

CHAPTER 4: IMPROVING SERVICE DELIVERY AND HUMAN DEVELOPMENT OUTCOMES

4.1 Sustained and broad-based private-sector led economic growth is the most powerful driver of poverty reduction. However, investment in human development is also required for a sustained reduction in poverty. Education and health are often the only assets of the poor; they must be enhanced not only to improve the quality of life of the poor directly, but also to provide businesses with an educated, productive, and consequently well remunerated workforce. Better availability and quality of basic public services, including education, health, clean drinking water and sanitation is therefore the second pillar of the provincial government's strategy for improving the life of its citizens.

4.2 At the root of the NWFP's poor social outcomes lie deficiencies in the delivery of health, education and water supply and sanitation (WSS) services by the public sector, some of which are systemic, some sector specific. Systemic problems affect service delivery in health, education, and water and sanitation in similar ways and include: (i) inadequate implementation of devolution (administrative, functional and fiscal) to local governments; (ii) weak management information systems, and poor alignment of policies and resources with results on the ground; and (iii) poor access to transport in rural areas.

Table 4.1: Selected Social Indicators, the NWFP and Overall Pakistan, 2001/02 1/
(Percent)

Indicator	The NWFP			Pakistan		
	Urban	Rural	Overall	Urban	Rural	Overall
Literacy Rate (population 10 years and older)						
Male	70	55	57	72	51	58
Female	41	16	20	56	21	32
Overall	56	35	38	64	36	45
Net Enrolment Rate at Primary Level (Age 5-9)						
Male	59	47	48	57	43	46
Female	51	31	33	54	33	38
Overall	55	39	41	56	38	42
Dropout Rate 2/						
Male	9	12	12	13	19	15
Female	12	28	24	8	18	15
Overall	10	18	16	11	19	15
Total Fertility Rate 3/	--	--	4.3	--	--	4.1
Contraceptive Prevalence Rate 3/	--	--	30	--	--	32
Pre-natal consultations	45	19	22	63	26	35
Tetanus Toxoid Immunizations	53	29	32	64	34	41
Post-natal consultations	8	4	4	16		9
Births delivered at home	69	86	83	54	84	78
Births assisted by trained birth attendant	18	12	13	13	20	18
Immunization rate for children 12-23 months	70	55	57	70	46	53
Households (%) with access to clean drinking water	83	53	58	95	80	85
Households (%) with access to toilets	96	64	69	95	41	57

1/ Source: PIHS 2001/02.

2/ Percent share of 10-18 year old students who left school before completing primary level.

3/ National Institute of Population Studies survey, 2003.

A. THE STATE OF EDUCATION AND HEALTH IN THE NWFP

4.3 Social indicators in the NWFP in general lag those of the rest of Pakistan (Table 4.1). There is a substantial gender gap in the NWFP along several dimensions as well as a substantial rural-urban divide in education and health indicators. While the state of education for males is broadly the same in the NWFP as in Pakistan overall, education indicators for females are significantly worse as shown by literacy and drop-out rates. This gender gap also shows up in the poorer health indicators for females in the province compared with Pakistan as a whole. Common factors behind the gender gap are limited mobility and access by women to service delivery because of cultural norms as well as security concerns. This limited mobility and access by women also constrain their opportunity to participate in the labor market; a factor over and above the more limited opportunities they have in building human capital through education. This also leads to lower average earnings by women and lower return on education than men.

4.4 The situation may be starting to improve. Results from the recent Pakistan Social and Living Standards Measurement Survey (PSLMS), conducted in 2004/05, suggest substantial improvements in gross enrolment and maternal health indicators in the NWFP and for all of Pakistan. These data are new and await further analysis, especially to understand the underlying factors that explain the positive trends. The discussion that follows is based on PIHS (2001/02) and PRHFPS (2003) and provides a more detailed picture of trends and patterns in education, health and water supply and sanitation.

4.5 **Overview of education status.** Table 4.2 shows that as of 2001/02, the NWFP's literacy rate and gross enrolment rate were substantially lower than those of other countries in the region. Compared to the overall national rate gross enrolment in the NWFP was marginally higher whereas adult literacy was lower. However, these averages mask the enormous gender gaps in the NWFP — e.g., while male gross enrolment rate (GER) is the best in the country (97 percent in 2001/02) the female GER of only 56 percent yields the largest gender gap in the country of over 40 percentage points (Table 4.3).

**Table 4.2: Literacy and Enrolment in the NWFP and South Asia
(Percent)**

	Adult Literacy (among those > 15 years of age)	Gross Primary Enrolment Rate
The NWFP 1/	35	77
Pakistan 1/	43	72
India 2/	61	99
Bangladesh 2/	41	98
Sri Lanka 2/	92	110

1/ Source: PIHS 2001/02.

2/ Source: World Development Indicators.

4.6 A limited set of data based on the 2004/05 PSLMS suggests that female GER has increased in the last three years to 65 while the male GER has fallen from 97 to 93 — a narrowing of the gender gap by nearly 12 percentage points. This intriguing pattern of declining male enrolments is only reported for the NWFP and warrants further analysis. Despite the reported progress in gross and net enrolment ratios (NER) since the mid-nineties (NER rose from 35 percent in 1995/96 to 47 percent in 2004/05) there are still 1.9 million children (5-9 years old) left out of school; 1.1 million of these are girls.

4.7 The NWFP's rural areas fare conspicuously worse than the urban. Enrolment rates, literacy rates, and the corresponding gender gap vary widely across the 24 districts of the NWFP. Net primary enrolment rates in Kohistan at 16 percent (10 percent for girls) compare very poorly with those for Abbottabad at 81 percent (80 percent for girls) (data from PIHS 2001/02).

Table 4.3: Education Indicators in the NWFP, 1998/99 - 2004/05

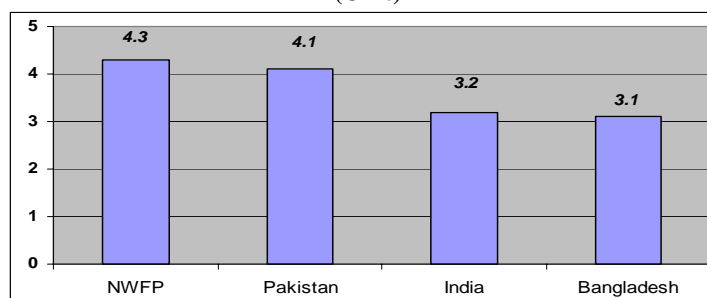
Province	1998/99 PIHS			2001/02 PIHS		
	Male	Female	Both	Male	Female	Both
Literacy rate (percent of population 10 years and older)						
Pakistan	59	31	45	58	32	45
NWFP	56	20	37	57	20	38
Gross Enrolment Rate at the Primary Level (Age 5-9)						
Pakistan	80	61	71	83	61	72
NWFP	84	54	70	97	56	77
Net Enrolment Rate at the Primary Level (Age 5-9)						
Pakistan	47	37	42	46	38	42
NWFP	47	30	39	48	33	41
Net enrolment rate at the matric level (Age 14-15)						
Pakistan	21	13	17	20	14	17
NWFP	21	6	13	21	10	15

Sources: PIHS 1998/99 and 2001/02.

4.8 *Overview of health status:*

Key health and population outcomes improved steadily over the nineties. However, the NWFP still lags behind other provinces (total fertility rate and contraceptive prevalence rate are worse than other provinces, except Balochistan) and also other South Asian countries. Total fertility rates for the NWFP at 4.3 are higher than the Pakistan average of 4.1 in 2003 and about 35 percent higher than in Bangladesh and India (Figure 4.1).

Figure 4.1: Total Fertility Rate, 2003 (Unit)



Source: National Institute of Population Studies Survey, 2003.

4.9 The contraceptive prevalence rate was 30 percent in 2003, lower than the national average of 32 percent and far below the rates for India and Bangladesh of 48 and 54 percent, respectively. The unmet need for contraception in the NWFP is high — at 35 percent it is the highest of all provinces. It leads to a large number of unwanted pregnancies and a high rate of induced abortions (often from untrained and unqualified personnel, resulting in high morbidity). Maternal and child health are greatly influenced by the quality of care during pregnancy, delivery, and after delivery. This is especially important under conditions of repeated childbearing by women who are in poor general health. PIHS 2001/02 data indicate that the proportion of women receiving good maternal care has risen slowly since the 1980s, but is far from adequate. The PIHS 2001/02 data also indicate large inter-provincial differences in the coverage of maternal care services (Table 4.4).

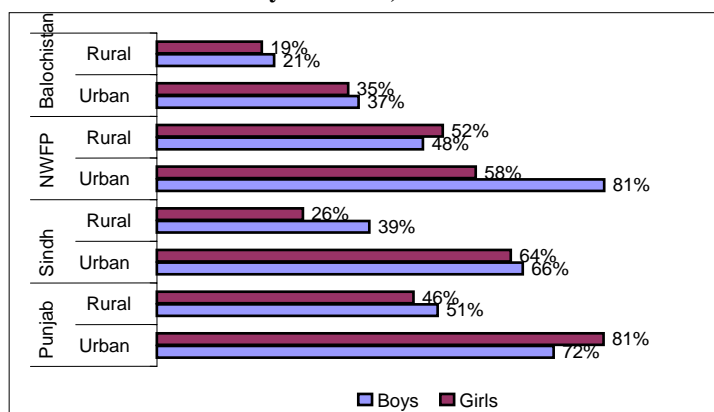
Table 4.4: Pakistan: Health Indicators by Provinces, 1998/99 - 2001/02

Province	1998/99 PIHS			2001/02 PIHS		
	Urban	Rural	Overall	Urban	Rural	Overall
Immunization rate for children 12-23 months						
Pakistan	64	55	49	70	46	53
NWFP	77	51	54	70	55	57
Punjab	64	52	55	76	51	57
Sindh	60	27	38	64	33	45
Balochistan	51	32	34	36	22	24
Prenatal consultations for pregnant women visiting health facility (%)						
Pakistan	60	22	31	63	26	35
NWFP	36	20	22	45	19	22
Punjab	58	25	33	64	31	40
Sindh	70	19	37	68	22	38
Balochistan	43	15	18	45	16	21
Post-natal consultations for women within 6 weeks after delivery (%)						
Pakistan	17	6	9	16	6	9
NWFP	8	6	6	8	4	4
Punjab	18	7	10	15	8	10
Sindh	19	4	9	19	6	10
Balochistan	13	3	4	16	5	7

Sources: PIHS 1998/99 and 2001/02.

