Improving Human Development Outcomes
In Pakistan

A Background Note
Prepared by the World Bank for the
Pakistan Human Development Forum (January 24 – 26, 2002)
Islamabad

January 2002
1. Pakistan has made significant achievements in sustaining economic growth levels and reducing income poverty during the decades up to the mid-1990s, yet relatively little progress has been made in achieving improvements in human development outcomes. The “human development gap”, i.e. what one might expect for the country’s income level and what is actually observed, is large and growing. Trends in education outcomes are particularly disappointing. At the beginning of the 21st century only one in two children aged 5-9 attends school, and perhaps as many as half of primary school graduates are functionally illiterate. Gender and urban/rural gaps in literacy and enrollment have narrowed but remain significant. The health outcomes, while less bleak are still nevertheless poor. The health status of the population is low, particularly among women and children, and half of the children aged 12-23 months are not fully immunized. Access to other basic services, such as safe water and sanitation is still very poor, and this together with poor nutritional status plays a major part in the viscous cycle of illness, low productivity and poverty. Pakistan is a signatory to the global development goals but prospects for reaching the 2015 health and education goals have to be considered poor if based on past performance. A quantum change in national policy and expenditure efforts is needed if Pakistan is close the “gap”.

2. The Government of Pakistan is increasingly concerned about the lack of progress with human development outcomes and the long term impact of this stagnation on poverty reduction and economic growth. In preparing its Interim Poverty Reduction Strategy (IPRSP) the Government has made the improvement of human development outcomes one of its four core principles. In the past year the Pakistan Government has launched federal reform programs for both health and education, and provincial governments have taken major steps to improve governance and rationalize utilization of key social service inputs. Moreover, in introducing the devolution/decentralization of government, avenues have been opened to accelerate progress with social service delivery. In convening the Human Development Forum the government has signaled to the international community the seriousness of its intent to tackle previous shortcomings, and do everything in its power to charter a different course in the coming years.

3. This paper offers the World Bank’s assessment of the present-day situation in the social sectors in Pakistan. Drawing upon past experience and recent reform efforts, the paper offers some advice on what can and should be done to accelerate progress in reaching global health and education development goals, and improving human development outcomes for Pakistan’s people, especially the poor.

The Present Situation

4. **Education:** Overall results in the education sector remain disappointing, with some pockets of progress with school enrollments and an overall reduction in the gender gap.

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1. Pakistan’s net primary enrollment rates are well below its neighbors in South Asia: net primary enrolment rates are 51% in Pakistan, 75% in Bangladesh, 77% in India and close to 100% in Sri Lanka.
2. The three other core principles of the strategy are: engendering growth, creating income-generating opportunities, and reducing vulnerability to shocks.
Primary enrollment, as measured by the gross enrollment rate (GER) showed some improvement between 1991 and 1995/6 (from 65% to 70%) but none thereafter (falling to 69% in 1998-99). The trend is generally more positive in urban areas. The gender gap in enrollment declined in both rural and urban areas, but the rural gap fell more due to falling male enrollments rather than growing female enrollments. There is a strong correlation between household income and school enrollment, with upper income groups having markedly higher school enrollment rates. During the nineties inequality in enrollment rates increased, with enrollment rates among households in the bottom half of the income distribution actually declining whilst those in the top quintile continued to improve.

5. Literacy for the whole of Pakistan in 1998-99 is estimated at 43%. Both female and male literacy rates have increased during the nineties, but at 27% the female literacy rate lags that of males (58%) by a significant margin. Although adult literacy rates are similar across South Asian countries today, Pakistan’s lower school enrollment rates and poor quality education mean that it will lag behind its neighbors in improving literacy in the future.

