

MUNEER AHMAD

POVERTY REDUCTION STRATEGY IN PAKISTAN AN ASSESSMENT OF PRMP 2003-2008

Abstract

The government of Punjab initiated many measures to reorient its administration in the late 1990s to improve service delivery to the poor. In late 2003 the government of Punjab sought ADB's support for public resource management reforms targeted at poverty reduction. Under the Punjab Resource Management Programme, 2003-2008, the government rationalized tax structure, developed a debt management strategy, broadened the base of non-tax revenues, prepared policies for the restructuring of administration and human resource management and liberalized regulatory and administrative regulations for increased private sector participation in service delivery. As a part of its plan to enhance pro-poor expenditure the government also provided proprietary rights to slum dwellers and land to the landless. Many of these measures may be rated as successful but they have not proved to be sustainable beyond the programme period.

Introduction

Poverty Reduction Strategy Papers are documents required by international financial institutions (IMF, World Bank) for considering a country's request for debt relief or for grant of concessional loans. Most major international donors also require PRSPs before giving aid to low income countries. The PRS process is expected to encourage countries to develop a more poverty-focused government and to develop the strategy in close consultation with the public at large, especially the poor.¹

Pakistan adopted the PRSP process in 2000. Its immediate purpose was to qualify for foreign funding (IMF, World Bank). The Finance Division of the Government of Pakistan hastened to prepare what it called I-PRSP 2001-2003 (Interim Poverty Reduction Strategy Paper). Many measures proposed in the I-PRSP (tax reforms, public expenditure management, debt management, privatization) appeared to be more in response to structural adjustment reforms as required by IMF and World Bank than measures directly targeted at poverty reduction.

Pakistan's first formal PRSP (PRSP-I) was finalized in the end of 2003. It was expected to be implemented over the years 2004 to 2006. It was aimed at achieving four goals: rapid economic growth while maintaining macro-economic stability; improving governance, devolution and socio-economic justice; human resource development and improving public service delivery; targeting the poor and reducing

inequalities. PRSP-I focused on the following sectors as the main drivers of growth and thus instruments of poverty reduction: agriculture, small and medium enterprises (SME), housing, construction, information technology (IT) and telecommunications. (Government of Pakistan 2003)

PRSP-II was implemented over 2008-2010. It aimed to direct the economy back into the path of sustained and broad-based economic growth, creating jobs and reducing poverty. Its impact was severely constrained by political instability at home and financial crisis and (food and fuel) inflation abroad. (Government of Pakistan 2009)

The provincial Government of Punjab initiated preparatory work on P-PRSP (Punjab Poverty Reduction Strategy Paper) in early 2002. The first draft of P-PRSP was prepared by Planning and Development Department in February 2003. It was finalized by October 2003. (Government of Punjab 2003)

Governance reforms were the cornerstone of the Government's agenda for reducing poverty. It was founded on the realization that public resource management fundamentally impacts tax revenues, allocation efficiency, public expenditures and access by the poor to public services. In line with the goals of the national poverty reduction strategy, the main objectives of P-PRSP were to restore good governance, enhance effectiveness of public expenditures, re-establish the integrity of state institutions and ensure accountability to the public especially the poor. In addition, improvement in service delivery for social sectors (Education, Health), integration of gender concerns in development effort, policy for enhancing employment opportunities and addressing environmental concerns were given a significant focus. (Government of the Punjab 2003)

Key Issues and Strategy in PRMP

The P-PRSP provided the backdrop to the initiation of the PRMP. Towards the end of 2003, the Punjab Government approached the federal government in Islamabad with the request to seek assistance from the Asian Development Bank for the preparation and implementation of PRMP. The Punjab Government's case for PRMP was based on the belief that poor governance was the main cause of poverty in the province. The provincial government felt that more efficient management of provincial resources and liabilities would result in improved governance, better service delivery to the poor and hence reduced poverty. According to its diagnosis poor service delivery emanated from shortage of funds, rigid expenditure structures, outdated administrative systems, inadequate human resource management and constrained state of private sector participation in service delivery.

