets set?	+/-	+/-	+/-	✗	+/-
Strategic gap identified?	✓	✗	✗	✗	✗
Progress indicators specified?	+/-	+/-	+/-	+/-	+/-
ADB's broader strategic agenda sets parameters?	+/-	+/-	+/-	+/-	✓
Evidence of sound analytical base?	✓	+/-	+/-	+/-	+/-
Evidence of stakeholder influence?	+/-	✗	+/-	+/-	+/-
Explicit consideration of options and justification for selected option?	✓	✗	+/-	+/-	+/-
Evidence of focus?	✓	✓	✓	✓	✓
Internal consistency and coherence evident?	✓	✓	✓	✓	✓
External consistency evident?	✓	✓	✓	✓	✓
Assumptions and risks identified?	+/-	✗	+/-	+/-	✓
ADB's comparative advantage identified and justified?	✓	✓	+/-	+/-	✓
Performance monitoring and evaluation provided for?	✗	✗	+/-	+/-	+/-
Partnerships clearly developed?	+/-	+/-	+/-	+/-	+/-

Source: Consultant's assessment using standard criteria.

ADB = Asian Development Bank; ✓ = yes; ✗ = no; +/- = to some extent.

#### **D. ADB's Institution-Level Sector Strategies**

43. ADB's institution-level strategies are expected to influence choices made in country strategies. Relevant policies and strategies include those for education, health, population, water and sanitation, governance, gender, anticorruption, private sector participation, environment, regional cooperation, and social protection. These are briefly described in Appendix 7. From reviewing ADB's institution-level social sector strategies, it is clear that little is ruled out, so there is a high degree of consistency between these and country level social sector strategies. Such all-inclusive institution-level strategies and policies do not help guide choices about what to do at the country level—or, perhaps more importantly, what not to do. Institution-level strategies attempt to cover a wide variety of needs and interests and, in so doing, they are not useful in guiding choices in any one context. It is beyond the scope of this evaluation to assess ADB's broader strategy-making process, but the assessment of what influenced resource allocation decision making in ADB's social sector operations in Pakistan revealed a more general problem.

44. ADB's crosscutting strategies and policies have been influential in some areas of social sector operations. In particular, the policy on gender and development has been reflected in the

emphasis on girls' education and women's health. However, it has had much more limited influence on water supply and sanitation. ADB's anticorruption policy appears to have little explicit influence on formal statements of social sector strategy in country strategies. The 2002 CSP makes 10 references to corruption or anticorruption but none of these specifically relate to social sector operations. However, the general focus on improved governance, and within this support to devolution, contains an implicit strategy to address corruption in the social sectors.

#### IV. DESCRIPTION OF ADB'S SOCIAL SECTOR OPERATIONS

45. This chapter describes how ADB resources have been allocated to social sector operations over 1985–2004. Several dimensions are addressed. First, lending to the social sectors is situated within the context of overall lending. Second, variations in lending by strategic period are described, along various dimensions: subsector, single versus multi-province, modality, and ordinary capital resources (OCR) versus Asian Development Fund (ADF). Third, some details of individual loans are given. Subsequent sections describe the other elements of ADB's social sector operations. Finally, an assessment is made of the relationship between ADB's formalized country strategies and its program.

##### A. Public Sector Loans

46. ADB approved \$11.9 billion of public sector loans for Pakistan over the 20-year period 1985–2004. At \$1.9 billion, social sector approvals were 16% of the total—the third highest sector allocation behind agriculture (24%), energy (18%), and narrowly ahead of finance (14%) and transport and communications (13%). The proportion of social sector approvals varied considerably by period—from a low of 5% over 1999–2001 to a high of 29% in the preceding period of 1995–1998. The percentage programmed for 2005–2006 is 17% of the total. The average annual amount approved for social sector operations rose from \$66 million for 1985–1989, to \$115 million per year for 1995–1998 (29% of total approvals). The average annual amount approved fell sharply to \$35 million for 1999–2001, before recovering to a new high of \$204 million for 2002–2004 (22% of total approvals).

47. Approvals for social sector operations vary by period along other dimensions. There has been a significant shift in the modality of loans. In 1985–1989, all social sector operations consisted of investment projects. In 1994, at the end of the second strategy period, ADB started supporting the social action program (SAP) with a mixed investment and policy loan.<sup>26</sup> The share of this type of lending increased in the next period with approval of a second loan in support of SAP, which was twice as large as the first loan. The disappointing results of SAP led to a reversion to investment projects in the next period, but this was followed by a major shift to policy-based lending in 2002–2004. However, a government decision not to borrow OCR for social sector projects means their share is expected to decline.

48. Significant shifts have also taken place in the share of projects targeting more than one province compared to single-province projects. In the first period, single-province projects predominated. For the next three periods, multi-province projects accounted for 75–80% of new approvals. This was reversed in the next period (2002–2004) when 75% of new approvals were for single-province projects. The balance is expected to be more equal over the next 2 years. Since most social service delivery used to be a provincial function (and is now a district

<sup>26</sup> Essentially, the two loans ADB made in support of SAP were sector development programs but the approval of the first loan predated the creation of this classification.

function), single-province projects (as opposed to the so-called vertical projects coordinated by the federal ministry concerned) are more appropriate.

49. Another dimension of interest is the variation in the proportion of social sector approvals financed by ADF compared to OCR. In 1985–1989, 90% of approvals were from ADF and 10% from OCR. For the next three periods, all social sector loans were from ADF. However, there was a significant change in 2002–2004, when 38% of the approved amount for social sector projects was from OCR. Part of the reason for the variation is that it reflects approvals for urban development projects, which are generally funded from OCR. The remainder of the variation is explained by the introduction of OCR policy loans from 2003.

50. An analysis of allocations by individual sector shows that multisector projects accounted for 36% of the total, followed by education (25%), water supply and sanitation (17%), urban development and housing (12%), and health and population (10%). The amounts for multisector projects can largely be reallocated to the subsectors, thereby revealing a different order of priority. Education increases its share to 40% of the total amount approved, water supply and sanitation to 24%, and health and population to 21%. Urban development remains the same (reflecting the fact that there were no urban development components in the multisector loans). The rationale for multisector versus single sector loans is that they may (i) be better able to deal with generic issues such as low public expenditure on the social sectors, and (ii) produce additional benefits through promoting synergies among sectors. Both of these potential benefits have proven difficult to capture in the face of much increased complexity and implementation difficulties.

51. Over 1985–2004, ADB approved 28 social sector projects (Appendix 1)—10 education (\$470 million), 5 health and population (\$198 million), 4 urban development and housing (\$232 million), 5 water supply and sanitation (\$323 million), and 4 multisector (\$670 million). To put this another way, over the last 20 years ADB has approved, on average, one project for education every second year, one health project and one water supply and sanitation project every fourth year, and one urban development project and one multisector project every fifth year—perhaps indicative of a lack of continuity and focus in some sectors.

## **B. Technical Assistance**

52. ADB has approved 57 TA projects for a total of \$41 million as part of its social sector operations over 1985–2004. This figure is strongly influenced by a single TA for \$20 million in support of the Punjab Devolved Social Services Program (DSSP)—financed by the United Kingdom’s Department for International Development. Aside from this, the TA resource has been spread quite evenly over the four sectors, and between ADTA and PPTA (Table 9).

**Table 9: Technical Assistance Approvals for the Social Sectors, 1985–2004**

Sector	Advisory TA		Project Preparation TA		Total TA	
	Number	Amount (\$ '000)	Number	Amount (\$ '000)	Number	Amount (\$ '000)
Education	5	1.3	11	3.1	16	4.4
Health, Nutrition, and Social Protection	8	2.8	5	1.6	13	4.4
Urban Development	3	1.8	4	2.8	7	4.6
Water, Sanitation, and Waste Management	5	1.3	7	3.8	12	5.1
Multisector	5	22.0	4	0.9	9	22.9
<b>Total</b>	<b>26</b>	<b>30.9</b>	<b>31</b>	<b>12.2</b>	<b>57</b>	<b>41.4</b>

Source: Asian Development Bank internal databases.

53. Only a modest amount of ADTA has been available to support social sector operations.<sup>27</sup> Excluding the \$20 million TA for Punjab, only 25 ADTAs for \$10.9 million have been provided over a 20-year period to support a lending program of \$1.9 billion for 28 projects. The total amount is divided among ESTW, capacity building, and implementation support across four sectors. An analysis of ADTA documents shows that 48% (by number) of TA projects were for ESTW, 34% for capacity building, and 14% for implementation support (with the balance being for a combination TA project).<sup>28</sup> The five education sector ADTAs have been allocated to education sector development (1), nonformal education (1), and technical and vocational training and skills development (3)—all over a 20-year period when education approvals totaled \$470 million. There has been a lack of critical mass in ADTA in support of lending. Since TA resources are limited, this may indicate a need for involvement in fewer sectors and a more aggressive approach to developing partnerships with, for example, bilateral funding agencies and the specialized United Nations agencies.

## C. Other Operational Activities

### 1. Economic, Sector, and Thematic Work

54. ESTW is funded from TA resources and ADB's administrative budget. The former is covered in the preceding section. The latter is poorly documented in ADB's records. Excluding TA, the available data indicates a limited volume of work (Table 10). There is a range of other work relevant to social sector operations (e.g., in the areas of gender, governance, devolution and poverty).

<sup>27</sup> The point should be made that social sector operations are not relatively worse off than most other sectors in Pakistan. Only the sector of law, economic management, and public policy receives substantially more in relative terms (8.5 TA projects per loan and around 2.2% of the total loan amount as TA).

<sup>28</sup> TA is also included as part of loans, and funded by the loan. Much of this is for implementation support (such as engineering supervision) but it also includes TA for capacity building, monitoring, and evaluation.

**Table 10: Nontechnical Assistance Economic, Sector, and Thematic Work**

<b>Title</b>	<b>Year</b>
Pakistan Social Sector Profile	1996
Social Sector Strategy	1998
Sector Assessment Report (included social sectors)	1998
Devolution and Sector Reforms in Education and Health	2004
Social Protection Strategy Development Study	2004

Source: Asian Development Bank internal databases.

55. ADB also funds regional TA (RETA) projects and a number of social sector RETA projects have covered Pakistan (Table 11). A large number of studies have been conducted as part of loan implementation. For example, the Primary Education (Girls) Sector Project funded eight research studies on topics ranging from *A Survey of Decisive Factors Affecting the Participation Rate of Girls in Primary Schools of Urban and Rural Sindh* to *Primary Education Management in Pakistan*. The Middle Schools Project also carried out a school management study and a school maintenance study, among others. There are also a very large number of consultants' reports, albeit of varying quality. The issue with the output of RETA projects, research studies carried out under loans, and consultants' reports is how to capture and use this information to a much greater extent than occurs currently.

**Table 11: Regional Technical Assistance Coverage**

<b>Title</b>	<b>Amount (\$)</b>	<b>Year of Approval</b>
Study of the Impact of Bank Assistance in the Health and Population Sector	300,000	1995
Impact Evaluation Study of Bank Assistance in the Urban Development and Housing Sector	400,000	1997
Capacity Building in Distance Education for Primary Teacher Training	500,000	1995
Study of Regional Health Policy Priorities	600,000	1996
Reducing Child Malnutrition in Eight Asian Countries	750,000	1996
Regional Study of Trends, Issues and Policies in Education	580,000	1997
Enhancing Municipal Services Delivery Capability	550,000	1997
Public-Private-Community Partnerships in Urban Services for the Poor	550,000	2000
Regional Initiative to Eliminate Micronutrient Malnutrition in Asia Through Public-Private Partnership	1,500,000	2002
A Regional Study of Health Care Financing for the Poor	400,000	2001
Good Practice on Pro-Poor Service Delivery by Local Governments	250,000	2002
Developing Tools for Assessing the Effectiveness of ADB Operations in Reducing Poverty	600,000	2002

Source: Asian Development Bank internal databases.

## 2. Policy Dialogue

56. The quantity and quality of policy dialogue is difficult to determine. The main points at which policy dialogue occurs is during loan processing (particularly for program loans) and leading up to program loan tranche releases. However, there is a quantitative limitation in ADB's ability to engage in social sector policy dialogue. First, there are relatively few social sector specialists assigned to the South Asia region—there is only one health and population specialist to serve all of South Asia (Table 12).<sup>29</sup> Second, the Pakistan resident mission (PRM) has only one recognized social sector specialist—in the area of water supply and sanitation. In comparison, the World Bank's field office has 9 social sector specialists (3 education, 2 health and population, 2 water supply and sanitation, 1 urban development, and 1 social development) to engage in policy dialogue and to support its Pakistan operations (the World Bank's website lists three active World Bank social sector projects).

**Table 12: Social Sector Specialists in South Asia Social Sector Division and Pakistan Resident Mission**

Sector Specialization	SASS	PRM
Education	3	0
Health and Population	1	0
Water Supply and Sanitation <sup>a</sup>	0	1
Urban Development	6	0

PRM = Pakistan Resident Mission, SASS = South Asia Social Sectors Division.

<sup>a</sup> SASS water supply and sanitation specialists are designated as urban development specialists.

Source: Asian Development Bank staff directory.

57. The SAPE canvassed the views of a range of senior government officials to determine perceptions of ADB as a source of policy advice. These interviews confirmed the need and demand for good ideas and policy recommendations from development finance institutions. In fact, the officials consulted saw this as a prerequisite for success from lending operations. This is in line with the perceptions reported by ADB's recent consultation with middle-income countries, including Pakistan. The collective perceptions on ADB's contribution are listed below. It should be stressed that these are the perceived views of government officials—they may not reflect reality but at the very least they should give cause for reflection.

- (i) ADB's social sector operations and research studies have made only a marginal contribution to policy changes.
- (ii) ADB staff is perceived as less qualified and experienced than World Bank staff.
- (iii) ADB's heavy reliance on consultants to prepare projects and to carry out ESTW gives the impression to government officials that ADB lacks technical capacity within the organization.
- (iv) The weaker capacity of the PRM in terms of the number of sector specialists (compared with the World Bank) leads to the impression that ADB's social sector policy dialogue lacks a "local perspective"—even if the policy advice has technical or theoretical integrity, it is seen as being less relevant to local conditions because it is not informed by local realities.

<sup>29</sup> The point needs to be made here that (i) the critique of ADB's ability to engage in policy dialogue is not a criticism of the ability, skills, and professionalism of staff assigned to the task—rather, there are just too few of them, (ii) the shortage of sector expertise is an ADB-wide issue, and (iii) cross-sector comparisons will be made as part of the CAPE. A lack of sector experts was identified as an important issue by the recent external review of ADB's 2002 reorganization. The review panel recommended the immediate recruitment of 50 additional sector experts.

- (v) Government officials expressed the view that ADB seems more intent on “pushing loan projects” than engaging in substantive policy dialogue.
- (vi) ADB staff were seen as being more courteous and less “pushy” than those of some other development partners.
- (vii) Several exceptions to ADB’s generally low influence on policy were noted but these did not relate to the social sector—e.g., ADB’s support for capital market development and support for the access to justice program.

58. Notwithstanding the above perceptions, ADB has substantially engaged in policy dialogue—particularly during the SAP years and currently around the DSSP projects, but also during the processing of other social sector projects. In aggregate, this has undoubtedly contributed to increased awareness of the importance of achieving better social outcomes. More specifically, ADB has provided policy advice on matters such as increased funding for the social sectors, gender equity in education outcomes, and women’s health, among many others. As a general observation, ADB should more explicitly plan for policy dialogue and monitor and report on the outcomes achieved. This would help counter perceptions such as described above.

### **3. Project Implementation Support**

59. ADB staff members do not keep time sheets so there are no complete quantitative data on the amount of project support and supervision carried out. Data are recorded for formal missions, although the accuracy of these varies, particularly for missions with a number of tasks to perform. In 2004, of nine social sector loans (excluding two for which PCRs were conducted), seven had one or more review missions and two had no review mission. The average number of missions across the nine projects was 0.9 mission with an average of 17 staff days per mission—the corresponding figures for those projects with review missions were 1.1 missions per project and 22 staff days per project. The comparative figures for projects outside the social sectors in Pakistan (for those with review missions and excluding those with only a PCR mission) were 1.9 missions and 29 staff days per project reviewed. Based on this evidence, social sector operations are reviewed less frequently and receive less staff input than other projects in ADB’s Pakistan portfolio.

60. However, further analysis is required before drawing firm conclusions. In terms of the number of missions per project reviewed, the results for projects outside the social sectors are heavily influenced by four program loans—Access to Justice (5 missions), Decentralization Support (4 missions), Small and Medium Enterprise Development (4 missions), and Agriculture Support (3 missions). The case of the governance projects (Access to Justice and Decentralization) is interesting. These projects are supported by a dedicated governance unit in the PRM that has a critical mass of staff and consulting resources to effectively support operations. There could be an important lesson here for other sectors—namely, that an ability to provide sufficient qualified staff, preferably in PRM, should be a necessary precondition for deciding to operate in a sector.<sup>30</sup>

61. The average gap between review missions (including midterm reviews, where applicable) recorded in PCRs was 7.1 months or 1.9 missions per year, a little under ADB’s benchmark figure of 2 missions per year. The average gap between review missions ranged from 3.5 months (Karachi Sewerage project) to 14.7 months (Girls Primary Education). The average person-days per review was 16. In addition to formal review missions there is usually a significant amount of informal contact, particularly for projects where the responsibility for

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<sup>30</sup> This is subject to further review by the CAPE.

administration is delegated to the PRM (3 of the 7 projects with review missions in 2004 were delegated projects). While the frequency of review missions and the person days were around ADB norms, PCRs frequently noted that the average duration was too short for effective supervision, particularly for multisector or multiprovince projects. Multisector projects are also a problem from the point of view that a single staff member is expected to cover the three or four sectors involved.

62. Views from executing agencies on the level of ADB support were mixed. Some had no problems while others complained about ADB's slow response time. There was unanimity that delegation of administration responsibility to PRM reduced response time and increased the amount of contact, much of which was informal (email, telephone, etc.). However, both executing agency and ADB staff agreed that almost all effort goes into dealing with issues such as procurement, recruitment of consultants, provision of project accounts, and so on. Virtually no time is spent on discussing the likely achievement of development results.

63. The available quantitative and anecdotal evidence indicates that, even within a general context where it is widely acknowledged that insufficient emphasis is put on ADB-wide project implementation support, social sector operations in Pakistan may be relatively worse off in terms of the level of support provided. The shortage of sector experts (para. 56) and anecdotal evidence support the view that there is too little input aimed at ensuring effective and efficient implementation and the achievement of development results.

#### **4. Private Sector Operations**

64. None of ADB's private sector operations in Pakistan has been directed at the social sectors and it may be questionable whether ADB should fund education and health services for the better off. Two arguments could be advanced in favor of such funding. First, given scarce public funds and limited capacity for public provision, facilitating greater private funding or private provision for the better off would release funds that could be directed at the needs of the poor. Second, as shown in Chapter II, the use of private providers is relatively high and growing, even among the lower income quartiles of the population.

#### **D. The Influence of Strategy in Program Decisions**

65. Analysis of ADB's country strategies and its program for the social sectors in Pakistan, and a time sequencing of one against the other led to the following conclusions regarding the influence of ADB's formal country strategies on social sector operations:<sup>31</sup>

- (i) Formal country strategies have generally played only a limited role in deciding future resource allocations to the social sectors. Program decisions were largely made before strategy approval and/or subsequently changed by annual program consultation missions during the period covered by the strategy in light of changed circumstances or preferences on the part of the Government or ADB.
- (ii) Formal country strategies play no role in influencing the ongoing program. An important example of where this should occur is the need to reorient vertical programs and those managed by provincial authorities more to the realities of devolution.

