

North-West Frontier Province Development Policy Credit 2 US\$130 Million

The North-West Frontier Province (NWFP) Second Development Policy Credit is the second operation in a series of three development policy credits designed to assist the NWFP policy reform program. The current NWFP program builds on the experience of the previous reforms from 2000-01 onwards, supported by the World Bank through two Structural Adjustment Credits (SACs) in 2002 and 2004 and the First Development Policy Credit in 2006. The two SACs emphasized on fiscal, expenditure management, and growth reforms. The first Development Policy Credit was a transition operation between the expenditure and growth focused SACs and a future series of operations including this program with emphasis on human development.

The objectives of the program are to improve human development, promote economic growth, and reduce poverty. The Second Development Policy Credit assists the NWFP government to broaden and deepen human development reforms, while also sustaining and building upon the momentum of reforms in fiscal and public expenditure management, governance, and growth.

The reform program is based on four mutually supportive and internally consistent pillars.

Accelerating human development to: (a) improve access, equity, quality, and governance of the education system; (b) increase the utilization and quality of care and strengthen stewardship functions in the health sector; and (c) reduce the risk and vulnerability to the human capital of the poor through a sound social protection system.

Improving fiscal stability and public expenditure management to improve: (a) macroeconomic stability; (b) fiscal sustainability of the reforms; and (c) better planning and monitoring of public expenditures.

Strengthening governance to improve: (a) public financial management and accountability; (b) transparency and accountability in public procurement; and (c) obtain reliable and timely human resource data for planning, budget preparation, and control of establishment expenditure, and to monitor compliance with legal and policy stipulations.

Promoting economic growth through private sector development to: (a) institutionalize the public-private dialogue; (b) reorient role of state from operator to facilitator; and (c) improve private participation in economic activities.

Remaining challenges in the reform process that warranted DPC-II are: (a) strengthening macroeconomic framework to safeguard against any weaknesses due to inflation and external trade deficits; (b) allocation of adequate resources to the priority sectors such as health, education, and social protection; (c) enhancing alignment of policy objectives between the district governments and the provincial government; and (d) capacity constraints both at the district level and at the provincial level.