

May 15, 2006

PAKISTAN – CAS COMPLETION REPORT REVIEW

The Pakistan Country Assistance Evaluation (CAE) Report No. 34942 (discussed by CODE on November 28, 2005) reviewed the Bank's country assistance during the period FY94-FY03. Although there is only some overlap with the period of this Country Assistance Strategy Completion Report (CASCR) review, which covers June 2002 through June 2005, some of the findings and recommendations are similar to those in the CAE, and are discussed more fully in the CAE.

The main objectives of the Country Assistance Strategy (CAS) were: (i) Strengthening the Basis for Macroeconomic Stability and Government Effectiveness; (ii) Strengthening the Enabling Investment Climate; and (iii) Supporting Pro-Poor and Pro-Gender-Equity Policies. These objectives are both relevant and broadly consistent with the Government's priorities. While good progress was made in macroeconomic stability and improving the investment climate, there was only minimal or partial achievement of objectives in governance, rural development, education, health, and pro-poor policies. IEG rates the overall outcome rating as moderately satisfactory (paras. 27-29).

Three of the CASCR recommendations are consistent with CAE findings and this review: (i) projects should not be overly complex; (ii) the CAS program should give greater emphasis to capacity building; and (iii) the program needs to continue to strengthen its focus on results, and to do a better job on developing and monitoring indicators. The fourth recommendation of using: "annual single tranche adjustment operations at both the provincial and national levels" would be consistent with the CAE if the loans are focused, and take into account capacity limitations. The recent CAE found that some adjustment loans were too broad (requiring cooperation from multiple counterparts), and sometimes included unrealistic, vague or unsustainable conditions.

This review also suggests two other recommendations, which were also recommended under the CAE:

- *Improving donor and partnership relations. Although there is clearly strong donor coordination on some individual projects, more work is needed to create true partnerships.*
- *Continuing to expand the use of analytical work, particularly in advance of lending.*

Government Objectives, CAS Objectives, and Overview of Implementation

1. The FY02 CAS laid out the Bank's program for Pakistan from FY03-05. The main objectives of the CAS were: (i) Strengthening the Basis for Macroeconomic Stability and Government Effectiveness; (ii) Strengthening the Enabling Investment Climate; and (iii) Supporting Pro-Poor and Pro-Gender-Equity Policies. These objectives were both relevant and broadly consistent with the Government's priorities as laid out in the Poverty Reduction Strategy Paper (PRSP) and the Interim Poverty Reduction Strategy Paper (I-PRSP).

2. The FY02 CAS also emphasized that Bank interventions would be selective, so areas where reforms had been slow or were reversed would be supported by AAA or monitoring, but no lending. Other strategic principles were (i) an emphasis on a programmatic approach and programmatic instruments (such as policy-based fast disbursing loans); and (ii) facilitating partnerships and donor coordination.
3. The Bank updated its strategy with a CAS Progress Report (CAS PR), dated April 28, 2004. While the objectives did not change, the instruments did, primarily manifested by proposed increases in lending levels. The original lending plan of \$400-\$600 million of IDA funds per year, shifted to a \$600 million-\$1 billion of IDA funds and \$50-100 million in IBRD funds for FY04-05.
4. Annex 1 shows the changes in the Bank program, including those changes that were made under the framework of the CAS PR. These changes reflected the Government pursuit of a consistent set of reforms in Pakistan, which the Bank felt should be supported through increased lending.
5. The lending program shows quite a few shifts from the original plans. However, the general areas of lending support remained consistent with the CAS objectives, and most of the changes reflected changes in timing, resizing of projects, or refocusing of projects to better reflect areas where reform had occurred or was more likely. The many changes in the program likely reflect the difficult of planning detailed lending programs in complex countries more than a year or two in advance.
6. The Bank's ongoing program shifted again following the earthquake of October 8, 2005, which killed at least 86,000 people in Pakistan, severely injuring 70,000 and leaving 2.8 million people without shelter. A Joint Damage and Needs Assessment co-authored by the Bank and the Asian Development Bank estimated the costs for relief, livelihood support for victims and reconstruction costs at approximately US\$5.2 billion. Within a few months, the Bank helped mobilize considerable donor resources, including providing additional Bank financing of US\$440 for ongoing operations, US\$35 million in reallocation of funds within existing projects, and a US\$400 million Emergency Earthquake Recovery Project. As these events occurred after the period formally covered by the CAS (June 2002 through June 2005), the CASCR does not evaluate that assistance (nor does this review). In the immediate aftermath of the earthquake, IEG communicated to the country team early lessons from its work on assistance for natural disasters ("Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters," 2006).
7. The Bank has improved the management of its portfolio; only two of the sixteen projects (representing 13 percent of projects or 6 percent of commitments) in the Pakistan portfolio are currently at risk. This contrasts with the performance in the 1990s; by 1998, over 50 percent of the portfolio, by commitments and number of projects, were at risk. Since then, (i) an aggressive closure of problem projects, (ii) tighter quality of entry standards; and (iii) a sharp drop in the number of projects in the portfolio (from forty-plus projects in the 1990s to 10-16 projects during the CAS period) have contributed to the portfolio improvement.

8. Twelve out of fifteen projects (80 percent by number, or 90 percent by commitments) which exited during the CAS period had satisfactory outcome ratings; these twelve projects were also rated as likely to be sustainable. Institutional development remains an issue, as only six of the fifteen projects (40 percent, or 38 percent by commitments) were rated as having substantial institutional development.

9. The FY02 CAS laid out the planned AAA for FY03. AAA for FY04 and FY05 was not specified until the April 2004 PR. There were therefore few changes from the planned activities. The CASCR notes that QAG had undertaken a review of the Pakistan AAA program, and had found it to be satisfactory overall. IEG's CAE also found the AAA to be of satisfactory quality, but the relevance of timeliness could be improved through strategic work in areas such as rural development, the social sectors, the power sector, and governance.

CAS Implementation by Objective

10. As the CASCR notes, the results framework for the FY02 had a number of weaknesses. Some outcome indicators were either vague or difficult to measure (e.g., "Improvement in government effectiveness at the federal, provincial, and district levels"), or reflect outputs rather than outcomes ("Promulgation of a Procurement Ordinance"). The CASCR tries to find objective measures when possible, although many indicators are still in the form of outputs.

