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PERFORMANCE AUDIT REPORT

PAKISTAN

THIRD PRIMARY EDUCATION PROJECT
(CREDIT 1821-PAK)

June 12, 2000

Currency Equivalents (annual averages)

Currency Unit = Rupees (Rs)

US$1.00 = Rs 40.0 (January 1996)

Abbreviations and Acronyms

ADPI	Additional Directorate of Public Instruction
CEC	Civil Works and Engineering Cell
CIDA	Canadian International Development Agency
DPI	Directorate of Public Instruction
GER	Gross Enrollment Ratio
ICR	Implementation Completion Report
OED	Operations Evaluation Department
PAR	Performance Audit Report
PEP	Primary Education Project
SAR	Staff Appraisal Report

Fiscal Year

Government of Pakistan: July 1—June 30

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The World Bank
Washington, D.C. 20433
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Office of the Director-General
Operations Evaluation

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MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Performance Audit Report on Pakistan Third Primary Education Project (Credit 1821-PAK)

IDA financed the Pakistan Third Primary Education Project (PEPIII) in FY87 in response to the Government of Punjab's request after the province had declined to participate in PEPII approved the previous year. Total estimated cost was US$233.91 million and the IDA credit was US$143.35 million. The credit was closed in FY96 after an extension of 30 months. Based on a single province, the project set the pattern for four similar operations in the 1990s. From 1994, the first Social Action Program Project (Cr. 2953), the pioneer of IDA-assisted programmatic operation in Pakistan, also supported primary education with policy, budgetary and management interventions.

Objectives were relevant to the Bank's mission to reduce poverty and to the goals of the federal and provincial governments to improve educational quality, access and equity, especially for girls and rural populations. The project supported activities to: develop institutional capacities; develop and institutionalize policy; and introduce innovations that would influence demand, access, quality and costs. It supported a large school building and maintenance component; a large study program to advance national and provincial policy and innovation strategies; and new forms of curricula, assessments, in-service teacher training and more affordable textbooks. CIDA was to have financed textbook paper and community participation components but the agency withdrew following differences of view on changes in design and scope.

The Implementation Completion Report (ICR) shows that implementation was slow and achievements were far below expectations. It attributes the project's failure to meet its objectives to the extremely challenging environment, weak borrower commitment and capacity, delays and problems with TA from non-IDA sources, deficient preparation, and the lack of flexible lending instruments. The ICR is thoughtful in its analysis of the issues but, while it comments on some deficiencies in Bank performance at appraisal, some important gaps in reporting bias the ICR's overall evaluation in the Bank's favor.

The weight the Region gave to relevance and responsiveness in justifying the project was disproportionate to implementation realities. The concerns voiced internally—concerns about project size, complexity and risks—were overshadowed by the IDA strategy to support basic and girls education in a poor but strategically important country. OED concurs with the Region that weaknesses in borrower commitment, capacity and institutions (weaknesses identified in internal reviews) should have been more carefully appraised. The Bank's decision to go ahead is a concern because staff considered the project unready for implementation and of high risk. The ICR argues that the investment instrument was not a sufficiently flexible instrument to overcome problems but, in fact, during preparation, more flexible instruments were considered. Staff proposed tranching disbursements based on satisfactory borrower performance but (the proposal) did not go forward after internal review. Instead, in final form, the legal agreement signed by federal and provincial governments included annual reviews of a mandated action program that would allow the Bank and borrower to adjust implementation mechanisms as needed. However, the Bank compromised its capacity to supervise implementation from a position of strength by making concessions to the borrower's objections to legal conditions at appraisal, at negotiations and at credit effectiveness. Supervision was further compromised because of Bank staff turnover, lax monitoring of compliance with the legal agreement and patchy supervision of technical components.

The ICR points out that the components chosen to achieve project objectives were insufficiently prepared and tested. An example is the phased approach to the policy studies program which proved ineffective. However, the ICR fails to question why the Bank had allowed these activities to continue so long without restructuring the component. The staff argued that the project's emphasis on policy became less important relative to the huge investment in school construction activities. But this does not justify the lack of proactivity in revamping a costly component and redefining project objectives.

The Bank failed to attend sufficiently to the incentives and linkages inherent in the education system. In introducing an innovation to employ low-cost assistant teachers, many of them women, the Bank took a risk to advance an important initiative but failed to address the lack of policy, institutional and cultural supports in this area. In establishing *independent* management of primary education, it ignored the tight structural links that bind primary education to more advanced levels and require coordination. In addressing challenges of project size and complexity, it decided that the assessment component was the most likely candidate to drop. Unfortunately, this was a key to incentive for teachers and students to adopt the new curriculum. In de-linking issues of teacher employment and teacher pay at the borrower's request, the Bank side-stepped critical issues of teacher management and high recurrent budgets for teacher remuneration.

A fundamental flaw exacerbated these weaknesses—the absence of clear policies and procedures agreed between federal and provincial authorities to govern their authority and responsibilities. Punjab's vision of greater autonomy promoted local ownership and effort, which the Bank supported. But the province was limited by federal laws, policies, budgets and control of project funds. The lack of clarity and resulting tensions adversely affected project coordination and implementation. The project found itself entangled in a much broader issue for federal-provincial relations than it was able to handle.

The audit reaffirms the conclusions of OED's previous review of the Region's ICR. The main disagreement is on **Bank performance** which OED rates as **unsatisfactory** (ICR unsatisfactory only at appraisal). The Bank used poor judgement in recommending the project as ready for IDA assistance when it considered the risks insurmountable. During supervision the Bank failed to ensure that project resources were used efficiently or to take remedial action when they were not. OED agrees with most other ICR ratings. **Outcomes** are rated as **unsatisfactory** because many components were not implemented and those that were implemented did not achieve targets set or results intended. **Institutional development** is rated as **negligible** and **borrower performance** as **unsatisfactory**. OED rates **sustainability** as **unlikely** (ICR uncertain) because the government's plans for future project operation are unformed and under-funding of recurrent budgets continues. Perhaps the most positive result for the Bank was that it reinforced the Bank's appreciation of the need for a new strategy for social sector development in Pakistan.

Several lessons are worthy of broad dissemination:

- When a project proposal has serious flaws, the Bank should not proceed under the assumption that trouble-shooting action during implementation will be effective or without cost. If the view is that more preparation would be *unlikely* to improve implementation readiness, as in the PEP III case, the project should *not* go forward for Board approval. Experience shows that turnaround is difficult to achieve during implementation without major review and borrower commitment to restructuring.

- Relevance, responsiveness and high levels of investment inputs do not ensure good progress and results. In the PEP III case, the project's relevance to the Bank's mission in poverty and basic education, and its responsiveness to the Punjab's request IDA assistance, were necessary but not sufficient conditions for success.
- Rigorous appraisal of the borrower's statement of commitment and capacity are required to inform project design. Experience in Pakistan indicates that government habitually overpromises and underperforms. This is the Region's insight with which OED concurs.
- OED supports the ICR's insight that policy is not advanced when the Bank provides financing for large investment activities *before* the borrower has begun to improve the enabling environment. When budgets are tight, institutions are weak, and ownership uncertain, investment activities such as the large school construction component in PEPIII, are likely to attract most attention, reducing the focus on policy and qualitative outcomes.
- When the Bank favors a shift to decentralization of education, it should avoid championing the stakeholder who is the major beneficiary while failing to ensure that other stakeholders' concerns are adequately addressed. In retrospect, it is clear that the Bank's implicit strategy in favor of the province was ill-prepared, a consensus among stakeholders was absent, and the Bank found itself uncomfortably placed to advance the project.
- Rigorous self-evaluation and disclosure helps foster confidence among stakeholders, partners and Bank staff that the institution is directing scarce IDA funds to interventions that have been carefully selected because they will directly benefit the poor. In the PEP III case, the Bank could have done better in balancing risks and benefits by additional high quality review of technical and institutional components prior to Board presentation. During implementation, Bank managers need to encourage staff and government officials to review *all* objectives and components realistically and candidly and not to hold back from advising on drastic remedial action when appropriate, even if that means restructuring or cancellation.
- In primary education which is localized, yet geographically dispersed, support to the many related local institutions with diverse specialized functions is critical but difficult to achieve. The Bank is now doing more to foster strong institutions at national level but it also needs to foster education sector institutions locally. While it may lack the capacity to do this directly, it is well positioned to achieve partnership with locally-based change-agents to help sector institutions "learn by doing."