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<sup>31</sup> These findings on the influence of social sector strategy on social operations in Pakistan are applicable to other sectors and other countries. The situation in other sectors in Pakistan will be further explored in the CAPE.

- (iii) Given the preceding points, and given that there are only a few social sector approvals during the currency of any one strategy (and sometimes none at all),<sup>32</sup> social sector strategy in country strategies has only a limited opportunity to influence resource allocation decisions.

66. On the other hand, emerging strategy has played a major role in determining what gets done. There is a pattern of past resource allocation decision making, particularly with respect to the sectors ADB is engaged in, which significantly guides future decisions. In this sense and to some extent understandably, ADB's program is supply driven and incremental. There are certain rigidities that make it difficult to "turn on" or "turn off" sector programs. However, it is clear that choices are largely driven by the sectors themselves, and that each has an interest in "self-perpetuation", so there is little if any questioning of the need to drop sectors. Adding new sectors or areas faces less opposition than cutting existing sectors.

67. Emergent strategy is reactive to exogenous events and the changing agenda of others. This has been particularly the case in the social sector program, and more generally in the Pakistan program as a whole. The Government's adoption of SAP was a major opportunity to which ADB responded. The nuclear tests and failure of the SAP agenda saw social sector (and other) lending cut back. The arrival of a more stable government with a strong reform agenda and Pakistan's decision to align itself in the "war against terror" opened a window of opportunity to increase lending and to introduce a large element of OCR to social sector operations. This window is beginning to close. Prevailing global agendas have also played a role in both the stated intent and content of the program. The shift from urban to RWSS was one such development. The increasing emphasis on gender and governance is another. Mostly, these global agendas (often driven by the international community rather than the borrower) have resulted in ADB adopting crosscutting strategies and making changes, sometimes substantial (as with governance) and sometimes cosmetic, to its country strategies and programs.

## **V. PERFORMANCE OF ADB'S SOCIAL SECTOR OPERATIONS**

68. This chapter assesses how ADB's operations in the social sectors have performed. First, some aspects of implementation performance are briefly described, using the dimensions of disbursement, cancellation of surplus loan amounts, extensions to planned loan closing dates and time to effectiveness. Second, results of the performance assessment of loans are given. Third, a "whole program" evaluation is made for the 20-year period under review. The reasons for relatively poor performance are discussed, the counterfactual scenario discussed, and some points made regarding the responsibility for the results obtained.

### **A. Implementation Performance of Social Sector Operations**

69. From a total approved amount of \$1.9 billion for social sector operations, about \$0.9 billion has been disbursed (excluding disbursements from approvals prior to 1985) with the remaining \$1 billion being either cancelled or not yet disbursed. Annual disbursements from social sector loans peaked during the SAP years. Over the last 6 years, annual social sector disbursements have averaged \$56 million. Social sector loans tend to be disbursed more slowly than others, although the relative proportion of more quickly disbursed policy-based loans has a

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<sup>32</sup> For the education sector, the number of approvals per strategy period was 2, 2, 3, 0, and 3, respectively. For health and population, 1, 2, 0, 2, and 0 projects were approved per period. For urban development, the number of approvals per period was 2, 0, 0, 1, and 1. For water supply and sanitation, 1, 1, 2, 0, and 1 projects were approved per period.

significant influence on the disbursement ratio.<sup>33</sup> Over 1989–2004, the average disbursement ratio for social sector projects in Pakistan was 13% compared with 20% for projects outside the social sectors. In only 3 years was the disbursement ratio for social sector projects above that for projects outside the social sectors.

70. Around \$308 million of the approved social sector loan amount has been cancelled—some 19% of total cancellations, only a little above the share of the social sectors in the overall portfolio. The cancelled amount represents 16% of the social sector approved amount. The cancelled amount for social sector operations includes \$70 million for one project cancelled before it became effective (Korangi Wastewater Management Project).

71. A requirement for extensions to planned loan closing dates is another aspect of loan performance. This applies to all sectors in Pakistan—over 1999–2004, the average extension for all sectors in Pakistan was 2.3 years, the worst of any developing member country (with more than 5 loans closed). Social sector loans performed slightly better and had an average extension of 2.2 years. Of the 16 social sector loans approved since 1985 that have closed, all but one required one or more extensions to the loan closing date. The average number of extensions was 2.7 (3 for loans outside the social sectors) with an average total time of extension of 2.8 years (2.2 years for loans outside the social sector), which represents a 48% time overrun on average. Part of the reason loan closing dates need to be extended is the very long time required for approved loans to become effective. Across all sectors, the average time for loans that became effective over 1985–2004 was 249 days. ADB expects that loans will become effective in 90 days—the actual time taken for education, health and population, and water supply and sanitation loans were 333, 443, and 295 days, respectively.

72. Based on disbursement and time to effectiveness, social sector projects tend to have lower performance than those in other sectors but their performance with respect to extensions to loan closing dates has been similar to loans outside the social sector over the last 5 years.

## **B. Performance Rating of Social Sector Operations**

### **1. All Social Sector Projects**

73. There have been relatively few successful social sector operations in Pakistan based on OED performance rating criteria (para. 8). For the 24 social sector projects assessed by the SAPE, only 8% were judged to be successful and none was highly successful, with the balance either unsuccessful (33%), or partly successful (58%). The SAPE assessment of performance is generally in line with OED's ratings in PPARs. For all social sector loan projects in Pakistan that have been postevaluated (11), 9% were rated as successful, 64% as partly successful, and 27% as unsuccessful. Comparative figures for the 66 postevaluated projects across all sectors in Pakistan are 55% successful, 35% partly successful, and 11% unsuccessful. Only six social sector projects approved since 1985 have been postevaluated. Again, the ratings show a high proportion of partly successful and unsuccessful projects.

74. Using PCR ratings where there is no PPAR rating and aggregating ratings for projects approved in the 1970s, 1980s, and 1990s (up to 1996) shows that the finance (25% successful) and social sector operations (26% successful) have the lowest rating. The overall country average was 50% (Table 13). The performance rating of social sector operations has improved over the three decades and, at 38% for projects approved in the 1990s, were much better than

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<sup>33</sup> Defined as the proportion of funds disbursed during the year against the funds available for disbursement.

the finance sector, about the same as the energy sector, but behind agriculture (50% successful) and transport (100% successful) for the same period.

**Table 13: Proportion of Projects Rated Successful by Sector and Approval Period**

Sector	Year of Approval			Total (% Successful)
	1970s (% Successful)	1980s (% Successful)	1990–1996 (% Successful)	
Agriculture	75	53	50	58
Energy	100	86	40	80
Finance	20	33	0	25
Social Infrastructure	0	25	38	26
Transport and Communications	0	100	100	89

Source: Asian Development Bank's internal databases.

## 2. Education Sector Project Ratings

75. The SAPE assesses that there has been only one successful education project—Technical Education—while there have been 5 partly successful and 2 unsuccessful projects (Table 14).

**Table 14: Performance Assessment of Education Projects**

Project	PCR Rating	PPAR Rating	SAPE Rating
Science Education for Secondary Schools	Generally successful	Partly Successful	Partly successful
Second Science Education Sector <sup>a</sup>	—	—	Partly successful
Primary Education (Girls) Sector	Generally successful	Partly successful	Unsuccessful
Second Primary Girls School Sector <sup>a</sup>	—	—	Partly successful
Teacher Training	Partly successful	—	Unsuccessful
Middle School Project	Partly successful	—	Partly successful
Technical Education	Successful <sup>b</sup>	—	Successful
Sindh Decentralized Elementary Education <sup>a</sup>	—	—	Partly successful

PCR = project completion report; PPAR = project performance audit report; SAPE = sector assistance program evaluation; — = not yet evaluated.

<sup>a</sup> Ongoing project.

<sup>b</sup> Rating in draft project completion report.

Source: Asian Development Bank PCR and PPAR documents and ratings by sector consultants.

76. The distribution of ratings by the main evaluation criteria shows a clustering of ratings around a score of 1 (on a scale of 0–3) for relevance, effectiveness, and efficiency—partly relevant, less effective, and less efficient, respectively (Table 15). A general lack of assessed relevance is of particular concern. Ratings were a little more evenly spread for sustainability, with the greatest number being rated as unsustainable (0). Institutional development and other impacts got the highest rating on average (a score of 2, being significant institutional development and other impacts).

**Table 15: Frequency of Scores by Main Criteria for Education Sector Projects**

Criteria	Score <sup>a</sup>			
	3	2	1	0
Relevance	0	0	6	1
Efficacy	0	1	4	2
Efficiency	0	1	5	1
Sustainability	0	2	2	3
Institutional Development/Other Impacts	0	4	1	2

<sup>a</sup> Score of: 3 = highly relevant, 2 = relevant, 1 = partly relevant, and 0 = irrelevant.

Source: Consultant's estimates.

77. A number of issues frequently emerged during the assessment of projects in the education sector. These include the following:

- (i) There has been a general lack of meaningful government and other stakeholder involvement in project design—the involvement that occurred was insufficient to generate ownership and commitment. This lack of engagement during design contributed to delays in effectiveness (senior government officials only focus on the project after its approval by ADB) and, ultimately, a failure to fully achieve objectives.
- (ii) All projects have suffered implementation delays—this is, in part, a consequence of the lack of Government engagement during design. That delayed implementation continues to be the norm indicates that this reality is not being addressed in project design.
- (iii) There is a lack of analytical underpinning and problem analysis for projects evident in project design documents, which results in projects not always addressing the real causes of the identified problems, or not addressing them in a sufficiently comprehensive manner to achieve desired results.
- (iv) Lessons from previous projects have not been fully incorporated—they may be acknowledged, but significant design changes or innovations to avoid past problems are usually not made. Follow-on projects are usually designed without an evaluation of the predecessor project, despite the obvious partial success of these in many cases.<sup>34</sup>
- (v) Assumptions and risks have to be more thoroughly identified, and risk management improved—unmitigated risks that occurred in earlier projects are frequently carried over to new projects with no new strategy or innovation for dealing with them.
- (vi) No detailed financial or economic analysis is carried out for education sector projects. In OED's view, this is an important shortcoming, which is not limited to the Pakistan education sector. Any analysis is generally limited to citing literature regarding the high rates of return to basic education. This is insufficient and each proposed investment should be subject to rate of return analysis to ensure that it is an efficient investment. Quick analysis carried out during the SAPE showed that investments were often not efficient—a problem unfortunately symptomatic

<sup>34</sup> The two phases of SAP, the two projects in support of girls' primary education, and the Middle School and Sindh Decentralized Elementary Education Project are all examples of this. There is a practical problem here in that follow-on projects are sometimes prepared before completion of the first project in order to ensure continuity. However, a PCR is only required around 12–18 months after completion while the PPAR follows some 2 years later. Clearly, the timing of evaluation needs to be adjusted where follow-on interventions are planned.

of many externally funded education projects. This is a contributory cause of low sustainability.

- (vii) The issue of corruption in the education sector was not dealt with in any ADB project document.
- (viii) The performance of education sector projects in Pakistan would improve with more intensive supervision by ADB.
- (ix) There is a lack of clarity regarding the role of ADB in project administration vis-à-vis that of the Government, with consequent unclear accountability.<sup>35</sup>
- (x) There is no meaningful external funding agency coordination in education sector projects beyond avoidance of the worst duplication of effort. There is a lack of clarity among all parties about what donor coordination means in terms of outcomes. True coordination can only come from the Government.

#### **Reasons for the Success of the Technical Education Project**

- In comparison with other education projects, this project was more focused on a defined group (and smaller number) of institutes and with a limited and realistic set of targets, which were in line with the resources provided.
- Technical institutes are tertiary education providers and are managed and operated by personnel with a higher level of education and training.
- The institute management committees were influential, demonstrating the powerful influence of public-private partnerships.
- Success was also associated with the presence of dynamic individuals (particularly certain principals of women's institutes).
- Early success provided the basis for policy changes that created more success, thereby highlighting the importance of quick results to build positive momentum.

### **3. Health and Population Project Ratings**

78. According to SAPE ratings, there has been one successful health and population project, the population project (Table 16). Two other projects were rated as partly successful and two (the most recent ones) as unsuccessful.

<sup>35</sup> This is a point with general applicability beyond the education sector as identified in OED's annual portfolio performance report (ADB. 2004. *Annual Report of Loan and TA Portfolio Performance for the Year Ended 31 December 2003*. Manila). The problem is that ADB sets the rules (which may differ from those of the Government) and it also approves certain steps (particularly with respect to procurement and consultant recruitment). While this engagement by ADB is significantly directed to avoiding corruption (and ensuring that companies from all shareholding countries have access to contract opportunities), it does make the Government's responsibility and therefore accountability for effective implementation less clear cut. The current debate on the use of government systems and the adoption of a management for development results agenda would both suggest that ADB should focus more on results (outputs and outcomes) and less on process.

**Table 16: Performance Assessment of Health and Population Projects**

Project	PCR Rating	PPAR Rating	SAPE Rating
Third Health	Partly successful	Successful	Partly successful
Health Care Development	Partly successful	—	Partly successful
Population	Successful	Successful	Successful
Women's Health	—	—	Unsuccessful
Reproductive Health	—	—	Unsuccessful

PCR = project completion report; PPAR = project performance audit report; SAPE = sector assistance program evaluation; — = not yet evaluated.

<sup>a</sup> Ongoing project.

<sup>b</sup> Rating in draft project completion report.

Source: Asian Development Bank PCR and PPAR documents and ratings by sector consultants.

79. Most health and population projects were rated as relevant or better (score of 2 or more)—Table 17. Ratings for efficacy, efficiency, and sustainability were clustered at the lower end (scores of 1 or 0). The picture was mixed for institutional development and other impacts.

**Table 17: Frequency of Scores by Main Criteria for Health and Population Projects**

Criteria	Score <sup>a</sup>			
	3	2	1	0
Relevance	1	3	1	0
Efficacy	0	1	2	2
Efficiency	0	1	3	1
Sustainability	0	0	3	2
Institutional Development/Other	0	2	1	2
Impacts				

<sup>a</sup> Score of: 3 = highly relevant, 2 = relevant, 1 = partly relevant, and 0 = irrelevant.

Source: Consultant's estimates.

80. The following issues frequently emerged in the assessment:

- (i) There was a lack of demonstrated analytical rigor and problem analysis evident in the project design.
- (ii) Alternative approaches to resolving the identified problems were not explored.
- (iii) The level of stakeholder engagement in design and implementation, and hence ownership of the project, was mixed—it was high in the Population Project but low in the Women's Health Project.
- (iv) Aside from the Population Project, projects in the sector did not produce significant outcomes or impacts.
- (v) Apart from the Women's Health Project, most projects produced planned outputs.
- (vi) Implementation delays were the norm, except for the Population Project.
- (vii) There is no evidence of effective risk analysis or risk management.
- (viii) Results generally do not reflect value for money. There was a lack of financial analysis to guide choices made. Inappropriate (financially inefficient) choices contributed to low sustainability.<sup>36</sup>
- (ix) There was no overt evidence of corruption, but nor was there any monitoring to check if it was occurring.

<sup>36</sup> ADB has guidelines to assist in this task. ADB. 2000. *Handbook for the Economic Analysis of Health Sector Projects*. Manila. The health project approved since publication of this handbook (Reproductive Health) did attempt a cost-effective analysis as part of the project justification. However, the analytical techniques were apparently not used to compare alternative approaches.

- (x) Government views on ADB's support and supervision of implementation were mixed—in some cases, ADB's flexibility and patience was praised; in other cases, there was a perceived lack of support, particularly to deal with ADB's processes and procedures.
- (xi) In two projects, the level of Government engagement was good; while for two others, it was low.
- (xii) Apart from the Population Project, there was little if any evidence of beneficiary engagement.
- (xiii) The Women's Health Project is a vertical project that has not adjusted to the realities of devolution.

#### Reasons for the Success of the Population Project

- The project supported an already approved government program so there was no need for any additional approval process on the Government side.
- As the project was based on an existing program, the level of stakeholder engagement and ownership was high from the start.
- The design was based on a successful pilot project.
- The project was based on a single agency.
- A skilled liaison person contributed to efficient relations between the Ministry of Population Welfare and ADB.
- ADB provided good support and supervision and was flexible during implementation.

#### 4. Water and Sanitation, and Urban Development Project Ratings

81. The SAPE judged that no projects in this area were successful (Table 18). Five other projects were rated as partly successful and 4 as unsuccessful.

**Table 18: Performance Assessment of Water, Sanitation, and Urban Development Projects**

Project	PCR Rating	PPAR Rating	SAPE Rating
Karachi Urban Development	Partly successful	Unsuccessful	Unsuccessful
Karachi Sewerage Project	Partly successful	Partly successful	Unsuccessful
Korangi Wastewater Management Project	—	—	Unsuccessful
Second Urban Development	Successful	—	Unsuccessful
NWFP Urban Development <sup>a</sup>	—	—	Partly Successful <sup>b</sup>
Southern Punjab Basic Urban Services <sup>a</sup>	—	—	Partly successful <sup>b</sup>
Punjab Rural Water Supply and Sanitation	Partly successful	—	Partly successful
Punjab Community Water Supply and Sanitation <sup>a</sup>	—	—	Partly successful
Urban Water Supply and Sanitation	Successful <sup>c</sup>	—	Partly successful

PCR = project completion report; PPAR = project performance audit report; NWFP = Northwest Frontier Province; SAPE = sector assistance program evaluation; — = not yet evaluated.

<sup>a</sup> Ongoing project.

<sup>b</sup> Rating will depend on changes made by midterm review.

<sup>c</sup> From draft project completion report.

Source: Asian Development Bank PCR and PPAR documents and ratings by sector consultants.

82. The following recurring themes emerged from the assessment:

- (i) PCRs and PPARs (and underlying design documents) usually rely heavily on responsiveness of the project to the FYP as evidence of relevance, even for province-specific projects. However, FYPs are not provincial planning documents and do not necessarily reflect provincial priorities. Consequently, projects sometimes lack provincial relevance and thus ownership and commitment at that level. A second justification for relevance was often that the project was not duplicating ongoing projects (usually of other funding agencies). This is also a weak basis for claiming relevance. The analytical underpinning for projects was often deficient, also reducing relevance. Second or subsequent phases of earlier projects are a concern for two reasons. First, their relevance is usually based on that of the previous phase—continued relevance needs to be reassessed. Second, there is insufficient learning from earlier phases (or overly optimistic views on their success). Sometimes project design documents acknowledge a government policy (for example, the Local Government Ordinance of 2001 in the Punjab Community Water Supply and Sanitation Project) but the implications of this policy are insufficiently incorporated in the project design. Relevance is thus claimed rather than real.
- (ii) Insufficient attention is paid to broader global thinking in project design.
- (iii) There is a general lack of meaningful engagement by executing agencies in project design.
- (iv) No project explicitly considered options for resolving identified problems.
- (v) Identification of lessons from other projects was generally not sufficient to enable lessons to be taken into account in the design choices made. Where lessons did influence design choices, the response tended to be to eliminate previously problematic areas (such as sewage treatment plants and landfill sites). In terms of producing development impacts this may not be the best option. Implementation delays are the norm—the reasons for this are never effectively taken into account in project design, nor is the resulting inefficiency adequately reflected in project ratings.
- (vi) Insufficient attention is given to cost efficiency. Efficiency of investment in terms of quality of output from consultants and contractors varies—monitoring is often deficient and it is unclear whether corruption is involved.<sup>37</sup>

## 5. Multisector Project Ratings

83. The two projects in support of SAP are rated as partly successful (Table 19). The ratings for individual criteria are all clustered at the lower end.

