



1. Project Data:		Date Posted : 09/22/2003	
PROJ ID: P037835		Appraisal	Actual
Project Name: Social Action Prg li	Project Costs (US\$M)	10,056	5206
Country: Pakistan	Loan/Credit (US\$M)	250	244
Sector(s): Board: ED - Primary education (59%), Health (19%), General water sanitation and flood protection sec (9%), Sub-national government administration (8%), Central government administration (5%)	Cofinancing (US\$M)	1760.2	40
L/C Number: C3050			
	Board Approval (FY)		98
Partners involved : ADB, EC, DFID, Netherlands Government	Closing Date	06/30/2003	06/30/2002

Prepared by :	Reviewed by :	Group Manager :	Group:
Soniya Carvalho	Howard Nial White	Alain A. Barbu	OEDST

2. Project Objectives and Components

a. Objectives

The overall goal of SAPP II is to improve the quality of social services, and to increase practical access to and use of these basic services, particularly for women and girls and more generally for the poor . More specifically, the project aims to improve the quality of, and access to, basic services by :

- (i) building government capacity for planning, monitoring, and implementation of social service programs;
- (ii) increasing transparency and improving governance;
- (iii) increasing government expenditures on basic social services;
- (iv) promoting sustainability by reinforcing fiscal priorities that protect social programs; and
- (v) encouraging NGO and private sector participation .

The project was restructured after the Midterm Review in June 2001. While overall development objectives remained the same, project support was restricted to federal health, education, and population welfare programs . The components were revised to include Drought Emergency Relief Assistance (DERA), and the Participatory Development Program was no longer financed .

b. Components

Project components with their actual total costs are :

1. **Program Support** - US\$5171 million
2. **Participatory Development Program** - zero
3. **Coordination, Monitoring and Evaluation** - US\$4.1 million
4. **Technical Assistance & Developing Institutional Capacity** - US\$1.1 million
5. **DERA**-US\$29.8 million

c. Comments on Project Cost, Financing and Dates

This project closed a year earlier than originally scheduled at the request of the Government because it was fully disbursed. The actual total cost of the project was \$ 5.2 billion compared to an appraisal estimate of \$ 10 billion--the difference is attributed by the ICR to the lack of "new large donor project assistance". According to the Region, new large donor project assistance did not materialize as was expected due to changes in certain bilateral donor policy, and as noted in the ICR because several large donor assisted projects had closed by 2000. There was also a shortfall of about \$3 billion in government financing. According to the ICR, the shortfall in Government financing was due to the severe financial crunch that the Government, particularly provinces, were facing because of shortfall in revenue receipts after the nuclear tests in May 1998.

3. Achievement of Relevant Objectives:

--

The achievement of the first objective (viz., building government capacity for planning, monitoring, and implementation of social service programs) was unsatisfactory. Little was achieved in terms of organizational restructuring and streamlining of management systems which was necessary for improving service delivery. While some gains were made with respect to monitoring, "monitoring was largely reduced to a reporting exercise, rather than an action-oriented one for the purposes of identifying timely corrective measures. . . monitoring systems mostly generated quantitative data and were not sensitive to the qualitative aspects of service delivery ..." (ICR Page 7). Government implementation and monitoring capacity at all levels was constrained by critical gaps in leadership and continuity of leadership.

The achievement of the second objective (viz., increasing transparency and improving governance) was satisfactory. There was some progress on governance issues such as improvements in government -donor coordination and in tracking progress of governance reforms particularly in line ministries.

The achievement of the third and fourth objectives (viz., increasing government expenditures on basic social services and promoting fiscal sustainability) was unsatisfactory. Allocations and expenditures on SAP sectors declined during the last two to three years of SAPP II. Although allocations for non-salary items were increased during SAPP II, releases were usually delayed and often not in line with the allocations because of resource constraints. Projections to determine provincial capacities to sustain recurrent costs were either missing or overly optimistic. Several large health and education investment projects came to a close during SAPP II. Provinces had to find a greater share of recurrent costs than originally envisaged, making the transition from project financing to the regular recurrent budget more difficult.