Attachment

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This report was prepared by Linda A. Dove (Task Manager) and Angela Ransom (Consultant). William Hurlburt edited the report. Marie Daramy provided administrative support.

Principal Ratings

	ICR	*PAR*
Outcome	Unsatisfactory	Unsatisfactory
Sustainability	Uncertain	Unlikely
Institutional Development	Negligible	Negligible
Borrower Performance	Unsatisfactory	Unsatisfactory
Bank Performance	Satisfactory	Unsatisfactory

Key Staff Responsibilities

	Task Manager	*Division Chief*	*Country Director*
Appraisal	R. Cambridge	W. Rees	D. Haynes (Actg)
Midterm	D. Viens	R. Cuca	D. Haynes (Actg)
Completion	B.Parvez	B.Herz	M.Nishimuzu

Preface

This is an Operations Evaluation Department (OED) Performance Audit Report (PAR) on the Third Primary Education Project in Pakistan. PEPIII provided assistance to the province of Punjab for primary education, promoting education of the poor and girls in rural areas, and capacity-building to enhance delivery of quality primary education. The project was estimated cost to US$233.91 million and an IDA credit (Cr.1821-PAK) for US$143.35 million was targeted to finance a portion of the provincial government's five-year investment program. The credit was approved on June 16, 1987, and closed on June 30, 1996 after an extension of two and a half years.

The project was an immediate precursor to a new sector-wide approach to lending in Pakistan. OED selected it for audit as a building block for a review of social sector assistance . That review was under discussion with the Region in 1998/99 following OED's evaluation of the Implementation Completion Report (ICR) for the first Social Action Program Project (SAPP I, Credit 2593-PK). This PEP III review focuses primarily on filling gaps in the Implementation Completion Report while painting a more complex picture than the ICR of the factors leading to disappointing outcomes. The additional source material in OED's review focuses almost entirely on the Bank's role and some of the factors that prompted the Region to change its approach. A mission to Pakistan was not mounted because the ICR's self-evaluation on other aspects is based on convincing evidence.

Sources included interviews with Bank staff involved at various stages of the project and documentary sources including the ICR (no. 16831, June 27, 1997), the Staff Appraisal Report (no. 6492-PAK, May 28, 1997), and project files. ICRs consulted include the related Second Primary Education Project (no. 14218, April 3, 1995) and SAPP I (no. 18043, June 22, 1998).

Following customary procedures, copies of the draft audit report were sent to the relevant government officials and agencies for their review and comments. A number of observations were made, which have been incorporated into the PAR as Annex B.

1. Introduction

1.1 OED validates the Bank's assessment in its Implementation Completion Report that the results of the Third Primary Education Project (PEPIII) in Pakistan were unsatisfactory. Going beyond the ICR, the audit illustrates the complexities and dilemmas facing the Bank when strategic priorities conflict with considerations of implementation readiness and capacity. OED underscores the need for rigor by Bank management in scrutinizing rationales for IDA and Bank lending when project goals are consistent with Bank priorities and country strategies but risks are extremely high. OED also points to how transparency in reporting—or the absence of it—affects the quality of Bank performance.

1.2 The project supported the Pakistan government's effort to translate ambitious goals and targets into the political commitment, policy decisions, and resources necessary to achieve universal primary education. Successive five-year plans had fallen far short of expectations—only 50 percent of school-age children were in primary schools. Low budgetary allocations to primary education and under-spending of available resources resulted in inadequate infrastructure for basic education (schools, competent teachers, and good quality, affordable learning materials). Inadequate infrastructure and low quality were associated with low community demand and support for primary education and low enrollments and high dropout rates, especially in rural areas and for girls.

1.3 Two previous projects addressed these demand and qualitative issues. The First Primary Education Project (PEPI) aimed to determine which inputs had the greatest impact on access and quality. It covered selected districts nationwide, the Second Primary Education Project (PEPII) drew upon lessons learned to provide a range of inputs to primary education. It covered the same districts in Baluchistan, North-West Frontier Province (NWFP) and Sind, three provinces with high poverty profiles. PEPIII covered Punjab only, a province that was relatively well-endowed.

1.4 PEPIII resulted from a separate request by the government of Punjab for IDA assistance on primary education. IDA agreed to finance virtually all elements of the province's five-year investment program. As the borrower, the federal government signed the Development Credit Agreement (DCA) with IDA and channeled project funds to the province accordingly. The project supported the government's broad goals of improving education quality and increasing equity for rural populations and girls. It drew from the previous projects' experience and shifted IDA strategy to directly address systemic policy, organizational and managerial constraints on basic education development. It was to achieve results through a range of studies and follow-up action mandated in a Project Agreement signed by the Punjab government.

Objectives

1.5 The project's objectives were highly relevant to the issues facing primary education in Pakistan. The project supported activities to: a) develop and strengthen institutional capacity to plan, manage, and implement Punjab's investment program; b) develop and institutionalize policy reform; and c) introduce innovations in the investment components that would have an impact on demand, access, quality, and costs. The operation concentrated on Punjab, but had national aspects. Components covered three areas of emphasis.

Institutional Development

- Create the Additional Directorate of Public Instruction (ADPI)
- Strengthen the Civil Engineering Cell (CEC) in the Punjab Education Department
- Strengthen the National Bureau of Curriculum and Textbooks (NBCT)
- Strengthen the Curriculum Research and Development Center (CRDC)
- Strengthen the Punjab Provincial Education Extension Center (PEEC)

Policy Reform

- Strengthen the career development of primary school teachers
- Develop and implement a plan to recruit, train, and appoint more female teachers
- Improve the incentive package to encourage more teachers to serve in rural areas
- Improve the maintenance of public primary school buildings
- Increase parental and community involvement in school management

Innovation

- Introduce a two-stage primary school curriculum with affordable materials
- Reform pre-service and in-service teacher training and development
- Develop a communication and demand-generation program

Project Rationale

1.6 In its analysis of project rationale and quality at entry, the ICR omits significant information which downplays the project's lack of readiness for implementation. The omission appears to follow a pattern established during preparation. Staff correctly stressed the pressing need for primary education investment in Pakistan. But the Punjab project also arose from the province's strong requests for a *separate* operation. The Bank had expected Punjab to participate in PEPII but at appraisal of that project, the government declined to do so.[1] The project brief stated, "This project is essentially the Punjab component of PEPII. The issues are similar and have largely been resolved."[2] In fact, this statement misleadingly under-estimated issues that were specific to the Punjabi context and that would affect the project's quality at entry if unattended to.

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1. Project Completion Report: Pakistan Second Primary Education Project, April 3, 1995.

2. Memo dated June 3, 1986 on Proposed Third Primary Education Project, Project Brief Second Update.

1.7 Staffs' eagerness to be responsive to the Punjab government and to secure the project for IDA assistance overrode internal concerns that surfaced throughout preparation—practical concerns about project size, complexity and financial affordability, the Punjab's poor implementation capacity as demonstrated in PEPI, and the appropriateness of technical components. Before the appraisal mission, in a note to project staff, a senior Education and Training Department education specialist put on record concerns about the project's feasibility.

> *"The scope of the project is staggering. The proposed construction of 13,000 new classrooms and rehabilitation of 8,000 existing classrooms is – to my knowledge – the most complex construction program ever financed by the Bank. Yet the procurement and management arrangement for this massive operation remain nebulous. Project management in the Punjab in the first project (PEPI) was very unstable and the implementation record was barely adequate. The second primary education project is barely underway and already problems are cropping up... There seem to be major questions in respect of the specifications of the bidding documents, the implications of the tranching method, and the outcome of the bidding process. All this demonstrates that we have not yet developed a demonstrably efficient approach for large scale primary school construction in Pakistan. Under these conditions, the risks involved in embarking on a construction program double the size of PEPII seem to me unacceptably high."*[3]

1.8 The review questioned the capability of the Federal Coordinating Unit (FCU) and the Punjab Project Implementation Unit in managing the construction component (by far the largest expenditure category under the credit). It recommended scaling down the program and experimenting in building design and construction techniques. It also questioned other aspects: the prospects for sustainability, given the high recurrent costs implications for provincial and federal governments; the wisdom of providing IDA funds for incremental recurrent costs given Punjab's past negligence in complying with audit covenants; and the design assumptions inherited from the previous projects. On this, the note stated that experience "had not yet yielded a demonstrably effective and replicable project model," and that evidence was lacking that improved physical facilities and better teaching significantly reduced parent's unwillingness to send children to public schools in the absence of policies to mobilize demand in rural areas. In addition, the note said, provincial educators doubted the effectiveness of the learning modules as tools for improving educational quality. The review stopped short of recommending that staff redesign the project but did recommend establishing institutional mechanisms for monitoring and adjusting interventions.