6. Private schooling is important in Pakistan. Enrollment in private primary schools is now in the order of 28% of total enrollment, up from 14% in 1991. At the secondary level private schools account for 17% of enrollment compared to 8% in 1991. Enrollment in private schools has been on the increase for girls as well as boys, in rural as well as urban areas and among all income categories, although it is more predominant among urban middle and upper income families. Although little is known of the quality of private schools, their growing popularity suggests that they compare well and indeed out-perform many government schools. Accountability for performance is central to the culture of many private schools, and sets them apart from government schools where quality of teaching is often very poor. Fee levels in non-governmental schools vary considerably, but a significant number of schools charge less than Rs.50/month ($0.80) and many schools offer fee waivers/scholarships to children from poor families.

7. Health: The 1990s brought significant improvements in two key indicators, the infant mortality rate and the total fertility rate. The infant mortality rate declined from over 120 deaths per thousand live births at the beginning of the decade to about 85 per thousand in 1999. The total fertility rate (the average number of children born to a woman over her lifetime) declined from 6.4 at the beginning of the decade to around 5 towards the end of the decade. In spite of this progress, the infant mortality rate and total fertility rate continue to be high by regional standards, as other countries in the region have surpassed Pakistan’s performance. An analysis of the burden of disease (measure of losses of healthy life in the form of disability and premature death) in 1996 showed Pakistan at an early stage in its epidemiological transition with preventable or readily treatable diseases affecting primarily young children and women of reproductive age, accounting for a dominant share of mortality and morbidity.

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3 PIHS data. Pakistan’s own estimates using administrative data suggest a higher GER of 89%.
4 The infant mortality rate in both India and Bangladesh around the end of the 1990s was about 70, while the total fertility rate in both countries was slightly over 3.
8. Progress has been made in recent years in a number of programmatic areas, most notably polio eradication, strengthening the tuberculosis control program, and contraceptive prevalence. Progress has not been so good with the routine immunization program: the percentage of fully immunized children 12-23 months of age is still far from satisfactory at about 52 percent overall (1998/99 PIHS), with a large urban-rural differential and a smaller male-female differential. There is increasing recognition by the Government of the threat posed by HIV/AIDS. Although the number of officially reported HIV infections is very low many of the conditions for an HIV/AIDS epidemics exist in Pakistan, and the experience of other countries shows that the prevalence of HIV infection can increase rapidly. Although there has been a slowdown in the past two years, the number of community-based health workers has risen and the availability of female doctors and paramedics has improved significantly in all provinces. This has resulted in better availability of services and advice at the grass-roots, especially in the area of maternal and child health and family planning – and contributed to the reduction in infant deaths mentioned.

9. Achievements would have been greater if the quality and effectiveness of government health services had been higher. The government’s health sector, just like the education sector, is characterized by relatively low government expenditure, low efficiency, and governance problems. In addition, much of the public spending is directed towards tertiary care facilities at the expense of primary and secondary tiers especially in rural areas. The public’s dissatisfaction with government’s outpatient services is reflected in the increasing numbers of people seeking the help of private practitioners (about 80 percent in the case of outpatient contacts, though much less for hospitalizations). Government regulation of private practitioners is practically non-existent, and the quality of services is extremely uneven.

10. The Social Action Program: The country’s main instrument through which it aimed to expand access and improve the quality of basic social services since 1992 has been the Social Action Program (SAP). At its core, SAP aimed to increase government spending on basic social services (education, health, population, rural water and sanitation). Expenditures did increase sharply during the early years both as a share of GDP and total Government expenditure, but there was a sharp decline subsequently in these ratios, such that spending in FY00 had fallen below pre-SAP levels. (Table 1) Budget allocations began improving in FY01 and FY02 commitments show a considerable improvement. However past experience suggests low utilization of budget allocations, partly the result of delayed releases of funds to provinces and to provincial line spending ministries, cumbersome administrative procedures and weak institutional capacity.