<sup>37</sup> ADB has guidelines on the economic analysis of water supply projects. ADB. 1998. *Guidelines for the Economic Analysis of Water Supply Projects*. Manila. One water supply project has been approved since publication of these guidelines (Punjab Community Water Supply and Sanitation Project). This includes a financial and economic analysis. However, its projected returns are far in excess of those actually achieved in the predecessor project (Punjab Rural Water Supply and Sanitation Project) according to its PCR (EIRR of 6.7% compared to an appraisal estimate of 17.8% for this project and around 50% for the successor project). The financial ratio of return could not be calculated as the financial inflow was much less than the cost outflow. Again, financial and economic analyses did not appear to be used to compare alternative approaches. Financial performance was inadequately evaluated *ex ante*.

**Table 19: Performance Assessment of Multisector Projects**

<b>Project</b>	<b>PCR Rating</b>	<b>PPAR Rating</b>	<b>SAPE Rating</b>
Social Action Program I	Successful	Partly successful	Partly successful
Social Action Program II	Partly successful	—	Partly successful

PCR = project completion report; PPAR = project performance audit report; SAPE = sector assistance program evaluation; — = not yet evaluated.

<sup>a</sup> Ongoing project.

Source: Asian Development Bank PCR and PPAR documents and ratings by sector consultants.

84. The ongoing Sindh and Punjab DSSPs were not rated. However, given the importance of the DSSP approach to ADB's ongoing and planned support for social sector development—two further DSSP projects are programmed for Balochistan and NWFP—the SAPE offers some observations in light of past experience. While there is a need to support local governments, DSSPs contain a significant number of risks, which will need to be very closely monitored. Given this, ADB needs to provide a high level of support and supervision (well above the norm), including by staff based in PRM. Based on past experience, the issues include the following:

- (i) The DSSPs follow a multisector approach. However, multisector and multiagency projects have been problematic—particularly SAP. Any benefits were greatly outweighed by the increased management complexity—a complexity that will be greater given the need to deal with 16 district governments and 102 *tehsil* municipal authorities (in the case of Sindh DSSP) in place of a single provincial government. However, the difference is principally in the areas of responsibility and accountability for action (“the how”) rather than in the “what” is to be done. The DSSP approach is different because of the advent of elected local governments.
- (ii) Like SAP, DSSP targets increased public sector social expenditure—SAP through incremental budget allocation, particularly for nonsalary expenditure and DSSP through a process of conditional grants. While additional social expenditure is needed, the SAP experience showed that the first step is to make better use of the expenditure already provided. Putting more money into poorly performing public provision does not produce better social outcomes.
- (iii) Like SAP, DSSP aims for greater involvement of beneficiaries and the private sector in service delivery. Like SAP, DSSP will support school management committees. The reality is that these have been subject to capture and have mostly proven to be ineffective in improving school management. Public officials have been extremely resistant to seeing public funds go in support of private provision.
- (iv) Like SAP, DSSP will support the more rational allocation of resources through planning—SAP had annual operating plans, DSSP has annual sector plans. Whereas the former only involved a relatively small number of provincial authorities, DSSP will have to work with a large number of new local governments with very limited capacity. The SAP experience indicates that planning did not resolve the problems of the imbalances in social expenditure, and certainly not in a sustainable manner.
- (v) DSSP recognizes the need to address the capacity constraints of local governments but the experience in most social sector projects is that capacity building elements have only been partially implemented at best.
- (vi) Local governments are still very weak and there is doubt as to whether they will be able to address the longstanding causes of poor social sector performance in Pakistan (para. 35). What is clear is that they will require considerable support over a long period of time. Given this, the DSSP approach of injecting a large amount of

money into the nascent local government system over a 3-year time period may not produce the desired results—in fact, it could be counterproductive without a very good system of monitoring and reporting, something which has proven elusive to date.

85. Implementation experience to date in the Sindh DSSP indicates that some of these concerns are already starting to become evident. For example, well into the program period, the supporting TA loan for local government capacity building has still not become effective, thereby delinking funding and capacity building. Further, provincial line departments are mobilizing to capture a significant part of the TA support. Another concern is that monitoring systems are yet to be put in place, so there is little, if any, evidence available of the “situation on the ground.”

86. In raising these concerns, the SAPE is not suggesting that ADB back away from the DSSP process. Rather, it is recommending that a considerably enhanced level of support should be provided by ADB through creation of a DSSP support unit in PRM, with its dedicated staff. This should include the capacity for much improved progress monitoring and special studies or identified problems. Also, a flexible approach is required to allow timely changes in light of progress being made (or not made).

### **C. The Problem in Achieving Results: Turning Inputs into Outputs and Outputs into Outcomes**

87. The recurring finding in successive PCRs and PPARs, confirmed by the SAPE, is that:

- (i) Frequently, targets for the production of physical outputs, particularly infrastructure, were substantially met (sometimes exceeded) in quantitative terms, albeit with substantial delays being the norm.
- (ii) The quality of project physical outputs was variable and sometimes a problem.
- (iii) The delivery of nonphysical outputs (particularly institutional development and capacity building) was frequently well below targets (even absent) in both quantitative and qualitative terms. Consultant recruitment was often delayed by years and the full complement of consultants (particularly international consultants) was often not recruited. The quality of consultant input was frequently rated as less than satisfactory.
- (iv) Even where the outputs were sufficiently achieved in terms of quantity and quality, other factors limited, or even prevented, the achievement of intended development outcomes.
- (v) The monitoring and evaluation of project benefits almost never took place as intended, so any assessment of benefits has to rely on other sources of information and inference.

88. In the education sector, much of ADB’s assistance has been directed to increasing the supply of primary school classrooms. However, a recurring problem is a lack of financial resources to pay for incremental teaching and nonteaching staff, and/or nonsanctioning of the incremental positions, and/or nonfilling of sanctioned positions. Successive projects were funded to increase the number of classrooms and to train teachers. However, the existence of hiring bans made it difficult, if not impossible, to increase the overall number of teachers. Consequently, the new facilities almost always operate well below capacity. One of the responses to the inability to recruit the number of teachers needed is that teachers are deputed or transferred to project schools from nonproject schools. This allows the expanded or new school to become operational but does nothing to increase the supply of education places

overall. To some extent, the same phenomenon probably occurs with respect to enrollment in the community model schools funded under the two girls' Primary Education Projects—that is, pupils transfer to these schools from the less well-endowed surrounding schools. Teacher absenteeism is a longstanding problem. Dropout rates are high. These factors may help explain why overall enrollment has not increased significantly, despite the investments made by ADB and others.

89. Another problem commonly encountered in achieving desired education outcomes is the late or partial delivery of “soft” outputs such as revised curricula, textbooks, new teaching materials, and trained teachers. For example, the distribution of new textbooks developed under the Middle Schools Project started only 5 years after project completion, thereby completely delinking the various elements of the quality improvement program. Under the Primary Education (Girls) Sector Project, 80% of the funds for physical infrastructure were used but only 28% of those allocated for institutional development. Another common issue is the nonuse of new teaching materials even when these are delivered to schools. Science kits are frequently kept locked in storerooms. The output of studies by consultants into various aspects of education system improvement was generally not taken up.

90. As in the education sector, health sector projects generally have a high degree of achievement in the delivery of physical outputs. Similarly, there is evidence of a lesser delivery of the associated quality-related or “soft” outputs. The PCRs and PPARs generally concur that access to health services has improved as a result of projects in the sector. The number of trained health personnel has also increased. However, problems with recruiting incremental staff have resulted in a low utilization of many facilities. Surprise visits to rural health centers and basic health units commonly reveal that facilities were poorly equipped and staff frequently absent from their posts.

91. Urban development projects have also often failed to turn a fairly high rate of (usually very delayed) output delivery into positive development outcomes. An important factor is the financial and management weakness of the urban authorities concerned—although this weakness was recognized in project design, institutional strengthening components usually failed to deliver the intended results, or the components were only partially implemented. The opportunity for rent-seeking activities, particularly in the distribution of an essential good such as water, is also probably part of the reason for poor organizational performance. Another problem arises from trying to combine commercial and social objectives in a single organization, which creates contradictory objectives.

92. Urban water supply and sanitation projects have often suffered from missing links—literally. Sewerage treatment plants generally operate far below capacity (and in some cases not at all) because of low sewerage inflow. In some cases, only a limited number of tertiary connections were made; in other cases there was a failure to upgrade sewer lines leading to the treatment plants; and in others, a lack of repairs and maintenance meant that secondary pumps, for example, were not working. Water supply projects often only connect a much-reduced number of consumers because of low willingness-to-pay and/or low incentives on the part of the authority concerned to actually make the connection.

93. Land acquisition problems have also affected urban development projects, particularly for landfill sites for solid waste disposal. The complexity of integrated urban development projects, weak project management capacity, and delayed recruitment of consultants have also contributed to poor outcomes. Urban development projects often appear to have been formulated and approved without taking into account lessons from the past. A failure to do this

contributed to the cancellation of the Korangi Wastewater Management Project. Works not completed in the preceding project have sometimes been carried over to the next phase. A lack of engagement by municipal authorities and an unwillingness of these authorities to take over project components have also been a recurring feature of urban development projects—in some cases related to the poor quality of the facilities, their nonoperational state, nonviability, or uncertainty regarding land ownership on which the facilities were located. Integrated urban development projects are complex projects—indeed, they are now classified by ADB as multisector. Not only does this make management more difficult, it affects ADB’s ability to effectively supervise the project, as usually a single project officer is assigned to administer a multisector, multisite, and multiagency project, with little, if any, additional resources (particularly time). This is a problem shared with other multisector projects such as SAP and the DSSPs.

94. The RWSS projects funded by ADB follow the community participation or demand responsive approach whereby community ownership and management of schemes are seen as the most likely way of ensuring sustainable operation of water supply schemes. While the target number of schemes has usually been significantly reached, or even exceeded (again, usually with delays), targets for the number of households connected, water quality, and sustainability of operations have often not been met. Two explanations for this can be advanced: (i) inadequate implementation of the community participation approach, and (ii) flaws in the model itself. Both are likely to be factors. The water supply schemes were generally designed and installed by the concerned department and then “handed over” to the community after a brief period of training. This is a very inadequate degree of participation. In some cases, schemes were poorly constructed and not capable of efficient operation. For their part, communities often have problems in levying and collecting user fees to ensure operation and maintenance. On the other hand, the community management model assumes the existence of a cohesive community that shares a common interest and can work together to achieve it. This assumption frequently does not apply in practice, with factionalism and other divisions in the community preventing cooperative action. There is a need to review the approach to RWSS in Pakistan.

#### **D. The Problem in Achieving Results: The Role of Corruption**

95. Various forms of corruption are endemic in Pakistan so it is reasonable to suppose that corruption has impacted on the effectiveness and efficiency of social sector operations. However, the nature and extent of this is poorly documented. One project where evaluation did explicitly acknowledge corruption was the Middle Schools Project. The PCR notes the project suffered from “financial mismanagement comprising an embezzlement of \$1.03 million and ineligible use of imprest account funds.”<sup>38</sup> In the same project, the cash allowance stipend program was suspended because of “doubts about the existence of beneficiaries and the recipients of payments made.” The PCR also reported problems with civil works with recently constructed schools “already looking dilapidated with cracks in walls and ceilings, broken flooring pitted with holes, and grounds left rough and undeveloped.” Informants in the health sector indicated that commission payments for securing contracts were usually of the order of 20–35% although this was a general observation not linked to any project in particular. Although ADB procedures on procurement and consultant recruitment are designed in part to reduce the incidence of corrupt practices—it is debatable whether these are effective. Certainly, they contribute to delayed implementation. More needs to be done, particularly by the Government, to reduce the impact of corruption in social sector operations and more generally.

<sup>38</sup> ADB. 2004. *Project Completion Report: Middle Schools Project (Pakistan)*. Manila.

96. Also, ADB needs to do more to address its anticorruption policy.<sup>39</sup> Specifically, in terms of improving the quality of oversight of ADB loans and TAs through broadening the technical expertise available on review missions. ADB could do more to consider issues of corruption more explicitly in country strategy and program documents. Although not required under the policy, project designs should address corruption more explicitly.

97. Corruption also affects the public provision of social services. Of patients visiting hospitals, 65% reported irregular admissions and 96% of those who were admitted said they were victims of corruption.<sup>40</sup> Hospital staff were identified as the key facilitators of corruption by 65% of the users and direct extortion was reported in 60% of the total cases of corruption. Lack of accountability and monopoly power were quoted as key contributing factors. About 70% of respondents who interacted with education institutions indicated that irregular payments were necessary to gain admission. Devolution to local governments may lessen the extent of corruption at the service delivery level in the future (para. 35).

## E. Overall Program Assessment

98. This section outlines the “whole program” evaluation. The quality of ADB’s program was assessed using similar criteria to those used for the assessment of strategies.<sup>41</sup> However, in this case, the assessment was carried out for the entire program as one entity over the 20-year period of 1985–2004.

99. Overall the 20-year program in support of the social sectors was rated as 32%—not a particularly satisfactory outcome. The analytical basis of the program was assessed as low. The amount of supporting ESTW and the use of available information are considered insufficient to underpin the program. Although PPTA was used extensively, this often did not include a sound problem analysis. A deficiency in terms of analytical underpinning is a lack of consideration of alternative means to achieve desired ends. The balance of the program (among lending, TA, ESTW, policy dialogue, and implementation support and supervision) was rated as low. Given the difficult policy and political economy context, there was an over-emphasis on lending with too little attention to ESTW, capacity building, and policy dialogue. As routinely identified in ADB, there was insufficient allocation of ADB staff time for supervision and support. This is particularly a problem for social sector operations in Pakistan where there are numerous factors constraining success and low capacity within executing agencies (exacerbated by a high staff turnover). More sector and project management specialists are needed, to support the program, particularly in the PRM. The continuity of the program was assessed as moderate. The program has demonstrated continuity in terms of its focus on primary education, in particular, girls’ basic education. However, this continuity of theme has not been matched by geographic continuity. Projects operating in selected districts have generally not provided follow-up support so the desired impacts have not been fully achieved and/or sustained. There have been wide swings in the amount of funds allocated to the social sectors in general and to individual sectors indicating a lack of continuity.

<sup>39</sup> ADB. 1998. *Anticorruption Policy*. Manila.

<sup>40</sup> Transparency International. 2002. *Corruption in South Asia: Insights and Benchmarks from Citizen Feedback Surveys in Five Countries*. Available: <http://www.transparency.org/>

<sup>41</sup> The 20 criteria are analytical rigor, balance, continuity, credibility, critical mass, demonstrated learning, efficiency, flexibility, impact/results, innovation, needs-based, partnership, playing to strengths, political awareness, responsiveness to opportunity, results-management, selectivity/focus, sustainability, synergy, and value-for-money. The program was rated as low (score of 0–1), moderate (score of 2–3), or high (score of 4–5) on each criteria.

100. The credibility of the program was rated as moderate. Having more in-house sector experts and reducing the reliance on consultants could further enhance credibility. The program was rated low in terms of its critical mass. The program attempted to tackle some very important issues (e.g., girls' education and women's health) but the resources ADB could assign to the task in relation to the size and complexity of the problem were insufficient to produce the desired impact within the planned timeframe. More modest objectives and a more focused program were needed. The program was rated as low for its demonstrated learning. Some of the shifts made in the program (e.g., from investment projects to policy-based loans) reflected a recognition of things not working, and the need to try something different. However, insufficient problem analysis and consideration of political economy aspects, coupled with an emphasis on lending, means that learning has not occurred as fast as it should.

101. The efficiency of the program was rated as low. A general rule of not undertaking financial and economic analysis for social sector projects has had the unfortunate consequence of ensuring that not enough consideration has been given to questions of financial and economic efficiency. This is an important deficiency that has contributed to low sustainability. Flexibility is assessed as low. The project mode of development financing and the business processes of both the Government and ADB are not inherently flexible. This reality, coupled with generally inadequate (quantitatively) implementation support (by both ADB and the Government), means that risk management that responds in a timely fashion to changing circumstances is not adequate. The impact or results from the program are assessed as moderate. Most projects have delivered planned physical outputs (albeit often inefficiently). However, the conversion of these into desired outcomes has been disappointing (indicating design deficiencies in some cases and inadequate consideration of risks and assumptions in others). The achievement of impacts has been modest—again reflecting an inadequate consideration of assumptions and risks, particularly those of a political nature.

102. The level of innovation in the program was rated as moderate. Support for SAP was a significant innovation with its emphasis on incremental public funding and achievement of a better balance between salary and nonsalary expenditure. Recent and planned policy-based loans aim at debt restructuring and public sector financial management reform to create fiscal space for greater social sector lending. A key objective of devolution is to support district-level service provision. However, these more macro examples of innovation have not been accompanied by a similar level of innovation at the micro level, despite attempts to support private sector provision, public-private partnerships, and NGO involvement. These have mostly not managed to overcome bureaucratic and political resistance. The program was rated high in terms of being needs-based. The program has focused on areas of major need, e.g., the creation of a better-educated and healthier workforce, or overcoming major areas of inequity. However, as discussed under critical mass, the available resources have not matched the identified needs. Greater focus is needed. The level of partnerships evident in the program was assessed as moderate. SAP was a major example of a partnership approach, although a very unequal one with the World Bank being the dominant partner. More recently, partnerships have been developed with United Kingdom's Department for International Development. More could be done to develop partnerships with a range of local organizations, the United Nations specialized agencies, and other bilateral agencies.

103. The program was rated as moderate in terms of it playing to ADB's strengths. ADB's program is largely supply-driven so it will reflect what ADB has to offer and its priorities. However, it is not considered that ADB has any particular comparative advantage in the areas of education or health, whereas it is more likely to have relative strengths in the areas of water supply, sanitation, and urban development, as these are more closely related to its core

infrastructure expertise. The program was rated as low in terms of its political awareness. The long-term poor performance of the social sectors in Pakistan can only be understood in terms of political economy considerations. These dimensions must be better taken into account in developing and managing a social sector program. Alignment with policies as stated in FYPs and other such documents is an insufficient test of Government commitment. The program has shown mixed results in terms of adapting to the role of provinces and now districts in social service delivery. The program was rated as being moderately responsive to opportunity. SAP was an example of responsiveness. The rapid growth in policy-based lending post-11 September 2001 was also responsive to an opportunity to increase lending. On the other hand, the opportunity to support private sector social service provision using, among other resources, ADB's private sector operations was not sufficiently promoted.

104. The program is rated as low in terms of results management. The focus is on approval and implementation management. Staff have little time for managing for development results. High-level decision makers on the Government side, who should be interested in the results being obtained, are not sufficiently involved. The selectivity and focus of the program is rated as low. Attempting to cover education, health, population, water supply and sanitation, and urban development with the resources ADB has available indicates a broad lack of selectivity and focus. Although there is some focus within sectors (e.g., girls' basic education and women's health), this is of such a high order that it is not particularly meaningful. Selectivity and focus need to be considered in relation to the resources available and the challenges faced. The sustainability of the results from the program is rated as low. A lack of political continuity, critical mass, design soundness, and inadequate financial and economic analysis are all contributory factors to this. The program is rated low for synergy among sectors. The intent has been present, but realizing synergy has proven difficult. Nowhere is this more clearly illustrated than in population welfare and health. Overall, the value-for-money of the program is rated as low.