1.9 Within the Bank, questions about size, affordability, feasibility and the short implementation period continued right up to Board approval. To its credit, the Bank responded to some key concerns. It reduced the construction component by one-quarter; dropped an important but difficult student assessment component; and obtained assurances from the federal government that it would provide counterpart funds during implementation and meet recurrent costs for the primary schools after project completion if the Punjab government was unable to do so. But the degree of commitment to, and consensus on policy development, and weak system capacities were problems that preoccupied staff. They tried to compensate during appraisal by proposing an innovation first introduced for PEPII—that the credit should be disbursed in tranches when the government satisfied important legal conditions. But they abandoned the proposal at negotiations when the government delegation strongly objected to the imposition of conditions. It argued that IDA already had the authority to delay disbursements under section 6.02 of the *General Conditions*. The minutes show that the Bank persevered in trying to compensate for the weaknesses. The Bank affirmed that it viewed the policy, institutional and innovative components

3. Memo dated June 3, 1986 on Proposed Third Primary Education Project, Project Brief Second Update: Comments.

as of paramount importance and would regard progress on them as a particular focus of mandatory annual reviews. Progress would be assessed against review criteria and an "Action Program Summary" attached to the legal agreement, but sanctions for non-compliance were not individually identified. The federal and the provincial government supported and agreed to the proposed action program. ICR acknowledges that the final arrangements left the Bank with reduced power to leverage progress during implementation. That the Bank was willing to go ahead with the project despite the strong evidence of commitment to implement the project as designed may have also signaled that the Bank was unlikely to take strong action if progress proved slow.

1.10 The Bank's completion reporting, like its project brief, is thoughtful about many issues but does not take account of the depth of rivalry and poor coordination between the federal and provincial governments. The ICR limits its analysis to the weaknesses in the horizontal structures that hampered the coordination required to successfully implement the project. However, serious tensions existed vertically also between the federal and provincial governments. Conflicts arose over their authority and roles in primary education policy and over control of the project. The central government traditionally played a prominent coordination role through the FCU in the two earlier projects. Early on, its officials asked IDA for clarification on the unit's role in PEPIII. They expressed concerns that the precedent of greater autonomy and new approaches to policy in Punjab would erode the federal authority since other provinces might well demand similar treatment. They saw that Punjab's own program challenged the federal authority in several areas, such as curriculum and materials, teacher training, programs for increasing rural demand, and monitoring and evaluation. Even as late as appraisal, the federal authorities were still raising questions about the large size and scope of the project relative to the other provinces. The IDA task manager mediated the dispute, arguing that the potential benefits would feed back to the other provinces in better monitoring and evaluation, curriculum development and textbook provision and that this justified the project's complexity. Bank staff say that they favored strengthening of provincial capabilities. Centralized policy and management had proven weak and inefficient, and the dispersed nature of primary schools clearly required local handling. Staff indicate that the issues of central and provincial control were so complex and sensitive and that they aimed to intervene only modestly through the project. However, by downplaying these critical problems, the Bank set up unrealistically positive expectations for project implementation progress and successful results; made it easy during implementation for policy aspects to be given lower priority relative to investment inputs; and discouraged a frank analysis at project completion of the project's failure to build on a solid agreement about federal and provincial authority and responsibilities. The absence of agreement proved to be a critically important factor accounting for slow progress and poor results.

1.11 The notes which staff prepared for their use at Board presentation show that they expected questions on the justification for the project.

> *"Why is the Bank undertaking a project of this size and complexity (it will be the largest credit or loan the Bank has ever extended for primary education) in a country and sector where previous Bank group projects have suffered implementation problems and where there have been doubts with respect of the Government's commitment to the sector and to the education of women in particular?"*[4]

1.12 The project won Board approval with little but positive comment on the importance of IDA's assistance to basic education for girls in Pakistan. The pre-approval briefing note shows

4. Memo from Chief, Pakistan Country Department to Senior Operations Adviser, Europe, Middle East and North Africa Department. June 15, 1987.

that Executive Directors did not raise any major issues. In their presentation, staff said that the Punjab government had demonstrated improved commitment through its latest five-year education plan which would double the level of resources allocated to the education sector and would emphasize *primary* education. They underscored that the magnitude of educational problems in Pakistan required a major effort and that major donors (USA, UK, Canada, and the European Union) agreed. They underscored the fact that project design included institutional arrangements to reduce the risk of implementation problems including annual reviews.

1.13 When OED asked staff about the project risks and lack of readiness for implementation, they said that delay had not been a viable option. The project never would have been ready even with delay. Considerations underlying this strongly held view included the perception of an institutional imperative to foster relations with an important, low-income country and to ensure disbursement of hard-fought-for IDA funds on poverty-targeted operations. However, in an exchange of views not long into implementation, a project officer who had been with the project during preparation wrote, "...we need to lower our sights and incrementally redesign this project."[5] This evidence is clear that staff recommended to the Board that the investments should go ahead despite the project's highly unsatisfactory quality at entry.

2. Project Implementation

2.1 The ICR assesses the degree to which planned project activities were implemented. It shows that many components were not implemented and those that were proved unsatisfactory. OED focuses its assessment on those project activities in which quality of supervision was compromised or in which the effective use of covenants to leverage implementation progress was compromised. The project was implemented in phases. The first phase, from appraisal to midterm (1986–89), would focus on completing policy studies, developing institutions, implementing existing policies and developing new policies that affected the operation of the primary school system. The major expansion activities were to take place during the second phase, from midterm to credit closing (1990–93). Policy development required the studies to be started and completed, the results to be reviewed and the recommendations to be agreed on. Administrative and legal actions and implementing and monitoring mechanisms had to be established. This meant that project studies and investment activities needed careful sequencing, good coordination, and timely implementation by all concerned agencies and institutions. The SAR argued that a phased approach, with its emphasis on strengthening the institutional capacity of all agencies during the first two years, would overcome the risks. This was optimistic given Punjab's record of delayed, slow and poor implementation. The ICR assesses the phased strategy as overly ambitious and too structured to be easily implemented given poor provincial capacity, resistance to change within the provincial government, and the limited decision-making power of the provincial Education Department. However, it does not explore why the Bank downplayed these risks at the design stage since they were evident from the experience of the previous projects; nor why the Bank failed to produce alternatives to the phased approach when it stalled in implementation.

Federal-Provincial Relations

2.2 Because important constraints were not fully explored and addressed at appraisal, the consequences were serious for implementation. Ignoring tensions between federal and provincial authorities over their roles and responsibilities proved costly. Provincial authority over education was limited by federal laws and authority over policy, planning and resource allocation including

5. Memo dated December 9, 1987.

the project funds. This created tension when Punjab tried to take initiatives in the project and in the provincial education system. Successive supervision missions raised the problem, according to the files. They recommended that federal and provincial officials agree on guidelines defining communication, coordination, reporting authority and the responsibilities of the agencies involved in project implementation. But neither the files nor the completion report say whether action was taken over the nine years of implementation.

Policy Development

2.3 Apart from federal-provincial problems, little progress was achieved with the policy and related institutional developments because the study program was completed nearly seven years late, not in the project's first phase. The program was expected to provide guidance on innovations planned for the second phase. The studies eventually succeeded in generating information on significant issues relevant to demand, access, quality and costs but follow-up action did not result.[6] By the first supervision mission, the baseline study against which project effectiveness was to be measured had not been designed or contracted. By 1992, only one study had been commissioned. Most were completed between 1994 and 1996, after the original completion date.

2.4 The ICR correctly states that delays in completion of the studies seriously undermined achievement of the policy objectives. One factor in the delays was the discontinuity in the Bank's management of the project—between project preparation and credit effectiveness. Project officers changed four times during this period, according to the files. Another factor noted in supervision reports was the absence of mechanisms in the project for announcing the availability of study funds and for soliciting and reviewing proposals. The studies were contracted in individual institutions, the national agencies such as the CDRC, the Institute of Educational Research and the Academy for Educational Planning and Management, but with little horizontal coordination. These institutions were not aware of the categories of expenditures (personnel, equipment, supplies, etc.) that could be funded from the project. Supervision staff recommended that the Punjab Education Department establish a research review committee to appraise proposals and decide on how funds would be spent. Supervision reports show that the committee was established in 1989 but that it was not effective. The ICR does not mention the committee at all. A Bank project officer interviewed said that, overall, a mechanism to address policy issues in a coherent way was never established in PEPIII (or in subsequent education projects).