Strengthening the Basis for Macroeconomic Stability and Government Effectiveness

11. Since the Musharraf government took power in 1999, the Government has worked toward implementing a consistent program to support macrostability. As noted above, the CAS program of support for macrostability was consistent with the Government's PRSP and I-PRSP. Progress has been positive, with growth exceeding 6 percent in each of the last two FYs. The budget deficit (excluding grants) has decreased, but still remains high at 4 percent. Debt management has improved (falling from 80.2 percent of GDP in 2001/02 to an estimated 61.1 percent in 2004/05¹) as the Government is working to improve both the amount and structure of its debt. Gross international reserves, after increasing from 3.7 months of imports in 2001/02 to 6.4 months in 2002/03 have fallen back to 4.2 months in 2004/05.

12. The CASCR notes that exogenous factors have had both positive and negative effects on the achievement of CAS objectives. Positive effects include geopolitical events which led to increased grant aid, concessional debt restructuring, expanded textile quotes, and increased remittances. On the negative side, security concerns and increased defense expenditures have discouraged private investment and kept pressure on fiscal balances.

¹ IMF 2005 Article IV Consultation, November 2005.

13. To support improvement of government effectiveness (including accountability of state institutions and other governance issues), the CAS laid out a Bank program which included assistance in areas including public accounting and auditing, public financial management and procurement, tax administration and civil service reform. In addition, the Bank has supported the government's devolution initiative both through analytical support and through a series of provincial adjustment credits, and components of some of the national loans targeted at improving government capacity. The CAS did not provide well-defined monitorable indicators, but instead focuses mainly on intermediate actions or general areas to be observed (e.g., "improved public sector financial accountability" and "improved procurement"). Even using changes in inputs and outputs as indicators, progress in these areas has been slow. One set of governance indicators not cited in the CAS is the WBI Governance Index, which shows that Pakistan's ratings have declined in five out of six categories during the CAS period (see Annex Table 8). However, given the newness of the strategy, the progress in outputs, and the long lead time before significant improvements in outcomes are likely to appear, the current indicators do not necessarily imply that the strategy is inappropriate.

14. In sum, progress in macroeconomic stability has been satisfactory, and while progress has been made in implementing the strategy to improve government effectiveness, the lack of improvement on government effectiveness outcomes leads to an overall rating of moderately satisfactory.

Strengthening the Enabling Investment Climate

15. The Government's I- PRSP (FY02) emphasized the importance of improving the environment for investment and trade. The Bank's strategy focused on (i) improving the incentive and regulatory framework; (ii) privatization; (iii) financial sector reform; and (iv) accelerating rural growth.

16. Results from the Bank's support for trade reform can be seen in the steady simplification and continued decrease in tariff rates (there are now four tariff bands, and the average tariff has dropped from 14.4 percent to 13.4 percent). While exports have not increased appreciably (12.7 percent of GDP in 2001/02 versus an estimated 13.0 percent of GDP in 2004/05), imports have increased from 13.1 percent of GDP in 2001/02 to an estimated 17.0 percent of GDP in 2004/05. Changes in legislation have also improved the business climate in other areas, such as faster business registration procedures (average start-up time for businesses has dropped from 53 days to 22 days), and reduced harassment through business inspections. Privatization is proceeding, albeit at a mixed pace.

17. Under the 2002 CAS, the Bank continued to provide support to the financial sector through both lending and non-lending services. Progress in financial sector reform has been proceeding well, with continued work on improving the legal and regulatory framework, and decreasing government interference. Private banks have increased their share of sector assets from 8 percent in 1990, to 34 percent in 1999, and then to nearly 80 percent in 2005.

18. On the other hand, although the CAS identified “Creating the Conditions for Accelerated, Sustainable Rural Growth” as one of the key components supporting this pillar, little progress has been made in this area. The Bank has focused most of its attention in this area on the water sector particularly irrigation, both in terms of lending and analytical work. While the work has provided a basis for future reform, the outcomes to date have been minimal.

19. Overall growth figures of 8.4 percent and export growth of 17.2 percent in 2004/05 are impressive. The CASCR notes, however, and IEG concurs, that while significant achievements in reforms, combined with the macroeconomic turnaround, have led to higher growth, “second generation reforms, will be needed to maintain [a] higher rate of growth and investment.” Long-term growth indicators, such as FDI and gross capital formation, remain low at 1.1 percent of GDP and 16.8 percent of GDP in 2004/05 respectively. Also, while the CASCR does not discuss governance in this pillar, the perception of continued governance issues is likely to hamper private investment. The overall outcome in this area is satisfactory, although the strong improvement in growth is tempered by concerns about rural growth and the sustainability.

Supporting Pro-Poor and Pro-Gender-Equity Policies

20. The CAS identified three areas of support for this pillar: (i) creating greater opportunities for increasing real incomes by improving access to education and health services, especially for girls, and to safety net programs; (ii) supporting pro-poor rural infrastructure, services and social protection; and (iii) supporting pro-gender equity policies. The CAS PR also noted that it was necessary to address the linkages between environmental issues and poverty. The CASCR, however, discussed this pillar by dividing it into reviews of the Bank’s support for: (i) Education, (ii) Health and Population; and (iii) “Pro-poor Targeted Programs.” Structuring the analysis in this way tends to de-emphasize the importance of rural services, and gender issues, both of which are critical issues.

21. **Education.** The CASCR notes that the Bank’s strategy in education was to support implementation of the Government’s Education Sector Reform Program (ESR), through federal and provincial adjustment lending, as well as AAA. A review of the outcome indicators in the federal and provincial loans, as well as the CASCR, indicates that the Bank focused primarily on primary and secondary education including enrollment, improving inputs (infrastructure, textbooks, and teacher training). Progress has been made as consolidated federal and provincial expenditures on education have increased (from 1.5% of GDP in FY2001/02 to 1.8% of GDP in FY2003/04) and primary net enrollment has increased (from 43% in FY2001/02 to an estimate 60% in 2004). The National Educational Assessment System (NEAS) has been launched, which will allow for better monitoring.