## **F. Comparative Performance, Counterfactual, and Responsibility for Results**

105. The performance of ADB's social sector operations in Pakistan has not been particularly good. This raises a number of questions. Was it worse than that of other development partners? What would have been the results without ADB's intervention? Who should be responsible and accountable for the results obtained?

106. Based on the evidence presented in this report and elsewhere, the social sectors in Pakistan have performed poorly and the results from ADB's interventions in terms of development outcomes are broadly in line with the disappointing sector performance. The performance of ADB's projects is also in line with those of other partners although there is a lack of available evaluations from other agencies active in the social sectors in Pakistan (World Bank is currently finalizing a country evaluation but this is not yet available). The United Kingdom's Department for International Development has published one evaluation of its support for social sector development in Pakistan—Support for Health Planning, which was a cofinanced component of ADB's Third Health Project. The evaluation concludes there was "little evidence of improvement in the efficiency with which local health resources are used."<sup>42</sup> Some of the findings also resonate with ADB's evaluation findings, namely:

- (i) The timing of the assistance was unrealistically short.

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<sup>42</sup> Department for International Development. 1998. *Evaluation of Health Planning in Pakistan*. Available: <http://www.dfid.gov.uk/aboutdfid/performance/files/ev593s.pdf>

- (ii) Such achievements as there were stemmed mainly from the efforts of external assistance and will be difficult to sustain.
- (iii) Inadequate account was taken of private provision in overall planning.
- (iv) Policy responsibilities in the health sector remain confused and the development of policy guidelines has not been sustained.
- (v) The contracting and subcontracting arrangements caused project management to be confused.

107. Given the small size of ADB's contribution to total sector investment, no modeling work was carried out to assess what would have happened without ADB's intervention. However, it is plausible to assert that social sector outcomes would have been worse without ADB's contribution. Certainly, there is now wider recognition of the importance of girls' education and women's health, even if it is taking time for such recognition to be turned into tangible results. The country's stock of capital assets (school buildings, training centers, sewerage treatment plants, etc.) has been increased through ADB's projects, but these do not always deliver the benefit flows envisaged, for the reasons outlined above. A wide range of equipment has been provided and this also forms part of the capital stock of the country. Although the quality of training was often not monitored and questions exist about some of this, the body of trained personnel has undoubtedly increased as a result of ADB projects. A lack of tracer studies does not allow any conclusions to be drawn regarding the results this might be delivering. Given the rapid growth of private provision of basic social services, many of those trained may be operating in the private sector, a positive if unintended outcome. Curricula have been upgraded and new textbooks provided. These are contributing to a better education for those receiving education.

108. In terms of responsibility and accountability for the poor performance, both the Government and ADB need to share in this. ADB has significant influence over what gets funded, but less control over how it is implemented. Implementation performance is largely the responsibility of the Government. ADB needs to ensure that the projects it funds are carefully selected and well designed—that is, they incorporate lessons from past experience, are based on a sound problem and alternatives analysis, fully engage stakeholders, and are politically feasible. For its part, having agreed to the project, the Government has an obligation to its citizens to implement it effectively and deliver on its commitments. Also, the Government needs to be more open to new ideas. This SAPE has criticized the program for a lack of innovation, but in many cases it has been the Government that has resisted innovation, particularly in the area of public-private partnerships. This needs to change. The Government needs to become more actively engaged in project design. It also needs to be more assertive in fostering partnerships. Finally, the Government needs to recognize that it is in its own interest to monitor and evaluate development outcomes—to this end it needs to deliver on commitments made in loan agreements.

## VI. CONCLUSIONS AND RECOMMENDATIONS

109. The SAPE set out to answer 11 questions (para. 5). The first two questions explored sector performance and government policies. The conclusions of these are not repeated here. The SAPE conclusions on the other questions follow.

### A. Overall Conclusions

#### 1. What Strategies Were Pursued for Using ADB's Resources?

110. ADB has employed four broad strategies in support of social sector development in Pakistan, either separately or together: (i) go 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 publicly-provided social services, largely through provision of infrastructure, “software”, and training; (iii) increasing the relative share of public expenditure on social service provision—without consideration of where this increased allocation would come from during the SAP years and, in recent times, through provincial debt restructuring to create fiscal space;<sup>43</sup> and/or (iv) influencing the policy environment to achieve better social outcomes.

111. ADB's resource allocation to the social sectors has been a significant, although usually secondary, part of the total resource envelope. The exceptional period was 1995–1998, at the height of the SAP decade, when the social sectors accounted for almost 30% of new loan approvals. In earlier years, economic growth was the primary objective of ADB strategies. Social development increased in importance to be then overtaken again by economic growth, then good governance and finally, poverty reduction.

112. ADB's operations in the social sectors in Pakistan have largely consisted of public sector lending. Only a small proportion of the social sector resource envelope has been allocated to ESTW, capacity or institutional building, policy dialogue, or project implementation support. No private sector operations have been undertaken in the social sectors. ADB's implied strategy, based on resource allocation choices, has mostly been to help Pakistan meet a public sector funding gap for publicly-provided social services.

113. At the next level of disaggregation, ADB has sought, and has achieved, engagement in all the social sectors defined here—education, health and population (and now social protection), water supply and sanitation, and urban development. ADB has sought, but has not achieved, a more integrated approach to social sector development, as operations have generally focused on single sectors, even when bundled in multisector packages. Given this, the potential advantages of the multisector projects were not realized but the disadvantages of increased management complexity were.

114. Education has accounted for the greatest share of social sector lending (40% after reallocating multisector loan amounts), implying that ADB has seen education as strategically more important than the other social sectors, although why this should be is never made explicit. Water supply and sanitation (24%) and health and population (21%) have received

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<sup>43</sup> This part of the strategy is also supported by a series of province-level loans in support of public resource management, which are classified as governance projects. However, they are significantly justified on the basis of better social outcomes.

similar shares after reallocation, implying these sectors are accorded moderate strategic importance.<sup>44</sup> Urban development was allocated 12% of the social sector resource envelope, implying it has a somewhat lower strategic importance. ADB's investment over time in urban development has not been continuous and a significant share of new approvals occurred in 1985–1989 and 2002–2004. No strategic reason is given or can be inferred in country strategies for the relative shares for the various sectors, or for the changes in these over time.

115. ADB's resource allocation for public sector loans has varied considerably in terms of modality. In the early years, only investment projects were approved. These tended to give disappointing results. With the advent of SAP, a greater dimension of policy reform was introduced into the lending program. Disappointment with SAP saw a reversion to investment-only projects (albeit on a much reduced scale because of international sanctions against Pakistan following its nuclear tests). In 2002–2004, policy-based loans became a major part of social sector operations, accounting for 60% of approvals. This is expected to drop to 40% in 2005–2006 as the Government has decided not to use OCR resources for social sector operations. Based on resource allocation decisions, the policy context is now seen as important in determining social sector outcomes. The global strategic context has also been influential in increased lending post-11 September 2001.

116. Until 1994, ADB funded only single-sector projects (although urban development projects are in practice multisector). A strong multisector approach was introduced with the approval of two loans in support of SAP. However, the results of SAP were disappointing and lending reverted to single sector projects until approval of the Sindh DSSP in 2003 and the Punjab DSSP in 2004. Further DSSP projects are planned for Balochistan and NWFP. Given the problems with SAP, a return to multisector projects is of some concern, unless substantially increased support can be provided by ADB in PRM.

117. ADB's degree of geographic targeting has varied considerably over the period. In the early period, single province projects dominated—mainly because of the high proportion of urban development and city-based water supply and sanitation projects. Over the next three strategic periods, multiprovince projects accounted for around 75% of new approvals. This was reversed in 2002–2004 when 75% of approvals were for single-province projects—this shift is accounted for by the single-province DSSPs, a renewed engagement in urban development, and two single-province technical and vocational education projects. The provincial focus can be somewhat illusory in terms of the degree of geographic focus. Many multiprovince projects work in selected districts, so may have a greater degree of geographic focus than a single province-wide project. It is difficult to account for ADB's strategic shifts with respect to provincial focus. Social service delivery was always (until the local government ordinance of 2001) a provincial responsibility, and is now a district responsibility. Given this, the earlier shift to multi-province and federally driven projects is not understandable. The current shift to single-province projects is the correct approach.

118. Within the education sector, ADB has allocated resources to

- (i) science education (two projects);
- (ii) girls' primary education (two projects);
- (iii) technical and vocational education (three projects);
- (iv) teacher training (one project);

<sup>44</sup> The balance of 3% represents components such as project management that could not be reallocated from multisector projects to the individual sectors.

- (v) middle school (two projects, including Sindh Decentralized Elementary Education); and
- (vi) education policy and financing reforms (four projects).

119. The science and technical and vocational education projects were directed towards the strategic end of economic growth. The girls' primary and elementary education projects aimed to deliver on the human resource development and gender equity objectives. Four projects (two SAP projects and two recent policy-based loans in support of devolved social services) have aimed to bring about social sector financing and other policy reforms. In short, ADB has had a rather multitrack strategy in the education sector. A focus on fewer subsectors and greater geographic continuity is called for. The recent return to technical and vocational education is welcome given the success of the earlier project and the more restricted focus of projects in this subsector.

120. ADB has funded five stand-alone health projects over the last 20 years. The two early projects continued the already established strategy of contributing to health infrastructure and the body of trained health personnel. Only a single population project was funded—somewhat surprising given the overriding importance of population growth to social sector outcomes and the success of the project. The two more recent projects have been directed towards women's health (including reproductive health). Although the Reproductive Health Project has a population component, little progress has been made on this. Throughout, there has been a focus on the provision of health infrastructure and training personnel. Overall, ADB has had only a modest program in the health sector, which lacked critical mass in the subsectors it tackled (apart from the Population Project).

121. Operations in the water supply and sanitation, and urban development sectors have oscillated between urban development and RWSS. A lack of continuity would seem to be the main issue here. Further support to urban development should be conditional on resolving the problems with urban authorities. For RWSS, the approach needs to be reviewed.

## **2. What Drove the Strategic Choices Made?**

122. The SAPE concludes that the main influences driving the strategic choices for social sector operations over the last 20 years have been

- (i) past program decisions;
- (ii) sector division preferences;
- (iii) prevailing international agendas—directly or, in some cases, via ADB's crosscutting strategies and policies;
- (iv) opportunity; and
- (v) meeting lending targets.

123. Every country strategy has been formulated with the reality of an ongoing program of operations and a pipeline of proposed projects at varying stages of conceptualization or preparation. Not surprisingly, present and already planned operations have been the main determinants of social sector strategy. Given this, the main purpose of the strategy is to justify the already largely settled strategic direction and to explain how this fits with the current institutional or global development agenda. The country strategy serves more as a communication tool than as a guide for allocating resources. What takes place within the sectors largely reflects the preferences of the sector divisions and, to varying degrees, their

clients in Pakistan. The country strategy becomes a vehicle for rationalizing these choices rather than deciding them.<sup>45</sup>

124. Prevailing global agendas have been influential—for example, the focus on gender (reflected in operations directed at women’s education and health), community-managed water supply, and governance. Whether ADB’s crosscutting policies and strategies influenced country strategies or whether both were influenced by the global agenda is harder to say. Nonetheless, the fact that ADB has committed to certain crosscutting strategies has been reflected in country strategies.

125. Unplanned opportunity (unplanned in the sense of having arisen outside the process of ADB’s formal strategy preparation) has been a significant factor in influencing major strategic shifts in social sector operations—most notably, the support provided to SAP, and the move to large policy-based loans in the aftermath of the terrorist attacks of 11 September 2001. Lending targets have been a powerful influence in determining resource allocation choices.

126. The following have been less influential in strategic decision making regarding resource allocation:

- (i) ADB’s formal country strategies;
- (ii) ADB’s broader strategic agenda as captured in its institution-level sector strategies;
- (iii) sector, problem, and alternatives analysis;
- (iv) government preferences (most recently, the Government has become more assertive in stating its preferences);
- (v) other stakeholder preferences; and
- (vi) partnership considerations.

### **3. What was the Quality of ADB’s Formal Country Strategies?**

127. The SAPE rated the quality of ADB’s formalized strategies according to 18 criteria. The highest score for a sector strategy in any strategic document was 62% (Table 20). The average score for the first four strategies ranged from 35% to 55% with no improving trend. The most recent strategy scored best at 60%, which is a positive finding. While improvement is clearly needed, this SAPE also questions the value-added of country strategies as an aid to decision making. This will be further explored in the CAPE.

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<sup>45</sup> This critique of the utility of country strategies is echoed by the Office of Evaluation and Oversight of the Inter-American Development Bank. In reference to its equivalent of CSPs, it concluded that “(i) objectives are too general...; (ii) there is no clear strategic focus, and innumerable objectives or areas of action are proposed, while providing a rationale for practically any type of intervention; (iii) sectoral evaluations lack depth; (iv) the document seems to have been written to justify a preconceived set of projects; and (v) there is a lack of emphasis on the importance of nonfinancial products.” Inter-American Development Bank. 2001. *Evaluability of Country Strategies: Methodology Note*. Washington, DC.

**Table 20: Rating of Sector Strategies in Country Strategy Documents**

<b>Strategy Document</b>	<b>Education (%)</b>	<b>Health and Population (%)</b>	<b>Water Supply, Sanitation (%)</b>	<b>Average (%)</b>
Strategies for Economic Growth and Development: 1985	24	50	52	42
The Bank's Operational Strategy in Pakistan: 1990	20	45	39	35
Country Operational Strategy Study for Pakistan: 1995	56	62	48	55
Country Operational Framework: 1999–2000	31	59	48	46
Country Strategy and Program: 2002–2006	60	61	59	60

Source: Consultants' estimates.

128. The main weaknesses in the quality (not utility) of social sector strategies in ADB's country strategies were identified as

- (i) an inadequate analytical basis;
- (ii) no identification of options with reasons given for selecting the chosen option;
- (iii) limited influence by in-country stakeholders on the choices made;
- (iv) superficial alignment with government FYPs and other policies in a context of frequent changes of government and an inability of successive governments to implement their plans and policies;
- (v) a general lack of baseline quantification (related to the weak analytical base), as well as specification of targets and indicators;
- (vi) a lack of focus and critical mass;
- (vii) inadequate provision for monitoring and evaluation; and
- (viii) little, if any, innovation.

129. An important issue regarding the quality of ADB's social sector strategies for Pakistan is that the needs-based assessment has not been tempered by an analysis of the resources required to make a significant difference in the chosen area. For example, there is no doubt that the lack of basic education for girls is a major development challenge. In this regard, it is the right issue to focus on. However, the question is whether ADB's resources, and the mix of these, were sufficient to make an impact. The SAPE concludes that they were not.

#### **4. What was the Quality and Performance of ADB's Program?**

130. A "whole of program" assessment was carried out for ADB's social sector operations over the 20-year period. The result was a rating of 32%, with low to moderate scores the norm across most criteria. Particular areas of weakness were identified as an inadequate analytical basis (problem and alternative analysis), a lack of critical mass, low demonstrated learning, low efficiency (with a lack of financial and economic analysis), low flexibility, insufficient consideration of political economy factors, lack of results management, low selectivity and focus, low sustainability, and a lack of synergy among sectors. Overall, value for money was assessed as low.

131. A problem with the quality of ADB's program in support of the social sectors in Pakistan is its imbalance in favor of lending. Of course, ADB is a development financing institution, so a predominance of loans is to be expected. However, the realities called for more ESTW, more policy dialogue, more capacity building, and more project supervision and support.<sup>46</sup>

132. In terms of implementation performance, social sector operations in Pakistan generally mirror the overall poor performance of the portfolio, although they generally take longer to become effective, are slower to disburse, and are more likely to require extensions. Of course, these factors are interrelated. There is a certain inevitability that social sector projects (and others) will suffer from implementation delays in Pakistan. First, the lack of meaningful engagement by the Government in the design and formulation of projects means that senior decision-makers focus on the project only once it has been approved by ADB. Second, there is a strong political dynamic in Pakistan to see as many projects approved as possible.<sup>47</sup> This reality, coupled with ADB's requirement for a counterpart contribution virtually guarantees slow implementation.<sup>48</sup> The actual time required for project implementation is not taken into account in the design of projects.

133. The success of social sector projects in Pakistan as measured by ADB's evaluation criteria is low—absolutely, in relation to some other sectors in Pakistan, and in relation to evaluations of ADB social sector projects in other developing countries. According to the SAPE rating of 24 projects, only 8% were judged to be successful, 58% partly successful, and 33% unsuccessful. This assessment is in line with aggregate postevaluation ratings for all social sector operations in Pakistan (9% successful, 64% partly successful, and 27% unsuccessful). However, using PCR ratings where PPAR ratings are not available shows that the performance of social sector operations has improved from 0% successful for 1970s loan approvals, 25% successful for 1980s approvals, to 38% for 1990s approvals (up to 1996). According to the SAPE assessment, over the last 20 years, there was one successful education sector project (out of seven); one in the health sector (out of five projects); none in the water supply, sanitation, and urban development sector (out of nine projects); and none in the multisector category (out of two projects).

134. The recurring themes that emerged from the SAPE assessment and previous evaluations of social sector operations were:

- (i) A lack of analytical underpinning for social sector strategies and operations. Too often these appeared to be based on a superficial or partial understanding of the causes of identified problems (based on documentary evidence), with insufficient consideration of the alternatives for addressing these.

<sup>46</sup> This is supported by the conclusions of a World Bank empirical study. World Bank. 1998. *Assessing Aid: What Works, What Doesn't, and Why*. New York: Oxford University Press. Its first conclusion is that financial aid works best in a good policy environment. It also concludes that aid can help bring about reform in the most unfavorable policy environments, but this requires patience and a focus on ideas, not money. The study notes "Donors' ability to work in these environments has been hampered by an 'approval culture' that does not value small-scale, staff-intensive activities. In the past, agencies have too often focused on how much money they disburse and on narrow physical implementation measures of the 'success' of projects."

<sup>47</sup> Social Policy Development Centre. 1997. *Review of the Social Action Program*. Karachi. As SPDC observes, "The basic tendency is to approve too many schemes, which stretches not only the implementation capacity but also implies that a given amount of [national] funds is spread over a larger number of projects and therefore, each project gets a smaller [annual] allocation [than required for timely implementation]. This tendency can be attributed largely to the politicization of the approval process."

<sup>48</sup> In his address to the 38th Annual Meeting of the Board of Governors of the Asian Development Bank (available at <http://www.adbistanbul.org/annualmeeting/Speeches/president-kuroda-address-bog.html>), President Haruhiko Kuroda stated, "ADB needed to be more flexible, including the need for less restrictive cost-sharing arrangements."

- (ii) Lessons from past experience were insufficiently acknowledged and incorporated into subsequent operations.
- (iii) A lack of financial and economic analysis for comparing alternative approaches in order to ensure efficient investment and likely sustainability.
- (iv) Insufficient high-level government engagement during project design.
- (v) Although many project outputs were produced, these frequently failed to produce desired outcomes and hence impacts.
- (vi) Projects generally failed to ensure that data was collected that would allow tracking of progress towards the achievement of expected results.