11. In recognition that increased expenditure is a necessary but not sufficient condition to expand access and improve the quality of social services, SAP also sought institutional reforms, improvement in governance and placed emphasis on certain programs and budget items. Of these, governance dimensions emerged as a priority area. Performance monitoring of recruitment, procurement, absenteeism and site selection showed some improvement

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5 28% of married women are current users of contraception, up from about 12 percent at the beginning of the 1990s.
6 One of the major achievements during the SAP program was the appropriation of small amounts of money for school maintenance and essential supplies entrusted for discretionary spending by school management committees/parent-teacher associations.
across most indicators, but staff absenteeism has continued to be a problem. Government has launched an accountability drive and early indications suggest some success. However, these measures come too late to address the poor performance of social service delivery during the SAP years. The judgment that improvements in outcomes and delivery of social services either did not occur or occurred at a very slow pace, together with the advent of district level governments has led government and donors together to abandon the SAP instrument and to re-think the strategy.

Towards a New Paradigm

12. The current Government has taken a number of important steps to stabilize the economy, rebuild severely eroded credibility, close the fiscal deficit, reestablish confidence in public institutions and improve the investment climate. In parallel with its macroeconomic stabilization program the Government has developed a comprehensive program of structural reforms as part of its Poverty Reduction Strategy. Addressing social sector issues has become increasingly important in this context, with new strategies in health and education reflecting the government’s commitment. An ambitious devolution/decentralization of government rounds out the reform program.

13. The Government’s Interim PRSP, moving towards a fully elaborated PRSP, focuses on unleashing growth, creating income-generating opportunities, reducing vulnerability to shocks as well as improving indicators of human development. The IPRSP builds in new mechanisms to track and monitor poverty related expenditures, intermediate indicators and outcomes. It also reflects specific targets set by the Government in the areas of education, health, population, water supply and sanitation, to be monitored on a regular basis. One of the challenges that government faces as it sets about this task is the collection of reliable data against which progress can be monitored. At the present time administrative data are unreliable and household survey data can only track certain indicators and at a relatively aggregated level. The IPRSP also focuses on reforming formal institutions of governance.

14. Devolution and decentralization to local governments. The Government has begun a major initiative to devolve power and responsibilities, including those related to social services, from the federal and provincial governments to elected district level authorities and local councils. Elected Nazims and other local government officials assumed authority for local government in August 2001. Full administrative and inter-governmental fiscal arrangements are still under review and will be implemented over the next 1-2 years. Under the new district based system the Government expects that public sector effectiveness and efficiency will be enhanced through bringing those responsible for delivering services closer to their clients, with district governments accountable to their constituent populations.

15. Education Sector Reforms. The Government’s IPRSP sets ambitious targets for improving education sector outcomes and the Government has moved to put in place strategies to achieve these targets. The Federal Minister of Education launched an Education Sector Reform (ESR) program in 2001 which seeks to provide national leadership around the Education For All agenda as well as address major sectoral issues. The ESR aims to address

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7 These achievements have been challenged in the past few months, and the Pakistan economy has been adversely affected by the post-September 11th events. The Government is working hard to stay the course and continue to address the structural reform agenda.
some of the critical failures of the past in the education sector by addressing resource mobilization and utilization, and introducing institutional reforms at all levels of education to improve governance. Targets are set for increasing literacy, gross primary enrolment, middle school and secondary enrolment and higher education, by the year 2004.

16. The strategy for moving towards these goals include a number of components and investments at all levels of education, including a comprehensive literacy programme, expansion of primary and elementary education, introduction of a technical stream at secondary school level, improving quality of education through teacher training, higher education sector reforms, and public private sector partnerships. In addition, the ESR encompasses new innovative programs in examination reform, a national education assessment system, video textbook libraries, early childhood education and an “adopt a school” program. The Islamabad Capital Territory is being used to pilot a number of the initiatives including the recruitment of teachers on contract, introducing training programs for head teachers and learning centers to improve teachers’ academic knowledge, upgrading entry qualifications for teachers and introducing a teacher focused code of ethics to address chronic teacher absenteeism. In the context of devolution/decentralization, governance improvements feature strongly in the ESR. Mechanisms are being developed to streamline school governance and citizens community boards, provide additional resources for education and rationalization of staff to district levels. Citizen Boards and School Management Committees will be given responsibility for some elements of monitoring and supervision of teacher performance. Independent monitoring programs will also be set up to track policy and practice.