22. These steps are encouraging, but it is too early to determine whether increased enrollments are sustainable and whether the expenditures and actions will result in higher literacy and education. The CASCR notes that the main indicators in education were to move Pakistan toward the MDG goal of universal primary education by 2015 and reducing

gender gaps in primary and secondary education by 2005. The latter goal was not met and no intermediate target was set for primary education enrollment. The CAS did not set other outcomes, such as literacy, and given that the national assessments are only now being piloted, there are no quality indicators yet. Recent government data indicate an increase in enrollment and completion rates in primary education, but rates are still low.

23. ***Health and Population.*** The Bank's strategy was to support reforms in health through adjustment loans which would focus on increased health spending and improved service delivery primarily through adjustment loans and AAA. Two targeted investment credits focused on HIV/AIDs and eradicating Polio.

24. The CASCR notes that although progress has been made in a number of key indicators, progress has been slow, and the indicators still lag those in other countries in the region with similar or lower income levels. Most of the targeted outcomes in this area were not achieved.

25. ***Pro-poor targeted policies.*** The Bank's program includes "bottom-up" projects such as community based infrastructure projects and microcredit, to try to alleviate poverty at the local level. The Bank has also used broad based adjustment loans to support social programs, including improved targeting and delivery of benefits to increase coverage and reduce leakage of benefits. The Bank strategy also sought to strengthen governance and improved delivery of basic infrastructure service at the local level, and to deepen the rural asset base. A problem noted by the CASCR, however, is that no specific indicators were identified for assessing progress in these areas.

26. While individual projects have had pro-gender equality foci or components (female primary school enrollment, improved maternal care and family planning, expansions of Lady Health Workers, participation in Community Infrastructure Projects and Poverty Alleviation Fund Projects), the CASCR annexes acknowledge that little progress has been made in this area.

27. Overall, although progress has been made in a number of areas, including gains in net education enrolment, increased adult literacy, improved immunization, etc. many of the targeted outcomes were not achieved, or indicators in some areas were not defined. In the area of environment and poverty, no interventions were made. IEG rates the outcomes in this pillar moderately unsatisfactory.

Overall IEG Assessment

28. The CAS objectives were highly relevant, and well-aligned with the Government's priorities. The Bank's strategy of emphasizing greater selectivity, and developing a programmatic approach to achieve the objectives reflects a greater realism of the difficulties of working in a complex country.

29. The Bank has developed consistent strategies, which together with government commitment, have been effective in the area of macrostability. Progress has been made in

achieving a number of targeted actions in government effectiveness, but there is not yet evidence of results. Economic growth has been impressive in recent years, but the foundations for long-term growth are still being established, and rural growth lags overall growth. The objectives set out for “Pro-Poor and Pro-Gender Equity Policies” have largely not been achieved.

30. The CASCR did not give a formal rating to overall outcomes, but notes that “many of the intermediate outcomes representing milestones in the implementation of the overall reform program were met.” This is consistent with IEG’s assessment; with macrostability and government effectiveness rated moderately satisfactory, growth rated satisfactory, and the third pillar (Pro-Poor and Gender Equity Policies) rated unsatisfactory, IEG rates overall outcomes as moderately satisfactory.

31. *Sustainability.* The CASCR rated sustainability of outcomes as likely, albeit with the caution that Pakistan’s long-term record of reform is intermittent at best. Despite that concern, IEG concurs with the CASCR view that since the Bank’s strategy is well-aligned with Government priorities, and the current government has demonstrated a commitment to reform, sustainability is likely.

32. *Institutional development.* The CASCR does not formally rate institutional development. However, it does note that while Bank assistance has contributed to institutional development, “this is an area where additional attention is needed.” As only four of the thirteen projects (31 percent, or 20 percent by commitments) were rated as having substantial institutional development, IEG rates overall institutional development as modest.

Assessment of the CAS Completion Report

33. The CASCR is a well-written summary of progress to date, and has a thoughtful assessment of a number of areas where improvements are needed. It also has highlighted the weaknesses in the CAS in defining clear monitorable indicators. The CASCR also does a good job of attribution, noting the effects of exogenous factors as well as weaknesses in the Bank program. The CASCR could, however, benefit from a more consistent use of ratings.

34. There are some areas which the CASCR could have probed further. The link between AAA and lending is not sufficiently explored, nor is the link across projects or sectors reviewed. Also, while the CASCR notes a number of obstacles to implementation, including incomplete administrative and fiscal devolution, severe capacity constraints, and political rivalries, it could have had more analysis of political economy issues.

35. The CASCR could also have been enhanced by discussing the rationale for the focus, or lack of focus, of Bank interventions. For example, given the gaps in primary and secondary education and given the need for selectivity, focusing on those areas was likely a sound approach. However, it would have been useful if the CAS documents or the CASCR discussed the reasons for not focusing on the other aspects of the Government’s strategy, such as support for adult literacy, technical education, and mainstreaming madrassahs.

36. The decision to focus on water projects as the main vehicle to support rural development could have been explained. More generally, natural resource management and the link with poverty are not adequate; although the CAS PR had discussed the importance of environmental effects on poverty, no interventions were made in this area, and the CASCR is silent on this issue.

37. The CASCR also discusses a number of initiatives taken to improve donor coordination, the alignment of external partner strategies with the Government's PRSP, and the harmonization of donor assistance in implementation areas such as procurement and financial management, and Bank participation in more joint analytical work. However, the CASCR does not discuss continued friction between the Bank and other donors, and the mixed views of the Bank by NGOs and civil society, as noted in the CAE.

Findings

38. IEG concurs with three key lessons and recommendations put forward in the CASCR: (i) projects should not be overly complex; (ii) the CAS program should give greater emphasis to capacity building, and (iii) the program needs to continue to strengthen its focus on results, and doing a better job on developing and monitoring indicators. IEG also finds these to be consistent with the findings and recommendations of the recent CAE.