4.10 As immunization coverage increased in Pakistan during the 1990s, the gender gap in immunization coverage narrowed. Substantial gender gaps remain only in rural Sindh and urban NWFP (see Figure 4.2).

Figure 4.2: Percentage of Children Fully Immunized by Province, 2001/02



Source: Pakistan Demographic and Health Survey 1990/91 and Pakistan Integrated Household Survey 2001/02.

Note: The percentages refer to children aged 12-23 months who have completed immunizations. Polio 3 and DPT 3 refer to last dose of the respective immunizations.

4.11 There are also substantial gaps in the availability of clean drinking water and sanitation, which influence the health status in the province. The recent PSLMS data indicate that only 66 percent of households have access to drinking water (84 percent for the whole country). About 76 percent of households have access to toilets (national average: 74). The NWFP had the slowest improvement of all

provinces since FY02, possibly linked to the lack of functional devolution of WSS to TMAs discussed below. About 38 percent of households have access to sewerage.

4.12 **Transport access and the state of human development in the province.** In rural NWFP, low human development is associated with lack of access to transport and consequently poor mobility. Limited availability of transport infrastructure in remote areas in the NWFP is a major constraint to improving access to income generation and basic social services (Table 4.5).

Table 4.5: Pakistan: Education and Health Indicators and Access, 2001/02

Indicator (mean)	Rural Communities without all-weather motorable roads (percent)		Rural Communities with all-weather motorable roads (percent)	
	Rural Pakistan	Rural NWFP	Rural Pakistan	Rural NWFP
Literacy rate (10 years and above)	29	28	38	36
Primary school net enrolment rate (6-10 year olds)	38	42	49	50
Immunization coverage (12-23 month olds)	46	46	54	64
Contraceptive prevalence rate (married women age 15-49)	12	8	17	22

Source: PIHS 2001/02.

[i] 6-10 year olds enrolled in primary school

[ii] fully immunized 12-23 months based on recall and record

[iii] percent of married women of age 15-49 who ever used contraception

4.13 **The NWFP's rural population has very low physical access to the transport network and services, lower than for Pakistan as a whole.** One in every five rural residents has no access to an all-weather motorable road, which means that some three million people are not connected all year round to the rest of the country. Moreover, two out of every five persons in rural areas do not have passenger transport services in their villages, making it difficult for some six million rural people to move outside their communities. Accessibility in the NWFP is lower than the national average. (Table 4.6).

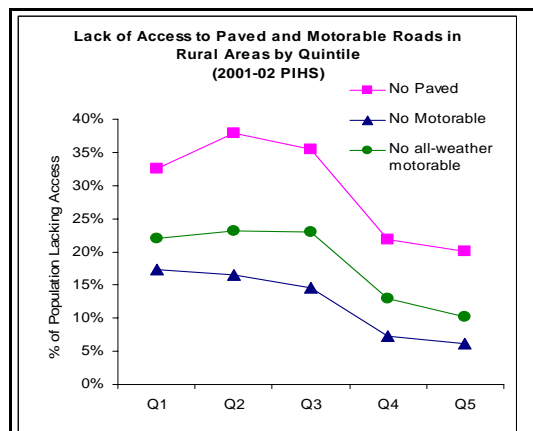
Table 4.6: Lack of Transport Access and Service Availability in Rural Pakistan, 2001/02

	Percent share of rural population without motorable access	Percent share of rural population without all-weather motorable access	Percent share of rural population without paved access	Percent share of population without bus/wagon stop within village
Punjab	5	9	24	34
Sindh	14	16	37	16
NWFP	14	20	32	38
Balochistan	14	28	73	26
Pakistan	9	15	32	30

Source: PIHS 2001/02.

4.14 **Physical accessibility in rural NWFP is even lower for the poor.** Access to roads is limited and biased against the poor. Disaggregated data from the PIHS show significant disparities between expenditure quintiles (Figure 4.3). Poor people and poor communities are less likely to have access to transport infrastructure and services, which in turn limits their opportunities and their access to other services. For instance, 22 percent of the people in the first quintile lack access to all-weather motorable roads, more than two times that of the highest quintile.

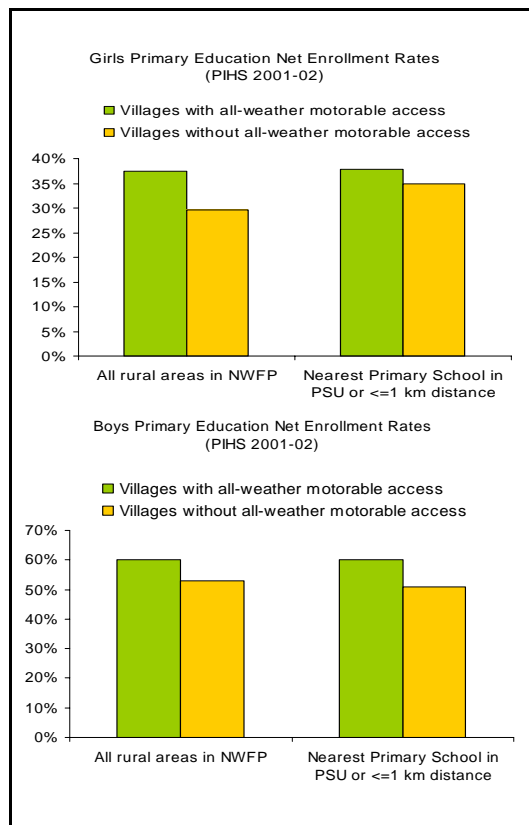
Figure 4.3: Road Access in Rural Areas in the NWFP, by Quintile (2001/02 PIHS)



4.15 The lack of accessibility in rural NWFP is associated with lower human development indicators.

Education indicators are low in communities with low transport access. In rural NWFP, according to PIHS data, communities with similar degree of school availability have different primary net enrolment rates depending on their degree of endowment of all-weather motorable roads. The impact is particularly large for girls (Figure 4.4) but also significant for boys. In addition, improved *health indicators* such as more frequent pre-natal medical consultation for women, more child births attended by skilled personnel, higher incidence of post-natal consultation, and fewer births at home, are associated with the presence of all-weather motorable access in addition to the availability of health facilities in the village.

Figure 4.4: Primary Net Enrolment Rate and All-Weather Motorable Roads



4.16 The foregoing state of affairs can only be corrected if the Government sets itself reasonably ambitious goals for human development outcomes over the medium and long term. The strategy for achieving this should be an integral part of the province’s growth strategy. Raising the skills level of labor over the medium to long term and improving health conditions are essential for faster long-term productivity growth. The Government should aim for: raising the net enrolment ratio in primary education from 47 percent in FY05 to 66 percent by 2015; substantial increases in secondary school enrolment and average years of schooling; and improved quality of vocational training and college education, linked to the needs of the private sector. In terms of primary education the mentioned goal means that annual net enrolment for 5-9 year olds will need to increase from 1.7 million students in FY05 to 2.3 million in 2010 and to 3.0 million by 2015.

4.17 In health, the Government should raise the immunization rate for children 12-23 months to 80 percent by 2015 (from 57 percent in 2001/02). This implies that the number of children to be immunized each year would need to rise from 0.99 million in 2004 to 1.3 million in 2010 and 1.6 million in 2015. It should also aim at raising the contraceptive prevalence rate to 40 percent by 2010 and 48 percent by 2015. Given the rate of population growth, even with these efforts the number of married females not covered will only decline from 2.5 million to 2.4 million by 2010 and to 2.3 million by 2015.

4.18 In water supply and sanitation (WSS), the Government should aim at raising the coverage rate for clean drinking water from the current 66 percent to at least 76 percent in 2010 and 83 percent in 2015. This implies that it needs to expand supply to 18 million persons in 2010, up from currently 13 million persons, and further to 21 million persons in 2015. It should also aim at increasing access to toilets to 78 percent of the population in 2010 and to 85 percent in 2015, or 18 and 22 million persons, respectively, up from currently 14 million. Access to sewerage should increase from currently 7 ½ million persons to 10 million in 2010 and further to 12 ½ million in 2015.

B. SYSTEMIC ISSUES IN PUBLIC SERVICE DELIVERY

B.1. Incomplete Administrative and Functional Devolution

4.19 Devolution in the NWFP, as in the rest of Pakistan, has been a radical change, with the main responsibility for the delivery of education, health, water and sanitation, roads and transport, and agriculture services devolved to district, tehsil, and union governments. New political structures for local governments and new arrangements for intergovernmental sharing of resources have been established, large numbers of staff have been transferred from provincial to local governments, and an entire new administrative system has been set up at the local level.