17. The ESR places a high priority on strengthening public private partnerships in the delivery of education services. Incentives to the private sector to establish schools, particularly in rural areas and urban slums, will include provision of free or concessional land, non commercial utilities rates, liberal grant of charters, and exemption of certain dues and taxes. The Government has also taken the lead in restructuring the National Education Foundation providing it with greater autonomy under the Societies Act. The Sindh Government’s “Adopt a School” program has been very successful in attracting corporate and other funds to finance textbooks, schools uniforms, and other supplies as well as maintenance of buildings, and is being replicated in different parts of the country. In addition the Government plans to integrate private sector and NGO schools into the Education Management Information System (EMIS) and the National Education Assessment scheme at national and provincial levels.

18. In parallel with the federal government’s ESR initiative, provincial governments, where responsibility for education rests, are also beginning to put in place measures that address some of the most fundamental problems of the system, such as calling teachers to account through a re-certification process, linking pay with performance (attendance), hiring new teachers on contract and school specific basis, and exploring ways to use under utilized school buildings. Each province has started to seriously monitor teacher attendance and anecdotal evidence is that this has improved in many areas. To improve facilities, a start has been made on a huge backlog of delayed maintenance and the program of new investments has been rationalized. Education departments are undertaking inventories of unused schools and investigating options for their utilization, inter alia through “contracting out” arrangements.
19. **Health and Population Sector Reforms.** The Government’s IPRSP contains targets to 2003/04 for child mortality, the number of Lady Health Workers deployed, prevalence of malnutrition among pre-school children, percentage of low birth weight babies, contraceptive prevalence rate, and total fertility rate. As part of the way to achieve these goals, the Minister of Health recently announced a new Health Policy to guide improvements in health sector performance. The overall vision of the policy is “Health For All” and the government has targeted ten specific areas for reform including:

- Reducing widespread prevalence of communicable diseases;
- Addressing inadequacies in primary/secondary health care services;
- Removing professional/managerial deficiencies in the District Health system;
- Promoting greater gender equity;
- Bridging basic nutrition gaps;
- Correcting urban bias;
- Regulating private medical sector;
- Mass awareness of public health matters;
- Improvements in the drug sector; and
- Capacity building for health policy monitoring.

20. Strengthening public-private sector partnerships features strongly in the Health Policy reform as well as making more effective use of facilities and skills across boundaries. It is proposed, for example that every medical college in the public and private sector be required to adopt at least one district hospital or primary health facility in addition to the teaching hospital affiliated to it. Each provincial government would also have to develop a framework for encouraging private – public cooperation in the health sector, especially for operationalizing under utilized health facilities through NGOs, individual entrepreneurs or doctors groups. A number of new regulatory reforms are directed at the private sector itself. Draft laws and regulations on accreditation of private hospitals/clinics will be issued and the Government’s capacity for market surveillance and quality control of drugs is to be strengthened. The new policy proposes limiting the provision of free life saving drugs in public hospitals to emergency departments and expanding autonomy arrangements for mega hospital while protecting the poor through the Zakat system.

21. Up until the recent devolution initiative the health sector was not subject to major organizational and management reforms. There were some isolated attempts at reforms but most did not represent large-scale changes to the model of provincially centralized, in house provision of services using regular civil service employees. In recent years Punjab and NWFP have been experimenting with organizational reforms including contract employment of doctors and other cadres in an effort to achieve greater control over staffing. There have also been various initiatives to fund NGOs to deliver health and family welfare services – the most successful being the private public partnerships under the Northern Health Project. Punjab has led the way in granting a greater managerial and financial autonomy to its tertiary hospitals – accompanied by a strong drive to improve governance in these hospitals. Preliminary assessments of Punjab’s experiment suggest that gains have been made in terms of efficiency and governance. NWFP has introduced reforms to improve personnel recruitment and deployment, pilot programs for rationalizing health care services, tertiary government hospitals with greater managerial and financial autonomy and has undertaken some experiments with public/private partnerships.
Remaining Challenges