2.5 OED has comments on other implementation shortcomings pertaining to strengthening policy and sector development identified in the ICR.

- The ICR states that the borrower agreed during negotiations that spending on quality inputs would be increased to about 7 percent of the recurrent budget. The amount was to be met from project funds up to fiscal 1993. Afterwards the cost was to be borne by the recurrent budget at a level acceptable to IDA. It is unclear why the agreement was not implemented.

- Funds for the textbook subsidy were not provided by the government due to the withdrawal of the Canadian International Development Agency (CIDA) financing for paper. The ICR fails to explain fully CIDA's grounds for withdrawal. The project files indicate that the agency withdrew its funding because import tariffs on the paper would undermine any cost

6. Studies sought ways to improve the career development of primary school teachers and the supply and competency of women teachers; attract teachers to rural areas; sustain textbook financing and primary school maintenance; and encourage parental and community involvement in school management.

saving intended as a subsidy for textbook users. As a result, textbook prices rose with the introduction of new books.

- The study on teacher incentives was critical. The component designed to deploy teachers more efficiently included the creation of a new category of assistant teacher in rural areas, especially women, to accept posts in rural areas. The level of teacher pay in an expanding teaching force was an issue identified as critical for cost and sustainability. But at negotiations, the Bank granted Punjab's request to limit the policy study to teacher employment policies and not to cover issues of teacher pay. This, presumably, was a necessary trade-off for successful negotiations but the limitation on the study's scope seriously flawed the design and usefulness.

Institutional Development

2.6 In hindsight, it is evident that the project tried to create new institutions to fill gaps in national or provincial capacity without paying sufficient attention to how they might fit into the established institutional dynamics. The project also paid insufficient attention to supporting the many different types and levels of institution expected to adopt new ways.

2.7 Canada withdrew its support for the demand-generation and community participation components. Originally, a National Institute for Communication through Education was to be established under federal auspices. The Bank had imposed a condition for credit effectiveness that the Punjab should confirm agreement for CIDA financing of the Institute. But when discussions on the component's design threatened to delay the overall project, the Bank waived the condition. Staff pointed out that Punjab had begun its own program to increase demand for primary education in eight districts and had questions about the role of federal institutions in this area. In Punjab's view, the role of the Institute needed to be redefined to take account of decentralization in progress. As a result of the Bank's waiver, CIDA withdrew and the Institute was not established. The ICR affirms that "in retrospect, [the Institute] was a non-starter," because it focused on the supply of trained teachers and took little account of demand. It does not say whether CIDA shared this view. The files report that CIDA withdrew its support because "available funds would not permit achieving satisfactorily the objectives of the component originally envisaged during project appraisal and negotiations." Whether the failure to establish the Institute would have made a difference in the project is an issue beyond the scope of OED's review to assess.

2.8 The ICR discusses problems experienced in implementing a key institutional component that would separate the management of primary education in Punjab from secondary education.[7] The case for *separate* management was based on evidence that rigorous competition for a limited number of school places at more advanced levels of the education ladder distorts the content of the primary education curriculum and limits scope for effective organization and deployment of resources to benefit primary education. To ensure proper funding and management priority for primary education, the project relied on the establishment of the new Additional Directorate for Primary Education. But the ADPI did not develop a distinct focus on primary education; it did not develop a specialized cadre of primary education managers and it had little autonomy in choosing and deploying its own staff. The ICR reports that, as a result, staff's project activities were never fully integrated at the national, provincial and district levels with key agencies such as the

7. In an exchange of memos six months after Board approval, IDA project staff expressed concern about the project's prospects. One staff wrote, "I don't think there is any way that [Punjab] will be able to implement the immense institutional development...program." Memo dated December 9, 1987.

national curriculum agency and the Punjab's textbook and education extension agencies. It is difficult to reconcile these deficiencies with the ICR's claim that the ADPI attracted resources to primary education and improved sector coordination, including with donors, unless it was taking a short-term view. Moreover, an additional problem was the institution's low level of real autonomy, since DPI retained overall authority in the administrative hierarchy. The ICR's explanation of the failure of the component is that the unified management of education was too deeply entrenched in Punjab to easily change. While no doubt accurate, this serves to assign all responsibility for failure to the Punjab alone. It fails to ask whether the Bank's support for establishing the ADPI was an appropriate way of generating a better appreciation for the benefits of primary education in itself and drawing more resources to it. In OED's view, given the need for deeper changes in the attitudes and behavior of the education establishment, the bureaucratic approach chosen was at best only a partial solution and at worst missed the mark. It ignored critical conditions for behavioral change such as the incentives and linkages built into the education structure which drive the behavior of administrators and teachers in primary education and which require more sophisticated, long-term strategies.

2.9 In a similar fashion, the ICR attributes weak implementation of teacher training activities to the government's inconsistent performance while it neglects to explore fully the Bank's responsibility. The ICR states that none of teacher training activities were implemented on schedule, and those that were implemented did not have the intended impact on teacher quality and supply. It attributes the unsatisfactory implementation to inadequate recurrent funding and administrative support, and excessive rates of transfer for teachers once trained. To its credit, the ICR candidly states that confidence placed in the Primary Training Units proved misplaced and that the project's reliance on these bodies meant that the distance education program designed for unqualified women teachers was not implemented. It also states that new schools, which were mainly for girls, could not operate because of a freeze on teacher recruitment arising from the unplanned expansion in the graduation of trained teachers. And it admits that the Bank does not know whether the policy of preferential recruitment of female teachers was implemented or not. But, the evidence available strongly suggests that the failures are not only attributable to borrower performance but also to poor judgements by the Bank at the design stage. In its eagerness to promote in-service training on grounds of quality and cost, the Bank appears to have ignored Punjab's plans to expand pre-service training. This negatively affected the coherence of teacher development strategies and implementation priorities. The Bank had all the information it needed to make the necessary adjustments. The files describe Punjab's plans to double the intake of the pre-service teacher training program through the introduction of the Primary Training Units in secondary schools. According to the ICR, the program resulted in a massive oversupply of about 100,000 teachers. The quality proved poor because the units were poorly staffed and equipped. Consequently, Punjab had to close down all teacher training programs from 1992 onwards (including programs to enhance the quality of PEPIII pre-service training).

2.10 The project supported the establishment of a provincial Primary Education Unit in the Curriculum Research and Development Center and a federal unit in the National Bureau of Curriculum and Textbooks. The Punjab unit was established and carried out development of the new two-stage curriculum and supporting materials. The ICR reports that the activities were delayed but that the CDRC eventually functioned as intended. It does *not* discuss project documentation which clearly shows that Punjab was developing an alternative to the national integrated curriculum and planned to adopt it if a trial in 120 schools proved successful. The record shows that the Punjab authorities acknowledged to Bank staff that the actions and plans contravened the provisions of the legal agreement and infringed on the constitutional authority of the federal government to prescribe national curriculum. At the federal level the counterpart unit was not established which the ICR attributes to insufficient ownership of the new concept of primary-level subject specialization among curriculum development staff. While curriculum staff may well have been unfamiliar with the innovation, the ICR fails to consider whether implementation shortcomings were also the result of the struggle for control between federal and provincial authorities. Also, it is reasonable to suggest that the widely-held belief that the content of primary education is valuable to students only if it helps them pass examinations required for secondary level may also have been a factor in reducing federal support for the project's curriculum interventions.

School Construction and Maintenance

2.11 The ICR reports that the major cause of disbursement delay was the slow implementation of the school building component. Less than a quarter of the construction was completed by the original project closing date. Finally the appraisal target was met but the quality of construction was poor. The bulk of construction occurred during the three-year period after 1993. The documentation shows that inadequate counterpart funding and irregular supervision of architectural and engineering work were serious institutional weaknesses on the government's side. The government lacked appreciation of the value of supervision in ensuring the quality and soundness of school structures and was not committed to funding technical supervision. One Bank staff member said that involving local communities who were stakeholders and beneficiaries would have been more effective. The approach was not common at the time but has been used in subsequent education projects in Pakistan.

