

Evaluation of DFID Country Programmes: Pakistan, 2002-2007

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1. This Country Programme Evaluation (CPE) assesses the relevance and effectiveness of DFID's aid to Pakistan over the period March 2002 – March 2007¹.

Context

2. The military coup in 1999 was followed by a period of political isolation for the Government of Pakistan. Following the September 2001 attacks in the USA, there was a strongly renewed sense of Pakistan's geo-strategic importance and this led to increased diplomatic contacts and, from some countries, increased assistance.

3. Since 2001, social spending has increased and decentralisation has helped to move the state's institutions closer to the ground. Nevertheless, weak governance and corruption remain a concern, and Pakistan is ranked 142nd out of 163 countries by Transparency International. The social context has a major impact on development, including a dominant landed elite, deeply embedded gender inequalities and fragmentation into different tribal and ethnic groups.

4. Economic growth has been over 6% since 2003-04 contributing to rising per capita Gross Domestic Product (GDP). According to UNDP, 17% of Pakistan's 160 million people live on less than US\$1 a day. According to the Government's 2004/05 official statistics, headcount poverty levels have shown an improvement by 10%, however this still only

reflects a return to poverty levels seen in the late 1990s. If the trend is correct and if it continues, Pakistan should reach the Millennium Development Goal (MDG) target of halving income poverty by 2015. Health and education MDGs are generally at risk or off-track, particularly those related to universal primary education and child and maternal health. Water and sanitation targets are on track.

5. Total Official Development Assistance (ODA) disbursements to Pakistan were \$1.6 billion in 2005 (excluding donations from non-traditional sources such as the Arab States and China). Nevertheless ODA represents just 2.9% of GDP and 20% of total development expenditure. The UK has been the fifth largest donor in recent years with assistance increasing from £43m (2001/02) to £101m (2006/07).

6. In 2000 an interim Poverty Reduction Strategy Paper (I-PRSP) was developed, leading to a full PRSP in 2003 and followed by a five-year Medium Term Development Framework 2005-2010.

7. In January 2005, DFID devolved full responsibility for its Pakistan programme to the country office, and launched the current Country Assistance Plan (CAP). This replaced a plan written in 2001.

8. In October 2005 an earthquake struck Pakistan killing or seriously injuring 150,000 people and leaving nearly 3 million without shelter. DFID participated in a major international response.

¹ It is a complex evaluation and judgements are constrained by limited field exposure and the confidential nature of DFID's role vis-à-vis the UK's foreign policy in Pakistan.

Relevance

9. DFID's strategies were well-aligned to national poverty strategies and were built on strong analysis, but they were not well prioritised, gave little rationale for the emphasis on budget support, provided insufficient guidance on security concerns or work with other UK Government departments, and offered minimal attention to environmental issues or disaster risk reduction. Good attention was paid to political and fiduciary risk.

10. Budget support comprised 55% of DFIDP total expenditure of £380m over 2002-07, with general budget support 32%. In terms of sectors, health has dominated with 30% of all expenditure. The programme spend grew strongly between 2001/02 and 2003/04, but there was a sharp dip in disbursement in 2004/05 during the office devolution. The number of programme lines has been streamlined from over 60 to under 40 interventions.

11. Initial support for earthquake relief and recovery comprised £53m in humanitarian relief and £2m in technical support to the Earthquake Relief and Rehabilitation Agency (ERRA). Subsequent commitments of £70m were made including £35m in Budget support to ERRA, £14m for TA and £21m not initially allocated. The budgetary support element aimed to enhance Government ownership, but given that the purpose of the intervention was to enable rapid reconstruction, this instrument was judged less appropriate than a conventional mix of Non Government Organisation (NGO), multilateral and Technical Assistance (TA) support to ensure rapid disbursement and accountability.

12. DFIDP has increasingly worked with Government and the larger donors, at the expense of other actors. This does not reflect the strategic breadth of the CAP, and has led to missed opportunities in building on earlier effective poverty reduction work through NGO channels and enhancing the civil society challenge function.