22. The government has launched a number of major initiatives (outlined above) which establish the main pillars of a new strategy for the social sectors. These constitute an important departure from past policy, and present an opportunity for meaningful progress to be made. But there is no denying that for Pakistan to achieve the global human development goals that it aspires to, whereby all children are born healthy, all children receive the early childhood immunizations that are recommended, all boys and girls are presented at the schoolroom door ready and able to learn, and all those children can progress through the education system and grow into productive and healthy adults is a very long-term program. Much needs to be done to achieve those goals:

- Alignment of policies, priorities and resource allocations at the three levels of government (federal, provincial and district), made only more difficult as the country adopts a more decentralized model of government, in a fiscally constrained environment;
- The adoption of concrete implementation steps and measures (such as getting funds to schools with the authority to spend) that will bring about on-the-ground improvement in social service delivery in villages and communities throughout the country, rendered only more difficult because of weak implementation capacity and a legacy of poor governance;
- To harness the energies and contributions of a large number of actors (providers of services, regulators and policy makers, financiers, and clients) in such a way that it serves the diverse needs of the country’s population yet adds up to a national movement, in an environment where trust between the public sector and the non-governmental and private sectors is fragile.

The following sections offer some comments on these outstanding challenges and some guidance on how to address them.

23. **Making the system more results oriented and having the data to measure results:** The IPRSP presents benchmarks on the present-day status of social indicators and establishes medium-term targets for a variety of indicators – school enrollment ratios, infant mortality rates, immunization rates, for example. But for benchmarks and targets to have any meaning they need to be underpinned with a reliable and credible database, as well as backed by the capacity to interpret and analyze the data. Pakistan has both administrative and survey data sources, but both have their limitations: administrative data are incomplete and unreliable; household survey data are representative only to the level of the province (not district) and there is a considerable lag between data collection and data availability. In the past few years, third party validation surveys have come into play to validate other data. Development of a valid and reliable database for health and education, from the national to the provincial to the district level, is essential to facilitate planning, monitoring and evaluation. A valid data base is especially important at the district level, the critical unit of account, in order to permit district authorities, for example, to identify needed school sites, to reallocate teachers to achieve maximum efficiency, and to design incentive programs for both providers and students to increase enrollment and completion rates. The data base must also be all inclusive so that it captures the provision of private services as well as government services.

24. There is a consensus on the need to make the education and health care systems more focused on the achievement of measurable results, thus shifting attention from inputs to outputs.
and outcomes. There are a series of ongoing initiatives that mark a change of focus. Ensuring the successful implementation of these and building on successes is the new agenda:

At the national level:
- Taking advantage of existing evaluations that point out successful models for improving services. The best example of this is the LHW evaluation which should lead to a dramatic expansion of the program.  
- Monitoring the experience of federal-provincial performance contracts being implemented for the first time with federal ESR funding.
- Building up a cadre of assessment and exam specialists in order to implement the national assessment system and to better understand the ingredients of good learning outcomes.

At the provincial level:
- Ensuring that monitoring and evaluation are carried out systematically across some of the new initiatives, such as contract teachers and public/private partnerships, and the results used to modify programs.
- Using the results of surveys to allocate “rewards” to districts that are making progress.
- Making supervision of district facilities more regular and systematic, focusing on “drivers” known to be associated with good outcomes.

At the district level:
- Achieving consensus on a series of indicators for measuring district performance (e.g. school enrolment, children completing grade four, immunization coverage).
- Carrying out district level surveys for the next few years to actually measure performance accurately and provide information about access and quality of basic services.
- Publishing results of the surveys in newspapers and other widely accessed information fora to allow for greater accountability of district staff to the electorate.
- Holding meetings with district officials about the results of surveys.