39. The fourth recommendation of using: "annual single tranche adjustment operations at both the provincial and national levels" would need to be linked with the other three recommendations. The recent CAE found that some adjustment loans were too broad (requiring cooperation from multiple counterparts), and sometimes included unrealistic, vague or unsustainable conditions. This recommendation of continuing with a programmatic approach would be consistent with the CAE, as long as the loans remain focused.

40. IEG would also suggest two additional recommendations:

- Improving donor and partnership relations. Although there is clearly strong donor coordination on some individual projects, work remains to be done in order to create better partnerships, as a number of partners expressed frustration with the difficulties of forming partnerships with the Bank.²
- Continuing to expand the use of analytical work, particularly in advance of lending. The region has placed a greater emphasis on analytical work. In some cases, such as the water strategy or oil and gas AAA, it is being used to underpin the Government's

² IEG's views on partnership relations were based on a series of donor and NGO interviews undertaken in 2003 and 2004, where substantial concerns were raised with the mission team. Management has indicated that subsequently, particularly during the period following the 2005 earthquake, donor coordination has improved.

and Bank's program in those areas. IEG recommended in the CAE, and the region has concurred, that additional analytical and strategic work is needed, especially in areas such as rural development and poverty alleviation.

Annex Table 1: Planned vs. Actual Lending FY02-05

FY	Projects	Base-Case Planned US \$(M)			High-Case Planned US \$(M)			Status	Actual US \$(M)		
		IBRD	IDA		IBRD	IDA			IBRD	IDA	
FY02	Planned under FY02 CAS										
FY02	Drought Emergency Recovery*		130.0			130.0	Actual				
FY02	Banking Sector Restructuring and Privatization		300.0			300.0	Actual				300.0
FY02	AJK Community Infrastructure Services Project		20.0			20.0	Moved to FY 03				
FY02	Banking Sector TA		27.0			27.0	Moved to FY 03				
FY02	SAC II		500.0			500.0	Actual				500.0
FY02	Sindh SAC		100.0			100.0	Moved to FY03				
	Subtotal** under FY02 CAS plan		947.0			947.0					800.0
FY03	Planned under FY02 CAS										
FY03	Highway Rehabilitation		100.0			100.0	Moved to FY 04				
FY03	HIV/AIDS Prevention Project		20.0			20.0	Actual				37.1
FY03	National Education Assessment System LIL		5.0			5.0	Actual				3.6
FY03	Education Reform SAC		150.0			150.0	Moved to FY04 - Changed to Punjab Education SAC under CAS PR				
FY03	Tax Admin. Reform		100.0			100.0	Moved to FY05				
FY03	Eco Reform TA		25.0			25.0	Dropped				
FY03	NWFP SAC					90.0	Actual				90.0
FY03	Provincial Adjustment Credits (Sindh, NWFP)					110.0	NWFP SAC II moved to FY04 Sindh SAC II Dropped				
FY03	Projects moved from prior years										
FY03	AJK Community Infrastructure						Actual - Moved from FY 02				20.0
FY03	Banking Sector TA						Actual - Moved from FY 02				26.5
FY03	Sindh SAC						Actual - Moved from FY02				100.0
FY03	Additional Projects										
FY03	Partnership for Polio Eradication						Actual				20.0
	Subtotal under FY02 CAS plan		400.0			600.0					297.2
FY04	Planned under FY02 CAS										
FY04	PIFRA II		100.0			100.0	Moved to FY05, then FY06				
FY04	Sindh On Farm Water Management		50.0			50.0	Actual				61.1
	Amount under CAS PR										
FY04	Provincial Adjustment Credits II		50.0			250.0	Dropped under CAS PR				
FY04	Local Government Support		200.0			150.0	Dropped under CAS PR				
FY04	SAC II					50.0	Changed to PRSC under CAS PR				
						300.0	Moved to FY05				

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FY	Projects	Base-Case Planned US \$(M)			Status	High-Case Planned US \$(M)			Actual US \$(M)		
		IBRD	IDA	IDA		IBRD	IDA	IDA	IBRD	IDA	IDA
FY04	Projects moved from prior years										
	Highway Rehabilitation		100.0	100.0	Actual - Moved from FY03			100.0	50.0	150.0	
	Amount under CAS PR					50.0		150.0			
FY04	Punjab Education Sector Reform***		150.0		Actual - Moved from FY03			150.0		100.0	
	Amount under CAS PR							100.0			
FY04	Projects added under FY04 CAS PR										
	Poverty Alleviation Fund II			238.0	Actual			238.0		238.0	
FY04	Public Sector Capacity Building TA			52.0	Actual			52.0		55.0	
FY04	NWFP Community Basic Infrastructure			37.0	Actual			37.0		37.1	
FY04	PRSC			350.0	Moved to FY05						
FY04	Additional Projects										
	NWFP SAC II			90.0	Actual - Moved from FY05			90.0		90.0	
	Subtotal under FY02 CAS plan	400.0		600.0		300.0		600.0	50.0	731.2	
	Subtotal under FY04 CAS PR plan			988.0		50.0					
FY05	Planned under FY02 CAS										
FY05	Local Government Support		100.0	100.0	Dropped under CAS PR			100.0			
FY05	Water Support Management		100.0	100.0	Dropped under CAS PR			100.0			
FY05	SAC IV		200.0	50.0	Dropped under CAS PR	300.0		50.0			
FY05	PIFRA III			100.0	Dropped under CAS PR			100.0			
FY05	Provincial Adjustment Credits III			250.0	Dropped under CAS PR			250.0			
FY05	Projects moved from prior years		100.0		Moved from FY04, now set for FY06			100.0			
	PIFRA II										
FY05	Amount changed to \$80 million under CAS PR			80.0				80.0			
	PRSC				Actual - Moved from FY04					300.0	
FY05	Projects Added under CAS Progress Report										
	Tax Administration Reform			100.0	Actual			100.0	24.4	78.5	
FY05	Balochistan Irrigation Infrastructure Development			25.0	Moved to FY06			25.0	123.0		
					Actual (Taunsa Barrage Emergency Rehab. & Modern)	100.0					
FY05	Banking Sector Adjustment Credit			175.0	Actual (Banking Sector Dev. Policy Credit)			175.0	200.0	100.0	