4.20 The link between devolution and improved service delivery is not obvious, and cross-national evidence suggests that devolution is neither necessary nor sufficient for improvements in services. In the Pakistan context, however, given the failures of the past, the question is whether or not devolution provides a better alternative to more centralized efforts at improving services. The effect of devolution on service delivery depends on three factors.

4.21 *First*, local policy-makers, in particular *nazims*, must have a greater incentive to improve the services of citizens as compared with provincial and national policy-makers. The main logic of devolution is that bringing government closer to the people increases the accountability of elected policy-makers to the public, and creates the necessary incentives for these policy-makers to act on the public's demands for improved service delivery (citizens' voice). However, it is unclear whether this has translated into incentives for improving services in the province. Local politicians are subject to the same pressures of patronage as their provincial and national counterparts and pressures for politically-motivated recruitment and for constructing local infrastructure projects remain strong.

4.22 *Second*, for this increased voice to be effective, policy-makers must also have sufficient managerial authority over their staff, and must be able to hold them accountable for failures to improve services. In many ways, managerial problems, such as staff absenteeism, are the critical constraints to improving services in Pakistan. These are likely to worsen if there are unclear lines of accountability between local service providers and local policy-makers, including those caused by competition between local and provincial policy-makers—reflecting political tension—over control over personnel.

4.23 *Third*, service delivery can be improved by giving citizens greater control in the management and oversight of service providers ('short route of accountability' or 'client power'). This approach can at times be more effective than efforts to make service providers more accountable to policymakers and policymakers, in turn, to citizens. The LGO and the Police Order provide for community involvement in service delivery through Citizen Community Boards (CCBs) and Public Safety Commissions.

4.24 This section explores the two key aspects of administrative devolution in the NWFP: (i) the limited managerial authority of local governments, and (ii) the limited community involvement in service delivery; and evaluates the degree of *de facto* administrative devolution.^{58 59}

i. Limited managerial authority of local governments

4.25 In the NWFP, duality of administrative control by the provincial and local governments over local staff — with regard to recruitment and transfers and postings; centralization of administrative powers within the districts; and limited devolution of water and sanitation services — combined with weak monitoring mechanisms have reduced the ability of policy-makers to hold front-line service providers (teachers, nurses, doctors and WSS staff) to account, thus reducing the effectiveness of service delivery in education, health and water supply and sanitation.

4.26 **The provincial and local governments both have de facto administrative control over local staff, resulting in dual accountabilities that undermine incentives for performance.** Although the authority over recruitment and career management of staff in grades 1-16 has been formally transferred from the provincial to the local governments, the provincial government continues to exercise considerable authority in this area over personnel located in the districts. This duality of control undermines the reporting relationship in the district managerial structure and thereby reduces the accountability of teachers, nurses, doctors and other front-line service providers to the district government.⁶⁰

4.27 **The limited managerial authority of local governments is most clearly evident in the high frequency of staff transfers.** The service rules specify that staff should remain in their posts for a minimum period of three years. However, in practice staff transfers are endemic, both in the provincial and local governments, reflecting political pressures. In districts in which local governments are controlled by parties in opposition to the provincial government — such as Kohat, Tank, and particularly Bannu — politically-motivated staff appointments and transfers were a commonly cited problem as undermining local control in personnel management. The majority of these were intra-district transfers of staff in grades 1-16, instigated by senior district staff under pressure from the provincial government. There were also numerous cases of senior district staff being transferred without any consultation with the district *nazim*, as required under the Rules at the time.

4.28 **Devolution in the NWFP has, ironically, led to a high degree of administrative and financial centralization within the district government. This undermines the efficient functioning of the district administration and impacts budget execution and service delivery negatively.** In the NWFP, the authority over appointments, postings and transfers (APT) of personnel is now much more centralized than in Punjab and Sindh (Table 4.7). In the NWFP, the APT authority rests almost entirely with the DCO, who remains part of the provincial service (or the federal DMG). Moreover, the current set-up is much more centralized than the pre-devolution arrangements (Table 4.8). Given that the human resource management capacity of the DCO's office is very limited, the DCO does not have adequate resources to handle APT cases on a timely basis, and results in considerable delays, for instance in disciplinary cases

⁵⁸ The evaluation is based on detailed fieldwork from three districts (Kohat, Bannu, and Tank) and a selection of tehsils within them.

⁵⁹ The reason for this focus is that political incentives of local policy-makers are unlikely to change much over the medium term, and that managerial authority and client power are likely to have a more significant impact on service delivery than citizen voice.

⁶⁰ For instance, while the DCO reports to the nazim at the district level, he or she remains part of the federal District Management Group or the provincial administrative service. Thus, his or her promotion and transfers are managed outside of the district. Similarly, while the EDOs report (formally) to the DCO, their promotion and transfers are determined at the provincial level.

against teachers showing excessive absenteeism. The DCO is also burdened with a host of petty human resource matters that detract him/her from devoting sufficient time to more urgent policy matters.

Table 4.7: Administrative Authorities of District Government Officials

	District Appointment Authorities			District Posting and Transfer Authorities		
	NWFP	Punjab	Sindh	NWFP	Punjab	Sindh
DDO	None	None	Grades 1-2	None	None	Grades 1-2
DO	None	None	Grades 3-5	None	None	Grades 3-5
EDO	None	Grades 1-10	Grades 6-8	None	Grades 1-10	Grades 6-11
DCO	Grades 1-15	Grades 11-15	Grades 9-11	Grades 1-16*	Grades 11-18	Grades 12-15
Nazim	None	None	Grades 12-15	None	Grade 19**	Grades 16-17

* EDO in consultation with the DCO, with this consultation being mandatory

** Except EDOs and DOs

Source: Government of the NWFP, District Government Rules of Business.

4.29 **In certain sectors, in particular water supply and sewerage, lack of effective managerial control has effectively resulted in a lack of functional devolution.** The LGO specifies that in districts other than city districts, TMAs are responsible for the delivery of municipal services, including water supply, sanitation, and solid waste disposal. It was envisaged that the staff of the Public Health and Engineering Department (PHED) would be devolved to the TMAs to provide them the necessary capacity to perform these functions. However, in the NWFP the PHED staff was not devolved to TMAs, but was instead merged with the district Works and Services department. TMAs were left with only the staff of the erstwhile urban councils, and therefore have the capacity to only initiate small urban schemes. Hence, while the TMAs have the legal mandate, they lack the requisite staff, and the districts, which do not have the legal mandate, now have the staff and are de facto providing these services. This confusion in roles and responsibilities has compromised the planning and implementation of WSS services and has in some cases resulted in the duplication of services.

4.30 **Ensuring merit-based recruitment of district personnel also remains a key challenge in the devolved set-up.** Incentives for patronage are the underlying political reasons for the decline in the quality of public administration in general, and for the tensions between the provincial and local governments regarding managerial authority over local government staff. The fieldwork revealed numerous cases where recruitment was being carried out without following established administrative procedures. The need to ensure merit and transparency could be addressed by giving the Public Service Commission oversight over recruitment of district staff.

Table 4.8: Pre- and Post-Devolution Administrative Powers of Local Government Officers

	Pre-devolution	Post-devolution
Appointment authority for staff in grades <ul style="list-style-type: none"> • 1-4 • 5-9 • 10-15 	<ul style="list-style-type: none"> • School principal (grade 17-18) • District Education Officer (grade 18-19) • Divisional Director (grade 20) 	<ul style="list-style-type: none"> • DCO (grade 19-20) • DCO (grade 19-20)
Postings and transfers of grade 1-16	District Education Officer	• DCO (grade 19-20) EDO to recommend; approval by DCO required
Postings and transfers of grade 17 and above posted in the district		Provincial government*
Leave Sanction Authority	Same as appointing authority	Same as appointing authority
Disbursement of Retirement Benefits	Same as appointing authority	Same as appointing authority
Authority for Disciplinary Action	Same as appointing authority	Same as appointing authority

* Initially, these required consultation with the district *nazim*. In 2003, the Rules of Business were amended and consultation is now no longer required.

Source: Government of the NWFP, District Government Rules of Business.

4.31 **Institutional mechanisms for monitoring service providers are largely non-functional.** Monitoring committees are subcommittees of the district, tehsil, and union councils provided in the LGO for the political oversight of service providers at the service facility level. On the whole these institutional mechanisms are not performing as envisaged, and therefore are not effective in reducing staff absenteeism and improving service delivery. As a result of the provincial government's continued authority over personnel located in the districts, monitoring committees are unable to elicit any response from the local bureaucracy on their recommendations to reduce the serious problem of staff absenteeism (teachers, nurses, doctors etc.).⁶¹ This has made them largely non-functional.

ii. Limited community involvement in service delivery

4.32 Service delivery can also be improved by strengthening the direct linkage between citizens and service providers, or by increasing client power. While the LGO provides for a number of institutional mechanisms for community involvement in service delivery, to date these have had limited effectiveness in giving citizens control in the management and oversight of service providers as well as in planning and executing development schemes. Citizen Community Boards (CCBs) have yet to achieve the degree of functionality envisaged in the LGO, and while in the NWFP over 3000 CCBs have been registered to date, very few have received funds. A major reason for this non-functionality is there is a question mark around the local political leadership's ownership of the concept of CCBs, with nazims and councilors often viewing CCBs as competitors for scarce development funds. Similarly, there are also weak mechanisms for involvement by other community-based groups such as Parent Teacher Associations (PTAs); District Public Safety Commissions (DPSCs); road users; and user groups for other public services.