25. Learning from variation in district performance and sharing successful strategies.
There are large differences in the performance of districts in service delivery, especially primary health care services. For example, the recent district level household surveys conducted with assistance from UNICEF indicates that full immunization coverage ranges from 1% to 85%, in Balochistan alone. This large variation suggests that there are opportunities for dramatically improving overall performance by, *inter alia*, appreciating the

<table>
<thead>
<tr>
<th>Measure</th>
<th>LHW Areas</th>
<th>Control Areas</th>
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<tbody>
<tr>
<td>% of mothers having at least 1 antenatal consultation</td>
<td>53</td>
<td>38</td>
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<tr>
<td>% of mothers receiving at least 1 tetanus toxoid injection during last pregnancy</td>
<td>51</td>
<td>30</td>
</tr>
<tr>
<td>% of currently married women using any method of contraception</td>
<td>32</td>
<td>23</td>
</tr>
<tr>
<td>% of currently married women using modern method of contraception</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>% of children under 3 years ever weighed by health worker</td>
<td>33</td>
<td>9</td>
</tr>
<tr>
<td>% of children with diarrhea given more liquids to drink</td>
<td>32</td>
<td>15</td>
</tr>
<tr>
<td>% of children 12-35 months fully vaccinated</td>
<td>47</td>
<td>45</td>
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factors that influence the variability in outcomes be they physical, human, or financial resources.

![District Performance on Immunization in NWFP, Balochistan and Sindh, 2001 Household Surveys](image)

26. **Making the devolution of political leadership and the decentralization of fiscal and administrative responsibilities to districts work for the social sectors.** Devolution and decentralization present Pakistan with a unique opportunity to improve social sector outcomes by:

- Allowing local “voice” to set priorities;
- using demand at the community level to hold local government officials accountable for better services;
- improving efficiency in resource allocation because of better knowledge by local officials of local conditions;
- encouraging innovation (such as the contracting out of services and other forms of partnerships with the private sector).

27. For the education sector, the devolution initiative presents an opportunity to further delegate decision-making authority over critical school level matters (such as spending the non-salary budget) to bodies closest to the school (usually the community). International experience shows that gains in school access and quality of student learning are typically associated with decentralization all the way down to the community and the schools, with local levels of government working in a supporting, guiding and regulating manner. More generally, the devolution/decentralization program offers the opportunity to engage communities much more explicitly in home-grown, community owned and led initiatives which bear promise of producing good results, including HD outcomes. Pakistan has experimented with many of these ideas (e.g. Balochistan fellowship schools program) and should seek to build upon those experiments.

28. Pakistan’s decentralization is in its early stages and it will be some years before full implementation of political, fiscal and administrative reforms produces results. Many governments around the world have announced decentralization policies only to find that they are never fully implemented. In Pakistan, implementation of the full program is essential
to set the stage for the gains in social service improvement to occur. At this time, a number of important features of devolution have yet to be finalized, including some of the financial and administrative arrangements. Clarity of these matters at the earliest time is urged, with particular attention to:

- Establishing, through provincial finance awards, a system of fiscal transfers to districts based on clear criteria. A part of the fiscal transfer should provide an incentive for districts to improve performance with social service provision;
- Building checks and balances into the system to avoid capture of resources and services by local elite;
- Ensuring that clear financial management arrangements are in place (e.g., what parts of the budget will be managed by District governments, and what restrictions if any will be imposed on District governments);
- Accountability of provincial employees, such as teachers and doctors, assigned to district governments, and the authority of district governments to act on poor performance;
- Clarifying administrative arrangements and procedures;
- Clarifying the degree of oversight and technical support to be provided by provincial Departments vis-a-vis District-managed services;
- Ensuring information systems are in place to track the evolution of the reforms and results on the ground, and to make new policies when things go wrong; and
- Building management capacity at the District level and below.

29. **(Re)defining the roles of the federal and provincial government to support decentralization.** The federal and provincial governments will continue to have very pivotal roles in accelerating progress with human development outcomes. The federal government has limited jurisdiction over policy and virtually none when it comes to implementation. Yet leadership “on message” and “intent” are fundamental, and leading “by example” such as on assessment, defining the core curriculum and with vertical health programs is also important. In addition, using financing instruments, such as special grants, to signal the importance of certain programs and activities, and to stimulate innovation is a critical role for the federal government.