13. DFIDP has had a strong approach to mainstreaming gender and social exclusion, and has promoted devolution through important joint analysis, building relationships with two target provinces, and embarking on devolved social service delivery programmes.

14. At country programme level, DFIDP's focus on results was weak until 2006, although individual projects have generally good results frameworks. The increasing use of budget support has meant a growing reliance on Government statistics to assess trends in

expenditure and poverty outcomes. DFID has recognised the need to strengthen this statistical basis.

Effectiveness

15. A key aim of DFIDP support to the GoP was to increase pro-poor spending. PRSP expenditure has increased by 37% versus a target of 16.5%, but given that the size of the increase is much larger than DFIDP's Poverty Reduction Budget Support (PRBS), and that GoP legislation has mandated such a change, attribution to DFIDP support is not clear. Though growing budget support has brought DFIDP recognition and influence, with a seat at the table at discussions on economic management and poverty reduction, there is little evidence that general budget support has made the Government move faster on the poverty agenda than it otherwise would have done. Health sub-sector budget support on the other hand shows strong, attributable results.

16. DFIDP's support in the area of **income growth** has had mixed success, with good results in microfinance and earlier with livelihoods. Continuation of the Rural Support Programme (RSP) Network has been strategic but DFIDP has to some extent lost exposure to field reality. Important public sector reforms have been tackled in tax and budget management but success has been slow and targets overambitious.

17. In **basic services**, health support has had significant benefits both on primary health indicators and on policy. DFIDP's health sub-sector budget support has had marked influence on TB control and detection, on developing TB and HIV & AIDS strategic plans, and increasing the coverage of the Lady Health Worker programme with more integration of family planning. Education studies have been informative, but support for improved school services has not been taken forward from earlier projects.

18. There are tremendous challenges to improving **governance** in Pakistan. While DFIDP has found it hard to make any widespread or systemic impact, particularly in anti-corruption, media or justice, there have been notable improvements in community mobilisation, service delivery in health and water, city administration, consumer protection and electoral and parliamentary support.

19. In the face of growing pressure from the highest levels of UK Government for DFIDP to play a supportive role in areas related to 'counter-radicalisation' it has increasingly worked to be an effective joint partner in the UK

mission to Pakistan while retaining focus on poverty reduction.

20. Despite the difficulties of working in a poorly coordinated aid environment, DFIDP can take credit for improving aid effectiveness in four areas: donor harmonisation, public expenditure management, health and earthquake reconstruction.

Efficiency

21. The process of office devolution was drawn out and beset by security concerns, but ultimately successful. Disbursement was reduced dramatically in the face of staffing and other difficulties and staff turnover has been high. Overall administration costs are low compared to other DFID offices in the region.

Lessons and recommendations

22. Major lessons for DFID are:

- Pressure from other UK Government Departments to provide briefings and adjust the programme to fit with a wider UK policy agenda, has been time consuming for DFIDP management. Provision of more experienced staff and appropriate corporate-level training could have alleviated this.
- Several reform-based interventions had overambitious targets that led to low performance on implementation. Designs need realistic objectives, based on strong political and economic analysis, and to factor in time and resources to manage changes in large bureaucracies.
- Taking risks in new areas such as small-scale microfinance to women has paid off due to flexible long-term support and strong advisory input.
- DFIDP built a solid reputation for high quality studies and could have played a greater role as a 'knowledge actor'.
- By acting quickly and at an appropriate scale with post-earthquake emergency funding, DFIDP had influence over coordination of the response, as well as the building of a national institution to meet recovery needs.
- DFIDP chose to relinquish a project-based portfolio in favour of on-budget support for ERRA, though retaining £14 million for technical support. This decision was judged unwise given ERRA's under-expenditure, slow scale-up and top-down managerial culture that has seen some major gaps in assistance to

the affected population. However, funding the less visible and more challenging area of institutional capacity building may have future benefits.