135. Despite persistent poor performance, there has been a lack of micro-level innovation.<sup>49</sup> There has been a general resistance to innovation on the part of the Government and perhaps insufficient push for it from the ADB side. Innovation is the practical expression of ideas on how to do things better. Chief among the areas where innovation is sorely needed is in finding effective means for supporting private funding and private provision of basic social services as these predominate in some sectors, and are the most dynamic growth area in all sectors. Innovation is needed in terms of directly supporting private funding and/or private provision and quality improvement, as well as hybrid arrangements such as public-private partnerships—in some cases, the latter would legitimize the *de facto* private provision of publicly-funded services. Demand analysis and willingness-to-pay studies could contribute useful information to policy making. The related challenge is how to provide services and, importantly, choices to the poor including, but not limited to, voucher schemes. The next area where innovation is needed relates to data availability on sector performance. Ideas such as citizens' report cards could be tried. A wider range of data sources is needed. Overcoming persistent gender and urban-rural disparities also requires innovative thinking. New partnership arrangements could be explored. Many other areas of innovation could be considered, including better utilization of remittances and Islamic philanthropic payments, increased role of the Pakistan diaspora in helping the country achieve better social outcomes,<sup>50</sup> and trial of the "rapid results" approach.<sup>51</sup> A more comprehensive understanding of the role of corruption in determining social sector outcomes would assist in policy development to address this problem.<sup>52</sup>

## 5. Was the Program Well Managed?

136. It has been widely acknowledged, particularly since the 1994 project quality task force,<sup>53</sup> that ADB has dedicated insufficient resources to project administration and support. This is certainly true for social sector operations in Pakistan, where there is a high degree of certainty

<sup>49</sup> "To be responsive, we must be innovative." President Kuroda (footnote 48).

<sup>50</sup> Some of these ideas are discussed in International Monetary Fund, World Bank. 2005. *Moving Forward: Financing Modalities Towards the MDGs*. Paper of the Development Committee (Joint Ministerial Committee of the Board of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries). Washington, DC.

<sup>51</sup> Matta, N. and R Ashkenas. Why Good Projects Fail Anyway. In *Harvard Business Review* on Managing Projects. Boston. See also Schaffer, R. and R. Ashkenas. *Rapid Results!: How 100-Day Projects Build the Capacity for Large-Scale Change*. Jossey-Bass.

<sup>52</sup> An example of the type of work that might be undertaken is provided in Reinikka, R., and J. Svensson. 2001. *Explaining Leakage of Public Funds*. Policy Research Working Paper No. 2709. Washington, DC: World Bank. The authors report on a survey of primary schools in Uganda, which showed that on average during 1991–1995, schools received only 13% of the central government's allocation for nonsalary expenditure. Most of the funds were used by public officials for other purposes or were captured for private gain. Importantly, once these results became known, the Government took a series of steps (including publicizing the transfers made). By 1999, the funds actually reaching the schools reached 90%. This example also illustrates the power of information to affect outcomes.

<sup>53</sup> ADB. 1994. *Report of the Task Force on Improving Project Quality*. Manila.

that implementation will not go smoothly. Achieving success in social sector operations in a context such as Pakistan requires support and supervision that is both quantitatively and qualitatively of a different order of magnitude than that needed in a more favorable context or in some other sectors. For social sector operations in Pakistan—particularly those for education, health, and RWSS, which are characterized by a large number of facilities spread over a wide geographic area, often with difficult access—it is essential to have the time for regular surprise field visits to view ground reality. Based on 2004 mission data, social sector projects received fewer missions per project reviewed, and fewer staff days per review than projects in other sectors in the country. However, the superior figures for projects in other sectors were boosted by a much higher number of missions for three governance projects and an agriculture program loan. The case of the governance program in Pakistan is interesting as there is a dedicated support unit in the PRM. This may be a useful model, a proposition that will be further examined under the CAPE.

137. Project management by executing agencies has generally been inadequate. Although this has been recognized, this has not been effectively addressed in project design. A high turnover of project staff has been a constant feature of executing agency management.

## **6. How Did ADB Resources Contribute to Sector Outcomes?**

138. The almost total noncompliance by the Government with the requirement to monitor and evaluate benefits from ADB projects makes it difficult to answer this question. The overall poor performance of the social sectors does not provide a very positive context for attributing development outcomes to the investments made. As outlined by the SAPE, ADB's social sector projects delivered many of their expected outputs, although delayed and, in some cases inefficiently, and not of the expected quality. However, there have been a number of gaps or issues that have prevented or lessened the achievement of development outcomes. Notwithstanding this, there are a number of positives. First, ADB has been a constant advocate for better social sector performance in general and women's education and health in particular. This has ensured that these issues remain on the policy agenda and in the public's consciousness. Second, the capital stock of the country has been increased through the addition of numerous facilities and items of equipment, even if these are currently not always delivering the expected benefit flow. A large number of people have been trained. Some progress has been made in getting beneficiary engagement. Arguably, social sector outcomes would have been worse without ADB present. More recently, greater fiscal space is being created to allow provinces to increase social expenditure should they choose to do so.

## **7. Was There Effective Synergy in the Use of ADB Resources?**

139. The conclusions in this regard are mixed. Without a doubt, SAP represented a major attempt to achieve synergy. ADB funds were pooled with those of others. However, the process was significantly captured by the World Bank, Government ownership fell, and the SAP process became bogged down in compliance monitoring. ADB was not to blame for this and ADB's contribution, although limited, was useful. In more recent times, a significant partnership is being built with the Department for International Development of the United Kingdom. Partnership is rather too frequently equated with cofinancing and, in particular, cofinancing by others of ADB projects. There is a need for a broader view of partnership. One example is partnership with the United Nations specialized agencies—these lack funds but have specialized sector expertise. A natural basis for partnership would seem to exist. Having said this, middle-income countries and countries like Pakistan have said very clearly that they want ADB to be a source of ideas—this cannot be excessively contracted out to consultants or other agencies if ADB's credibility is to

be enhanced. Partnerships are also needed with a wide variety of organizations interested in social sector development in Pakistan, particularly those engaged in social research.

## 8. Did ADB Do the Right Things?

140. Considering the answer to this question reveals the dilemma ADB finds itself in. On the one hand, the organization has committed to helping its development member countries achieve the MDGs. This provides a strong case for supporting social sector development in Pakistan.<sup>54</sup> On the other hand, it has committed to managing for development results,<sup>55</sup> and to allocating its ADF on the basis of performance. Based on the results and performance imperative, ADB needs to acknowledge the relatively poor performance of its social sector operations in Pakistan and, at the very least, instigate changes to improve performance. The following points are relevant in addressing this question:

- (i) None of the four broad strategies employed by ADB (para. 110) has worked fully as intended to produce better social outcomes. The experience of the last 20 years would indicate that a lack of financing is not the problem—the results from financing actually made available are poor (even accepting a major imbalance between salary and nonsalary expenditure). Therefore, efforts to increase public sector social expenditure (including the creation of fiscal space) have not and will not significantly improve public sector social service delivery unless issues such as capture and corruption are successfully addressed, among others. Policy is definitely a problem, but it is not solely the lack of policy—it is the apparent lack of ability to implement policy (exacerbated by frequent changes in government).
- (ii) The political and social context that gives rise to poor social sector performance called for a greater emphasis on the generation of ideas, a broader outreach to stakeholders to generate a momentum for change,<sup>56</sup> an increased effort to get reliable data on sector performance, more innovation, increased learning from past experience, and probably doing less, but doing it better. This implies less emphasis on lending and a greater attention to ESTW, capacity building, policy dialogue, and implementation support and portfolio management.
- (iii) Having made a decision to be engaged in the social sectors in whatever shape or form, a more constant share of the resource envelope should have been provided to better enable decisions regarding continuity and critical mass among others.
- (iv) The allocation decisions within the social sector resource envelope have covered too broad a field with a consequent lack of focus, critical mass, and continuity.<sup>57</sup>

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<sup>54</sup> “We must scale up our financial assistance, especially to support attainment of the non-income MDGs. To meet basic needs across the region, much more investment is needed in sectors such as water supply, sanitation, education, and health care.” President Kuroda (footnote 48).

<sup>55</sup> “To assist our [developing member countries] in achieving the MDGs, the new era of development requires that ADB become more relevant, more responsive, and more focused on results.” President Kuroda (footnote 48).

<sup>56</sup> An example of how better information on sector performance issues can change outcomes was provided in footnote 51. Another illustration is provided in Reinikka, R., and J. Svensson. 2004. *The Power of Information: Evidence from a Newspaper Campaign to Reduce Capture*. Policy Research Working Paper No. 3239. Washington, DC: World Bank. Under the campaign, capture was reduced from 80% in 1995 to less than 20% in 2001.

<sup>57</sup> “Operations are sometimes too broad in scope... we must strive for greater focus and selectivity in our operations.” President Kuroda (footnote 48). Also, internal planning directions for 2006 to 2008 talk about the need to sharpen the focus of the lending and non-lending program.

## 9. How Can Choice Selection be Improved?

141. The CAPE will address the more general questions regarding ADB's strategic planning process. In terms of social sector strategies, better decisions require well-informed decision-makers. This requires reliable data on sector performance and detailed sector analysis. The SAPE has also stressed the need to introduce more extensive use of financial and economic analysis into social sector decision making. Choices need to be made on the basis of needs and, critically, commensurate with the resources ADB has available to meet those needs. If a consideration of the results chain shows that ADB resources are insufficient to achieve the desired outcome, more modest objectives need to be set or resources increased, or alternatively a decision taken to get out of the sector.

142. Within the currency of the next CSP, ADB is committed to four DSSP projects (two under implementation and two to be approved). The challenge for ADB and the Government is to do what it takes to make these successful. For ADB, this means significantly increased staff resources based in PRM to support and monitor the DSSPs. Also within the next CSP period, ways must be found to increase data availability on sector performance and its reliability. Finally, the number of areas of focus for social sector operations need to be considered to ensure critical mass and continuity.

143. Further out, ADB and the Government need to reflect on the balance between promotion of economic growth with equity and direct investment in the social sectors as alternative means of achieving better social outcomes. For its part, the World Bank's OED concluded that its emphasis had shifted too far away from the economic growth with equity objective.<sup>58</sup>

### B. Recommendations

144. In light of the SAPE findings, recommendations are made for Government and ADB consideration. The recommendations are mostly concerned with strategy as the SAPE believes that changes to strategies will have the greatest impact on the development effectiveness of social sector operations.

Recommendation	Responsibility
<b>For Government Consideration</b>	
1. Within the next 12 months, the Government should commission an independent stocktaking of assets provided by ADB loan funding for social sector development and an 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.	Coordination by planning and development departments.
2. With immediate effect, 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.	The mandate for this needs to come from the highest level of Government.

*Continued on next page*

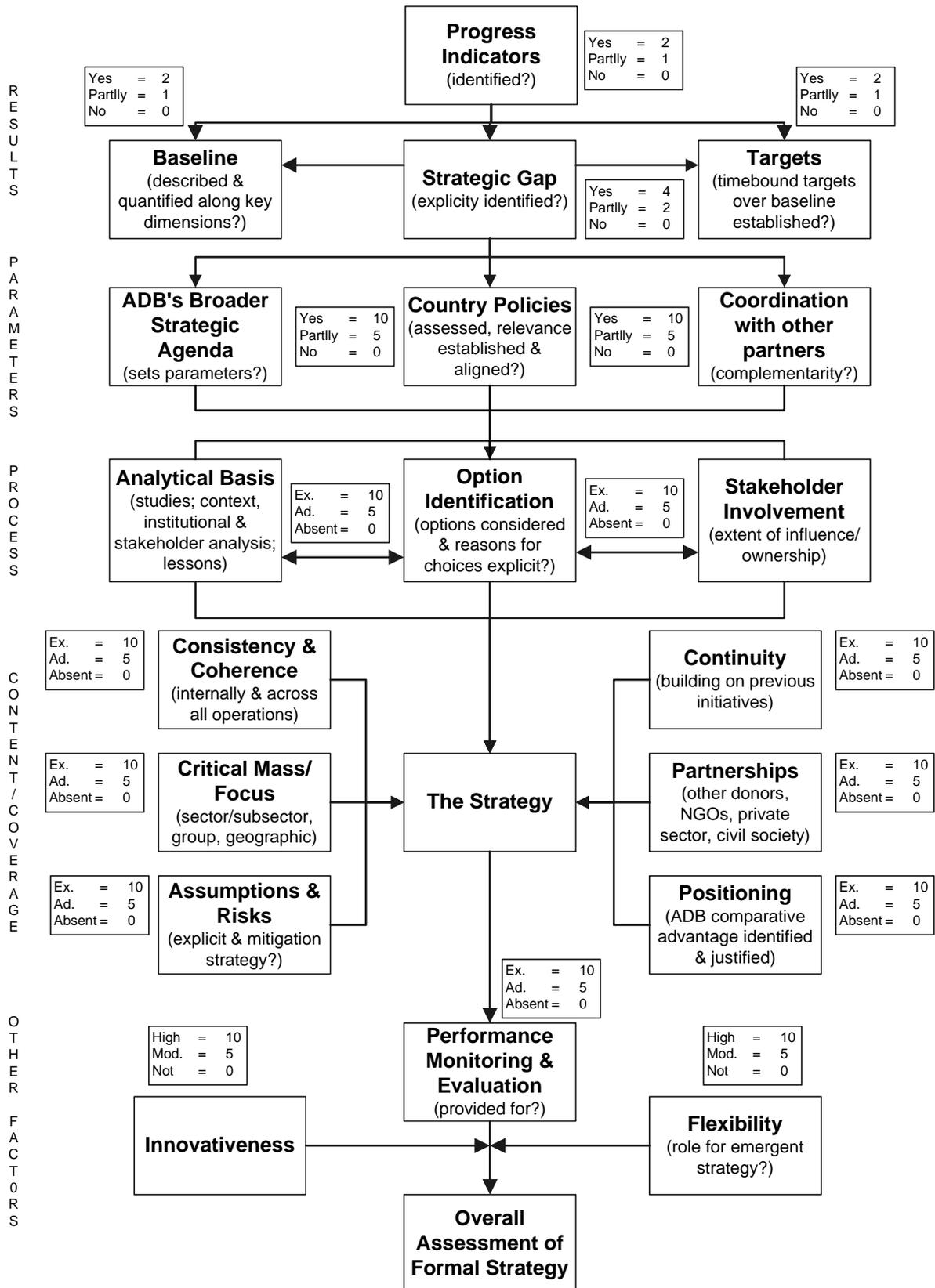
<sup>58</sup> World Bank. 2004. *Annual Review of Development Effectiveness: The Bank's Contribution to Poverty Reduction*. Washington, DC.

Recommendation	Responsibility
<b>For ADB (and Government) Consideration</b>	
3. Within the next 6 months, ADB should undertake a review of strategy for social sector operations in Pakistan and produce an action plan for improving the performance of its program.	South Asia Social Sectors Division (SASS)
4. 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.	SASS
5. In the next CSP, consideration should be given to shifting the balance of the social sector program of operations should shift from lending to a greater emphasis on policy dialogue; capacity building; community outreach; implementation support; and economic, sector, and thematic work.	SASS and Government
6. In the next CSP, the program of social sector operations in Pakistan should place a high priority on the generation and utilization and dissemination of reliable data on sector performance.	SASS and Government
7. 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. This should be reflected in the next CSP.	SASS, Government, and Private Sector Operations Department
8. A much greater degree of innovation should be incorporated into social sector operations in Pakistan—to be reflected in the strategy review.	SASS and Government
9. A specialty support unit for DSSP should be created in the Pakistan Resident Mission as soon as possible.	South Asia Regional Department, Office of the Director General
10. Loans and strategies for social sector development should always be justified on the basis of robust financial and economic analysis.	Regional departments assisted by Economic Research Department
11. A more rigorous consideration of the impact of corruption and the means for addressing it are required in social sector strategies and projects.	SASS and Government
12. Over the next 12 months, a concerted effort should be made to capture and make available the knowledge generated through ADB's social sector projects in Pakistan.	SASS, Regional and Sustainable Development Department, and Government

**SOCIAL SECTOR LOAN AND TECHNICAL ASSISTANCE PROGRAM**

<b>Loan Number</b>	<b>Project Title</b>	<b>Year Approved</b>	<b>Amount (\$ million)</b>
<b>A. Education</b>			
759(SF)	Science Education for Secondary Schools Sector	1985	29
977(SF)	Primary Education (Girls) Sector	1989	64
1210(SF)	Teacher Training	1992	52
1278(SF)	Middle School	1993	78
1373(SF)	Technical Education	1995	60
1454(SF)	Second Girls Primary School Sector	1996	45
1534(SF)	Second Science Education Sector	1997	40
1916(SF)	Decentralized Elementary Education (Sindh)	2002	75
2133(SF)	Restructuring of the Technical Education and Vocational Training System Project (Balochistan Province)	2004	16
2135(SF)	Restructuring of the Technical Education and Vocational Training System Project (North-West Frontier Province)	2004	11
<b>Subtotal</b>			<b>470</b>
<b>B. Health and Population</b>			
850(SF)	Third Health	1987	30
1200(SF)	Health Care Development	1992	60
1277(SF)	Population	1993	25
1671(SF)	Women's Health	1999	47
1900(SF)	Reproductive Health	2001	36
<b>Subtotal</b>			<b>198</b>
<b>C. Urban Development and Housing</b>			
793(SF)	Karachi Urban Development	1986	55
1004(SF)	Second Urban Development	1989	66
1854(SF)	North-West Frontier Province Urban Development Sector	2001	21
2060(SF)/2061	Southern Punjab Basic Urban Services	2003	90
<b>Subtotal</b>			<b>232</b>
<b>D. Water Supply and Sanitation</b>			
1001(SF)/1002	Karachi Sewerage	1989	85
1260(SF)	Urban Water Supply and Sanitation	1993	72
1349(SF)	Punjab Rural Water Supply and Sanitation (Sector)	1995	46
1539(SF)	Korangi Wastewater Management	1997	70
1950(SF)	Punjab Community Water Supply and Sanitation Sector	2002	50
<b>Subtotal</b>			<b>323</b>
<b>E. Multisector</b>			
1301(SF)	Social Action Program (Sector)	1994	100
1493(SF)	Social Action Program (Sector) Project II	1996	200
2047/2048(SF)	Sindh Devolved Social Services Program (Program Loan)	2003	210
2049(SF)	Sindh Devolved Social Services Program (TA Loan)	2003	10
2144/2145(SF)	Punjab Devolved Social Services Program	2004	150
<b>Subtotal</b>			<b>670</b>
<b>Total</b>			<b>1,894</b>

### FRAMEWORK FOR STRATEGY QUALITY ASSESSMENT



Ex = excellent, Ad = adequate, Mod = moderate.

**A. Progress Indicators Identified, Baseline Described and Quantified, Time-Bound Targets Over Baseline Established?**

1. These three indicators assess the extent to which the expected results from the strategy were specified in measurable terms over a quantified baseline situation.
2. The maximum score means comprehensively present overall and for sectors (2).
3. Rating: any score between 2 and 0.

**B. Strategic Gap Identified?**

4. Related to the above, this indicator assesses whether the gap between target and baseline is clearly stated.
5. The maximum score means that the size of the task to be addressed by the strategy is clear overall and for each sector (4).

**C. ADB's Broader Strategic Agenda**

6. This indicator assesses the extent to which ADB's broader strategic agenda (overarching, crosscutting, and sector policies and strategies) influenced choices made in the country strategy. De facto, it may be an assessment of the ability of those policies to exert an influence.
7. The maximum score means that ADB's general, sector, and thematic strategies and policies were explicitly taken into account and were influential in setting the boundaries or parameters for what is in or out of the strategy at the country level (10).
8. Rating: any score between 10 and 0.