4.33 As a result of weak mechanisms for monitoring service providers through monitoring committees and limited community involvement in monitoring and in consultation on investment planning, the quality and access to health and education services suffers, in particular in rural areas. Absenteeism of service personnel (teachers, nurses and doctors) in the public sector is prevalent and persistent. Basic health units and clinics are often without medicines and other necessary supplies.

iii. Capacity constraints

4.34 Even if the proper incentive structure is put in place — as in (i) and (ii) above — the lack of capacity in district governments and TMAs will constrain the ability to act on these incentives. There are acute staff shortages and lack of skills in the districts and TMAs. The skills deficiency is worst in the TMAs where inadequate devolution of requisite staff has led to weaker technical capacity, and has a special bearing on WSS service delivery.

Against this background, the following actions for devolution are recommended for the near term:

4.35 **The government should decentralize administrative and financial powers of key local officers.** Appointing, promotion, and transfer authorities should be as follows: DDO/DO: grades 1-5; EDO: grades 6-11; and DCO: grades 12-15/16. In order to improve the efficiency of budget execution, financial powers of the key district officers should be restored to their pre-devolution levels: EDO: Category I; DO: Category II; and DDO: Category III.

⁶¹ For example, the education monitoring committee in Kohat had prepared an elaborate program for the detailment and relocation of teachers so as to situate them closer to their villages, thereby reducing incentives for seeking transfers. However, there had been no response from the EDO Education on this plan. Committee members also complained that the respective EDOs never attended the district council sessions when the committee reported its findings. The committee had also developed a systematic procedure of school inspections, but was frustrated by the lack of action on its recommendations.

4.36 **The Public Service Commission should be given oversight over recruitment of district staff to ensure merit and transparency**, particularly for key service delivery staff, with commensurate strengthening in capacity. In the short term, district staff in grades 11-15 should be recruited through the Service Commission. In the medium term (3-4 years), the Commission could be given oversight in the recruitment of key service delivery personnel, such as primary school teachers, where pressures for patronage are particularly high.

4.37 **Empower monitoring committees and community-based organizations to strengthen their involvement in monitoring of service providers and in planning of investments.** While monitoring committees shall not have any executive powers, the Government could still involve them formally in the budget process; provide them with adequate resources for facility inspections; and require government functionaries to regularly report to monitoring committees. Regarding community involvement in education, empower PTAs to recommend other disciplinary actions in addition to transfers of negligent teachers, and build capacity and awareness of PTA members. In the road sector, involve beneficiaries in road-related decisions by including road user representatives in the Frontier Highways Authority (FHA) board, and involving communities in designing and implementing rural access and mobility improvement schemes.

Recommendations for Devolution Actions over the Medium Term

4.38 **Reduce staff transfers through oversight by the Public Service Commission.** Involve the PSC in vetting requests of transferring senior staff in less than the three years as set out in the Service Rules. It should be noted that in the past, service commissions in Pakistan were indeed involved in postings and transfers of officers, in addition to their role in recruitment.⁶²

4.39 **Complete province-local government functional devolution.** The provincial government needs to decide whether TMAs or districts will deliver water and sanitation services, and then provide that tier with the resources and the staff to deliver these services. Ideally, this responsibility should rest with the TMAs, accompanied by the requisite transfer of PHED staff.

4.40 **Create a local government service.** Over the medium term, effective administrative devolution will require the creation of a local government service. The most appropriate structure of the service would likely be in two parts where one part would provide the senior staff in the district with the reassurance that they have both security and career prospects, while ensuring that all staff in the districts, senior and junior, are managed only from within the district. One method for achieving this is to create a distinct *Local Government Career service*, for which the district government is the employer and assumes responsibility for preparing the salary budget, recruitment, career management and performance management for junior staff. The Public Service Commissions would oversee the quality of the recruitment processes, but would not be involved directly in the recruitment. Salaries of these staff would be paid through Account 4, with the districts able to retain savings that accrue from the abolition of posts.

4.41 In parallel, provincial staff in grades 17-20 could apply to join a *Provincial Local Government Service* and serve in a specific district for fixed-term appointments while retaining their substantive appointment with the province.

⁶² In the past, service commissions handled the career planning functions (postings, transfers, and promotions) that presently are under the purview of the Establishment Division/Department, as well as the judicial hearings (e.g., in the case of disciplinary matters) now under the Services Tribunal.

4.42 **Increasing citizen voice.** As discussed above, sustainable improvements in service delivery will require a change in incentives for patronage, which in turn will be dependent on increasing the accountability of policy-makers to citizens. International experience shows that making more information available to citizens about government service delivery, can have a significant impact on increasing citizen pressures for improving services.^{63 64}

4.43 There are a number of district-level data sources that the Government of the NWFP can use to increase public awareness of the quality of service delivery and thereby generate pressures to improve services and reduce staff absenteeism. These include (i) regular CIET Social Audit surveys which measure citizen satisfaction with a number of services, such as education, health, water supply, and police;⁶⁵ (ii) the Core Welfare Indicators Questionnaire (CWIQ) survey when regular provision of these intermediate and outcome social indicators is well established; and (iii) if Monitoring Committees are strengthened, their reports could be used to increase citizen awareness of facility level performance.

B.2. Weak Monitoring and Evaluation Systems

4.44 Monitoring and evaluation systems in the NWFP are weak, and there is much scope for aligning policies and resources better with the government's stated policy objectives. Policymakers need good, reliable data on the state of outputs and outcomes in the health and education sectors to measure progress, and a good analysis of causality between policy measure and results to understand which specific policy measures work best in the specific circumstances of the province – cultural or other – that may vary between provinces. The government needs not only to ensure that it is doing the right things, but also that it does them well — i.e., that implementation is effective.

4.45 The provincial government's management information systems (the Health Management Information System (HMIS) and the Education Management Information System (EMIS)) do not meet the mentioned requirements for policymakers. They are not real time information tools for provincial managers and do not provide accurate, reliable and timely information to inform policy decisions. In addition, the government is limited in its capacity to analyze available data and derive the relevant policy implications.

4.46 The lack of systematic monitoring and evaluation likely reflects three facts: (i) that line departments and the government have not made improved outcomes (enrolment rates, immunization rates, maternal mortality rates, etc) the focus of their job. Instead, the authorities have emphasized inputs such as expenditures, financial resources, and processes; (ii) that there are no specialized staff to analyze or contract out the analysis of existing data; and (iii) that the line departments have a conflict of interest in that they do not want to make known any information that would reflect poorly on their efforts.

Recommendations

4.47 The Government needs to strengthen the HMIS and EMIS and turn them into real time and accurate information tools for provincial management decision-making. It should strengthen the MIS units that can assess education and health system performance and provide feedback to high level decision-makers, line departments, district governments, and the public at large. Such units should analyze various types of data coming from household surveys, facility assessments, and management

⁶³ The World Bank (2003) provides a number of examples of the impact of increased information.

⁶⁴ For example, use of Citizen Report Cards and Public Expenditure Tracking Surveys, and publicizing these results, have had some success in countries such as India, Uganda, Philippines, and Ukraine in building the public awareness that was necessary for building greater political commitment to improve services.

⁶⁵ Examples from other countries include the Citizen Report Cards used in India (World Bank, 2003).

information systems to spot problems and track changes. Better monitoring and evaluation by itself will likely improve performance by increasing accountability. The unit should be headed by a technically competent person. In order to be effective, the unit would need to have regular access to high level decision makers to keep them properly informed.

4.48 The unit should carry out a number of activities including: (i) regularly disseminating to the public “league tables” of performance by district; (ii) helping district governments analyze the performance of their own facilities (schools, clinics, hospitals etc.) to see where weaknesses lie; and (iii) ensuring that monitoring and evaluation of the new policy initiatives is carried out systematically and the results used to modify programs or policies.

4.49 In addition, the provincial government could make better use of existing national-level data collected by the Federal Bureau of Statistics, such as the Pakistan Integrated Household Survey (PIHS) and the Labor Force Survey. It should also aim at using the PIHS data and the PSLM-CWIQ data to provide a check on the quality of the outcomes data reported in the MIS and establish incentive structures in MIS to improve the reliability of the data and minimize the gaps with independent surveys. The PSLM-CWIQ provides very recent (2004/05) provincial and district level data on key health and education outcomes, as well as on satisfaction levels with other government-provided services. This data set will be useful to establish the baseline for a number of district-level social indicators and intermediate service delivery outcomes. This could be used to improve the basis for the Provincial Finance Commission Awards formula with more updated information. It would also identify the districts where more focused attention by the government is needed. It is expected that PSLM-CWIQ data on service delivery at the district level will be provided on a regular basis. While this should improve the quality of the monitoring data, additional monitoring data is also needed — in the case of education, one example would be data on learning achievements by each school.

B.3. Lack of Access to Transport in Rural Areas

4.50 **Another systemic cause of poor service delivery in the province is the lack of access to transport in rural areas that limits access to education, health, and other basic services.** Road accessibility is a prerequisite for receiving these services, and therefore the sparse road network acts as a constraint on service delivery to potential recipients in remote areas. Improving the provincial road transport system and infrastructure can also contribute to faster economic growth by reducing transport costs – a major competitive barrier for firms in the province.