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FY	Projects	Base-Case Planned US \$(M)		High-Case Planned US \$(M)		Status	Actual US \$(M)	
		IBRD	IDA	IBRD	IDA		IBRD	IDA
FY05	Poverty Reduction Support Credit II				175.0	Moved to FY 06 Advanced to FY 04		
FY05	NWFP SAC II				90.0			
	Additional Projects							
	Partnership for Polio Eradication -- Supplemental Credit					Actual		21.5
	Punjab Education Development II					Actual		100.0
	Subtotal under FY02 CAS plan		400.0	300.0	600.0			
	Subtotal under FY04 CAS PR plan			100.0	645.0		347.4	600.0
Total Planned Under FY02 CAS			2147.0	600.0	2747.0			
Total Planned under FY02 CAS with modifications from FY04 CAS PR				150.0	3180.0		397.4	2428.4

Source: Pakistan CAS 6/24/2002, CAS Progress Report 4/28/2004 and BW as of 8/26/2005

*Reallocation of existing commitments under SAPP-II and NDP.

** Excludes the \$130 million of reallocated funds for Drought Emergency Recovery.

***Formerly Education Reform SAC -- Amount decreased to \$100 million under CAS PR.

Annex Table 2: Economic and Social Indicators for Pakistan, 1990-2004

Series Name	Pakistan															Averages						
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Pakistan	Bangladesh	India	Nepal	Sri Lanka	Low Income	South Asia
GDP growth (annual %)	4.5	5.1	7.7	1.8	3.7	5.0	4.8	1.0	2.6	3.7	4.3	1.9	3.2	5.0	6.4	4.0	5.0	5.7	4.4	4.8	4.7	5.4
GNI per capita, Atlas method (current US\$)	420.0	420.0	440.0	450.0	450.0	490.0	500.0	500.0	470.0	470.0	480.0	480.0	490.0	520.0	600.0	478.7	356.0	421.3	212.7	737.3	371.7	417.7
GNI per capita, PPP (current international \$)	1329.3	1409.2	1514.3	1537.3	1588.0	1659.5	1730.2	1734.7	1756.0	1802.7	1874.7	1908.9	1955.3	2040.0	2174.3	1734.3	1414.7	2087.8	1177.4	2936.9	1605.8	1962.3
GDP per capita growth (annual %)	1.8	2.4	5.0	-0.8	1.2	2.4	2.3	-1.4	0.1	1.2	1.8	-0.6	0.8	2.5	3.9	1.5	2.8	3.9	2.0	3.8	2.6	3.4
Agriculture, value added (% of GDP)	26.0	25.8	26.3	25.0	25.6	26.1	25.5	26.7	27.3	27.0	26.2	24.4	23.6	23.6	22.3	25.4	25.8	27.3	42.5	22.3	28.9	27.0
Exports of goods and services (% of GDP)	15.5	17.0	17.4	16.3	16.3	16.7	16.9	16.1	16.5	15.4	13.6	14.8	15.4	16.9	16.0	16.1	11.6	11.8	19.5	34.7	17.4	13.0
Imports of goods and services (% of GDP)	23.4	18.6	20.5	22.4	19.0	19.4	21.4	20.8	17.5	17.0	14.8	15.9	15.5	16.3	14.9	18.5	17.3	12.9	30.3	43.2	20.3	14.9
Industry, value added (% of GDP)	25.2	25.4	25.0	24.7	24.3	23.8	24.2	23.5	23.8	23.7	22.6	23.1	22.9	23.0	24.9	24.0	24.7	26.8	21.3	26.5	26.4	26.3
Services, etc., value added (% of GDP)	48.8	48.8	48.6	50.3	50.2	50.1	50.4	49.8	48.9	49.2	51.2	52.5	53.4	53.4	52.7	50.6	49.6	45.9	36.2	51.3	44.6	46.7
Current account balance (% of GDP)	-4.2	-2.8	-3.9	-5.6	-3.5	-5.5	-7.0	-2.7	-3.6	-1.5	-0.1	2.6	5.4	4.3	-0.8	-1.9	-0.4	-0.8	-3.8	-3.8	-1.3	-1.0
Total debt service (% of exports of goods and services)	21.3	20.5	22.9	24.1	32.0	26.5	27.4	34.5	21.9	28.9	25.2	24.6	17.9	16.0	21.2	24.3	11.5	22.6	8.1	9.9	17.0	20.0
External debt (% of GNI)	49.5	50.2	50.7	47.3	52.6	49.5	47.3	48.6	52.4	54.3	45.9	45.7	48.7	44.8	38.0	48.4	37.1	25.6	52.3	62.8	52.2	30.4
Gross domestic savings (% of GDP)	11.1	17.5	17.1	14.7	16.8	15.8	14.5	13.2	16.7	14.0	16.1	16.1	16.7	17.5	18.4	15.7	14.9	21.9	12.7	16.0	18.7	20.4
IBRD loans and IDA credits (PPG DOD, current US\$) (US\$ million)	3921.9	4491.8	4840.5	5306.3	5987.7	6402.8	6486.3	6571.8	6936.3	7220.0	6921.5	7041.0	8143.4	8563.8	9278.1	6540.9	6019.9	25988.9	1043.6	1535.5	80411.0	41194.1
Expenditure, total (% of GDP)*	22.4	23.3	24.4	24.8	23.2	22.8	24.3	22.6	21.8	21.3	19.1	17.8	19.2	..	..	18.7	..	19.0	18.8	18.8	18.8	18.9
Overall budget balance, excluding capital grants (% of GDP)*	-6.1	-8.2	-8.4	-8.9	-7.3	-6.6	-8.0	-7.8	-6.4	-6.9	-4.5	-3.9	-3.9	..	..	-4.1	..	-4.0	-4.1	-4.1	..	..
Overall budget balance, including grants (% of GDP)*	-5.4	-7.6	-7.9	-8.9	-7.3	-6.6	-8.0	-7.8	-6.4	-6.9	-4.5	-3.9	-3.9	..	..	-4.1	..	-4.0	-4.1	-4.1	-4.1	-4.0
Inflation, consumer prices (annual %)	9.1	11.8	9.5	10.0	12.4	12.3	10.4	11.4	6.2	4.1	4.4	3.1	3.3	2.9	7.4	7.9	4.9	7.7	7.5	10.4	..	..
Immunization, DPT (% of children ages 12-23 months)	54.0	50.0	42.0	37.0	39.0	58.0	46.0	52.0	58.0	60.0	61.0	63.0	68.0	67.0	65.0	54.7	78.3	62.9	64.2	93.7	60.4	63.2
Improved sanitation facilities (% of population with access)	38.0	..	..	..	..	..	..	..	..	..	..	..	..	..	..	46.0	35.5	21.0	19.5	80.5	28.0	25.6
Improved water source (% of population with access)	83.0	..	..	..	..	..	..	..	..	..	..	..	..	..	..	86.5	73.0	77.0	76.5	73.0	69.4	76.8
Life expectancy at birth, total (years)	59.1	..	59.7	..	..	60.9	..	61.7	..	..	63.0	..	63.8	65.0	64.9	62.3	60.1	62.0	59.2	73.1	57.7	61.7
Mortality rate, infant (per 1,000 live births)	100.0	..	..	..	..	93.0	..	..	..	..	85.0	..	..	..	..	89.6	76.4	71.8	77.9	18.7	86.6	73.3
Population growth (annual %)	2.5	2.5	2.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.1	1.7	2.3	1.0	2.1	1.9
Population, total (millions)	108.0	110.8	113.6	116.4	119.4	122.4	125.4	128.5	131.6	134.8	138.1	141.5	144.9	148.4	152.1	129.0	121.5	965.5	22.8	18.4	2051.2	1279.9
School enrollment, primary (% gross)	..	..	..	..	..	..	..	..	..	..	65.0	59.0	..	52.3	44.5	55.2	22.0	23.0	12.9	..	23.1	24.1
School enrollment, primary (% gross)	..	..	..	..	..	..	..	..	..	..	..	..	..	76.4	82.1	79.3	108.0	99.8	111.6	104.3	92.4	98.9
School enrollment, secondary (% gross)	..	24.7	..	..	..	..	..	..	..	..	..	..	25.7	24.6	27.2	25.4	50.7	48.1	37.7	77.5	41.1	46.2
Urban population (% of total)	30.6	30.8	31.1	31.3	31.6	31.8	32.1	32.3	32.6	32.8	33.1	33.4	33.8	34.1	34.5	32.4	22.2	27.0	12.1	21.2	28.1	26.6