**D. Country Policies**

9. This indicator assesses the extent to which stated country strategies, plans, and policies were assessed and taken into account in the strategy. It goes beyond a simple assessment of alignment. Alignment with a flawed strategy or alignment to a policy to which the government is not really committed is not positive.
10. The maximum score means that country policies were carefully assessed, their relevance determined and, where relevant, ADB's strategy was aligned with these (10).
11. Rating: any score between 10 and 0.

**E. Coordination with Other Partners**

12. This indicator assesses the extent to which the programs of other development partners were taken into account and influenced the choices made by ADB, i.e., "aid coordination." Real coordination should go beyond mere avoidance of duplication to exploit opportunities for synergy, including pooling of funds were appropriate.

13. The maximum score means that an assessment of the programs and strategies of other development partners was made, that demonstrable efforts to achieve synergy were made and that dialogue was held with partners. Opportunities for two-way partnership should be evident (10).

14. Rating: any score between 10 and 0.

#### **F. Analytical Basis (10)**

15. This indicator assesses the extent to which the strategy was based on evidence from sound analysis.

- (i) The number, coverage, and rigor of economic, sector, or other studies—where commissioned/carried out by ADB or others—upon which the strategic analysis is based.
- (ii) The economic context and the consequences of this are clearly spelled out.
- (iii) The policy context and the consequences of this are clearly spelled out.
- (iv) The political economy context and the consequences of this are clearly spelled out.
- (v) Institutional analysis has been carried out and the consequences of this incorporated.
- (vi) Stakeholder analysis has been carried out and the consequences of this incorporated.
- (vii) The lessons from previous strategies have been identified and incorporated in the new strategy.
- (viii) Economic modeling has been carried out to compare alternative approaches, particularly with respect to exploring policy options.

16. Rating: any score between 10 and 0.

#### **G. Option Identification**

17. This indicator assesses whether ADB has explicitly considered more than one option before settling on its strategic approach. Did ADB approach strategy preparation with an open mind or was the strategy written to justify decisions already made? Evidence of option consideration indicates that a “closed mind” approach may not have prevailed.

18. The maximum score means several alternative strategic approaches were explicitly considered and the reasons for the preferred approach clearly given (10).

19. Rating: any score between 10 and 0.

#### **H. Stakeholder Involvement**

20. This indicator assesses the extent to which stakeholders had influence and have demonstrated ownership of the strategic choices made.

21. The maximum score means that all key stakeholders participated in the strategy development and that their input demonstrably affected the choices made (10).

22. Rating: any score between 10 and 0.

## **I. Consistency and Coherence**

23. This indicator assesses the extent to which the strategy avoids internal contradictions in its strategic choices and the extent to which the various elements of the strategy link together as a coherent overall program.

24. The maximum score means that there are no internal contradictions in the strategy and that there is a coherence and synergy demonstrably evident in the total of ADB operations (public and private sector operations, TAs, ESW, and policy dialogue) (10).

25. Rating: any score between 10 and 0.

## **J. Critical Mass/Focus**

26. This indicator assesses the extent to which ADB's strategy and proposed package of resources to any one area is likely to be sufficient to produce sustained results. A key limiting factor is likely to be ADB's human resources. Are these stretched too thin to provide a critical mass of ideas and support?

27. The maximum score means a clear and limited focus by sector and/or subsector, target group and/or geographic area, consistent with the size of the overall resource envelope, such that substantial and sustainable results are likely to be achieved (10).

28. Rating: any score between 10 and 0.

## **K. Assumptions and Risks**

29. This indicator assesses the extent to which the strategy explicitly identifies the risks that could prevent strategy realization and the assumptions upon which success is predicated. Mitigation measures for risks should be identified. Particularly important are political economy risks.

30. The maximum score means that assumptions and risks associated with the strategy are explicitly identified and that mitigation measures for risks are identified (10).

31. Rating: any score between 10 and 0.

## **L. Continuity**

32. This indicator assesses the extent to which ADB's strategy provides critical mass over time. Is the strategy building on past experience with clearly identified learning?

33. The maximum score means that that there is clear evidence of a medium- to long-term commitment to an area of focus such that results can expect to build over time based on accumulated knowledge and experience (10).

34. Rating: any score between 10 and 0.

**M. Partnerships**

35. This indicator assesses the extent to which the strategy incorporates genuine partnerships (not always with ADB as the lead partner) such that results are likely to be greater than those that would be achieved by ADB working alone.

36. The maximum score means that synergistic partnership opportunities are identified with other funding agencies, NGOs, private sector, and civil society (10).

37. Rating: any score between 10 and 0.

**N. Positioning**

38. This indicator aims to assess the extent to which the strategy identifies and justifies a position of comparative advantage for ADB.

39. The maximum score means that ADB's comparative advantage(s) are clearly identified and justified and the strategy is demonstrably consistent with those comparative advantages (10).

40. Rating: any score between 10 and 0.

**O. Performance Monitoring and Evaluation**

41. This indicator assesses the extent to which the strategy incorporates the means for monitoring and evaluating the attainment of strategy and the results of strategy.

42. The maximum score means that the process of monitoring and evaluation is fully provided for in terms who will do this, how, and when. Costs provided for (10).

43. Rating: any score between 10 and 0.

**P. Innovativeness**

44. This indicator assesses the degree to which the strategy demonstrates innovation.

45. The maximum score means a high degree of innovativeness based on learning and with a well justified rationale (10).

46. Rating: any score between 10 and 0.

**Q. Flexibility**

47. This indicator assesses the degree to which the need for, and means of, flexibility is incorporated.

48. The maximum score means the role and justification for emergent strategy is explicitly covered and the process for decision-making is clearly spelled out (10).

49. Rating: any score between 10 and 0.

## EDUCATION SECTOR PERFORMANCE INDICATORS

**Table A3.1: Basic Education Indicators for Selected South Asian Countries, 2001**

Education Indicators	Pakistan	Bangladesh	India	Indonesia	Malaysia	Sri Lanka
1. Adult Literacy (%)						
a. Female	28.00 <sup>a</sup>	31.00	45.00 <sup>a</sup>	83.00	85.00 <sup>a</sup>	89.00
b. Male	57.00 <sup>a</sup>	50.00	68.00 <sup>a</sup>	92.00	92.00 <sup>a</sup>	95.00
2. Primary School Net Enrolment Rate (%)						
a. Female	57.00 <sup>a</sup>	88.00	76.00 <sup>a</sup>	92.00	95.00	—
b. Male	76.00 <sup>a</sup>	86.00	91.00 <sup>a</sup>	93.00	95.00	—
3. Secondary School Net Enrolment Rate (%)						—
a. Female	—	46.00	—	—	73.00	—
b. Male	—	42.00	—	—	66.00	—
4. Teacher-Pupil Ratio, Primary	44.00 <sup>a</sup>	55.00	40.00 <sup>a</sup>	21.00	20.00	—
5. Public Education Expenditure, 1998–2000						
a. As % of GDP	1.80	2.50	4.10	—	6.20	3.10
b. As % of Total Government Expenditure	7.80	15.70	12.70	—	26.70	—
6. Education Index <sup>b</sup>	0.41	0.45	0.57	0.80	0.83	0.82

— = data not available.

<sup>a</sup> 2000 data.

<sup>b</sup> Education Index was calculated by the United Nations Development Program on the basis of data on adult literacy rate (%) and combined primary, secondary, and tertiary gross enrolment ratio (%).

Source: Asian Development Bank. 2004. *Key Indicators*. Manila. Available: <http://www.adb.org/statistics/ki.asp>

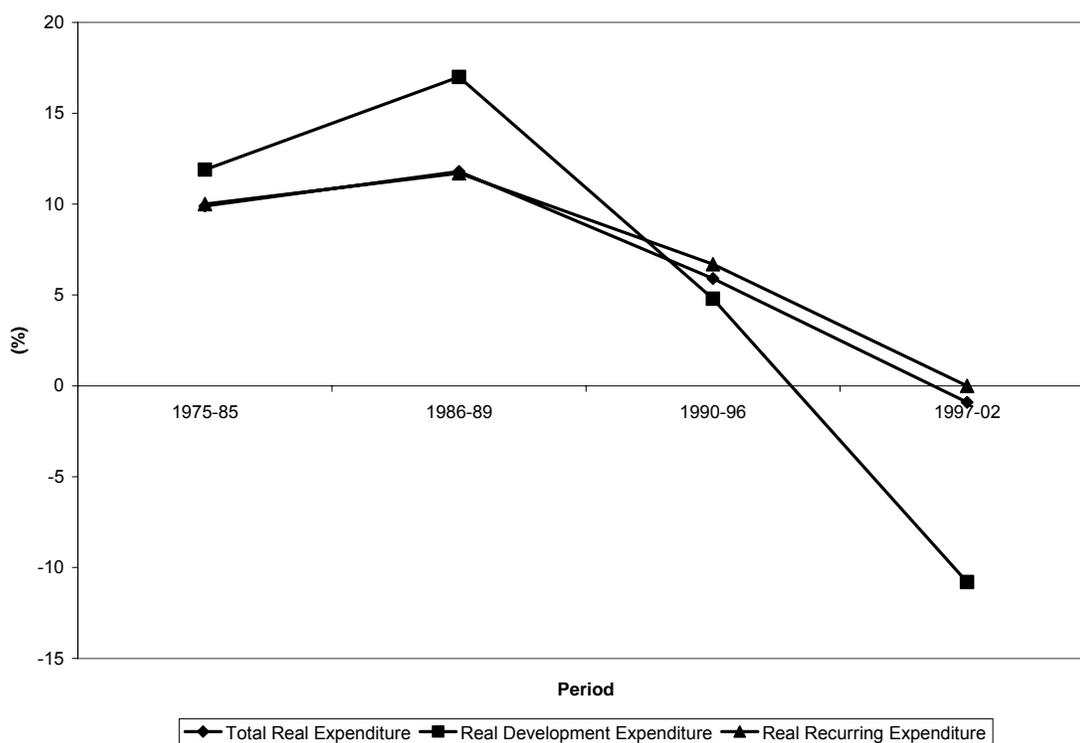
**Table A3.2: Plan and Policy Targets for Primary Enrolment**

Plan/Policy	Target (%)	Year	Achievement (%)
National Plan of Education Development (1951–1957)	67	1957	43 (1955)
First Five-Year Plan (1955–1960)	49	1960	36 (1960)
Second Five-Year Plan (1960–1965)	56	1965	45 (1965)
Third Five-Year Plan (1965–1970)	70	1970	39 (1970)
Sixth Five-Year Plan (1983–1988)	75	1988	69 (1988)
Eighth Five-Year Plan (1993–1998)			
Boys	96	1998	86 (1998)
Girls	82	1998	58 (1998)
National Education Policy (1998–2010)			
Net	90	2003	
Gross	105	2010	
Education Sector Reform Action Plan (2001–2005)			
Net	76	2005	59 <sup>a</sup> (2000)
Gross	100	2005	73 <sup>b</sup> (2000)

<sup>a</sup> United Nations Education and Cultural Organization estimate available at <http://www.uis.unesco.org>.

<sup>b</sup> National estimate available at <http://www.uis.unesco.org>.

Source: Taken from Social Policy and Development Centre. 2003. *Social Development in Pakistan: Annual Review 2002–2003*. Karachi.

**Figure A3: Average Growth in Real Expenditure on Education**

Source: Social Policy and Development Centre. 2003. *Social Development in Pakistan: Annual Review 2002–2003*. Karachi.

**Table A3.3: Percentage of Total Primary Level Enrolment in Private Schools**

<b>Item</b>	<b>1995</b>	<b>1998</b>	<b>2001</b>
Urban and Rural Combined			
Male	20	24	25
Female	22	26	27
Both	21	25	26
Urban Areas	43	47	49
Rural Areas	9	14	15

Source: Federal Bureau of Statistics. 2002. *Pakistan Integrated Household Survey*. Islamabad.

## HEALTH AND POPULATION SECTOR PERFORMANCE INDICATORS

**Table A4.1: Trends in Selected Health and Population Indicators**

Item	Period				Data Year
	1985	1990	1995	Latest Year	
A. Population Indicators					
1. Total Population (million)	96	110	124	148	(2003)
2. Annual Population Growth Rate (% change)	2.9	2.7	2.5	1.9	(2003)
B. Social Indicators					
1. Crude Birth Rate (per 1,000 people)	44	41	38 <sup>a</sup>	33	(2002)
2. Total Fertility Rate (births per woman)	6.1	5.8	5.6	4.5	(2002)
3. Maternal Mortality Ratio (per 100,000 live births)	600	340	200	500	(2000)
4. Infant Mortality Rate (below 1 year per 1,000 live births)	115	111	78	83	(2002)
5. Life Expectancy at Birth (years)					
a. Female	50	60	62 <sup>a</sup>	65	(2002)
b. Male	52	58	63 <sup>a</sup>	63	(2002)
6. Child Malnutrition (% below age 5 years)	49	40	40	38	(2001)

<sup>a</sup> 1996 figure.

Source: Asian Development Bank. 2004. *Key Indicators*. Manila. Available: <http://www.adb.org/statistics/ki.asp>

**Table A4.2: Basic Health Indicators for Selected Asian Countries**

<b>Item</b>	<b>Pakistan</b>	<b>Bangladesh</b>	<b>India</b>	<b>Indonesia</b>	<b>Malaysia</b>	<b>Sri Lanka</b>
Total Population (million), 2003	148.0	135.0	1,073.0	215.0	25.0	19.0
Annual Population Growth Rate (% change), 2003	1.9	1.3	1.7	1.4	2.1	1.3
Crude Birth Rate (per 1,000 people), 2002	33.0	28.0	24.0	20.0	22.0	18.0
Total Fertility Rate (births per woman), 2002	4.5	3.0	2.9	2.3	2.9	2.1
Maternal Mortality Ratio (per 100,000 live births), 2000	500.0	380.0	540.0	230.0	41.0	92.0
Infant Mortality Rate (below 1 year per 1,000 live births), 2002	83.0	51.0	67.0	33.0	8.0	17.0
Life Expectancy at Birth (years), 2002						
a. Female	65.0	63.0	64.0	69.0	75.0	76.0
b. Male	63.0	62.0	63.0	65.0	70.0	72.0
Child Malnutrition (% below age 5), 2001	38.0	52.0	47.0 <sup>a</sup>	25.0 <sup>b</sup>	12.0	33.0
Health expenditure, 2000						
a. Public (% of GDP)	0.9	1.5	0.9	0.6	1.8	1.8
b. Private (% of GDP)	3.2	2.6	4.0	2.1	1.6	1.9

<sup>a</sup> 1999 figure.<sup>b</sup> 2000 figure.Source: Asian Development Bank. 2004. *Key Indicators*. Manila. Available: <http://www.adb.org/statistics/ki.asp>

## PAKISTAN'S SOCIAL SECTOR POLICIES AND STRATEGIES

### A. Education

1. The first five-year plan (FYP) under the scope of this SAPE was the Sixth FYP. Under this, primary education was to become compulsory and universal. The curriculum, particularly for primary education, was to be revised. The plan's education objectives were not achieved. During this period, the prime minister launched a five-point program, which included a number of education initiatives. However, the government was dismissed in May 1988, and the incoming Pakistan People's Party government led by Ms. Benazir Bhutto replaced it with a similar program. This government was also dismissed before it announced its new education policy and a new government came into power, led by Mr. Nawaz Sharif. The Seventh FYP formulated at this time emphasized the promotion of technical and vocational education. The targets of this plan were also mostly not met.

2. In 1992, the Government launched an education policy with an ambitious agenda.<sup>1</sup> However, it was introduced without debate or input from the public or academia so had little ownership. It had barely been introduced before the departure of the government of Mr. Nawaz Sharif, the second term of Ms. Benazir Bhutto as Prime Minister, and the adoption of the Social Action Program (SAP), which was to dominate the 1990s.<sup>2</sup> SAP was unique in that support for it continued despite several changes of government—a reality almost certainly caused by the very extensive funding agency support for SAP. Education was SAP's most important component, under which specific targets were set. Again, targets were not met.<sup>3</sup>

3. As the "SAP decade" came to an end, a national education policy (1998–2010) was launched during the second government of Mr. Nawaz Sharif.<sup>4</sup> Yet again, the policy had barely been approved before the dismissal of the government and the assumption of power by General Pervez Musharraf. The education policies of this government were spelt out in a national plan of action for education for all (2001–2015), which outlined 15 main strategies. Medium term actions were spelled out in an education sector reforms document.<sup>5</sup> A 10-year perspective plan (2001–2011) and poverty reduction strategy paper (PRSP) also include policies and programs for the education sector. The Government is preparing a new FYP that will supersede the PRSP.

<sup>1</sup> This targeted the achievement of universal primary education, the elimination of dropouts and fulfilling basic learning needs by the year 2000. Other areas emphasized included education of women, extensive teacher training to enhance education quality, diversification of vocational and technical education, expansion of graduate and postgraduate programs, reform of the examination system, introduction of computer education at the school level, encouragement of community participation in schools, and a greater role for the private sector in education.

<sup>2</sup> SAP objectives were to strengthen planning, budgeting, and operational efficiency in social service delivery; focus on quality and access, especially for girls; increased expenditure; greater community participation; and increased political will to address poor social performance.

<sup>3</sup> See for example, OED's evaluation of ADB's first loan in support of SAP: ADB. 2001. *Project Performance Audit Report on the Social Action (Sector) Project*. Manila. Available: <http://www.adb.org/Documents/PERs/IN25601.pdf>

<sup>4</sup> Under this policy, areas of importance were Islamic education, literacy and nonformal education, elementary education, secondary education, teacher education and training of managers, technical and vocational education, higher education, information technology in education, library and documentation services, physical education and sports, private sector participation, innovative programs, and monitoring and evaluation.

<sup>5</sup> Objectives stated in this document include (i) universalization of primary education and adult literacy; (ii) mainstreaming religious schools; (iii) education quality improvement at all levels through better teachers, curriculum and textbook reforms, and a competency-based examination system; (iv) introduction of gender and area-specific technical and vocational education at secondary level with innovative approaches for student counseling; (v) empowerment to district education authorities; (vi) promotion of public/private partnerships; and (vii) diversification in general education.

4. The *Local Government Ordinance (LGO) of 2001* was the beginning of the process of a major change in government in Pakistan. The key elements of the devolution of power plan in the context of the education sector are the transfer of responsibilities from the provincial ministries of education to the district governments. The newly created administrative positions are the district coordination officer who reports to the *nazim* (mayor), but also has a dotted line responsibility to the provincial government. The executive district officer (education) reports to the district coordination officer, and has the responsibility, in theory, of recruitment and management of district education personnel, and payment of their salaries. This transfer of power has been accompanied by a transfer of revenues from the provincial to the district governments. However, this transfer does not yet take place in practice for all districts at all times.

5. There have been 24 major education policies, plans, programs, and schemes in Pakistan (including SAP) since independence, starting with the 1947 National Education Conference. Regretfully, the contribution of these to development of education appears to have been negligible. As the SPDC observes:

Each round of policy making repeats the same pattern: the importance of education is iterated, the failure of past efforts is lamented, the main issues in education reforms are highlighted, and new plans are proposed to meet new targets. Yet, the targets have remained elusive to date.

## **B. Health and Population**

6. During the Sixth FYP an accelerated health program was launched, which included control of communicable diseases particularly diarrhea among children, immunization against the six communicable diseases, and provision of safe home-based delivery care. This last objective was addressed through training of more than 30,000 traditional birth attendants (TBAs). The population welfare program was modified to have greater focus on providing services to the rural population and improving the quality of services; an attempt was made to integrate family planning with maternal and child health (MCH) services, and also to involve nongovernment organizations (NGOs) in the delivery of family planning services. In 1986, the first social marketing program in family planning was introduced, whereby the sale of condoms at subsidized prices was promoted through the private sector.