4.51 The poor road accessibility reflects several underlying problems in the transport sector.

(i) There is no clear unified government policy regarding the transport sector. The sector’s legal framework comprises several laws and regulations, including federal legal framework for civil aviation, railways, and national highways.⁶⁶

(ii) Responsibilities, funding, and capacities are misaligned between levels of government. With devolution, planning and provision of local transport infrastructure and services are now the responsibility of local governments, whose priorities may not be aligned with those of provincial or national governments. Furthermore, local governments’ technical, financial and managerial capacity has not been strengthened in line with their increased responsibilities and prerogatives. While policy

⁶⁶ At the provincial level, the Motor Vehicle Ordinance of 1965 regulates motor vehicles registration and creates Provincial Transport Authority (section 46(1)(i)). NWFP Ordinance XIX of 2001 establishes the Frontier Highway Authority (FHA). The NWFP Local Governments Ordinance No. XIV of 2001 provides for the extensive devolution and decentralization of powers to local governments: districts, tehsils, and unions.

decisions are supposed to reflect the real needs of the population, this has not yet materialized, mainly because of the mentioned capacity constraints. The effect is already seen in the deterioration of district roads because of inadequate maintenance in recent years.

(iii) The funding for maintenance and repairs of roads is inadequate and unpredictable. Funding of road infrastructure maintenance and repairs has varied considerably in the past and declined severely in 2001/02 and 2002/03 to an alarmingly low level. Works and Services Department and FHA estimate that the backlog of maintenance and preservation needs is approximately Rs 500 million annually over the next five years. In particular, district roads have received little funds for maintenance — less than Rs 10 million on average in the past two years and well short of the economically justified road expenditure needs.

(iv) New start-ups proliferate and priority is given to new developments over maintenance and preservation of existing infrastructure. The 2004/05 annual development program comprises 249 ongoing projects and 25 new ones. The large number of projects exceeds the capacity for implementation and the availability of public investment funds; hence both resources are very thinly spread. The ADP *throw-forward* ratio in the roads sector is very high (14); meaning that if the utilization of the ADP's allocations continues at the current average levels, the province will require 14 years to implement this portfolio. Such delays cause huge economic losses for the province in the form of higher fiscal costs and lost economic growth.

(v) Resource mobilization from road users is inadequate and not used to fund road maintenance and preservation. The proceeds from road-related taxes are treated as general tax revenue and are not all allocated for funding the road programs. As a result, road funding is insufficient, uneven, and unpredictable and depends on general budget resources in competition with other sectors.

4.52 **Against this background it is recommended that the government's agenda for improving the transport sector's performance include the following:**

- **Develop a provincial transport policy and strategy.** The policy should take into account the new roles of various levels of government after devolution. The provincial government, through a set of incentives to districts, could support programs with spillover effects or externalities beyond district boundaries. Improving transport access and mobility in rural areas should be given top priority to improve their access to social services and bring them into the economic mainstream. The objectives for rural transport should target areas with high levels of poverty and emphasize labor-based construction methods as a means to generate employment. Transport services should be regulated in a way that even when the market functions inefficiently in remote areas, the poor rural population is not deprived of the services.
- **Improve transport planning at all levels of governments, and provide for horizontal and vertical coordination** in order to improve the quality of public expenditures on roads and the balance between road maintenance, preservation, and improvement.
- **Make funds for road maintenance and preservation sustainable and predictable,** by establishing a road asset management system and dedicated road maintenance fund with increased contributions by road users.
- **Put in place incentives to promote better and more participatory planning and accountability.** Road users should have a say in ensuring their contribution is used efficiently by having representatives in the FHA board, and by involving communities in designing and implementing rural access and mobility improvement schemes.

- **Implement quality standards for trucking services** including by more effective enforcement of vehicle loading limits. Improve the efficiency of road infrastructure use further in urban areas through improved traffic management, public transport licensing policies and control of roadside activities.
- **Put in place a monitoring and evaluation system** to assess the impact of sector policies and provide a feedback to planners, decision-makers, and stakeholders.

Further analysis should also be carried out to assess the performance of the freight sector, urban transport and their effect on trade and growth.

C. SECTOR SPECIFIC ISSUES

Education

4.53 The chief reason for the unsatisfactory state of education in the NWFP is that too few children, especially girls, attend school. School attendance in rural areas is much worse than in urban, with the lowest attendance being that of girls in rural areas. These problems are further exacerbated by very high drop-out rates. Meeting the medium- and long-term targets for enrolment that the province has set for itself is a considerable task. The central issues are:

- How can the province meet its primary school enrolment targets (see section A) by improving *access* to and the *quality* of education?
- How can the province make the educational system more *accountable* both to the government and to the community?

4.54 **Access to education is constrained by a number of factors:** Long distances to the nearest school influence school attendance in remote areas in the NWFP, in particular of girls. The limited number of secondary schools (1/6th the number of primary schools) limits the share of students that continue their studies from grade 5 to 6. This is particularly severe for girls. Table 4.9 shows that the gender difference is particularly stark regarding the availability of public middle schools. Girls' restricted mobility makes proximity to schools and reliable transport critical for increasing their enrolment. This is even more crucial for enrolment of adolescent girls. Families report much higher travel expenditures for girls who are 13 or older and probably enrolled in middle school and beyond — even after controlling for distance to school (Pakistan Country Gender Assessment, World Bank 2005). As girls reach middle-school age, the direct cost of sending a girl to school seems to increase sharply. The rise in travel expenditures does not appear to occur for boys of middle-school age. Parents may pay higher transportation costs for middle or high school-age daughters in order to ensure safe passage.

Table 4.9: Access to Schools in Rural NWFP, 2001/02
(Percent)

	Within community	1-2 kms from community	3-5 kms from community	>5 kms from community
Public primary schools for girls	79	8	5	8
Public primary schools for boys	92	2.5	0.8	4.3
Public middle schools for girls	22	15	28	35
Public middle schools for boys	43	15	23	19

Note: The table shows, on average, distance in kilometers from community to schools.

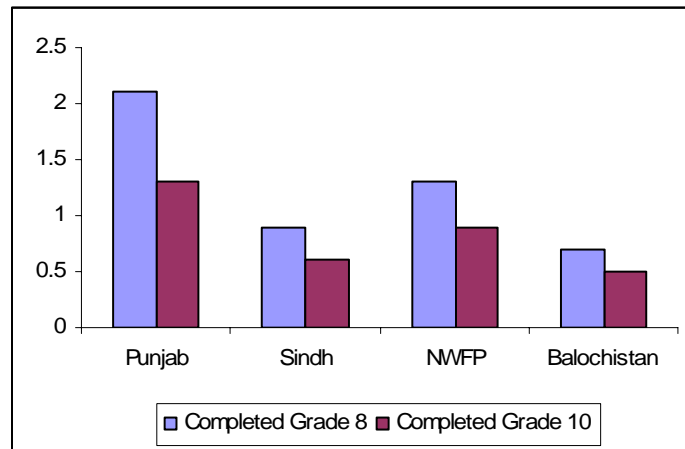
Source: World Bank staff calculations using the rural community survey from PIHS 2001/02.

4.55 Although the government has substantially reduced the monetary cost of schooling in recent years, in particular at the primary level, the opportunity cost of the children’s time from schooling might still deter poor families from sending their children for primary education. This could be addressed by cash transfers to the poorest that are contingent on their children attending school. Parents also have specific concerns, mostly related to security and facilities at the schools, with particular importance for girls’ schooling.

4.56 The availability of qualified teachers is a factor both regarding the supply of and demand for girls’ education.

Government schools (and most private schools) for girls require female teachers. In addition, private co-educational schools overwhelmingly hire female teachers (due to lower wages for equivalently educated women). Currently, there simply are not enough educated women in many villages in the province to staff a school for girls (Figure 4.5). Significant barriers to female mobility prevent educated women from relocating or commuting to localities with teaching jobs. It is therefore necessary to ensure a sufficient supply of qualified female teachers from the local community to

Figure 4.5: Average Number of Qualified Women in Rural Communities, 2001/02



Note: “Qualified women denotes women between ages 18 and 50 who have completed at least Grade 8 (middle school) or Grade 10 (high school). Source: PIHS 2001/02 household data.

expand school access at the primary level. Achieving this will require complementary public investments in middle and high schools for girls as well as incentive mechanisms that ease school access. It also requires one to be sensitive to the time-lags that will necessarily be involved in building up the requisite cadre of qualified female teachers. Hiring and retaining female teachers thus will remain a problem, and ironically this problem will be at its worst in precisely those areas that are poorly served at present.

4.57 The Government can only reach the goal of education for all by facilitating private sector provision of education to overcome the capacity constraint of public supply.

The private sector already accounts for almost a third of total primary school enrolment, reflecting widespread lack of satisfaction with the quality of government education. The NWFP's private sector still has considerable scope for providing additional schooling. In 2001/02, the net primary school enrolment rate in private schools was only 8 percent compared with 15 percent in the Punjab (Table 4.10). The provincial Frontier Education Foundation (FEF) and Elementary Education Foundation (EEF) were set up to facilitate private education. However, they are involved in direct provision of education by setting up and running new schools (EEF) and women colleges (FEF) themselves. There is no clear exit strategy. Their stated objective of developing the private sector in school supply is regarded as a low priority. Household expenditure on education in private schools is much higher than in government schools (PIHS 2001/02). While the majority of children from households in the top income quintiles go to private schools at the primary level, the vast majority of children in the three lowest income quintiles go to public schools for affordability reasons. For the same reasons, the potential for increasing private schooling for lower income groups without specific policy measures in this area is limited.

Table 4.10: Net Primary School Enrolment Rate by Public and Private Schools, 1998/99 and 2001/02 (percent) 1/

	1998/99 PIHS			2001/02 PIHS		
	Govt Schools	Private Schools	Total	Govt Schools	Private Schools	Total
Pakistan	30	12	42	30	12	42
Punjab	29	15	44	30	15	45
Sindh	29	12	41	30	10	40
NWFP	33	6	39	33	8	41
Balochistan	35	1	36	30	2	32

1/ Age 5 - 9. Excluding Katchi Class.

Source: PIHS 1998/99, 2001/02.