30. The challenge for the provincial governments is to shift gears from service provider to facilitator and regulator. As custodians of sector policy and overseers of sector performance, provincial governments together with the federal government should be monitoring results and stimulating good outcomes. In other areas, specific activities might include ensuring that technical guidelines are kept up to date and followed by district staff; providing key logistical inputs such as vaccines, drugs, registers, etc.; and ensuring equity through special programs and financing in the poorest districts.

31. **Continuing to improve governance and restore confidence in government services.** The Government acknowledges that poor governance has been one of the key constraints to delivery of access and quality in the social sectors, and recognizes the importance of cross cutting financial management and civil service reforms as part of the social sector agenda. A key lesson from both Pakistan and international experience is that improving accountability
in the civil service can help the education and health sectors function better.\footnote{In many countries, the bulk of the civil service is in the education and health sector.} When governance of civil servants fails, education and health suffer the worst consequences. Teacher and health staff absenteeism is only one example of how weak governance threatens the quality of education and health service provision - but a critically important one. Well functioning education systems often rely on a combination of social and institutional pressure, and properly structured pay systems. Community monitoring provides one avenue to ensure facilities stay open. It is also important to improve official oversight and linkages to systems that reward good performance.

32. To address broader based civil service issues the Government has been preparing a comprehensive program of civil service reforms. The impact on social sector employees will depend on the extent to which these reforms are implemented by Provincial and District Governments. The provinces have to varying degrees already implemented a number of civil service and broader governance reforms. Both NWFP and Sindh are well advanced in preparing reform programs in the context of devolution. NWFP’s health sector reform, for example, emphasizes the efficiency of service delivery by restructuring the Department of Health with a large shift of human and financial resources from the provincial to the district level, redefining roles and responsibilities at various levels, use of merit based selection procedures for Executive District Health Officers, development of terms and conditions for a new management cadre, facility-specific contract appointments for new hiring have been introduced as a measure against absenteeism. NWFP’s reform program is promising, especially with regard to the provincial government’s willingness to re-deploy resources, the emphasis on merit for key appointments, and the focus on building management including at the district level.

33. In general, significant challenges will remain in redeployment of staff, introducing incentives to encourage attendance and development of a sense of professionalism amongst the cadre of health and education workers. Given the centrality of governance in past performance of the social sectors, the critical importance of showing seriousness of intent and some early results cannot be overstated.

34. \textbf{Increasing public expenditure:} Public spending on the social sectors has fluctuated over the past decade, peaking around 1997, but falling thereafter as external pressures have reduced the overall resources envelope available for non-debt servicing expenditures. (Table 1) But even at its peak, Pakistan’s public spending effort on the social sectors fell short of that of comparator countries. Indeed, however one looks at the numbers, Pakistan’s public sector spending effort falls far short of where it needs to be: no country in the world has achieved full participation in primary schooling and full coverage of primary health care with a public spending effort on the social sectors of only around 2.4 \% of GDP. Private spending can, of course, go some way to close the gap, especially in countries that face serious revenue-raising (taxation) constraints, but governments nonetheless have an important redistributive role as well as ensuring that the poorest have access to quality services. The magnitude of the government’s spending effort required to achieve the stated HD goals has yet to be assessed (the IPRSP provides initial spending plans as a bridge to the costing work that will be done for the full PRSP), but it is clearly well beyond the current provision.\footnote{For example, the I-PRSP sets a target of 100\% GER for primary education in the year 2004 but at the same time projects an increase in government spending on education of just 0.1\% of GDP.}
the Pakistan Government is intent on closing the human development gap that it exhibits, hard choices will have to be made between spending on the social sectors, especially education, at the expense of forgoing spending on other sectors.

35. Raising the level of public spending on the social sectors is an important medium term goal. Of immediate concern is achieving improvements in the efficiency of present-day spending. Getting budget allocations released in a timely fashion to front-line spending agencies as well as ensuring that allocations are appropriately balanced across salary, non-salary and the development budget is a top priority. In both health and education sectors, adequate provision and timely release of the non-salary recurrent budget is critical to smooth operations at the point of service provision. Pakistan might consider adopting a system used recently in Uganda where the amount of the non-salary budget intended for a particular school or health clinic was calculated and posted outside the facility for everyone to see. The actual amount received was also posted. Within a matter of weeks, the volume of resources finding their way to service delivery points increased dramatically.