Limited Revenues

To strengthen public resource management, the Government of Punjab faced fiscal, governance and institutional challenges. The provincial government faced limitations on revenue generation capacity. Routine annual budgetary increases in expenditures on ongoing public services left little room for increasing spending on

the basis of policy priorities. Lack of funds impeded growth and kept social indicators below the potential of the province. Provincial tax structure was characterized by a large number of low-yielding and inelastic taxes. Considerable potential for collection of AIT (Agricultural Income Tax) and GST (General Sales Tax) on services remained unexploited. Reforms in tax collection system were also called for in order to increase the revenue yield.

Rigid Expenditure Structure

Expenditure structure was dominated by high establishment costs comprising salaries and pension payments which accounted for more than half of total spending. This was a result of over-extended public infrastructure networks and staff-heavy but ineffective social service networks that were fiscally unsustainable. In addition, a high percentage of expenditure was allocated for servicing provincial debt. The rigid expenditure structure had resulted in worsening under-spending on critical non-salary inputs including operation and management of pro-poor services. To rectify this situation, the Government of Punjab needed to take steps to limit further expansion of establishment costs, reduce subsidies and to develop a debt management strategy.

The overall budget deficits were financed by building up arrears and utilizing off-budget funds held by the government including the General Provident Fund (GPF) of civil service employees. There was also a considerable amount of unfunded and contingent liabilities that was not adequately provided for, including civil service pensions and liabilities of autonomous bodies including the PSO's (Public Sector Organizations). Pension liabilities, in particular, were growing at a rapid pace. To ensure the medium and long-term sustainability of provincial finances there was an urgent need to devise strategies to deal with the unfunded pension liabilities, and to rectify the financial positions of the public sector organizations (PSOs).

Limited Institutional Capacity

A crisis of governance encompassing public institutions and functions at all levels of government had been identified as central element of the poor development performance. This required improvements in public sector governance and resource management. For Punjab, the key governance challenges were to promote greater decentralization, encourage participatory policy formulation and implementation, transparency in financial management, protection of assets (land) through effective law and order and through access to justice.

Shortcomings in policy implementation remained a major concern. The effectiveness of policies was limited by the existence of outdated regulations, administrative systems and practices. Lack of accountability and transparency in financial management provided rent-seeking opportunities for public officials. Internal controls and accountability systems had weakened over time. Poorly functioning financial reporting and management systems and procedures compromised the reliability of provincial accounts and the quality of financial management.

Existing government procedures did not provide an incentive structure for performance-based human resource management. Lack of private sector participation in service delivery prevented competition to act for better performance. Limited institutional capacity, in addition to lack of funds, contributed to deteriorating quality of public services. The administrative structures to manage the large pool of public sector employees were highly centralized and inflexible. Much of the employment was at low salary grades. Their motivation to work was limited. This resulted in high level of absenteeism as well as rent seeking.

Inadequate Human Resource Management

Inadequate human resource policy and management resulted in weak performance of public institutions in Punjab. Rotation of staff was frequent occasionally under political pressure. Rising through the ranks was based more on seniority than on performance largely because of lack of clear accountability rules and performance monitoring systems. As pay structure had not kept pace with market trends it was increasingly difficult to attract and retain suitable persons for important institutions (e.g., physicians, school teachers). Pakistan had in the past made attempts to improve social indicators through increasing social sector spending (e.g. through Social Action Programme) but it had, in the absence of related governance reforms and additional fiscal space, proved to be unsustainable.

Constrained Private Sector

Significant government involvement in private sector remained both at the policy and regulatory level. The regulatory burden was spread over many arms of government (finance, industry, labour) which provided opportunities for rent seeking for government officials and resulted in high compliance costs for business. In addition, there were imperfections in the legal system to fully protect and facilitate the acquisition and disposition of property as well as to provide effective enforcement of contracts. Despite the presence of liberal laws, businesses still faced lengthy court proceedings for contractual and other disputes. Government involvement in economic services of commercial nature remained high. The performance of public sector organizations was generally poor. There was a need to shift the role of government from directly providing key services towards creating an environment that encouraged private initiative and public-private partnership for delivery of goods and services.