4.58 The Government can improve access to education by:

- expanding the number of secondary schools to meet the increased demand from students completing primary schools;
- introducing a pilot stipend scheme to students in both public and private schools;
- providing missing facilities to the remaining secondary schools for females;
- subsidizing secure travel arrangements for female teachers and students in remote areas and increasing stipends for female students; and
- tailoring interventions to the specific binding constraints that vary between districts including lack of access to transport in remote areas.

It can improve private provision of education services by making the two provincial Education Foundations autonomous apex organizations that assist private educational institutions through grants and concessional loans and students through capped School Vouchers. These Foundations should not provide education services directly and should be financially sustainable.

4.59 The quality of public education in the NWFP has great potential for improvement. The central cause of the poor quality of education in the NWFP is flawed governance. This results in inadequate accountability by school management and teachers, low teacher attendance, school closures, poorly qualified teachers and/or long periods when schools are without a teacher because of slow recruitment, and a serious shortage of schools in rural areas. Moreover, allocated non-salary budget funds, including PTA funds on instructional material, often do not reach the intended local school owing to leakages. All this takes place within a framework that lacks reliable monitoring indicators and good analysis to inform policy makers about educational outcomes as well as the problems that schools and communities face in providing educational services.

4.60 A successful strategy to improve quality of education needs as a minimum to ensure: (i) that schools are made accountable for their education results and that teachers are accountable for being present at school and teaching; (ii) that qualified teachers are available; (iii) that potential providers compete against each other; (iv) that indicators on educational outcomes, teacher attendance, etc., are reliably monitored; and (v) that allocated non-salary funds reach the schools.

4.61 In order to ensure better teacher attendance and qualified teachers the Government could take the following actions (in addition to the accountability measures in the devolution section above).

4.62 **In other provinces of Pakistan, teacher absenteeism is an important contributor to lower quality of education and high drop-out rates.** In the case of the NWFP, further work is necessary to identify whether teacher absenteeism is a major problem. The data set from the PSLM survey can help to ascertain the extent of the problem, as well as other factors, such as the lack of text books and other teaching aids. In the meantime, improvements within the government structure could be achieved by making all new teacher appointments school-specific, and improving incentives for better performance by making contract renewals contingent on performance. Allowing contract teachers to be transferred instead, as recently done, would make them less accountable.

4.63 **Improving monitoring of teacher attendance.** Particularly in remote areas, schools are rarely monitored, especially regarding the attendance of teachers — surveys show that some schools have not been visited by government officials even once over a two-year period. The Government can address this by increasing funding for monitoring and reducing the number of schools assigned to each ADEO. This would enable education officials to supervise each school more frequently. Furthermore, facilitating stronger involvement by parents and the local community through PTAs can empower communities to recommend other disciplinary actions in addition to transfers of negligent teachers. The Government could also build capacity and awareness of PTAs to all districts through targeted training programs; distribute PTA school funds for repair and maintenance on the basis of enrolment and give PTAs more flexibility in using these funds; and ensure school specific budget for primary schools and transparency of budget information to the public to check leakages of school funds. Over the long term, when the capacity of PTAs has been substantially strengthened the Government could also make the schools even more accountable to the community by giving parents the right to hire and fire teachers through the PTAs.

4.64 **Ensuring qualified teachers and improving school management.** The process of appointing teachers should be streamlined to minimize periods when schools are without a teacher (currently recruitment takes 6-9 months). The Government could make postings in remote areas more attractive for female teachers by offering substantial salary and training incentives, allaying security concerns by subsidizing secure travel arrangements and providing security guards at the school as well as adequate school facilities. The Government should implement the intended separation of the teaching and management cadres in spite of some patronage-motivated opposition. Both cadres should be supported by strategic professional development plans and training. School management should be made accountable for poor performance, including for excessive absenteeism of staff. The Government should implement the intended teacher rationalization in an equitable manner in consultation with stakeholders to ensure political backing at all levels.

4.65 **The government can also encourage competition as a means to improve quality.** Encouraging competition among potential suppliers would involve providing low-income families with the means to choose whether to send their children to a private school or a public school. These means could be provided in the form of school vouchers to cover tuition and other expenses of education. This would provide incentives to private schools to vie for new students, raising enrolment and providing competition to poor public schools. Given the limited student mass in rural villages with typically only one school, competition between different schools would primarily be in urban areas. The management of chosen public schools could be contracted out to an NGO for a management fee (as in a current pilot scheme in the Punjab). Competition could also be facilitated by providing transport subsidies to students in remote areas to reach schools further away. Facilitating competition through increased involvement by the non-government sector should be a central part of the remit of the two provincial education foundations (FEF, EEF) rather than directly providing education services themselves.

4.66 **Adequacy of public education spending.** There has been a robust increase in education spending in recent years. The share of education spending in total provincial spending increased from 22 percent in 2001/02 to 28 percent in 2003/04. The share of development spending in education went up from 0.5 percent to 4.5 percent. Table 4.11 shows robust increases over this period in non-salary recurrent expenditures as a share of total government expenditures in schools. Table 4.12 shows very rapid increases in nominal development expenditure to both schools and colleges in the same period, more so to schools. However, survey evidence and discussions with stakeholders suggest considerable uncertainty associated with the disbursement of non-salary funds to schools, and funds earmarked for supervision of schools are utterly inadequate.

Table 4.11: NWFP: Structure of Education Expenditures in Public Schools, 2001/02 – 2003/04

Years	Current Expenditure				Development Expenditure			
	Salary		Non-Salary		Infrastructure		Non-Infrastructure	
	Percent of Total Exp.	Percent of GDP	Percent of Total Exp.	Percent of GDP	Percent of Total Exp.	Percent of GDP	Percent of Total Exp.	Percent of GDP
2001/02	22.8	2.51	1.1	0.12	0.1	0.01	0.03	0.00
2002/03	22.6	2.44	1.2	0.13	1.4	0.15	0.46	0.05
2003/04	20.2		1.3		2.4		0.90	

Source: Government of the NWFP.

Table 4.12: NWFP: Expenditures in Public Schools and Colleges, 2001/02 – 2003/04

	Schools				College			
	Current		Development		Current		Development	
	Million Rs	Percent of GDP	Rs	Percent of GDP	Rs	Percent of GDP	Rs	Percent of GDP
2001/02	9,476	2.6	56	0.02	520	0.14	19	0.01
2002/03	10,113	2.6	802	0.20	670	0.17	216	0.05
2003/04	10,528		1,638		695		361	

Source: Government of the NWFP.

4.67 **However, the increase in public spending on education has so far not improved educational indicators much.** According to data from the 2001/02 PIHS and the recent 2004/05 PSLM survey, gross enrolment in government primary schools during FY02–FY05 grew only from 63 percent to 64 percent. These figures indicate very limited effectiveness of the increased spending.⁶⁷ While increasing education spending is necessary for improving outcomes, the spending must be more carefully targeted and its quality improved. Implementing the set of education sector reforms and cross-cutting reforms described in this chapter should enhance the effectiveness of public spending on education.

4.68 **Migration: Implications for Education Policy in the NWFP.** Upgrading the skills of the work force is a long-term endeavor that must start with improved primary and secondary schooling, since untrained and illiterate workers do not benefit much from training later in life. The college sub-sector should be linked directly to private employers in order to identify the qualifications that are in high demand in the provincial economy, and strategically redirect the teaching resources accordingly. Skilled workers are in higher demand and are more likely to migrate. Hence the province needs to significantly increase the education level of its workforce, both of potential migrant workers and of the work force that will remain and drive its economy. This must start with improved primary and secondary schooling.

⁶⁷ Data currently available show that gross enrolment in government schools over FY02 – FY04 stagnated at 27 percent for middle schools, and decreased from 23 percent to 21 percent for high schools. NWFP EMIS data (pp. 2-3) collected by the NWFP Government are used here, and are at variance with the PIHS data collected by the Federal Bureau of Statistics. The discrepancy between the two sources of data needs to be resolved. In general the PIHS data are considered more reliable.

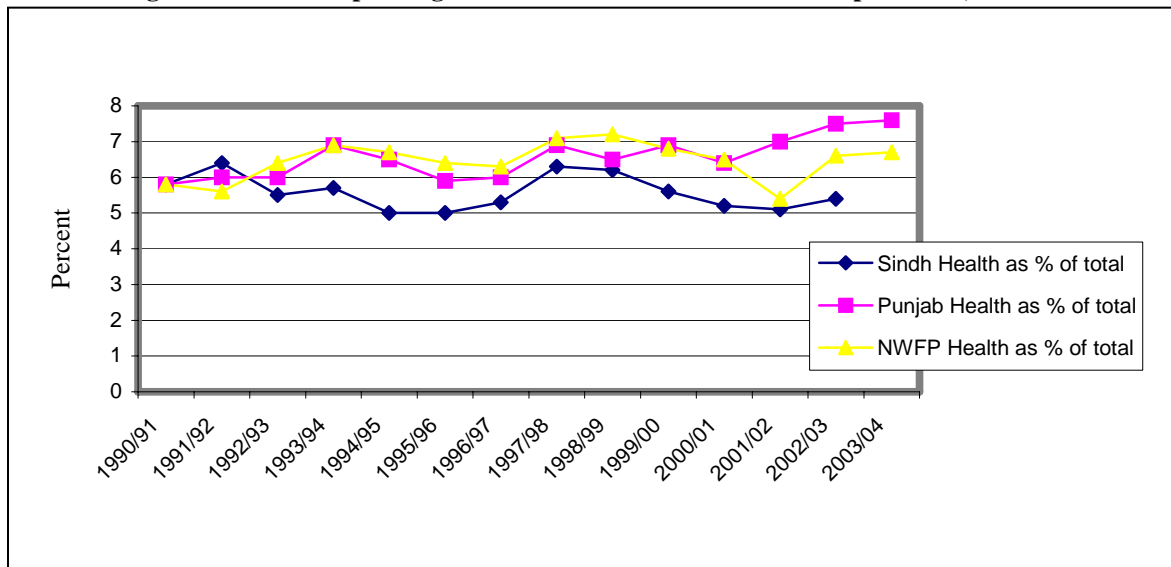
Health

4.69 Improving health sector outcomes in the province is crucial to any long-term strategy for reducing poverty. In addition to the systemic issues that affect service delivery generally (discussed earlier in this chapter), several matters impact specifically on the health sector and are covered in this section.