7. These initiatives were only partly successful, as immunization coverage remained low, the incidence of diarrhea among children and infant and child mortality remained high, and contraceptive prevalence rate could only reach about 9% by 1985. The TBA program also proved to be largely unsuccessful as the quality of training was poor, there was no system for supportive supervision of TBAs, and no mechanism to monitor their performance. Even though the desired targets in terms of number of TBAs were surpassed, the initiative failed to have any effect on maternal mortality, and referrals of obstetric emergencies to secondary hospitals did not increase significantly.

8. Under the Seventh FYP (1988–1993) initiating labor rooms were to be provided at basic health units and regional health centers, along with special obstetric beds at the latter. It was also planned to post obstetricians at all secondary hospitals and to upgrade services provided there. The plan endorsed the continuation of all family planning and related activities. However, most of the objectives for population and health were not achieved due to a severe shortage of funds. The Eighth FYP aimed to reduce imbalances in the health staffing and address management weakness in health care delivery. Adequate provision of MCH services was seen

as important. For this purpose, an additional cadre of outreach workers (community health workers or village health workers, who were later renamed as lady health workers) was to be introduced in the rural areas. Initially 33,000 lady health workers were to be trained and employed.<sup>6</sup>

9. The Eighth FYP targeted a reduction in the population growth rate from 2.9% in 1992 to 2.6% by 1997, with a further reduction to 2.5% by 2000; and an expansion of family planning to cover 70% and 100% of the rural and urban populations respectively. The ambition was to extend the program to cover the entire population by the year 2000. Targets were set for increased numbers of family welfare centers and reproductive health services centers. NGOs were to be provided training, technical assistance, and selected operational inputs to improve service delivery, particularly in urban slums, *katchi abadis*, and labor colonies. Achievement fell well short of targets.

10. In 1990, a comprehensive national health policy was introduced. Its goals were to (i) provide universal health coverage for all, completely free of charge for those who could not afford to pay; (ii) introduce a national health insurance scheme; (iii) democratize and decentralize the healthcare delivery system; and (iv) increase trained health personnel. It was proposed to create and train a new cadre of 100,000 village health workers over a 10-year period and to introduce an essential drug list among other moves. Apart from some increase in trained health personnel, these goals were not met.

11. In 1997, another government approved another national health policy. Its vision was for provision of comprehensive and quality health care to all segments of the society. The burden of ill health from preventable causes was to be greatly reduced. The capacity of the healthcare delivery system to deal with new and emerging health threats was to be enhanced to make it adequate to ensure public safety. A strategy for achieving this was outlined. There was only a limited period before the government that approved this plan was replaced.

12. In 2001, the current government approved the most recent version of a national health policy. Its vision is "health for all." The policy envisages health sector reforms as a prerequisite for poverty alleviation. It gives particular attention to strengthening the primary and secondary tiers of health services, and it calls for establishment of good governance practices in order to achieve high quality health services. The policy identifies 10 areas for reform.<sup>7</sup> Specific targets are to achieve 80% or greater immunization coverage and tuberculosis treatment; 50% reduction in malaria cases; full coverage of the rural population by lady health workers (the number to reach 100,000 by 2005); upgrade 58 district hospitals and 137 *tehsil* hospitals to secondary care referral level by 2006; and to increase the number of trained nurses to 55,000 by 2010.

13. A population policy was approved in 2002. This focuses on integration of reproductive health services with family planning, increased participation of the private sector, greater

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<sup>6</sup> Other measures to be introduced under the Eighth FYP included (i) introduction of user charges and/or payment for services in public hospitals, (ii) incentives to the private sector to extend private sector facilities to rural and semi-rural areas, (iii) development of traditional systems of medicine, (iv) provision of family planning services at all health outlets, and (v) health personnel planning to be institutionalized federal and provincial levels.

<sup>7</sup> These are (i) reduction of widespread prevalence of communicable diseases, (ii) addressing inadequacies in primary and secondary level health facilities, (iii) removing managerial and professional deficiencies in district health systems, (iv) promoting gender equality in the health sector, (v) addressing nutrition disorders among women and children, (vi) correction of an urban bias in the health sector, (vii) introduction of regulation of private healthcare providers, (viii) promoting mass awareness campaigns addressing public health issues, (ix) improving the supply and regulation of drugs, and (x) capacity building for health policy monitoring at the Ministry of Health.

emphasis on social marketing, and enlarging the scope of family planning services. The Ministry of Population Welfare has shifted its emphasis in mass communication campaigns from population control to women's health. The Ministry envisages a faster decline in population growth rate by addressing the unmet need for family planning to increase contraceptive prevalence rate to 60% or above. In 2002, the Government approved an interim population perspective plan (2002–2012), which includes five strategies.<sup>8</sup>

14. It is clear that Pakistan has never had a coherent and integrated national health and population policy or a joint strategy for the population and health sectors. The only exception is perhaps the national reproductive health services package introduced in 2000 by the federal ministries of population and health. However, its implementation and effectiveness have been unsatisfactory. The three national health policies and the FYPs have failed to address sector problems comprehensively and effectively. All have been quite clear in their emphasis on improving MCH, and their recognition of the shortfalls of the efforts made in this direction. Despite this, the national MCH strategy and program have remained fragmented and unfocused. The MCH focus has oscillated between child health and maternal health, always leaving out some important components. The result has been separately evolving and operating programs in safe motherhood and newborn care. Pakistan needs a coherent, innovative, sustainable, reliable, and cost-effective strategy in MCH, with due emphasis on family planning, safe motherhood, and nutrition for mothers and children, by addressing gender inequalities in health and by improving access of the poorer segments of population to good quality affordable healthcare.

### C. Water, Sanitation, and Urban Development

15. Over the past two decades the sectors have experienced a major transformation. Three distinct policy environments can be identified:

- (i) **1985–1993.** From the mid-1980s to the mid-1990s, water supply and sanitation investments and government priorities remained defined by *ad hoc* attempts at preparing high profile poverty alleviation plans for the rural areas, focusing on differentiated service levels in urban areas with priority given to large cities, and addressing the issue of urban poverty through a progressive *katchi abadi* regularization policy. Donor investments reflected these priorities.
- (ii) **1993–2001.** Social sector priorities became defined by, what became seen as the donor driven, SAP. The RWSS sector under SAP overshadowed urban investments; ADB was one of few funding agencies investing in the urban sector during this period.
- (iii) **Post-LGO 2001.** The sector is in transition: the supply-driven, centralized planning, and service delivery systems and associated interests are resisting change to a demand-driven system based on local level political accountability.

16. Over these periods, successive governments have adopted a number of sector specific laws and policies: (i) 1985 *katchi abadi* policy; (ii) uniform policy for RWSS; and (iii) policy guidelines on *katchi abadis*, upgrading and urban improvement; and (iv) the LGO 2001.

<sup>8</sup> These are (i) implementing a comprehensive reproductive health services package; (ii) developing linkage between poverty, family security, and life-cycle approach to reproductive health to improve status of women; (iii) encouraging males as partners in family planning and reproductive programs, motivate them for responsible reproductive behavior in relation to women's health, and promoting responsible fatherhood; (iv) involve all service outlets of health departments to offer family planning services; and (v) NGOs support to social marketing of contraceptives.

17. In the 1970s and the early 1980s, the World Bank, ADB, and bilateral agencies funded major investments in urban water supply and sanitation. The focus was on engineering solutions to urban services with projects typically framed around inflexible and supply driven master plans. During the period, two FYPs and two other plans/policies of relevance were approved by the government of the day.

- (i) The Sixth FYP 1983–1988, which in many respects was ahead of its time, had a focus on local level accountability and community participation. It included baseline data, coverage targets, trends and priority issues, and it presented an assessment of previous plan periods. It recommended a clearly thought out investment strategy.
- (ii) The Seventh FYP 1988–1993, which for the water, sanitation, and urban housing and development sectors, was based on limited sector analysis and insufficient reflection on the failures of the previous plan period. The focus remained on physical targets, supply side measures to address shortages in housing stock, and master planning of cities as a solution to improved urban services.
- (iii) The prime minister's five-point program, which gave a boost to rural development.
- (iv) The *katchi abadi* regularization policy of 1985.

18. Despite these plans, no government had a clear strategic position on water supply and sanitation throughout the period. The sector was included in three debates/sectors, which saw it simultaneously as (i) a social sector contributing directly to poverty alleviation (specifically for *katchi abadi* upgrading and regularization), (ii) an infrastructure (physical planning and housing) sector, and (iii) part of rural development. Given this, and the numerous funding sources and agencies involved, it is difficult to determine a coherent policy framework or the level of public expenditure on the sector.

19. In 1978, with the promulgation of the martial law order regarding *katchi abadis*, and its subsequent promulgation as an ordinance in 1986, the question of urban services to the poor was to be addressed solely through the spectrum of *katchi abadis*. The larger question of urban poverty and service to the urban poor (not only *katchi abadi* dwellers) remained secondary. This only came into focus in 2001 with the formulation and partial promulgation of the policy guidelines on *katchi abadis*, upgrading and urban renewal, and the effectiveness of LGO 2001.

20. The government strategic position on water supply and sanitation became more explicit during SAP. RWSS was included as a social sector, with the implicit assumption that urban water supply and sanitation was not a critical social sector. Although the impetus for SAP came from the Government, World Bank funding started in 1994, followed closely by other external agencies (including ADB), and increasingly SAP became seen as an externally driven investment—an interesting and important lesson on how government ownership can be undone by funding agency capture.

21. In theory, LGO 2001 has brought about major structural changes in the delivery of water supply and sanitation services to the poor. A clear assignment of service responsibilities with fiscal authority and political oversight has created an institutional framework for improved efficiency and accountability. The law has decentralized and de-concentrated service delivery agents and assets; it has removed the jurisdictional and functional overlap of institutions; it has introduced a new system of transparency and accountability; and it has empowered local governments to enter into a range of institutional arrangements—from community owned systems to concessions—for the delivery of water and sanitation services to the poor.

48. Generally, it can be concluded that planning procedures for the sectors have been outdated, investment strategies were not synchronized with available resources, and systems of accountability have been nonfunctional. Time will tell if the reforms launched by LGO 2001 will bring about the resolution of constraints facing the sector.

## SOCIAL SECTOR STRATEGIES IN ADB COUNTRY STRATEGIES

### A. Strategies for Economic Growth and Development (1985 to 1989)<sup>1</sup>

1. This was ADB's first Pakistan country strategy. It was a major exercise that resulted in a massive 804-page document. The principal end sought by the strategy was balanced growth. The general means to achieve this end were identified as policies to promote structural change, improved economic efficiency, and stronger development institutions. Specific means identified for social sector operations were

- (i) continued work on science education for secondary schools as well as primary education, mathematics education, in-service teacher training, female literacy, and adult literacy projects (despite an identified lack of provincial financing for this);
- (ii) upgrading the primary health care delivery system (through training of female paramedics and improving management and planning of health services), studying the prospects of increasing user charges, and other financing methods; and
- (iii) concentration on environmental infrastructure improvements in major cities where infrastructure had deteriorated the most, and promotion of development of selected smaller cities with substantial economic and urban growth potential in the future.

2. The guiding philosophy for the education and health sectors was to provide a better educated and healthier workforce to contribute to economic growth. However, there were also equity considerations in terms of female literacy and training of female health workers. The importance attached to urban development was ahead of its time—an importance that has been difficult to sustain over time.<sup>2</sup>

### B. The Bank's Operational Strategy in Pakistan (1990 to 1994)<sup>3</sup>

3. The principal end sought by ADB's second operational strategy was self-sustaining growth. The general means of achieving this end were identified as (i) promotion of export growth, (ii) domestic resource mobilization, (iii) increased private sector participation, (iv) improved efficiency of existing investment while optimizing resource mobilization, and (v) poverty alleviation and human resource development. Specific means to be adopted by ADB for social sector operations were

- (i) in terms of education, improving the supply of skilled workers and increasing literacy, particularly of rural women;
- (ii) decentralization of social sector services;
- (iii) improved delivery of rural health services, particularly for women;
- (iv) improved housing, sanitation, and water supply in urban areas to cope with the rapid growth of these;

<sup>1</sup> Asian Development Bank. 1985. *Strategies for Economic Growth and Development: The Bank's Role in Pakistan*. Manila.

<sup>2</sup> As equity considerations came more to the fore, the emphasis has shifted more to rural areas, where a majority of the disadvantaged live. While this is a plausible short-term response to a desire to reduce poverty, it does not take account of the issues of rapid urbanization, the growth of urban poverty, and the inherent difficulties in delivering basic social services in rural areas. The alternative strategy of focusing on social sector delivery in urban areas has never been considered.

<sup>3</sup> Asian Development Bank. 1990. *The Bank's Operational Strategy in Pakistan*. Manila.

- (v) support to development of community-based institutions to improve housing and to provide extension services and housing finance; and
- (vi) increased availability of potable water for rural dwellers.

4. A duality in social sector objectives continued in this strategy—combining better social outcomes to contribute to economic growth on the one hand and more equitable social outcomes for women and rural people on the other. The duality in terms of rural and urban support also continued. The specific means of support to decentralization and increased housing finance were not followed through to any significant extent. The statement of specific means (and the inherent dualities) illustrates the tendency for ADB to recognize important needs but also an apparent inability or unwillingness to be selective about its response.

### C. Country Operational Strategy Study for Pakistan (1995 to 1998)<sup>4</sup>

5. In 1993, the Government launched SAP to address the poor social performance in Pakistan. In this context, ADB prepared its third country operational strategy. Previously, economic growth had been the principal (and only) end sought. With this strategy, human resource development became the main end, with economic growth an important, but secondary, objective. The role of economic growth was to generate employment and financial resources for investment in human and physical capital. General means identified for ADB to deliver on the human resource development objective were

- (i) targeting services at women, particularly education;
- (ii) reduced population growth and improved health and nutrition;
- (iii) public sector management reform; and
- (iv) decentralization.

6. General means to be followed by ADB in support of the economic growth objective were

- (i) harnessing the growth potential of the private sector;
- (ii) continued support to agriculture, transport, energy, industry, and finance;
- (iii) environmental conservation.

7. Specific means by which ADB would contribute to achieving social sector ends were:

- (i) Increased enrolment and retention of girls in primary education. Teacher training, (in-service and pre-service), curricula review and development, upgrading of educational materials and equipment, technical and vocational education, middle and secondary schools (grades 6–10), and nonformal education.
- (ii) Investigation of increased assistance for population programs—it was noted that women-sensitive population programs should be framed around women's reproductive rights by providing women with appropriate information to make informed choices and decisions regarding their fertility.
- (iii) Seek the integration of health and population services, thereby acknowledging the link between maternal and child mortality.
- (iv) Training of nurses and paramedical personnel, particularly female personnel, in rural areas.
- (v) In light of growth in urbanization, focus on urban water supply and sanitation.

<sup>4</sup> Asian Development Bank. 1995. *Country Operational Strategy Study for Pakistan*. Manila.

8. This strategy signaled a major change in direction for social sector operations. Rather than equity being an “add on” to economic growth, it became a major objective in its own right. Although the emphasis shifted significantly to rural areas, ADB was one of the few agencies to maintain some support for urban development during this period. Although the change of direction was significant, it was not caused by ADB’s own analysis—instead, it was a response to the Government’s adoption of SAP. The strategy is also the first to identify a need for public sector reform as a necessary condition for achieving better social outcomes although it would be some time before this was reflected in the program.

#### **D. Country Operational Framework (1999 to 2001)<sup>5</sup>**

9. In 1998, economic sanctions were imposed by the Group of 7 countries following Pakistan’s nuclear tests. The sanctions magnified Pakistan’s socioeconomic difficulties. The incidence of poverty worsened as the economy plunged from the loss of investor confidence, slowdown in private sector investment, and the suspension of new official development assistance. The economic crisis led to ADB’s reassessment of its strategy and to the formulation of the country operational framework for 1999–2000. Under this, the principal ends sought increased from two to three and economic growth was again elevated to first position: (i) improved economic efficiency and export performance, (ii) enhanced human and social development, and (iii) strengthened governance. Governance was identified as a critical issue since most economic and social problems were seen as having a governance dimension. ADB committed to the following general means:

- (i) Promotion of finance, trade, and industry reforms.
- (ii) Development of an efficient and competitive power sector.
- (iii) Increased efficiency in the agriculture sector.
- (iv) Development of the provincial road networks, including rural roads.
- (v) Improved quality, efficiency, and access in the SAP sectors.
- (vi) Institutional reforms, improved aid and debt management, legal and judiciary reform, and strengthening of institutions in sectors where ADB is engaged—specifically, reforms of the institutions involved in export promotion, taxation, and the provision of electricity.

10. Specific means for social sector operations were:

- (i) Expansion of quality basic education, especially for girls in rural areas, as well as nonformal education; and support to quality improvements with emphasis on dropout prevention in rural areas through scholarships, community involvement, and teacher in-service training.
- (ii) For the health sector: (i) improved public sector efficiency through strengthening the management and development of public-private partnerships and (ii) increasing equity through improved access of women to health services, and the quality of women’s health care.
- (iii) For urban development: (i) institutional restructuring with emphasis on elimination of overlapping functional responsibilities, improved urban management, staffing policies, and devolution of services delivery; (ii) private sector involvement in the delivery of selected urban services; (iii) improved budgeting and finance, and increased cost recovery and municipal revenue; and (iv) increased community involvement.

<sup>5</sup> Asian Development Bank. 1999. *Pakistan: Country Operational Framework 1999–2000*. Manila.

11. Disillusionment with SAP and the problems in tracking public expenditure led to the identification of governance as an area that needed to be addressed. While this can be seen as a positive example of learning, it did not lead to a more selective approach.

### **E. Country Strategy and Program (2002 to 2006)<sup>6</sup>**

12. The most recent country strategy increases the list of ends sought to four, headed by good governance. The other three are (i) poverty reduction, (ii) sustainable pro-poor economic growth, and (iii) inclusive social development. General means identified to achieve these ends were

- (i) mainstreaming good governance across all ADB operations;
- (ii) specific governance interventions;
- (iii) structural reforms in key sectors;
- (iv) rural development;
- (v) employment generation;
- (vi) regional cooperation;
- (vii) increased women's participation in the workforce, government, and judiciary; and
- (viii) mainstreaming environmental concerns.

13. Specific means to be the focus of ADB social sector operations were:

- (i) Improvement of public debt management capacity by assisting provincial governments to improve public resource management and local governments to enhance their own revenue base, and more effectively use resources to deliver basic public services to the poor.
- (ii) For women: (i) targeting projects for women, (ii) mainstreaming gender across all projects, and (iii) promoting policy and institutional reforms for awareness and enforcement of women's rights and representation in all aspects of economic and social development.
- (iii) Provide social protection to the most vulnerable groups, particularly children and the indigent through the enforcement of child labor laws and promoting self-monitoring by business.

14. Governance became the dominant theme. This was strongly reflected in new approvals for projects classified as governance interventions, but less well in other sector operations and very little in the ongoing program. While SAP attempted to increase social sector spending with no consideration given to where the funds would come from, this strategy moved to help provincial governments create fiscal space for greater social sector spending (among other priorities). Goal congestion becomes more apparent in this strategy. While governance becomes an overarching theme, the breadth of operations increases as the size of the program goes up.