Source: DDP as of 4/26/06, *DDP download as of 11/22/05.

Annex Table 3: OED Project Ratings for Pakistan, Exit during this CAS Period

Exit FY	Project Name	Total Evaluated (\$M)	OED Outcome	OED ID Impact	OED Sustainability
2002	Social Action Program II	242.6	Unsatisfactory	Modest	Non-Evaluable
2003	NWFP- Community Infra.	14.7	Moderately Unsatisfactory	Modest	Unlikely
	PK-Telecom Reg. & Privat.	17.9	Satisfactory	Modest	Likely
	Sindh Structural Adjustment Credit	106.4	Moderately Unsatisfactory	Modest	Unlikely
	Structural Adjustment Credit II	510.3	Moderately Satisfactory	Modest	Likely
	NWFP Structural Adjustment Credit	95.8	Moderately Satisfactory	Modest	Likely
2004	Northern Education	22.5	Satisfactory	Substantial	Likely
	Ghazi Barotha Hydropower Project	352.1	Moderately Satisfactory	Modest	Likely
	Punjab Education Sector Adjustment Credit	201.3	Satisfactory	Substantial	Likely
2005*	Improve Fin Rep & Audit	41.6	Moderately Satisfactory	Substantial	Likely
	Poverty Alleviation Fund	120.3	Highly Satisfactory	Substantial	Likely
	BSRPP	449.3	Satisfactory	Substantial	Likely
	PK Banking Sector Dev. Policy Credit	598.8	Satisfactory	High	High Likely
2006	Pakistan PRSC I	756.6	Moderately Satisfactory	Modest	Likely
	NWFP SAC II	231.8	Satisfactory	Modest	Likely

* Project: National Drainage Program: No Implementation Completion Report.

By US\$(M)				
Region	Total Commitments Evaluated (\$M)	Outcome % Sat	Inst Dev Impact % Substantial	Sustainability % Likely
Pakistan	3761.9	90.3	38.1	90.3
SAR	14,298.0	82.5	47.0	89.9
World Bank	88,088.0	83.5	57.0	84.1

By number of projects				
Region	Total Number of Projects Evaluated	Outcome % Sat	Inst Dev Impact % Substantial	Sustainability % Likely
Pakistan	15	80.0	40.0	80.0
SAR	101	78.2	46.5	83.3
World Bank	1,089	77.9	52.9	77.3

Source: World Bank Business Warehouse 4a5, 4a6 as of 3/28/06.

