



<b>1. Project Data:</b>		<b>Date Posted :</b> 08/14/2003	
<b>PROJ ID:</b> P075810		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Sindh Structural Adjustment Credit	<b>Project Costs (US\$M)</b>	100	100
<b>Country:</b> Pakistan	<b>Loan/Credit (US\$M)</b>	100	100
<b>Sector(s):</b> Board: EP - Sub-national government administration (40%), Primary education (20%), Health (20%), General industry and trade sector (20%)	<b>Cofinancing (US\$M)</b>		
<b>L/C Number:</b> C3686			
	<b>Board Approval (FY)</b>		03
<b>Partners involved :</b>	<b>Closing Date</b>	12/31/2002	12/31/2002
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
Michael R. Lav	John H. Johnson	Kyle Peters	OEDCR
<b>2. Project Objectives and Components</b>			
<b>a. Objectives</b>			
To support the Province of Sindh's economic reform program to reduce human and income poverty in the province, especially concerning the components detailed below .			
<b>b. Components</b>			
1. Fiscal and financial Management Reforms: (a) fiscal restructuring; (b) fiscal decentralization; and, (c) financial management. 2. Improving Governance of civil service and public Service delivery : (a) civil service reforms; (b) public service delivery for education; (c) public service delivery for health; (d) public service delivery for rural water and sanitation; and (e) public service delivery for urban services . 3. Promoting Private Sector Development and Economic Revival: (a) regulatory reforms; (b) building infrastructure: the roads sector; and (c) Agriculture and Irrigation.			
<b>c. Comments on Project Cost, Financing and Dates</b>			
The project cost US\$100 million, financed in full by an IDA credit. The project was appraised in April, 2002, approved by the Board on July 9, 2002, made effective on July 17, 2002, and closed on schedule on December 31, 2002.			
<b>3. Achievement of Relevant Objectives:</b>			
1. (a) Before the SSAC, the GOS was accumulating arrears and was in heavy debt . Tax revenues are now scheduled to increase by 15 percent on average per year, though increasing from only 0.6 percent of Sindh's GDP to 1.0 percent. Non-tax revenues are to increase from 1.0 percent of provincial GDP to 1.4 percent. Overall, provincial revenues will increase by around 17 percent in 2003 (supported also by higher oil and gas royalties ). This will allow modest increases called for in the share of education and health, in operations and maintenance, and in development expenditures, while, according to projections (Table 1 of the ICR) implementing a balanced budget for 2002/03. 2. (a) A Sindh Public Service Commission (SPSC) Ordinance was implemented which gives the Commission administrative and financial autonomy, tenure and control over all appointments of officials above Grade 11. In the follow-up program (after Board presentation), procedures are being revised prohibiting the Governor from overruling SPSC's rulings. Local accountability has been increased by giving the District's control over appointment, promotion, and transfer authority for lower level staff (though the Provincial Government still wields considerable power in practice). (b) In education, the role of School Management Committees, chaired by parents /Citizens community Board members, has been expanded to better monitor teacher performance and school budget implementation, teachers have been recruited /redeployed, and a monitoring of schools has been implemented through a new cell of the Department of Education . In the follow-on program, the GOS gave School Management Committees the power to give contracts to teachers in the primary and secondary schools . Enrollment drives have increased enrollment by 100,000. Free textbooks are provided to all students, increasing from 340,000 books in 2001 to 1,100,000 books in 2002. (c) In health, the Expanded Program of Immunization has been increased (700 additional vaccinators have been employed ), provincial M&E programs have been set up, and district health			

management capacity has been strengthened . 3. (a) GOS has streamlined factory inspections, reducing them in number from 23 to 7 and conducting them in 2 days. A Privatization Commission ordinance gives a clear mandate to privatize a clearly defined list of assets . (b) A Road Sector Development Directorate has been established, the five-year rolling plan for road maintenance has been updated, and the next budget is to set up a non -lapsable Roads Fund to ensure adequate maintenance resources . (c) In agriculture, the role of farmer/user association in irrigation management and cost recovery has been enhanced, the Sindh Agriculture Supply Organization has been terminated, and private sector seed production enhanced by improved access to public sector produced breeder seeds. Five new Area Water Boards and 50 farmer organizations have been introduced to improve irrigation management, and PR 1.4 billion has been allocated for irrigation system rehabilitation .

**4. Significant Outcomes/Impacts:**

The Sindh was able to clear up past debts, is implementing a balanced budget, and is improving its financial accounts and accounting systems . It is also increasing the share of resources devoted to education and health .

**5. Significant Shortcomings (including non-compliance with safeguard policies):**

The role of District level government participation still needs to be strengthened . With rapid devolution, there needs to be a strong focus on rapid capacity -building at the District level . The work of the Privatization Commission has been impeded by lack of a chairman (although the ICR reports that the GOS is about to appoint a new chairman ) .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Satisfactory	Although this Review agrees with the ICR outcome rating of "Satisfactory", this is only the first in a series of Programmatic Loans, and important components only set out conditions for future implementation. These will need to be more fully evaluated in the context of those follow-on operations.
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

**7. Lessons of Broad Applicability:**

1. A high level champion of the policy dialog is needed to win the commitment of technical level civil servants . The presence of a high level champion greatly facilitates both the formulation and the implementation of programmatic lending. Where such leadership is lacking, serious consideration should be given to proceeding with less complex and less demanding operations. 2. A well-managed TA project enhances the effectiveness of programmatic lending . In this case, the PHRD grant designed specifically for the SAC financed key consultancies and equipment .

**8. Assessment Recommended?**  Yes  No

**Why?** This is the first of a series of proposed programmatic loans, and is also accompanied by programmatic loans for NWFP and for Pakistan . Since these operations are broad-ranging and set in motion programs to be implemented over time, an audit would be most useful in providing an indepth evaluation, and should be pursued especially if a CAE is undertaken for Pakistan .

**9. Comments on Quality of ICR:**

This ICR explains and evaluates a complex operation very clearly, and handles the large amount of information needed to do so in a very well-organized and user-friendly manner.