PRMP- Programme and Organization

PRMP refers both to a programme and an implementation agency. As an implementation agency it acted as the secretariat of the Punjab Poverty Reduction Strategy Programme. It forms a part of the Planning and Development Department (P&D) of the Government of Punjab. It is headed by a senior civil servant designated as Programme Director (PD) who is assisted by four Deputy Directors (Administration, Public Finance Management, Result Based Management and

Private Sector Development). The PRMP is overseen by the Programme Steering Committee (PSC) headed by the Chief Secretary to the Government of Punjab. Because of the inability of PSC to meet frequently an Executive Committee of the PSC, headed by the chairman P&D, was formed to guide programme management. The Implementation Agencies (IAs) include relevant line departments of the Government of Punjab such as Finance Department, Excise and Taxation Department, Services and General Administration Department. The Executing Agency (EA) i.e. the Planning and Development Department (P&D) has also established a Programme Management Unit (PMU) for supervising implementation and monitoring of the various sectoral programmes. A Change Management Unit (CMU) was also established under the Services and General Administration Department to steer civil service change management. (CMU was abolished in 2011). (www.punjab-prmp.gov.pk).

As a programme, PRMP comprised (i) a programme cluster for public resource management reforms in Punjab (ii) a programme loan and (iii) a technical assistance (TA) loan in support of public resource management reforms in Punjab. The Programme visualized the crisis of governance at all levels as one of the root causes for the high incidence of poverty in Punjab. The policy objectives of the Programme were to (a) strengthen provincial finances (b) realign provincial institutions to pro-poor service delivery, and (c) create opportunities for growth and income generation in the private sector in order to facilitate participation of private sector in service delivery. The PRMP was structured in three thematic components, seven key result areas (KRA) and twenty-two outcomes. Programme Component-1 related to provincial financial management. It covered three KRAs (strengthen provincial revenues, rationalize provincial expenditure, and improve accountability in financial management). Component-2 aimed at reforming processes and institutions for pro-poor service delivery. It covered two KRAs (improve strategic programming of investments for poverty reduction, restructure and strengthen government administration and human resource development). Component-3 was concerned with creating opportunities for economic growth and income generation through private sector development. It covered two KRAs (regulatory and administrative reforms for private sector development and public-private partnership, reduce direct public sector involvement in economic and commercial operations). (See Table1).The twenty-two programme outcomes were as given in Table 1 below.

Table 1: Key Result Areas and Outcomes of PRMP

KRA1 Strengthen Provincial Revenues

- 1) Broaden tax base by rationalizing and restructuring provincial taxes,
- 2) Enhance non-tax revenue and user charges,
- 3) Improve tax revenue administration,

KRA2 Rationalize Expenditures

- 4) Restructure and reduce provincial debt,
- 5) Contain and reduce contingent liabilities e.g., pensions,
- 6) Phase out non-poor subsidies.
- 7) Improve public accountability of spending for pro-poor service delivery,

KRA3 Improve Accountability in Financial Management

- 8) User-friendly budgets within MTBF (Medium Term Budgetary Framework),
- 9) Establish rule-based systems of inter-government financial transfers,
- 10) Transparent procurement of goods and services,
- 11) Timely, reliable and publicly accessible accounts,

KRA4 Invest for Poverty Reduction

- 12) A medium-term, poverty focused investment strategy (PFIS) ,
- 13) Develop systems to generate sector-wise outcome-based provincial development plans,
- 14) Improve monitoring, feedback and evaluation systems,

KRA5 Strengthen Government Administration

- 15) Restructure and enhance capacity of provincial agencies responsible for policy, planning and fiscal management,
- 16) Rationalize provincial staffing and enhance skill levels,
- 17) Merit-based system of recruitment, promotions and transfers,
- 18) Implement GRAP (Gender Reform Action Plan),

KRA6 Reform for Private Sector Development

- 19) Remove regulatory restrictions to sustainable private sector development (PSD),
- 20) Improve land record management system and utilization of land assets,
- 21) Provide support mechanisms for facilitation of private sector investment, public- private partnership and employment generation,

KRA7 Reduce Size of Public Sector

- 22) Initiate privatization or divestment of government ownership in selected public sector organizations (PSO).

The reform agenda of the Government of Punjab, funded by the Asian Development Bank and implemented through the PRMP was based on a medium-term programme. The overriding goal of the PRMP was poverty reduction in the province of Punjab. The programme was envisaged to build on other ongoing governance initiatives, such as Decentralization Support Programme (2003), the Punjab Devolved Social Services Programme (2005) and Punjab Gender Reform Action Plan (2002). The policy objectives of the Programme were to assist the

government of Punjab through reforms in governance structures, systems and processes to strengthen its provincial finances, realign provincial institutions for pro-poor service delivery and create opportunities for economic growth and income generation in the private sector.