Annex Table 4: Analytical and Advisory Work for Pakistan, FY03-05

Document Title	Date	Report No
<u>Country Assistance Progress Report</u>		
Pakistan - Country Assistance Strategy Progress Report (English)	04/28/2004	28262
Pakistan - Country Assistance Strategy Progress Report : chairman's concluding remarks (English)	04/20/2004	28789
<u>CAS Public Information Note</u>		
Pakistan - Country assistance strategy public information notice (CPIN) (English)	07/31/2002	PIN80
<u>Chairman's Concluding Remarks</u>		
Pakistan - Poverty Reduction Strategy Paper and Joint IDA-IMF Staff Assessment : Chairman's Summing Up (English)	03/11/2004	28181
<u>Country Financial Accountability Assessment</u>		
Pakistan - Country Financial Accountability Assessment Project (English)	12/30/2003	27551
Pakistan - NWFP Provincial Financial Accountability Assessment (English)	01/15/2004	27706
Pakistan - Sindh provincial accountability assessment (English)	11/19/2004	30953
<u>Economic Report</u>		
Pakistan - Poverty assessment : poverty in Pakistan - vulnerabilities, social caps, and rural dynamics (English)	10/28/2002	24296
Pakistan - Punjab public financial management and accountability assessment (English)	05/31/2005	32569
Pakistan - Rural factor markets : policy reforms for growth and equity (English)	11/19/2004	30381
Pakistan - Punjab economic report : towards a medium-term development strategy (English)	03/31/2005	29373
Pakistan - Public Expenditure Management : Strategic Issues and Reform Agenda (Vol. 1 of 2): Strategic Issues and Reform Agenda (English)	01/28/2004	25665
Pakistan - Public Expenditure Management : Strategic Issues and Reform Agenda (Vol. 2 of 2): Accelerated Development of Water Resources and Irrigated Agriculture (English)	01/28/2004	25665
<u>Operations Evaluation Study</u>		
The next ascent : an evaluation of the Aga Khan Rural Support Program, Pakistan (English)	09/30/2002	25007
Pakistan - country assistance evaluation (English)	07/08/2004	30920
<u>Poverty Reduction Strategy Paper</u>		
Pakistan - Poverty Reduction Strategy Paper (PRSP) Preparation Status Report and joint assessment (English)	01/31/2003	25463
Pakistan - Poverty Reduction Strategy Paper and Joint IDA-IMF Staff Assessment of the PRSP (English)	02/12/2004	27625
<u>Sector Report</u>		
Pakistan - Oil and gas review (English)	07/10/2003	26072
Devolution in Pakistan : an assessment and recommendations for action (Vol. 1 of 3): Main report (English)	09/01/2004	29912
Devolution in Pakistan : an assessment and recommendations for action (Vol. 2 of 3): Annex 1: Recent history (English)	09/01/2004	29912
Devolution in Pakistan : an assessment and recommendations for action (Vol. 3 of 3): Annex 2: technical considerations (English)	09/01/2004	29912
Pakistan - Country water resources assistance strategy : water economy running dry (English)	11/22/2005	04/22/1993
Pakistan - Report on the Observance of Standards and Codes (ROSC) (English)	03/31/2005	04/29/1994

Source: World Bank Imagebank as of 1/23/06.

Annex Table 5: Pakistan - Portfolio Status Indicators by Year, 2003-2006*(in US\$ Millions)*

Country	Fiscal year	2003	2004	2005	2006
Pakistan	# Proj	13	16	14	16
	Net Comm Amt	1,203.8	1,426.4	966.8	1,696.0
	# Proj At Risk	1	1	1	2
	% At Risk	7.7	6.3	7.1	12.5
	Comm At Risk	284.8	284.8	61.1	98.2
	% Commit at Risk	23.7	20.0	6.3	5.8
Bangladesh	# Proj	24	28	26	25
	Net Comm Amt	2,142.5	2,530.5	2,318.1	2,066.5
	# Proj At Risk	6	5	3	4
	% At Risk	25.0	17.9	11.5	16.0
	Comm At Risk	710.4	597.7	325.3	349.1
	% Commit at Risk	33.2	23.6	14.0	16.9
Nepal	# Proj	10	9	12	12
	Net Comm Amt	303.2	302.0	424.5	421.5
	# Proj At Risk	2	1	1	3
	% At Risk	20.0	11.1	8.3	25.0
	Comm At Risk	78.0	75.6	75.6	145.2
	% Commit at Risk	25.7	25.0	17.8	34.5
India	# Proj	68	60	61	61
	Net Comm Amt	12,854.3	11,911.1	12,638.7	13,030.7
	# Proj At Risk	8	10	9	12
	% At Risk	11.8	16.7	14.8	19.7
	Comm At Risk	1,154.7	2,621.2	1,102.0	2,719.2
	% Commit at Risk	9.0	22.0	8.7	20.9

Source: Business Warehouse 3a4 as of 3/28/06.

Annex Table 6: Pakistan-IBRD/IDA Net Disbursements and Charges, FY03-05

(in US\$millions)

Fiscal Year	Gross Disb.	Repay	Net Disb.	Interest	Fees	Net Transfer
2003	355,928,803.08	335,086,716.51	20,842,086.57	154,246,866.05	671,674.00	-134,076,453.48
2004	303,507,583.25	384,590,495.51	-81,082,912.26	141,080,032.95	1,984,422.89	-224,147,368.10
2005	984,385,268.20	430,531,784.20	553,853,484.00	125,331,700.46	4,953,840.38	423,567,943.16
Total	1,643,821,654.53	1,150,208,996.22	493,612,658.31	420,658,599.46	7,609,937.27	65,344,121.58

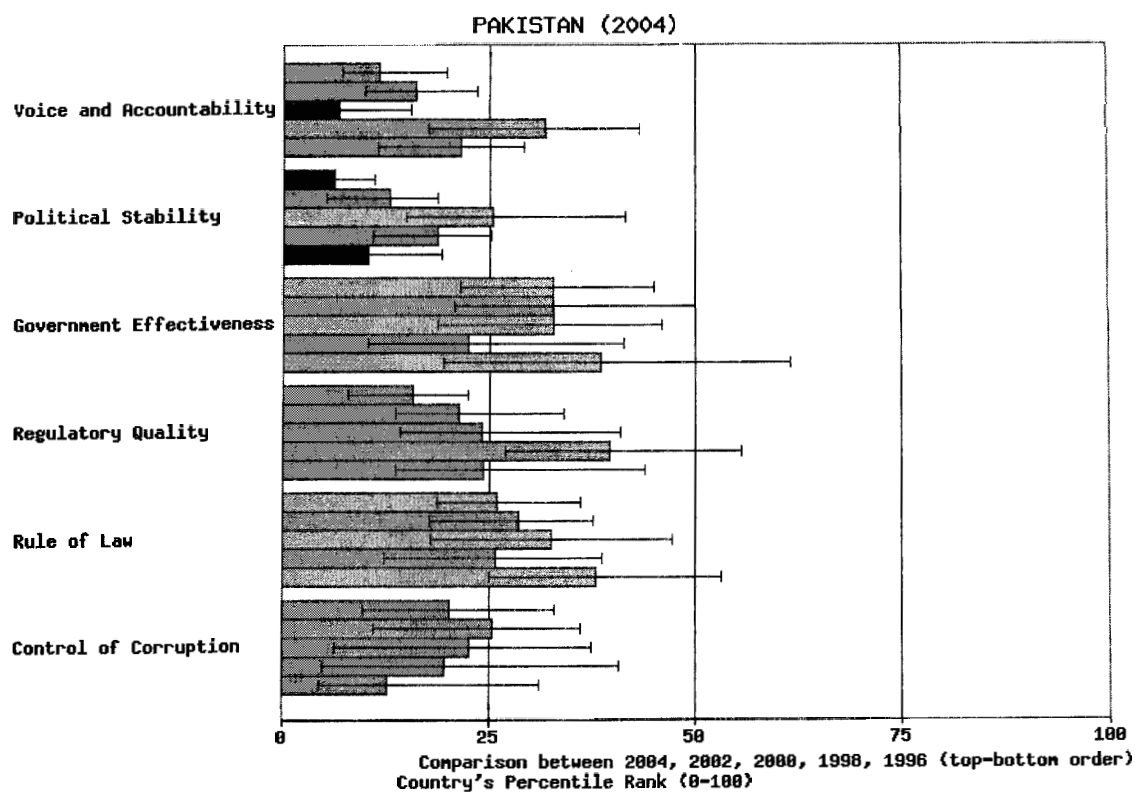
Source: World Bank Client Connection as of 1/23/06.

