

Punjab Education Development Policy Credit:

**The choice of instrument and reasons for
early success**



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Punjab Education DPC – The genesis

- **An outcome of a learning process spanning decades of engagement at the sub-national level**
 - Investment Projects – generally mixed results
 - Social Action Program – a multi-sectoral program which did not show results
 - Sub-national multi-sector adjustment operations
 - ❖ Lack deep sector focus
 - ❖ Difficulties of sustaining reforms under a changed political landscape




Punjab Education DPC: The choice of instrument

- **Budget support for sectoral policy changes**
- **Transforming behaviors through changes in incentives**



The Design of the Punjab Education DPC -- Aligning the incentives


- *The Donor-Government-Citizen incentive nexus*
 - *The citizens:*
 - **Direct (free text books, stipends, etc.) and indirect (improvement in schools facilities, quality of education, etc.) incentives for parents to send their children to school and for children to attend school**



The Design of the Punjab Education DPC -- Aligning the incentives

■ *The donor:*

- **Inculcates increased ownership of local priorities**
- **Enhanced possibility of success in terms of sectoral objectives**
- **Reduced administrative cost by introducing common reporting, disbursement and procurement procedures and activities**



The Design of the Punjab Education DPC -- Aligning the incentives

- *The Government:*
- *The vertical configuration – federal-provincial-district governments*
- *The federal government:*
 - ❖ **Provides BOP support and by enhancing foreign exchange reserves provides safeguards against external shocks**
 - ❖ **Budget support strengthens the provincial budget management systems, enables provincial government's financial programming and contributes to better economic management**



Aligning the incentives – the vertical configuration

- ***The district governments:***

- Increased education sector finances for cash strapped district governments

- ***The provincial government:***

- **The political government:**

- ❖ The reputation of a reform oriented, “doer” government with focus on education and poverty reduction.



Aligning the incentives – the provincial government

- **The administrative government – the horizontal configuration:**
 - **The education department:**
 - ❖ Possibility of improvements in education indicators
 - ❖ Aligning the local governments with the department's priorities



Aligning the incentives – the horizontal configuration

- **The “economic” departments:**
 - Flexibility of budget support
 - Creation of medium-term fiscal space through debt retirement.
 - Incentives to strengthen the effectiveness of government systems for proper management of funds and for accountability to domestic stakeholders