2.12 CEC was established under the project to do school maintenance. The rationale for a separate institution was that maintenance of valuable school building investments was essential and that a dedicated agency was needed because the Department of Communication and Works specialized in new construction which required different capacities. According to the ICR, the CEC did not become effective in maintenance because *new* construction received more attention and appreciation of the costs of neglecting maintenance was low. But the new agency did not receive enough skilled staff or equipment to carry out a major construction program and the Punjab government closed it down after project completion. The ICR does not explore other factors that appear to have led to this failure. Once again, these stem mainly from the Bank's decision to include a *new* institution in the project design. The Punjab government was openly opposed to establishing any agency competitive with the Works department. Appraisal documents commented on the problem this raised. Nevertheless, the Bank went ahead with the strategy, presumably because it was anxious to protect the long-term value of the large investments in infrastructure for the beneficiaries. Unsure of government commitment, the Bank made adequate staffing of the new agency a condition for credit effectiveness and actually postponed effectiveness twice before satisfied that the government had complied. This firmness was appropriate. However, the government appointed Works Department staff who were seconded to the CEC, thus undermining the CEC's authority as a separate maintenance agency. In the absence of information to the contrary, it is reasonable to assume that this action reflected severe shortages of skilled personnel available to work in a junior government agency and reluctance to offend the Works department.

Innovation Objectives

2.13 OED agrees with the ICR's assessment that the innovative components were not fully defined and thoroughly appraised. Nor were they adequately supervised. This contributed to poor implementation.

- Project activities to generate demand for primary education and to increase parental and community participation in school management were not successful. The component aimed to build institutions to support the objectives through the National Institute for Communication and Education at federal level and participatory school management committees at local level. CIDA withdrew its support because it failed to reach agreement with Punjab on the component's content and organization. As a result, the funding for the Institute was not forthcoming and it was not established. The Bank decided to lift agreement with CIDA as a condition for credit effectiveness in the interests of avoiding delay. In OED's view, this action may have inadvertently signaled to the government that the Bank did not give high priority to the community element and undermined the prospects for progress during implementation. The ICR does not explain the nature of the disagreement with CIDA. It may well have been that Punjab resisted the establishment of a federal institution to guide grassroots activity in the province. If so, the ICR might have assessed more critically the Bank's handling of yet another federal-provincial issue, especially because an important bilateral partner was involved.

- Teachers did not receive adequate training in new curricular philosophy and methodologies. The ICR does not say, however, whether all teachers received copies of the teacher guides.

- Learning coordinators were appointed as planned. But their numbers were too few to meet the needs of schools, the content of their training was poor and transportation to schools was scarce and costly. The ICR might also have mentioned that the bureaucratic culture created disincentives for personnel to choose a career path that valued advisory and technical skills over positions that carried administrative authority.

3. Outcomes

Access

3.1 In 1985–86 the gross enrolment ratio (GER) was 55 percent (45 percent for girls and 63 percent for boys). The 1992–93 target was gender parity at a GER of 74 percent. The 1995–96 school census data indicate a public sector GER of about 60 percent (51 percent for girls and 68 percent for boys) indicating only a 5 percentage point increase over 10 years and no progress on reducing the gender gap. This lends some credence to earlier staff concerns about the need for so large a school building program.

3.2 Sixty percent of the original target of providing 10,300 schools accessible to girls was achieved. This achievement was less remarkable than it appears because it was accomplished in part by making boys' schools also eligible for project funds, a concession the Bank made during negotiations.

- Inadequate data, political interference on site selection, and limited planning capacity at the district level make it unclear whether the schools built met local need and demand. A verification survey that sampled 303 sites found that half did not meet all the criteria established for needs-based resource use.

- The incentive package to attract more teachers to rural areas was not developed, and teachers in rural areas still have lower housing and transportation allowances.

Quality

3.3 According to the ICR, the under-funding of quality inputs continues and is a major obstacle to sustained improvements in teaching and learning.

- The two-stage curriculum was developed and introduced in schools for grades 1–5, along with new textbooks and other supporting materials reflecting the new curricular objectives. But teacher training was not effective with the result that teachers did not understand new teaching concepts and could not apply new methods. Learning coordinators were ill-equipped to advise teachers and develop their skills. For these reasons, the project had weak effects on teaching and learning.

- An independent panel of practicing teachers assessed teacher guides as a substantial improvement over the past, of good quality, and having the potential to positively influence teaching behavior if used as recommended.

- The new textbooks received below average ratings for physical quality and teaching-learning content. Those for classes 1–3 were considered only marginally better than the books they replaced. Those for classes 4–5 had received only minor revisions and were rated about the same as their predecessors. In this context, the Bank's decision to drop the student assessment component from the project was near-sighted because changes in the content of tests and examinations create powerful incentives for parallel changes in textbooks. When the examinations do not change, new curriculum content hinders students' chances of promotion to the next level of the education system, even though the new content may be educationally more sound.

- Most primary school administrators continue to be selected from personnel with secondary or college level backgrounds.

- The ICR reports that Punjab has taken two steps to begin to raise the quality of the primary teaching force: raising the minimum entry qualification for recruitment and hiring more teachers with graduate-level qualifications; and developing hiring policies based on criteria of merit. Nevertheless, career opportunities remain restricted for primary school teachers within primary education. The excessive rate of staff transfer, often to positions outside primary education, continues to be a barrier to improving teaching quality in primary education.

Institutional Development

3.4 While institutional strengthening occurred that resulted in some modest improvement in school facilities and instructional materials, severe shortcomings in institutions managing primary education limited planning and monitoring capacities.

- Punjab closed down the CEC but the scope of construction and school maintenance was expanded. Community and teacher involvement in school maintenance became the most important institutional development contributing to the sustainability of the civil works component. Under the Social Action Program, the government decided to release funds for school maintenance directly to communities.

- The National Curriculum Center was successful in developing textbooks and teacher guides but the institution is under-utilized.

- Little progress was made on establishing a monitoring and evaluation unit in ADPI, in part because of unclear federal and provincial responsibilities. Punjab's management information system became the victim of political interference resulting in management discontinuity and inappropriate staffing. Punjab is still without accurate and up-to-date information for planning and evaluation.

4. Issues and Findings

4.1 The weight the Bank gave to relevance and responsiveness in justifying the project was disproportionate to implementation realities. The concerns voiced internally—concerns about project size, complexity, commitment and risks—took second place to extending IDA were overshadowed by strategy to support basic education for girls in a poor and important country. OED concurs with the Region that weaknesses in borrower ownership, capacity and institutions, (many of them identified in internal reviews), should have been more carefully appraised. The Bank's judgement in going ahead is a concern because staff considered that the project was unready for implementation and high risk.

4.2 The ICR emphasized that the absence of more flexible lending instruments in the mid-1980s circumscribed IDA's room to maneuver. But this is hardly a sufficient justification for the Bank's inability to ensure compliance and effective implementation. Staff actually did explore flexible methods with the available instruments . One device involving the tranching of disbursements based on satisfactory performance was proposed but not chosen, though the reasons why are unclear. The final legal agreement included annual reviews of a mandated action program to allow for Bank approval of adjustments needed during implementation. However, in its eagerness to avoid delay, the Bank made concessions to the borrower's requests to remove legal conditions at appraisal, negotiations and credit effectiveness. This compromised its capacity to supervise implementation from a position of strength. Supervision was further compromised because of discontinuity in task management.

4.3 The ICR points out that the *means* chosen to achieve project objectives were under-defined and of uncertain potential. In this context, the phased approach to the study program was ineffective and wasteful. The program lacked clear sequencing, well-defined mechanisms for implementing activities in the first phase, and procedures for applying the results of the first phase during the second phase. Yet when the program stalled, the Bank allowed it to continue. The rationale provided by staff is that, with the advent of the first Social Action Program Project, the policy emphasis for PEPIII became less important, and that supervision was thus able to focus on the huge investment in school construction activities, is not supportable. It does not explain why the Bank failed to restructure when the component became redundant. By action to limit the project's scope, the Bank could have dampened expectations about outcomes on policies and strategies to realistic levels and could have reduced expenditures on unproductive components.

4.4 On a related issue, OED agrees with the ICR that the policy reform agenda was insufficiently formulated, agreed, and disseminated. Since the studies were only completed 4–7 years after effectiveness, any modest policy development arising from the project inevitably had to proceed without the support anticipated from empirical and analytic work.