- Where DFID provides increasingly large amounts of grant-based budget support, care should be taken to mitigate the potential for adverse relations with 'competitors' such as the development banks who also provide budget support but on a less attractive loan-basis. This might involve using different forms of co-funding, such as the 'blended' approach successfully used in China.
 - In large, non aid dependent economies, evidence of policy shift is more easily attributed to DFID where sub-sector rather than sector or general budget support is used.
 - Having a CAP written by one team, to be implemented by a new team with little prior engagement can cause problems of ownership and continuity.
 - Devolving authority to a country office has real benefits in terms of achieving a more efficient operation with low overheads and building stronger local relationships, but devolution requires detailed planning and other processes such as CAP formulation should not take place at the same time.
23. Recommendations include:
- Given that DFID funds will continue to form a very small portion of the GoP overall budget, the foreseen substantial increase in DFIDP spending should be limited to sub-sector rather than to sector or general budget support, since this approach is most likely to improve policy influence and attribution to key poverty impacts.
 - Monitoring and Evaluation capacity should be at the centre of DFID's programme in Pakistan, both to strengthen GoP's own poverty measurement and to assess better the progress of DFID's own programmes and reforms it supports.
 - Disaster risk reduction should be a significant element of the new programme. DFIDP should help ensure a viable handover strategy for ERRA so that disaster risk reduction is embedded in an active national body.
 - DFIDP needs to develop a prioritised and focused agenda for crosscutting themes such as governance and social development. Support for devolution should continue to form a key plank.

- In the next CAP, DFIDP should link its education support to Government Education reforms and build partnerships on quality assurance.
- In health, there is a sound basis for extending the National Health Facility into a further phase with (i) a more developed province-level strategy; (ii) quality TA support; and (iii) a redesigned Health Policy Unit.
- In countries where budget support is DFID's main aid instrument, DFID should consider instituting a statistical risk assessment system to analyse the quality of statistical systems for poverty measurement.
- Where a development intervention is also contributing to security agendas, this should be made explicit. Project documentation could have a section addressing how an intervention may deliver such indirect or non-developmental results.
- DFID's overseas staff posting system needs to deliver the right expertise more speedily in order to address gaps in crucial sectors. This might include special incentives for quick transfer to hard to fill posts, using experienced consultants to gap-fill and engaging local staff with adviser potential.

DFIDP Management response

24. We welcome this CPE which has helped inform thinking for our new Country Plan (CP) 2008-2012. We note the positive conclusions, including the close alignment of DFID's programme to national poverty strategies and the recognition that careful attention has been paid to political and fiduciary risks. While we agree that the significant increase in Government spending on the poor between

2004/05 and 2005/06 cannot be attributed to donor support alone, we value the finding that our support had significant benefits for primary health service delivery and policy development.

25. The evaluation also draws more critical conclusions including the need to set and implement clear priorities in the next country plan, to ensure a prioritised and focused agenda for cross-cutting themes, the need for a stronger statistical underpinning to measure outcomes, and to carefully assess implementation challenges within a complex environment.

26. The new CP will include a clear and coherent prioritisation and is likely to focus on four areas where we believe we can contribute significantly to Pakistan's development. We plan to continue support to improve national statistics – an area where we are already a leading donor.

27. The magnitude of the 2005 earthquake was an event unparalleled in Pakistan's history and we remain convinced that the mix of longer term capacity building support for the Earthquake Relief and Rehabilitation Agency, together with sector budget support, supplemented by an array of UN and bilateral initiatives was the most effective response, offering the best chance for local ownership.

28. We do not feel the CPE fully captures the evolution of our poverty reduction budget support in Pakistan. Over time we have moved to a variety of budget support instruments, targeting different levels of government and different sectors, which, in conjunction with other aid, notably technical assistance, has helped improve effectiveness. We believe that overall our programme represents an appropriate balance of budget support and other instruments.

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

DFID, the Department for International Development: leading the British Government's fight against world poverty.

One in five people in the world today, over 1 billion people, live in poverty on less than one dollar a day. In an increasingly interdependent world, many problems – like conflict, crime, pollution and diseases such as HIV and AIDS – are caused or made worse by poverty. DFID responds to emergencies, both natural and man-made. It also supports long-term programmes which aim to reduce poverty and disease and to increase the number of children in school, in support of the internationally agreed UN 'Millennium Development Goals'.

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