Annex Table 7: Millennium Development Goals for Pakistan

	1990	1994	1997	2000	2003	2004
Goal 1: Eradicate extreme poverty and hunger						
Percentage share of income or consumption held by poorest 20%	..	..	..	8.8	..	..
Population below \$1 a day (%)	47.8	..	13.4	17	..	..
Population below minimum level of dietary energy consumption (%)	..	..	19	..	20	..
Poverty gap ratio at \$1 a day (incidence x depth of poverty)	14.6	..	2.4	3.1	..	..
Poverty headcount, national (% of population)	..	28.6	..	32.6	..	..
Prevalence of underweight in children (under five years of age)	40.2	40	..	35	..	..
Goal 2: Achieve universal primary education						
Net primary enrollment ratio (% of relevant age group)	..	..	..	59.1	..	..
Primary completion rate, total (% of relevant age group)	..	..	..	..	..	..
Proportion of pupils starting grade 1 who reach grade 5	..	..	..	..	..	..
Youth literacy rate (% ages 15-24)	..	..	..	..	64.5	64.5
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliament (%)	10	..	2	2	22	22
Ratio of girls to boys in primary and secondary education (%)	..	..	..	71.7	71.1	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	..	72	72
Share of women employed in the nonagricultural sector (%)	6.6	8.1	8.1	7.4	8.7	8.7
Goal 4: Reduce child mortality						
Immunization, measles (% of children ages 12-23 months)	50	53	52	56	61	61
Infant mortality rate (per 1,000 live births)	96	90	..	81	74	74
Under 5 mortality rate (per 1,000)	138	125	..	108	98	98
Goal 5: Improve maternal health						
Births attended by skilled health staff (% of total)	18.8	..	18	23	..	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	500	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Contraceptive prevalence rate (% of women ages 15-49)	14	17.8	23.9	27.6	..	..
Incidence of tuberculosis (per 100,000 people)	181.3	181.3	181.3	181.3	181.3	181.3
Number of children orphaned by HIV/AIDS	..	..	..	..	..	..
Prevalence of HIV, total (% of population aged 15-49)	..	..	..	0.1	0.1	0.1
Tuberculosis cases detected under DOTS (%)	..	1	3.8	2.8	16.8	16.8
Goal 7: Ensure environmental sustainability						
Access to an improved water source (% of population)	83	..	..	..	90	..
Access to improved sanitation (% of population)	38	..	..	..	54	..
Access to secure tenure (% of population)	..	..	..	..	..	..
CO2 emissions (metric tons per capita)	0.6	0.7	0.7	0.8	..	..
Forest area (% of total land area)	3.6	..	..	3.1	..	..
GDP per unit of energy use (2000 PPP \$ per kg oil equivalent)	3.9	4	4.1	4.2	4.3	..
Nationally protected areas (% of total land area)	..	..	..	..	4.9	4.9
Goal 8: Develop a global partnership for development						
Aid per capita (current US\$)	10.5	13.4	4.6	5.1	7.2	7.2
Debt service (% of exports)	23	33	33	21	17	17
Fixed line and mobile phone subscribers (per 1,000 people)	7.5	14.7	20.8	24.5	44.2	44.2
Internet users (per 1,000 people)	..	0	0.3	2.2	10.3	..
Personal computers (per 1,000 people)	1.3	2.8	3.7	4.2	..	..
Unemployment, youth female (% of female labor force ages 15-24)	1.3	10	21	29.2	..	..
Unemployment, youth male (% of male labor force ages 15-24)	5.7	6.9	7.9	11.1	..	..
Unemployment, youth total (% of total labor force ages 15-24)	5.1	7.4	10	13.3	..	..
Other						
Fertility rate, total (births per woman)	5.8	5.3	5	4.8	4.5	4.5
GNI per capita, Atlas method (current US\$)	420	450	500	480	520	600
GNI, Atlas method (current US\$) (billions)	45.5	54.3	63.7	66.5	77.5	90.7
Gross capital formation (% of GDP)	18.9	19.5	17.9	17.4	16.7	17.8
Life expectancy at birth, total (years)	59.1	..	61.7	..	64.1	64.1
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	48.7	48.7
Population, total (millions)	108	119.4	128.5	138.1	148.4	152.1
Trade (% of GDP)	38.9	35.3	36.9	34.3	40.8	42.9

Source: World Development Indicators database, April 2005.

Annex Table 8: Governance Indicators



Source: D. Kaufmann, A. Kraay, and M. Mastruzzi 2005: Governance Matters IV: Governance Indicators for 1996-2004
(<http://www.worldbank.org/ubi/governance/pubs/govmatters4.html>)