4.5 OED's review confirms that the design of the innovative components was not sensitive to the country's institutional and organizational setting and incentive system. This insensitivity was a shortcoming that seriously undermined the project's likelihood of success. The Bank also failed to attend to the incentives and linkages inherent in the education system. In trying to establish independent management for primary education, the Bank ignored the tight structural links that bind primary education to more advanced levels of education. In attempting to address issues of project size and complexity, IDA dropped the assessment component so critical to changing the behavior of teachers and learners. In de-linking issues of teacher employment and pay during implementation at the borrower's request, it avoided sensitive policy and budgetary issues.

4.6 These defects were aggravated by a fundamental design flaw—the absence of clear policies and procedures agreed between federal and provincial authorities which would govern their authority and responsibilities. The project was correct to promote shared responsibility in many domains where federal agencies had a dominant role—in monitoring and evaluation, curriculum innovation, textbook subsidies and provision, teacher training and demand-generation. Punjab's vision of greater autonomy promoted local ownership and effort. But the province was limited by federal laws, policies and control of budgets and project funds. The lack of clarity and resulting tension adversely affected project coordination, implementation and outcomes. The project found itself entangled in a much broader struggle between federal and provincial governments for control of primary education than it was able to handle. In retrospect, it is clear that the Bank should not have chosen to pursue the goal of greater provincial involvement in primary education in an indirect and inadequately-prepared manner. In the short-term, the project unintentionally aggravated already tense relations between Punjab and the federal government.

4.7 It is strictly beyond the scope of OED's review of the project to assess the Bank's broader performance in Pakistan education (paras. 5.2-3).[8] But balance and fairness call for mention of the Bank's efforts to do better in supporting the borrower's Social Action Program and involving other partners and stakeholders. Through the novel programmatic instrument used in these operations, the Bank is now addressing more directly how to improve federal-provincial management of primary education in order to ensure that the poor have access to better quality services. It is, however, too early to judge whether over a longer period the new approaches will succeed where the investment project could not.

Ratings

4.8 OED agrees with the ICR's rating of overall project **outcome** as **unsatisfactory**. Some project activities were not implemented, and those that were implemented did not have the results intended. OED rates **sustainability** as **unlikely** (the ICR uncertain) because the government's plans for future project operation were unformed and under-funding of quality inputs continues. OED agrees with the ICR's rating of **institutional development** as **negligible** and with its rating of **borrower performance** as **unsatisfactory**. OED rates **IDA performance** as **unsatisfactory** (ICR unsatisfactory only at appraisal) because the Bank did not use its expertise and influence assertively enough to reduce the project's very high risk of failure. It is doubtful that it could have done so at the time, given the constraints. The Bank's diffidence in using to full advantage the quality assurance mechanisms and sanctions at its disposal during supervision exacerbated the design flaws and allowed project funds to be spent unproductively for the sake of meeting project targets. Perhaps the most positive outcome was that the negative experience led the Bank to reassess its strategy towards social sector development in Pakistan.

5. Lessons

5.1 Several lessons are worthy of broad dissemination. The audit points to areas of Bank performance where changed behavior would help ensure that only those projects in social sectors that meet high standard of efficacy in advancing development objectives are selected. In cases similar to PEPIII, extremely difficult and complex issues in the country and in education systems challenge the Bank to exercise discrimination in deciding whether projects—however relevant

8. Pakistan Education: Issues for a Divisional Strategy. January 31, 1996 (revised July 18, 1997).

5.2 and responsive—should receive IDA financing—and if they do, how performance issues should be addressed.

- IDA financed the Pakistan Third Primary Education Project (PEPIII) in FY87 in response to the Government of Punjab's request after the province had declined to participate in PEPII approved the previous year. Total estimated cost was US$233.91 million and the IDA credit was US$143.35 million. This audit was closed in FY96 after an extension of 30 months. Based on a single province, the project set the pattern for four similar operations in the 1990s. From 1994, the first Social Action Program Project (Cr. 2953), the pioneer of IDA-assisted programmatic operation in Pakistan, also supported primary education with policy, budgetary and management interventions.

- Objectives were relevant to the Bank's mission to reduce poverty and to the goals of the federal and provincial governments to improve educational quality, access and equity, especially for girls and rural populations. The project supported activities to: develop institutional capacities; develop and institutionalize policy; and introduce innovations that would influence demand, access, quality and costs. It supported a large school building and maintenance component; a large study program to advance national and provincial policy and innovation strategies; and new forms of curricula, assessments, in-service teacher training and more affordable textbooks. CIDA was to have financed textbook paper and community participation components but the agency withdrew following differences of view on changes in design and scope.

- The Implementation Completion Report (ICR) shows that implementation was slow and achievements were far below expectations. It attributes the project's failure to meet its objectives to the extremely challenging environment, weak borrower commitment and capacity, delays and problems with TA from non-IDA sources, deficient preparation, and the lack of flexible lending instruments. The ICR is thoughtful in its analysis of the issues but, while it comments on some deficiencies in Bank performance at appraisal, some important gaps in reporting bias the ICR's overall evaluation in the Bank's favor.

- The weight the Region gave to relevance and responsiveness in justifying the project was disproportionate to implementation realities. The concerns voiced internally—concerns about project size, complexity and risks—were overshadowed by the IDA strategy to support basic and girls education in a poor but strategically important country. OED concurs with the Region that weaknesses in borrower commitment, capacity and institutions (weaknesses identified in internal reviews) should have been more carefully appraised. The Bank's decision to go ahead is a concern because staff considered the project unready for implementation and of high risk. The ICR argues that the investment instrument was not a sufficiently flexible instrument to overcome problems but, in fact, during preparation, more flexible instruments were considered. Staff proposed tranching disbursements based on satisfactory borrower performance but (the proposal) did not go forward after internal review. Instead, in final form, the legal agreement signed by federal and provincial governments included annual reviews of a mandated action program that would allow the Bank and borrower to adjust implementation mechanisms as needed. However, the Bank compromised its capacity to supervise implementation from a position of strength by making concessions to the borrower's objections to legal conditions at appraisal, at negotiations and at credit effectiveness. Supervision was further compromised because of Bank staff turnover, lax monitoring of compliance with the legal agreement and patchy supervision of technical components.

- The ICR points out that the components chosen to achieve project objectives were insufficiently prepared and tested. An example is the phased approach to the policy studies program which proved ineffective. However, the ICR fails to question why the Bank had allowed these activities to continue so long without restructuring the component. The staff argued that the project's emphasis on policy became less important relative to the huge investment in school construction activities. But this does not justify the lack of proactivity in revamping a costly component and redefining project objectives.

- The Bank failed to attend sufficiently to the incentives and linkages inherent in the education system. In introducing an innovation to employ low-cost assistant teachers, many of them women, the Bank took a risk to advance an important initiative but failed to address the lack of policy, institutional and cultural supports in this area. In establishing *independent* management of primary education, it ignored the tight structural links that bind primary education to more advanced levels and require coordination. In addressing challenges of project size and complexity, it decided that the assessment component was the most likely candidate to drop. Unfortunately, this was a key to incentive for teachers and students to adopt the new curriculum. In de-linking issues of teacher employment and teacher pay at the borrower's request, the Bank side-stepped critical issues of teacher management and high recurrent budgets for teacher remuneration.

- A fundamental flaw exacerbated these weaknesses—the absence of clear policies and procedures agreed between federal and provincial authorities to govern their authority and responsibilities. Punjab's vision of greater autonomy promoted local ownership and effort, which the Bank supported. But the province was limited by federal laws, policies, budgets and control of project funds. The lack of clarity and resulting tensions adversely affected project coordination and implementation. The project found itself entangled in a much broader issue for federal-provincial relations than it was able to handle.

- The audit reaffirms the conclusions of OED's previous review of the Region's ICR. The main disagreement is on **Bank performance** which OED rates as **unsatisfactory** (ICR unsatisfactory only at appraisal). The Bank used poor judgement in recommending the project as ready for IDA assistance when it considered the risks insurmountable. During supervision the Bank failed to ensure that project resources were used efficiently or to take remedial action when they were not. OED agrees with most other ICR ratings. **Outcomes** are rated as **unsatisfactory** because many components were not implemented and those that were implemented did not achieve targets set or results intended. **Institutional development** is rated as **negligible** and

borrower performance as **unsatisfactory**. OED rates **sustainability** as **unlikely** (ICR uncertain) because the government's plans for future project operation are unformed and under-funding of recurrent budgets continues. Perhaps the most positive result for the Bank from the project's serious shortcomings was that it reinforced the need for a new strategy for social sector development in Pakistan.