15. A country strategy program update was prepared in 2003 to cover the period from 2004 to 2006.<sup>7</sup> This put poverty reduction as the primary end sought with good governance, pro-poor economic growth, and inclusive social development as the general means to this end. In other words, ADB's overarching objective and the pillars for achieving this were adopted at the country level with no apparent analytical underpinning. The tendency to equate strategy with the

<sup>6</sup> Asian Development Bank. 2002. *Country Strategy and Program: Pakistan 2002–2006*. Manila.

<sup>7</sup> Asian Development Bank. 2003. *Pakistan: Country Strategy and Program Update (2004–2006)*. Manila

program becomes very explicit in this update. Specific means relevant to social sector operations were:

- (i) Strengthened decentralization, improved delivery of social services at the local level, and gender and social development.
- (ii) Support for legal, judicial, police, and civil service reforms.
- (iii) Building capacity of the Government of Punjab for improved strategic planning and fiscal sustainability through efficient and transparent financial management.
- (iv) Support community participation, NGOs, and private sector involvement in social sector development.
- (v) Support quality basic education for girls in rural areas, and decentralized elementary education in Sindh.
- (vi) Improved reproductive health, expanded service provision, district health systems development, support to health policy reforms in NWFP, and anti-child labor action plan. Planned assistance includes decentralized social service programs in four provinces, a technical education project, family protection project, and a social health insurance project.
- (vii) Environment improvement and sustainable urban development in Rawalpindi.
- (viii) Support for high-priority basic urban infrastructure investments in NWFP.
- (ix) Future assistance included basic urban services development projects in Punjab, Sindh, and Balochistan.

16. A further update was prepared in 2004 covering the period from 2005 to 2006. This has seen some significant changes to ADB's strategic agenda necessitated by the Government's decision to use OCR resources only for infrastructure projects and provincial debt restructuring. The primary end sought by the strategy remained poverty reduction. The number of general means to this end increased to six: (i) greater emphasis on higher and sustained pro-poor growth, (ii) good governance, (iii) social development, (iv) gender and development, (v) private sector development, and (vi) regional cooperation. Specific means for social sector operations were:

- (i) ADB to mainstream governance as a crosscutting theme in all project interventions at the sector level.
- (ii) Promotion of good governance in the management of the development process; public resource and expenditure management; strengthening of institutions, systems, and capacity; and promotion of local participation and ownership.
- (iii) Increased allocations for social sectors.
- (iv) In the education sector, support to local governments to increase their capacity; improved access to quality basic education, especially for females; community participation in management and monitoring of schools; and adequate provision of recurrent expenditure for teachers' training, school supplies, and improved sanitation in schools.
- (v) In health, nutrition, and social protection, support to local governments to increase their capacity, expanded access to health facilities for women, decentralized management, adequate provision of basic medicine, and private/sector partnership.
- (vi) In water supply and sanitation, urban development initiative to reduce poverty in NWFP, support for water supply schemes under the Sindh Devolved Social Services Program, as well as assistance for local government capacity to efficiently provide water and sanitation services.

- (vii) Development of a strategy to determine the role of the private sector in financing, construction, and operating and maintaining of infrastructure through the formation of public/private partnerships; creation of policy, regulatory, and institutional frameworks to support such partnerships; and development of pilot partnership models for specific projects.

17. This update reflects a problem inherent in formal strategies in changing environments—a single event, in this case a decision by the government, can render a large part of the formal strategy obsolete.

## ADB'S INSTITUTION LEVEL STRATEGIC FRAMEWORK RELEVANT TO SOCIAL SECTOR OPERATIONS

### A. Education

1. ADB's early focus was on technical and vocational education, since 1970, which was seen as necessary for industrial development. By late 1980s, ADB broadened its focus to include basic education, especially basic education for girls. An education policy paper was approved in 1988.<sup>1</sup> This recognized basic education as a human right. The 1999 poverty reduction strategy<sup>2</sup> indicated that ADB would provide support for basic and nonformal education and skills development, particularly for women. Support for equitable, cost-efficient, and relevant education was to be enhanced by promoting better performance monitoring, decentralized management, relevant curricula, and stronger linkages to civil society. In 2001, the long-term strategic framework<sup>3</sup> stressed social development through policy reform programs, ensuring adequate budgetary allocations for human development, targeting basic social services to the poor, and reducing gender discrimination. ADB's latest education policy was approved in 2002.<sup>4</sup> Priorities are stated as reducing poverty; enhancing the status of women; and providing the knowledge, attitudes, and skills essential for pro-poor, sustainable economic growth.<sup>5</sup>

### B. Health

2. The general objectives of ADB's 1991 health and population policy were (i) improved health conditions; and (ii) attainment of population growth rates and fertility decline.<sup>6</sup> A new health sector policy was approved in 1999.<sup>7</sup> Under this, the approach was to assist countries to provide broad access to basic preventive, promotive, and curative services that are cost-effective, efficacious, and affordable. According to the policy, the guiding strategies were

<sup>1</sup> ADB. 1988. *Education and Development in Asia and the Pacific*. Manila.

<sup>2</sup> ADB. 1999. *Fighting Poverty in Asia and the Pacific. The Poverty Reduction Strategy of the Asian Development Bank*. Manila.

<sup>3</sup> ADB. 2001. *Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

<sup>4</sup> ADB. 2002. *Policy on Education*. Manila.

<sup>5</sup> In support of these, the policy indicates that attention should be given to (i) increasing access of the poor; (ii) equitable allocation of government resources targeted for basic education; (iii) ensuring retention in school; (iv) improving quality of education by improving the quality of instruction at the classroom level (basic and higher education), curriculum reform, enhancing teacher training and development, improving teacher service conditions, and incentive structures; (v) strengthening decentralized education management by supporting capacity building of the central, provincial, and district education ministries in planning, administration, and financial management; strengthening community participation in school management to improve accountability, increase transparency of decision making, and enhance ownership; (vi) improving the efficiency of resource utilization at all levels of education; (vii) mobilizing resources for sustainable financing through policies and programs that will enhance cost-sharing, cost recovery, and increased local generation while supporting private sector education; (viii) strengthening collaboration with development partners, NGOs, communities, and the beneficiaries; and (vi) supporting the development of information technology policies and strategies for the education sector.

<sup>6</sup> ADB. 1991. *Health, Population and Development in Asia and the Pacific*. Manila. Priority areas of the policy were (i) institutional development through enhancement of policy, administration, and management; (ii) health services delivery through support of preventive and promotive programs, realignment of public expenditure patterns, effective targeting of assistance to high-risk populations, and enhanced public-private coordination; (iii) family planning services delivery through continued integration of health and population activities but with the possibility of separate avenues of assistance for population even if this would result in relatively small projects; (iv) involvement of NGOs, as well as communities, in project formulation and implementation; (v) human resource development, including planning, training, and deployment; (vi) essential support services; and (vii) sector financing by way of developing cost-effective and equitable uses of health resources, identifying alternative sources of financing such as user charges and insurance schemes, and encouraging increased private sector participation.

<sup>7</sup> ADB. 1999. *Policy for the Health Sector*. Manila.

(i) improving the health of vulnerable groups; (ii) achieving tangible and measurable results; (iii) testing of innovative approaches to the management and financing of the health sector, and assisting with the deployment of new technologies; (iv) policy reform in promoting increased public investment in primary health care, facilitating private sector involvement in health, and increasing the focus on public goods through policy reform; and (v) increasing the efficiency of health sector investments by strengthening managerial capacity, improving economic and sector work, and strengthening linkages with other sectors.<sup>8</sup>

### C. Population

3. ADB's only specific population policy was prepared in 1994.<sup>9</sup> This sought to develop a stronger program and so deepen ADB's operational relevance in the population sector. It proposed four specific activities: (i) sector reviews, (ii) human resource development studies, (iii) studies on the special characteristics of population projects, and (iv) inter-agency collaboration. In particular, ADB was expected to strengthen its sector work to identify population trends, demographic impacts on economic growth, and priorities for population assistance. Demographic perspectives were to be reflected in all country operational strategies and country analytical documents. HRD sector reviews were to include assessments of women-in-development issues as well as social priorities covering population, health, education, and nutrition. Education sector operations were expected to consider investment decisions that would contribute to fertility decline and improved MCH. Integration of family planning with health and community development efforts was identified as contributing to fertility decline. Cost recovery in population projects was to be reviewed as desirable, but not to be a condition for borrowing.

### D. Water and Sanitation

4. ADB approved a policy paper on water in 2000.<sup>10</sup> The policy seeks to promote the concept of water as an economic good that needs careful management to sustain equitable economic growth and reduce poverty. Conservation and protection of water resources in the region through a participatory approach is the thrust of the policy. Principal elements include (i) the promotion of a national focus on water sector reform, (ii) management of water resources; (iii) improvement and expansion in the delivery of water services, (iv) the conservation of water

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<sup>8</sup> Specifically, ADB's role is to help improve primary health care of the poor, women, children, and indigenous peoples and ensure that the benefits are received by measuring the extent of access by the vulnerable groups to health services. ADB is expected to achieve tangible and measurable results by (i) strengthening monitoring and evaluation of all health sector activities; (ii) emphasizing effective interventions such as vaccination, micronutrient supplementation, and case management of tuberculosis; (iii) improving the quality of loans at entry by strengthening technical peer review process; and (iv) improving implementation of health sector activities through more frequent and detailed review missions. The testing of innovative approaches in health care financing, organization, and management, and the deployment of new cost-effective technologies are to be supported. A significant role of ADB is foreseen in the health sector reform in terms of encouraging governments to take an appropriate and activist role in (i) increasing budgetary allocations for primary health care; (ii) diversifying health care financing; (iii) collaborating with the private sector, including NGOs; and (iv) increasing support for public goods such as research, health education, and regulation. The policy states that increased efficiency of health sector investments by ADB will be achieved through (i) strengthening the management capacity of the public sector; (ii) improving ADB's economic and sector work, and strengthening linkages with other sectors; and (iii) further strengthening ADB's collaboration with partner institutions operating in the health sector.

<sup>9</sup> ADB. 1994. *Population Policy Paper. Framework for Bank Assistance to the Population Sector*. Manila.

<sup>10</sup> ADB. 2000. *Water For All. The Water Policy of the Asian Development Bank*. Manila.

and increasing system efficiencies, (v) promotion of regional cooperation, (vi) facilitation of water sector information exchanges, and (vii) improvement in governance.<sup>11</sup>

## E. ADB's Institution-Level Thematic Strategies

### 1. Good Governance and Capacity Building

5. ADB's policy on governance was approved in 1995.<sup>12</sup> This identified four elements of good governance: (i) accountability, (ii) participation, (iii) predictability, and (iv) transparency.<sup>13</sup> To further emphasize the importance of governance, the 1999 poverty reduction strategy established good governance as one of the three pillars of growth that addressed transparent procedures, improvement in public expenditure management at central and local levels, and increased government accountability through fiscal decentralization and local empowerment. In 2000, ADB approved a medium-term governance policy paper aimed at (i) elevating governance issues to the top level of the development agenda; (ii) developing a consensus on regional benchmarks, codes of conduct, and best practices across public and private sectors; and (iii) enhancing the quality of governance in individual countries.<sup>14</sup>

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<sup>11</sup> Specifically, the policy states that ADB will support national water policies that link water to national development goals and protection of the environment. Due to fragmented project planning and implementation among many institutions, ADB is expected to support the development of effective cross-sectoral coordination mechanisms, such as a neutral sector body that will oversee policy formulation and sector reforms. In addition, support is to be provided for the review and revision of water legislation, particularly in areas of water rights and allocation among competing uses, water quality standards, groundwater use, demand management, resource conservation, private participation, and institutional strengthening at the national, regional, or local levels. On water resources management, ADB is to support the decentralization of planning, development, and management of water and the establishment of river basin organizations to facilitate stakeholder consultation and participation and improve planning, information gathering, and monitoring of local and national authorities. Participatory approaches for water allocation are to be encouraged by ADB. Environmental and social impact assessment procedures are to be applied where risks are acceptable and ADB's involvement necessary. Water services are to be improved through decentralization, private sector participation, public-private partnerships, and participation of the community. To increase system efficiencies, ADB is to support cost recovery through tariff reforms. Wide-ranging public awareness and community education programs especially among women, youth, and farmer groups are to be promoted to help conserve water resources. ADB is to promote regional cooperation; foster participation through collaborative partnerships between governments, private agencies, NGOs, and communities; and capacity building. Improvement of governance is encouraged through capacity building, strengthening monitoring, evaluation, and research at all levels.

<sup>12</sup> ADB. 1995. *Governance: Sound Development Management*. Manila.

<sup>13</sup> Under accountability, ADB was to build and strengthen government capacity in countries covering public sector management, public enterprise management and reform, public financial management, and civil service reform. ADB was to formulate and implement policies, plan operations, and monitor feedback of public sector agencies (line ministries, as well as project executing agencies), as well as assist in the reform of public enterprises. Assistance in public financial management addressed the need for fiscal discipline in the government budget, budgetary allocations within and between sectors, and the overall adequacy of governments' development expenditures. ADB was to assist in strengthening public administration systems to provide clear career paths, adequate salary and benefits, and incentives promoting advancement in the civil service through staff performance and productivity. To expand participation, ADB was to (i) enhance participation of beneficiaries and affected groups in project design and implementation, (ii) strengthen public sector/private sector interface, (iii) identify characteristics of decentralization that are market preserving and that can enhance economic performance, and (iv) promote cooperation with NGOs. ADB was to also address legal system reform, and was to serve as a clearinghouse for knowledge on best practice within the region.

<sup>14</sup> ADB. 2000. *Promoting Good Governance. ADB's Medium-Term Agenda and Action Plan*. Manila. To achieve these objectives, the policy requires ADB to (i) address key governance issues in developing member countries in a systematic and focused manner; (ii) initiate a regional governance program to raise the profile of governance, and provide a focal point for governance issues; (iii) demonstrate the cost of corruption and the value of eliminating it by setting an example of zero tolerance for it in ADB's own activities; (iv) improve coordination of governance activities by development agencies through enhanced cooperation and partnership; (v) strengthen ADB's capacity to

## 2. Gender and Development

6. ADB's first policy on the role of women-in-development was adopted in 1985. The emphasis of the policy was on the provision of financing for projects in areas such as social infrastructure that would directly benefit women, as well as those in agriculture, rural development, and small-scale industries, in order to create income earning and employment opportunities for women. In 1992, the policy was strengthened by being included in the medium-term strategic framework as one of five strategic development objectives. Since 1992, emphasis has shifted to considering gender implications in all aspects of ADB's operations—the mainstreaming approach. By 1993, all country strategies were expected to have integrated gender considerations. In 1998, ADB adopted a revised policy on gender and development that had mainstreaming as the key strategy.<sup>15</sup> Increased attention was to be given to addressing gender disparities by designing a number of projects with gender as either a primary or secondary classification in health, education, agriculture, natural resources management, and financial services, especially microcredit.

## 3. Anticorruption

7. In 1995, the ADB's governance policy initiated the task of combating fraud and corruption through governance and capacity building. Due to the increased demand of ADB's major stakeholders, ongoing work on governance was extended and an anticorruption policy paper was approved in 1998.<sup>16</sup> The policy is centered upon three objectives: (i) support competitive markets, and efficient, effective, accountable, and transparent public administration; (ii) support promising anticorruption efforts on a case-by-case basis, and improve the quality of ADB's dialogue with its developing member countries on a range of governance issues, including corruption; and (iii) ensure that ADB's projects and staff adhere to the highest ethical standards.

## 4. Private Sector Participation

8. ADB's medium-term strategic framework (1992–1995) recognized the private sector as the main engine of growth. Given this, ADB was to promote the removal of restrictions on private sector activity and support the development of infrastructure and efficient government institutions. In 1999, the private sector participation (PRS) increased the emphasis given to the contribution of the private sector to poverty reduction. ADB was to explore innovative approaches, including "channel funds" to encourage the private sector to extend financial services and marketing support to groups currently excluded from economic development. In 2001, ADB approved a private sector operations strategy directions and review.<sup>17</sup>

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address governance issues; and (vi) provide regular feedback to stakeholders on implementation of the action plan. According to the policy paper, a principal lesson learned from 5 years of designing and implementing governance reforms is the need for government commitment for sustainable improvements. Where commitment to governance was weak, ADB was expected to enhance it through dialogue, advocacy, promotion, and support to sympathetic stakeholders. In addition, ADB was expected to introduce a performance-based allocation system, with governance as a central criterion of the performance rating so that scarce ADF funds can be directed to countries generating the greatest impact.

<sup>15</sup> ADB. 1998. *The Bank's Policy on Gender and Development*. Manila.

<sup>16</sup> ADB. 1998. *Anticorruption Policy*. Manila.

<sup>17</sup> ADB. 2001. *Private Sector Operations Strategic Directions and Review*. Manila. The four main elements of the strategy were (i) to build on existing strengths in infrastructure and capital markets; (ii) extension of country and sector reach, and pursuance of projects in new areas on a pilot basis; (iii) wider use of innovative financial instruments such as guarantees; and (iv) building strategic alliances and partnerships with other institutions.

## 5. Environmental Sustainability

9. According to ADB's medium-term strategic framework (1992–1995), ADB was to incorporate, where relevant, considerations of environmental impact into lending, technical assistance, and policy activities.<sup>18</sup> In 1995, environmental protection became one of the five strategic development objectives. In 1999, ADB addressed economic efficiency, social development, and environmental protection in its PRS. In 2002, an environmental policy was approved.<sup>19</sup>

## 6. Regional Cooperation

10. ADB's medium-term strategic framework (1992–1995) provided a mandate to foster regional cooperation. Likewise, the PRS foresaw a significant contribution of regional and subregional cooperation in the fight against disease (e.g., tuberculosis, malaria, HIV/AIDS). ADB's LTSF recognized ADB's role in the provision of a wide range of regional public goods in areas such as environment, health, and finance. The environmental policy also addresses regional transboundary environmental issues through (i) promotion of intergovernmental cooperation and (ii) support for regional cooperation and subregional environment programs and institutions.

## 7. Social Protection

11. In 2001, ADB approved a social protection strategy with the vision of providing social protection to all citizens of the Asia and the Pacific region through the development of sustainable programs with universal coverage to effectively assist developing member countries reduce poverty, achieve growth, and create opportunities for individual self-reliance.<sup>20</sup>

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<sup>18</sup> Priority areas under the strategy included (i) pollution control in the industry and power sectors; energy conservation and end-use efficiency; (iii) marine, water, land, and soil resources management and conservation; (iv) environmental improvement in both rural and urban areas; (v) interlinked poverty reduction and environmental improvement; and (vi) tropical forest management and conservation of biological diversity.

<sup>19</sup> ADB. 2002. *Environment Policy*. Manila. The policy contains five main elements: (i) promoting environment and natural resource management interventions to directly reduce poverty, (ii) assisting DMCs to mainstream environmental considerations in economic growth, (iii) helping maintain global and regional life support systems that underpin future development prospects, (iv) building partnerships to maximize the impact of ADB lending and nonlending activities, and (v) integrating environmental considerations across all ADB operations.

<sup>20</sup> ADB. 2001. *Social Protection Strategy*. Manila. Social protection consists of five major elements: (i) labor market policies and programs designed to facilitate employment and promote the efficient operation of labor markets; (ii) social insurance programs to cushion the risks associated with unemployment, health, disability, work injury, and old age; (iii) social assistance and welfare service programs for the most vulnerable groups; (iv) micro and area-based schemes to address vulnerability at the community level; and (v) child protection to ensure the healthy and productive development of the workforce.