4.70 **Low public expenditures and need for improving expenditure composition:** Countrywide, public expenditure on health constitutes about 0.5–0.7 percent of GDP, amongst the lowest in the world. During 2001-04 public health spending increased significantly at an annual growth rate of 13 percent largely due to a sharp increase in development expenditures. However, the share of health expenditures in total provincial spending has remained fairly constant over the last decade, fluctuating around an average of 6.5 percent, below comparable figures for the Punjab (but higher than Sindh) (Figure 4.6). Public expenditure in the NWFP on family planning has averaged 0.4 percent of total provincial expenditures, which is similar to the level in other provinces, but represents only a tiny investment in an area that has serious long-term repercussions for the province. This contrasts with the large expenditures on hospitals, which represents nearly 5 percent of total provincial spending and more than 80 percent of all health expenditures by the Government. These spending priorities should be changed. The breakdown of expenditure by category in the NWFP is very similar to that seen in other provinces, and indicates a lack of commitment to ensuring delivery of primary health care services in the community.

4.71 A more detailed assessment of the composition of public spending was constrained by the lack of information on key sub-components of health expenditures, including district level data on spending by different categories which are not compiled in a systematic and accessible manner. To determine whether funds are flowing to priority areas or to assess the implications of increased spending on the quality of services, it is essential to have timely data on expenditures by levels of care and disaggregated by salary and non-salary expenditures. At the same time, ensuring that national priorities are reflected at the district level is a major challenge of the devolution process. As a first step this necessitates sound information systems to monitor progress of the reforms and adequate and timely data on expenditures as the earliest indication of the direction and priorities at the district level.

Figure 4.6: Health Spending as Percent of Total Government Expenditure, 1990-2004



Source: Government of Pakistan.

4.72 As noted above, **total fertility rates remain high in the NWFP**. This has a number of serious socio-economic consequences. In addition to the direct impact on women's and children's health and welfare, it is worth noting that no country has ever achieved sustained and rapid economic growth without a preceding and large decline in fertility rates — a decline often aided by effective family planning programs. In the NWFP, differentials in fertility rates by urban-rural residence, education of women, and income level persist. High fertility is associated with closely spaced births and high parity births and is directly linked with neonatal, infant, child and maternal health and mortality. Women's status, in particular female education, is associated with lower fertility attributable to its influence on family size norms, better knowledge and use of contraception and higher age at marriage. Evidence for Pakistan further indicates that maternal education has a positive and significant impact on survival, nutrition, and schooling of children. It is clear that improving access to education for females (as discussed in the education section) will have a multiplier effect by also contributing to reducing total fertility rates.

4.73 The health sector has an important role to play in decreasing fertility. Not only is the contraceptive prevalence rate (CPR) low, but there is also a large unmet need for contraception. The unmet need in the NWFP, at 35 percent, is larger than of any other province, and the evidence suggests that the main reason is limited availability and inadequate quality of family planning services. The Government should take steps to increase access and quality of family planning services, in particular by (i) ensuring that all BHUs and RHCs have adequate supplies of contraceptives; (ii) ensuring that female health workers are in place in all first-level care facilities and are appropriately trained, particularly in counseling skills, and supervised; (iii) increasing the number of RHCs, THQ and DHQ hospitals that can provide surgical contraception; (iv) ensuring that lady health workers (LHWs) have a full range of contraceptives to deliver to the doorstep; v) explicitly include improvement in family planning services as a key objective of the pilot for contracting out management of primary health service facilities to NGOs; and v) promote involvement of men who are the key decision makers to be more supportive of contraceptive use through use of male motivators and targeting awareness campaigns, social marketing efforts and other interventions to both men and women.

4.74 **Management, Motivation, and Measurement:** A core issue in health care delivery in the NWFP as elsewhere is the underutilization of peripheral services for primary care. While the NWFP has extensive physical infrastructure of first-level care facilities, the system is inefficient and underutilized by the public. The low level of utilization is partly attributable to the perceived poor quality of services. The main reasons for dissatisfaction have been identified as ineffective treatment, lack of medicines, poor condition of the facilities, poor treatment by staff, and the absence of doctors. The ineffective functioning of the system is due to “the 3Ms”: weak *management*, inadequate staff *motivation*, and little emphasis on *measurement* of results. Management at the district level is limited by lack of strategic orientation and weak management skills. Staff is unaccountable, barely supervised, with little or no incentives for performance, with the result that absenteeism of doctors and other health personnel is high and widespread. Measurement of results is episodic and there is no incentive to use the data that exist. Currently, the provincial government undertakes little systematic monitoring and evaluation. This likely reflects two facts: (a) that the Government has focused primarily on inputs such as financial resources, rather than outputs; and (b) that the provincial line departments, historically the service providers until the recent devolution, have had a conflict of interest in that they are reluctant to reveal information that would reflect poorly on their efforts. While more resources for health spending are needed, the bigger issue relates to the 3Ms.

4.75 **Role of the Private Sector:** The for-profit private sector is little studied, virtually un-regulated, and provides an unknown quality of care, although it is widely used by all classes of society. The private sector could play a role in achieving the Millennium Development Goals in partnership with the public

sector. While the public sector provides about 90 percent of immunizations, the private sector accounts for more than 50 percent of contraceptive prevalence. It could play an important part in ensuring control of tuberculosis at no additional cost to the Government, as experience in India and other countries working with private practitioners through NGOs has shown.

4.76 A strategy for improving delivery of health services must encompass several elements, with special attention to the following:

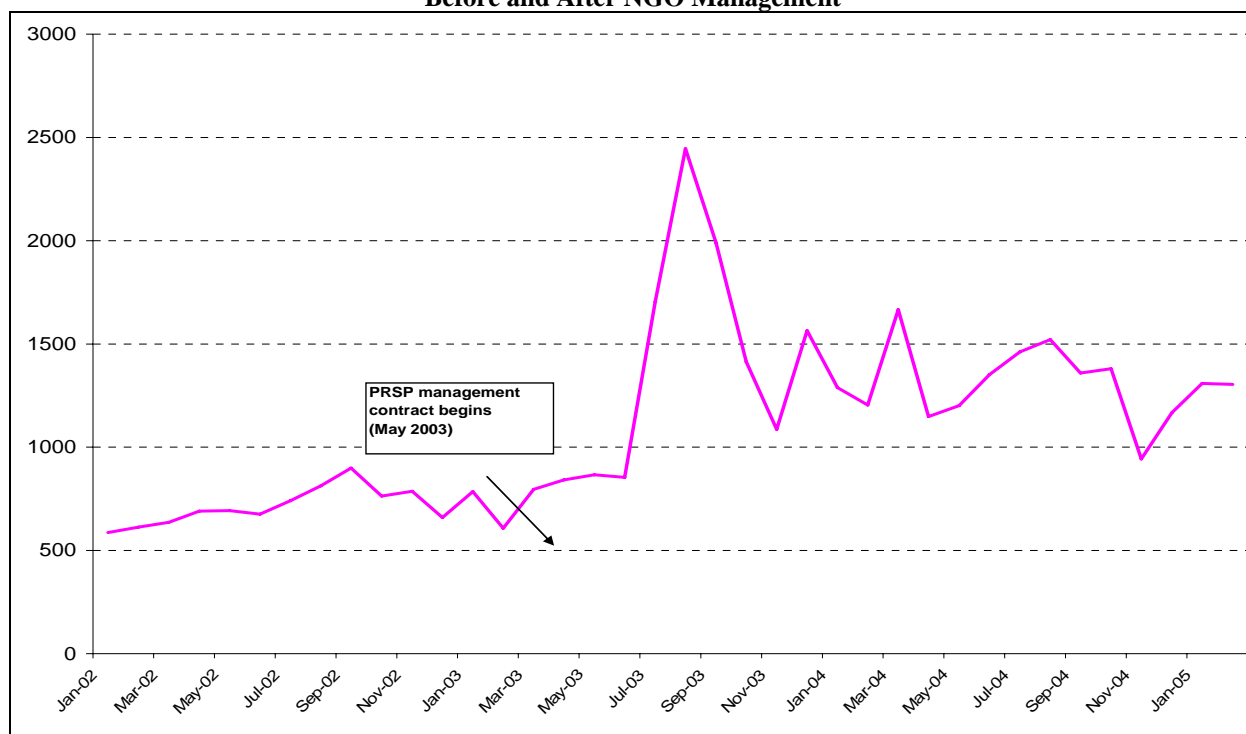
4.77 **The first element is a willingness to pilot innovations and improve implementation capacity:** Progress in provincial health outcomes requires significant improvement in the delivery of publicly-financed preventive, promotive, and curative services. This implies that the top priority of the GoNWFP should be to implement bold reforms and test innovations that can make a rapid difference in public sector performance. As mentioned earlier, the NWFP's fairly elaborate draft health strategy has not been formally approved nor effectively implemented — this for a variety of reasons, including trying to do too much at once. There is a need to choose a few high priority actions and ensure that these are implemented successfully.