Several lessons are worthy of broad dissemination:

- When a project proposal has serious flaws, the Bank should not proceed under the assumption that trouble-shooting action during implementation will be effective or without cost. If the view is that more preparation would be *unlikely* to improve implementation readiness, as in the PEP III case, the project should *not* go forward for Board approval. Experience shows that turnaround is difficult to achieve during implementation without major review and borrower commitment to restructuring.
- Relevance, responsiveness and high levels of investment inputs do not ensure good progress and results. In the PEP III case, the project's relevance to the Bank's mission in poverty and basic education, and its responsiveness to the Punjab's request IDA assistance, were necessary but not sufficient conditions for success.
- Rigorous appraisal of the borrower's statement of commitment and capacity are required to inform project design. Experience in Pakistan indicates that government habitually overpromises and underperforms. This is a Regional insight with which OED concurs.
- OED supports the ICR's insight that policy is not advanced when the Bank provides financing for large investment activities *before* the borrower has begun to improve the enabling environment. When budgets are tight, institutions are weak, and ownership uncertain, investment activities such as the large school construction component in PEPIII, are likely to attract most attention, reducing the focus on policy and qualitative outcomes.
- When the Bank favors a shift to decentralization of education, it should avoid championing the stakeholder who is the major beneficiary while failing to ensure that other stakeholders' concerns are adequately addressed. In retrospect, it is clear that the Bank's implicit strategy in favor of the province was ill-prepared, a consensus among stakeholders was absent, and the Bank found itself uncomfortably placed to advance the project.
- Rigorous self-evaluation and disclosure helps foster confidence among stakeholders, partners and Bank staff that the institution is directing scarce IDA funds to interventions that have been carefully selected because they will directly benefit the poor. In the PEP III case, the Bank could have done better in balancing risks and benefits by additional high quality review of technical and institutional components prior to Board presentation. During implementation, Bank managers need to encourage staff and government officials to review *all* objectives and components realistically and candidly and not to hold back from advising on drastic remedial action when appropriate, even if that means restructuring or cancellation.

- In primary education which is localized, yet geographically dispersed, support to the many related local institutions with diverse specialized functions is critical but difficult to achieve. The Bank is now doing more to foster strong institutions at national level but it also needs to foster education sector institutions locally. While it may lack the capacity to do this directly, it is well positioned to achieve partnership with locally-based change-agents to help sector institutions "learn by doing."

Bank Response

- The subsequent round of IDA-funded projects have remedied some of the deficiencies noted in the Audit Report and ICR, but some persist. Those that continue to negatively affect Pakistan education Projects include: overly ambitious agendas that do not satisfactorily take into account deficiencies in the technical and institutional capacity of the client; the difficulties for maintaining a consistent policy dialogue in the face of frequent changes of government and key policy and technical staff; creation of enabling environments that are based on long-term government vision of sector reform and growth; and construction efforts still plagued by delays, poor quality and governance issues despite substantial efforts by Bank staff to remedy these problems.

- However, the provincial projects formed in the wake of PEP III, including the 2nd Social Action Program Project, have profited from the PEP III experience. Specific actions and activities reflected in these projects include:

- Focus on province-based initiatives that are largely independent of federal regulatory frameworks and interference except where mandated by law (e.g. curriculum content);

- Emphasis upon annual Operational Plans and budgets to ensure that government monitors its own progress against stated and agreed annual goals;

- Broad consultation with stakeholders in project design, down to the school and village level;

- Use of sector focus to ensure integration of instruction and infrastructure into a continuous cycle of schooling;
- Insistence that the client initiate requests for development assistance and that the client take lead responsibility, with IDA technical support as required, in defining project elements and modalities;

- Expanded network of stakeholders and institutions involved in project implementation including district level officials, community level organizations including PTAs and head teachers;

- Decided shift away from large-scale projects with heavy emphasis on construction to policy and reform-based lending that is linked to specific outcomes such as enrollment increases, improvement in student performance, teacher attendance, and transparent adherence to governance criteria;

- Creation of non-line agencies to implement projects only where no capacity exists or intractable problems in the use of available agencies;

- Reform of IDA-funded in-service teacher training efforts, with heavy emphasis on reduction in number of transfers and inclusion of teacher assessment of materials in design and production

Basic Data Sheet

PAKISTAN—THIRD PRIMARY EDUCATION PROJECT (CREDIT 1821-PAK)

Key Project Data

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs (US$)	207.87	233.91	89%
Loan amount (US$)	145.00	143.35	99%
Cancellation (US$)		3.8	NA
Date physical components completed	06/30/93	12/31/95	NA

Cumulative Estimated and Actual Disbursements *(US$ million)*

	FY88	*FY89*	*FY90*	*FY91*	*FY92*	*FY93*	*FY94*	*FY95*	*FY96*	*FY97*
Appraisal estimate	5,600	24,200	56,880	95,360	126,920	140,260	145,000	145,000	145,000	145,000
Actual	0	10,170	10,170	19,810	41,590	74,290	105,310	121,640	132,320	134,460
Actual as % of estimate	–	42%	18%	21%	33%	53%	73%	84%	91%	93%
Date of final disbursement:	November 14, 1996									

Project Dates

Steps in project cycle	*Original*	*Actual*
Identification (Executive Project Summary)	January 1986	January 27, 1986
Preparation	March 1986	March 26, 1986
Appraisal	August 1986	September 15, 1986
Negotiations	January 1, 1987	April 20, 1987
Development Policy Letter	NA	NA
Board presentation	March 31, 1987	June 16, 1987
Signing	September 1987	September 10, 1987
Effectiveness	March 1988	April 25, 1988
1st Tranche Release (if applicable)	NA	NA
Midterm review (if applicable)	NA	NA
Project completion	June 30, 1993	December 31, 1995
Credit closing	December 31, 1993	June 30, 1996

Staff Inputs (staff weeks)

Stage of project cycle	*Planned*		*Revised*		*Actual*	
	Weeks	*US$000*	*Weeks*	*US$000*	*Weeks*	*US$000*
Preparation	n.a.	n.a	20.2	45.9	20.2	45.9
Appraisal— Board	n.a	n.a	120.5	257.3	120.5	257.3
Board— Effectiveness	n.a	n.a	15.4	28.3	15.4	28.3
Supervision	n.a	n.a	124.2	240.8	124.2	240.8
Completion	n.a	n.a	4.0	13.7	4.0	12.5
Total			284.3	586.0	284.3	584.8

Mission Data

Stage of project cycle	Date (month/year)	No. of persons	Duration of mission (# of days)	Specialized staff skills represented*	Performance rating		Types of problems
					Implement. status	Development objectives	
Identification	August 1985	2	12	ES; E	–	–	
Preparation	March 1986	5	15	ES; A; E	–	–	
Appraisal	Sept. 1986	11	20	ES; E; GE; A; CS; MS			
Post-appraisal	February 1987	4	10	ES; E; A, MS	–	–	
Supervision I	January 1988	4	23	ES; A; OO; DO	2	2	- Effectiven. Budget Funding
Supervision II	October 1988	4	16	ES; A	2	2	- Proj. Mgt. & Coordin.
Supervision III	June 1989	4	26	EP; ES; A	2	2	
Supervision IV	December 1989	4	21	EP; ES; A	3	2	- Funds flow TA program delay Procurement embargo on durable goods
Supervision V	June 1990	3	7	ES; A; TS	2	2	- Slow budget transfers to executing agencies
Supervision VI	December 1990	4	23	EP; ES; TS; A	3	2	- Fund flow Implement. Delays Project Mgt.
Supervision VII	May 1991	4	23	EP; ES; TS; IS	3	2	- Construction delays Funds replenish. Foreign TA delays
Supervision VIII	Nov. 1991	5	13	EP; ES; IS; A	2	2	- Minor problems
Supervision IX	June 1992	2	17	ES; A	2	2	- Minor problems
Supervision X	Dec. 1992	2	17	ES; A	2	2	- High teacher vacancy rates Project Mgt.
Supervision XI	April 1993	3	4	IS; A/P	2	2	- Limited scope supervision Project Mgt.
Supervision XII	August 1993	5	8	ES; IS; DO; TS; A	2	2	- Minor problems
Supervision XIII	April 1994	5	11	IS; E; ES; FA; A	2	2	- Slow school construction Disbursements Credit closing ext.
Supervision XIV	Nov. 1994	3	3	IS; OO; ES	S	S	- Slow impl. Progress on school completion and reform measures.
Supervision XV	April 1995	4	9	ES; E; A	S	S	- Slow disbursements Mgt. Staffing
Supervision XVI	October 1995	4	12	ES; E; A	S	S	- Teacher trg. Delays due to delay in new materials develop.
Completion	March 1997	4	7	ES; SSS; A	S	S	

* A = Architect; CS = Communications Specialist; DO = Disbursement Officer; E = Economist; EP = Education Planner; ES = Education Specialist; fa = Financial Analyst; GE = General Educator; IS = Implementation Specialist; MS = Management Specialist; OO = Operations Officer; P = Planner; SSS = Social Sector Specialist; TS = Textbook Specialist.