36. **Fixing Financial management problems**: Enhancements in this area are an integral part of improving service delivery, successfully implementing a social sector strategy and making effective use of scarce resources. Recently the social sector ministries and departments have been paying increasing attention to accountability and financial management issues, but in general, departments have limited capacity in the area of financial management, both at the senior level to advise on the overall work of the department, and at the operational level. In line with the devolution plans, capacity building in financial management skills and strengthening internal controls at the district level will be essential. The need for reconciliation of the accounts at the district level has been highlighted by the Government as an important practical action. The key elements for the sustainable improvement in financial management include: (i) adequate staffing within the departments, both at the departmental and district levels to produce and analyze expenditure data and to make informed decisions, (ii) enhanced working relationships with the Ministry and Departments of Finance, (iii) adequate provisions to guard against waste and loss of public funds and stores, and (iv) effective and qualified staff to address and resolve issues arising from audit observations and completion of prerequisites for submission of the audit reports.

37. **Creating institutions to oversee the private sector**: in both health and education, the private sector is an important part of the service provision landscape. Government policy acknowledges this and seeks to reach out to the private sector to form responsible public-private partnerships with the goal of increasing service provision. The measures already announced by government in the ESR and the “Health for All” are very significant and positive steps. Building on these, government needs to act in two other areas: (i) creating the institutions that will oversee the activities of the private sector. In some cases these can be the very same institutions that oversee the activities of the public sector, such as student assessment and examination bodies; and (ii) using public funding to ensure that poor people who access social services from private providers because there is an absence of public sector provision are not disadvantaged. There are a wide variety of instruments that can be used -- vouchers, funding places in private schools, provider payments, supporting saving schemes

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11 These have been highlighted by the Auditor General of Pakistan and the Ministry of Finance, and have included: the ad hoc preparation of expenditure reports; irregular reconciliation of expenditures between the line departments and the Accountant General at the district and at the provincial level; and, lack of timely follow up by Departmental Accounts Committees on audit paragraphs that consistently identify internal control weaknesses and lapses in following government policies and procedures.
for health insurance. Government should also be cognizant of the cost-effective provision of services in the private sector compared to the public sector and give consideration to further “contracting out” arrangements. The Education Foundations have many of the capacities to perform these functions, but with the exception of the Sindh Education Foundation, they are constrained by management and resources. Addressing these constraints is low cost and relatively straightforward, with the potential to produce quick and impressive results.

38. **Moving on implementation.** Government’s ability to deliver on promises, policies and strategies, and to successfully implement programs and deliver quality services to the people of Pakistan remains the biggest challenge of all. The SAP strategy, for example, was well-conceived but it was never fully implemented, in part because it was too over-whelming. The missing elements in SAP were inadequate attention to improving governance, including financial controls and incentive systems for staff to perform, implementation bottlenecks and to building capacity to deliver improved human development services. These constraints are not going to disappear overnight, and in some ways they become even more binding as responsibility for social service delivery is devolved to around one hundred district governments who have had little experience with such responsibilities in the past. Actions to address them should be center stage for many years to come. In the short-term, the way forward is to follow a highly selective agenda, with clear priorities and sequencing of actions, together with realistic targets. The work of the President’s HD Task Force is promising in this regard since its terms of reference are to produce implementation plans for the social sectors.

39. **In conclusion:** The international community wants to see Pakistan build on the important initiatives that have been launched in the past year, and to begin, step by step, to put in place the implementation arrangements that will gradually close the gap between today’s HD indicators and those that the country’s leadership strives for. The international community understands that this is going to be a long and hard road to travel, but with the right actions taken, one by one, progress can, and will be achieved.
Table 1: Trends in SAP Expenditure

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<th>Year</th>
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