4.78 There are many reforms that could potentially make a difference, but in order to have a chance of being implemented successfully the Government will need to make some strategic choices. Two reforms that should be implemented on a priority basis in the *short term* are: (i) contracting-in management of government-financed primary health care (PHC) facilities (as has been done in the Rahim Yar Khan District of the Punjab); and (ii) improving the monitoring and evaluation (M&E) function of the provincial government in the health and education sectors through an independent M&E unit. A *medium term*, but compelling, challenge for the GoNWFP is to more creatively and effectively influence the large private health sector so that quality of care is improved. It would also be worthwhile pilot-testing autonomy in a sample of DHQ and THQ hospitals, after having conducted an evaluation of existing hospital autonomy efforts.

4.79 **Second, pilot test of contracting-in management of primary health care facilities:** A number of governments in developing countries have started to experiment with splitting the financing and the provision of health services by contracting out the management of health services. The Government should quickly begin a large-scale pilot test in a few districts of contracting with an NGO to manage the primary health care infrastructure (RHCs, BHUs, and LHWs). By carefully evaluating such a large-scale pilot, the effectiveness of the approach could be determined in the NWFP context. This approach builds on the experience in Rahim Yar Khan (RYK) District, where the district government gave a management contract to the Punjab Rural Support Program to run all 104 BHUs.

4.80 Considerable autonomy was given to the Punjab Rural Support Program to implement changes in organization and management. It was also provided the same amount of budget as had previously been allocated for the BHUs. Under this strategy, a number of innovations were quickly introduced. To address the shortage of doctors and high rates of absenteeism, the salaries of selected doctors were increased 150 percent, and they had to cover three different BHUs instead of one. The NGO also improved the supply of drugs available in the BHUs. As a result of these changes, the number of out-patient visits more than tripled (see Figure 4.7) and the approach has spread to seven other districts in the Punjab. The program succeeded because of: (i) the relative autonomy of management that enabled innovation and greater flexibility in spending; (ii) the recruitment of capable managers who were well motivated and well paid; (iii) the increased accountability whereby staff could be fired for non-performance; and (iv) the measurement and careful tracking of outputs.

Figure 4.7: Basic Health Unit Outpatient Visits in R.Y. Khan District Before and After NGO Management



4.81 **Third, work with the private sector to improve quality of care:** In order to achieve the long-term goal of improving quality of care in the private sector, the government should begin pilot-testing creative and participatory approaches. These pilots could include: (i) working with NGOs and professional organizations to improve tuberculosis and ARI case management among private providers; (ii) helping to foster a hospital accreditation system among private hospitals; and (iii) adopting a broadly participatory approach to pharmacy regulation that would include NGOs, academics, government officials, and pharmacists. The pilots should be independently evaluated so that proper lessons could be learned and applied to future efforts.

4.82 The government currently relies on a fairly traditional approach to regulation in which it sets standards and then tries to enforce them through inspection. Private pharmacies, for example, are supposed to meet certain standards and are visited by government inspectors. As has been found in other countries, there are a number of problems with this approach: (i) it can easily create red-tape that distorts the economy; (ii) it often leads to serious levels of corruption; (iii) it is often expensive; and (iv) it often fails in improving the quality of care. An alternative approach that is more likely to have the desired effect is to use a broad, participatory process where the government plays a less dominant role. For example, in improving the performance of the private pharmacy sector, it would be worthwhile establishing an independent commission with broad representatives from consumer groups, other interested NGOs, the pharmaceutical industry, private pharmacists, academics and government (no group should dominate, so it would be useful for representation to be as diverse as possible). The commission would agree on desired outcomes, determine how these would be evaluated, agree on a joint approach to regulation, and jointly implement the agreed-upon approach.

4.83 **Fourth, test real autonomy for DHQ/THQ hospitals:** The NWFP has invested considerable resources in DHQ hospitals. Past experience in the province and from elsewhere indicates that improvements in infrastructure alone without managerial reforms have limited impact on quality of care or utilization. The experience with hospital autonomy in the NWFP and the Punjab has been mixed. In this context, an essential starting point is to conduct an independent and detailed evaluation of the experience of the NWFP with hospital autonomy and compare it with experiences in the Punjab and in other countries. This needs to be done in the *short term*, since on the basis of the findings of the review, the GoNWFP should design a pilot test of “real” autonomy in some 10 DHQ and THQ hospitals to be implemented in the *medium term*. The pilot should be rigorously evaluated using experimental and control hospitals matched for overall baseline performance. Baseline and follow-up hospital assessments would be carried out independently using objective measures of performance. After about 18 months of implementation, the entire pilot should be formally and independently evaluated, and the Government should make a decision on whether and how to expand the approach based on the results achieved.

Water Supply and Sanitation

4.84 The challenges outlined above in expanding the coverage of clean drinking water and sanitation are considerable. In order to meet them, the government needs to improve and expand its operations substantially to provide the required infrastructure and improve WSS services in both rural and urban areas of the NWFP. This will require addressing the following key service delivery problems, in addition to dealing with the systemic issues in decentralization discussed above:

4.85 **Capacity:** Prior to devolution, the Sub-Divisional Officer (SDO) of the PHED was responsible for WSS services in a tehsil area. Contrary to LGO 2001, the SDOs of PHED were not devolved to the TMA in order to maintain the capacity of this level of local government. This is now acting as a serious constraint on the ability of the latter to deliver WSS services because of the absence of requisite staff. Senior PHED staff (above division) should form a pool to provide technical assistance to TMAs if requested. This problem is more acute in areas such as that of technical sanctions, which only senior level staff (grade 18 and above) have the authority to accord. Furthermore, the PHED is being tasked with the implementation of large WSS systems as well as systems being funded by district governments and other sources, e.g., MPA discretionary funds and Khushal Pakistan Program (KPP) funds. These completed systems are expected to be operated and maintained by the respective TMAs. As the latter have not been involved in the planning and implementation of these systems, they are reluctant to take over the O&M responsibility.

4.86 In addition to the foregoing inadequate technical capacity, the TMAs’ capacity to plan (both for development and spatial purposes), budget, financially manage, regulate, and facilitate Citizen Community Boards (CCBs) is weak. Consequently, land-use planning and zoning is largely absent; annual planning is being done on an *ad hoc* basis; there is no multi-year development vision; and CCBs are not being formed, with the result the funds allocated for CCB projects are accumulating.

4.87 **Financing:** Urban Immoveable Property Tax (UIPT) is the major contributor towards the Own Source Revenue (OSR) of the TMAs. Currently, UIPT revenue is collected by the provincial Excise and Taxation department and transferred to district governments (net of certain deductions). They subsequently transfer the funds to TMAs — however, with long and unnecessary delays. While the delays hurt operations in all tehsils, they hit relatively backward TMAs particularly hard, since these are heavily dependent on the UIPT transfers.

4.88 The issue of outstanding liabilities of predecessor agencies (particularly electricity charges due to WAPDA), and which level of government is to shoulder them, is still unresolved in many instances.

These include liabilities accrued by: (a) the provincial government on behalf of the defunct urban local councils; and (b) the defunct PHED on systems it managed.

4.89 **Operation and Maintenance (O&M) Financing:** Funds for O&M of WSS systems previously managed by the PHEDs are not being transferred to the TMAs, who therefore do not accept responsibility for such systems. This increases the potential for the systems to fall into disrepair. The capacity of TMAs to finance O&M of own WSS systems through user charges and own source revenues is also limited.

Recommendations

4.90 **Capacity Building of TMAs:** In order to strengthen the capacity of TMAs, the federal and provincial governments should:

- Launch capacity building initiatives for the TMAs with built-in performance-based fiscal incentives. Conditional grants should be made available to TMAs that achieve pre-agreed performance criteria.
- Strengthen dissemination and training related to existing systems. New systems should be developed and introduced where required. Preparation of long-, medium-, and short-term training plans should become part of the regular activities of all local government tiers. These plans should guide investment decisions.
- Develop a legal framework for TMAs enabling them to contract NGOs without requiring higher level clearance. It is vital for TMA as a body corporate to be able to engage resources as needed for the implementation of its programs, while NGOs represent a very important group that possesses the skills and experience to interact effectively with communities.
- Provide TMAs with incentives to take over the operation and maintenance of WSS systems constructed by PHED. The O&M funds that the PHED receives from the provincial government could be such an incentive, which could be phased out in a time period agreed at the time of the transfer of the systems to the TMAs.
- Support TMAs particularly in the implementation of water quality monitoring, hygiene promotion, and benchmarking systems.

4.91 **Financing:** In order to strengthen the financial capacity of the TMAs, the federal and provincial authorities should:

- Assist TMAs in identifying and generating their own funds. Federal and provincial governments should provide funds to TMAs as part of their international commitment to MDGs and to meet the national and provincial development goals.
- Aid TMAs to evaluate the existing O&M commitments and to rationalize them.
- Ensure that UIPT collections are transparent and properly documented and carried out in coordination with the respective TMAs. The full amount due to the TMAs should be provided to them promptly in accordance with an agreed schedule.

The financial health of the TMAs can be further assured by the provincial government's assuming all pre-devolution liabilities relating to the existing functional rural water supply/sanitation systems (as the Government of the Punjab has done), and transferring all funds allocated for the operations and maintenance of these systems to the respective TMAs. The systems should be transferred to TMAs under

agreements laying down all understandings, rights, obligations, roles, and responsibilities of all parties concerned for subsequent operations and maintenance.