Other Project Data

Borrower/Executing Agency: Government of Pakistan and Government of Punjab

Related Bank Credits

Credit title	Purpose	Year of approval	Status	Closing date
Preceding operations				
Credit 892-PAK Fourth Education Project	Experimental primary education project with the objectives of increasing access, reducing wastage and costs, and improving the quality of instruction.	1979	Closed	Unsatisfactory. Project was completed on time in 1985. Out of the Credit of US$10.0 million, US$3.0 million was cancelled.
Credit 1602-PAK Second Primary Education Project	Second primary project which built up on experiences under previous Credit 892-PAK, which was limited to the Sindh, NWFP, Baluchistan Provinces. It focussed on the same objectives as the previous project.	1985	Closed	Marginally satisfactory. Out of the Credit of US$72.5 million US$16.3 million was cancelled.
Following Operations				
Credit 2102-PAK Sindh Primary Education Project	Enhance access to and delivery of primary education and improve the students' achievements through classroom instructions, enhanced teacher recruitment (especially for female teachers), training for teachers and managers, scholarships and textbooks provided for girls.	1990	Ongoing	Satisfactory. Being restructured under social sector portfolio restructuring exercise.
Credit 2118-BD General Education Project	Increase equitable access to primary and secondary schooling; improve education quality; strengthen institutional capacity of subsectors; and prepare needed reform policies and programs at post-secondary levels.	1990	Closed on 12/20/96	Satisfactory. ICR under preparation.
Credit 2534-PAK Punjab Middle Schooling Project	Implement restructuring of education into elementary (years 1-8) and secondary (years 9-12); increase access particularly for girls; improve quality and efficiency of education; support decentralization and expansion of private education.	1992	Ongoing	Unsatisfactory. Being restructured under social sector portfolio restructuring exercise.
Credit 2357-NEP Basic and Primary Education project	Improve quality of basic and primary education; increase access to primary schooling; and strengthen institutional capacity of the subsector.	1992	Ongoing	Satisfactory
Credit 2482-PAK Balochistan Primary Education Program Project	Improve (a) access, equity and efficiency; (b) quality of learning environment; (c) organizational framework, planning and management.	1992	Ongoing	High satisfactory
Credit 2661-IN District Primary Education Project	At district and sub-district level, improve access to primary education, reduce dropouts and increasing learning achievement, and strengthen institutional capacity.	1994	Ongoing	Satisfactory
Credit 2680-PAK North-West Frontier Province Primary Education Program Project	Improve (a) access, equity and efficiency; (b) quality of learning environment; (c) organizational framework, planning and management.	1995	Ongoing	Satisfactory
Credit 2876-IN Second District Primary Education Project	At district and sub-district level, improve access to primary education, reduce dropouts and increasing learning achievement.	1996	Ongoing	10-month old

Theisen comments on OED audit of PEP III

Preface:

end of para one (and elsewhere) more approp. To say that the project was closed after an "extension" not a delay????

Cover Memo:

- Para 1: "delayed" problem
- Para 3, line 2...modify to read"...failure to achieve all of the objectives to the......"
- Para 4, 1st 2 sent. Not clear. Relev. and resp. not misplaced-- just weighted disproportionately to implem realities. 2nd sent. Clarify that Bank's desire to support basic educ. etc. overshadowed the realities of govt. inability to implement a project of this size, ...etc.
- Same para, line 7, change to "high risk"
- Same para, line 10, "..was not agreed...[by whom????]"
- Top para, pg. 2, line 4, which staff?
- 1st full para pg. 2, meaning of 1st sent is not clear
- 2nd para, 1st 2 sent. Important to recognize that the bank and govt. had to engage in some risk taking to get more girls' into school. Yes, the program might have worked as planned, but credit has to be given also for the effort to find a way through. Too one sided a stmt.
- Same para, re: assesment. Not quite fair to just criticize for dropping; it is imp. but requires capacity, and time to develop. In order to sharpen focus perhaps this was the most likely candidate to drop during restructuring. Give balanced view of dilemma.
- Para 4, pg. 2, line 4; were they really considered "insurmountable" or very difficult to overcome. Word choice here is very important.
- Same para line 5, "OED agrees...other ICR (something is missing here???)
- Same para last sent. I think this is an unjustified and harsh over statement. Suggest re-writing to " Perhaps one of the most important positive lessons from the PEPIII experience was that...."
- Pg. Bullet at bottom, I would recommend dropping "without cost" in line 2. That is a false assumption, if remediation is part of proj. design..
- Pg. 3 either add to top bullet or add new bullet: " Careful, realistic assessment of governments' statement of capacity and commitment are required as a precursor to project design. Experience in Pakistan indicates that government habitually over promises and under performs on projects, especially ones of this complexity."
- Pg. 3, 4th bullet, line 5, add "...managers need to encourage staff and government officials to review....."
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- **Audit Report:**
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- pg. 10 sec. 2.4, line 8, change to "Academy for Educ. Planning and mgmt." (no research).
- pg. 11, lst bullet, last sentence. Conclusion unsubstantiated and needs clarification or addition. Issue is not teacher pay, but underutilized staff who are mis-deployed. Therefore the focus was correct.
- See earlier comments on need for balance, esp. on those items specifically noted. Mention needs to be made that decisions were not made without thought but often involved tradeoffs. The tone of the draft seems to emphasize *negligence* as opposed to what might more realistically be

described as difficult choices and multiple attention grabbing problems that often diverted attention from most important project objectives.

Paras on lessons learned and implemented in subsequent projects.

The subsequent round of IDA-funded projects have remedied some of the deficiencies noted in the Audit Report and ICR, but some persist. Those that continue to negatively affect Pakistan education Projects include: overly ambitious agendas that do not satisfactorily take into account deficiencies in the technical and institutional capacity of the client; the difficulties of maintaining a consistent policy dialogue in the face of frequent changes of government and key policy and technical staff; creation of enabling environments that are based on long-term government vision of sector reform and growth, and construction efforts are still plagued by delays, poor quality and governance issues despite substantial efforts by Bank staff to remedy these problems.

However, the provincial projects formed in the wake of PEP III, including the 2nd Social Action Program Project have profited form the PEP III experience. Specific actions /activities that are reflected in these projects include:

- Focus on province–based initiatives that are largely independent of federal regulatory frameworks and interference except where mandated by law (e.g. curriculum content);
- Emphasis upon annual Operational Plans and budgets to ensure that government monitors its own progress against stated and agreed annual goals;
- Broad consultation with stakeholders in project design, down to the school and village level;
- Use of sector focus to ensure integration of instruction and infrastructure into a continuous cycle of schooling;
- Insistence that the client initiate requests for development assistance and that the client take lead responsibility, with IDA technical support as required, in defining project elements and modalities;
- Expanded network of stakeholders and institutions involved in project implementation including district level officials, community level organizations including PTAs and head teachers;
- Decided shift away from large-scale projects with heavy emphasis on construction to policy and reform –based lending that is linked to specific outcomes such as enrollment increases, improvement in student performance, teacher attendance, transparent adherence to governance criteria, etc.;
- Creation of non-line agencies to implement projects only when there is no existing capacity or when problems associated with using existing agencies are intractable;
- Reform of IDA-funded in-service teacher training efforts, with heavy emphasis on reduction in number of transfers and inclusion of teacher assessment of materials in design and production.