The achievement of the fifth objective (viz., encouraging NGO and private sector participation in the delivery of social services) was marginally satisfactory. The Participatory Development Program component proved to be a non-viable mechanism to foster community and NGO participation and was discontinued. Other SAPP II components did help to increase awareness about the importance of community involvement and some expansion of partnerships with beneficiary communities did take place although "much remains to be done to strengthen and institutionalize outreach programs through NGOs and communities" (ICR Page 9).

4. Significant Outcomes/Impacts:

- SAPP II contributed to increased awareness about the past neglect of social indicators especially in the subsectors of elementary education and primary health care.
- SAPP II also helped to raise awareness about the importance of community participation for improving service delivery.
- SAPP II helped to increase realization among government and donors that the provision of additional funds is not sufficient by itself for ensuring the implementation of a policy reform agenda --institutional restructuring and strengthening are critical.

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

- The concerns expressed by the provincial governments at the conclusion of SAPP I about the complexity of a multi-sector, multi-province project were not adequately factored into the design of SAPP II. In fact, several lessons from SAPP I were not adequately taken into account in SAPP II design and implementation.
- The project did not sufficiently account for limited provincial capacities and time required to bring about far-reaching institutional reform and behavioral change for large-scale public institutions. The project overestimated the financial and institutional capacity of provincial governments to implement the reform program and the expectation that the project would provide the required capacity building support.
- Financial management of the program was made weak due to a lack of proper understanding, non-compliance, and delays in the implementation of the program arrangements for financial management, and the organization of the financial management system around weak internal control mechanisms. The audit report submitted by the Auditor General of Pakistan for FY97-98 and FY98-99 identified a very large number of audit observations pointing towards major irregularities and misappropriations.
- There was an overload of indicators to evaluate performance and to chart the progress of the mechanisms designed to achieve the project objectives. Monitoring was largely reduced to a reporting exercise, rather than an action-oriented one for the purposes of identifying timely corrective measures; and the monitoring systems mostly generated quantitative data and were not sensitive to the qualitative aspects of service delivery --a key issue under this project.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev.:	Modest	Modest	
Sustainability:	Likely	Non-evaluable	Several factors point to uncertain sustainability and some to unlikely sustainability -- in the absence of further data, sustainability is rated non-evaluable. <ul style="list-style-type: none"> • SAPP II policies have been

			<p>incorporated into the PRSP, Education Sector Reform, and the Provincial Reform Programs. This augurs well for sustainability but only "if the current reforms are continued in letter and in spirit" (ICR page 27). There is no assurance of this. And as the ICR also notes "...It is too early to give a judgement on the continuity of the financial support for, and institutionalization of, such reforms at the local government level" (ICR page 26).</p> <ul style="list-style-type: none"> • The project raised awareness about the importance of community participation and supported formation of Parent Teacher Associations and School Management Committees but "communities were not seen as key partners in the process, and the project underestimated the time required to foster, consolidate and institutionalize community participation...." (ICR Page 9). • "There have been prevalent concerns that many water supply and drainage schemes ostensibly transferred to communities, particularly mechanized drainage schemes, would eventually be abandoned and fall into disrepair" (ICR page 13).
Bank Performance :	Unsatisfactory	Unsatisfactory	
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR :		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:

Based on the ICR, key lessons are:

- generating political commitment and ownership of a reform program requires consistent and continuing engagement with stakeholders in program preparation, design, and implementation .
- projects that aim to bring about significant institutional and governance reforms need to ensure changes in orientation and mindset, attitudes, work ethics, and even political culture if they are to have lasting impact .
- institutional reforms in specific sectors are difficult to implement without addressing issues of poor governance across the board.

8. Assessment Recommended? Yes No

Why? To understand the reasons for failure of the program overall -- an OED assessment could yield insights about the pre-conditions for the success of sector-wide approaches. A cluster PPAR of SAPP I and II is recommended. Analysis of the reasons for the failure of the participatory development program could feed into OED's CDD study.

9. Comments on Quality of ICR:

This is a candid ICR. It was conducted as a learning ICR and contains many lessons for the design of sector-wide programs in other countries. A shortcoming of the ICR is that it does not clearly present cost data and there is a discrepancy between the cost figures presented in the two tables of Annex II, and between Annex II and the main text (para 5.4). According to the Region, the tables in the annex include estimates of Government financing, IDA financing, and that of co-financiers, and they do not include financing by ADB and new donor financing, which is why there is a discrepancy between the Annex II tables and the text in section 5.4.