The PRMP was structured in three sequential Sub-programmes. A loan of \$200 million was provided by ADB from its Ordinary Capital Resources (OCR) to Sub-programme 1 (SP1). SP1 was approved in December 2003 and concluded in June 2005 (approximately a period of 18 months). It was a two tranche programme, each to the amount of \$100 million. Each tranche was released upon the successful achievement of specified targets of previous tranche. The programme loan of Sub-programme 2 (SP2) also amounted to \$200 million, disbursed in the form of two tranches. It was approved in December 2005 and became effective in April 2006. It was concluded in August 2007 (approximately a period of 17 months).

Originally, PRMP cluster design envisaged a Sub-programme 3 (SP3) to be completed before the programme period i.e., June 2008. Based on its assessment of the reform progress, the Punjab Government and ADB decided to replace the envisaged SP3 with a new programme cluster comprising three SPs to be implemented over the years 2007-2010. The Punjab Government thought that the new, longer term reform agenda (Punjab Government Efficiency Improvement Programme or PGEIP) would ensure that the ongoing reforms would be broadened and deepened. The successful completion of SP2 marked the end of the first cluster of the PRMP. (Table 2)

**Table 2: Punjab Resource Management Programme (PRMP)
Sub-programmes and Programme Periods 2003-2008**

Sub-Programme	No. of Components	Amount (\$million)	No. of Tranches	Programme Period
SP1	3 SP1 focused on Component 1	\$200 Funding Source: ADB	2	4 Dec 2003- 27 June 2005
SP2	3 SP 2 focused on Components 2 and 3	\$300 Funding Source: ADB	2	5 April 2006- 16 Aug 2007

Technical Assistance for Supporting PRMP

Implementation of the reform agenda of PRMP posed considerable challenges that required technical assistance (TA) for both strengthening the capacity to further detail and fine-tune the reforms, as well as capacity-building measures in key provincial agencies. The objectives of the ADB TA Loan 2031-PAK were to (i) support assessments and analytical studies in key policy and reform areas of PRMP

(ii) develop strategies to improve fiscal sustainability and public service delivery; and
(iii) build capacity to carry out institutional reforms in key public sector departments, such as P & DD, Finance Department. (ADB 2003)

The TA Loan comprised eight components: (i) revenue and tax administration reform; (ii) public expenditure and financial management (including medium-term budgeting, intergovernmental financing, procurement, and financial management); (iii) contingent liability management and pension reform; (iv) strategic planning systems and change management; (v) human resources management; (vi) land registration reform; (vii) public sector organization (PSO) reform (including preparation for privatization, liquidation and corporate restructuring); and (viii) implementation support (including monitoring and evaluation). (ADB 2003 Appendix 9)

The Government of Pakistan requested for the TA loan of \$ 4 million at the same time as it applied for the Programme loan. It was approved in December 2003. The ADB financed the entire foreign exchange costs amounting to \$835,000. The remaining amount (\$3,165 000 equivalent) was provided in local currency. The TA required 478 person-months of consulting services, including 18 person-months of international and 460 person-months of domestic consulting services. The major TA activities included: facilitation of the Punjab Development Forum as a part of the process of consultation of stakeholders and the civil society, workshops on capacity building and training needs assessment as a part of public sector reform. (ADB 2003 Appendix 9)

A major capacity building initiative was launched in collaboration with the Singapore Civil Services College International (CSCI) to build the capacity of key provincial government departments in financial management, development planning and human resource development. Senior management teams of concerned departments visited Singapore, eight senior officers attended specialized training seminars at Victoria University, Wellington, New Zealand and Lee Kuan Yew School of Public Policy, Singapore. Thirty mid-career civil servants attended an international seminar on leadership. Technical studies of six public sector organizations were carried out under the private sector development component of the PRMP. Four workshops were held on private sector development in Punjab's key industrial hubs including one with public sector decision-makers' participation. The workshop results were shared at the Punjab Development Forum 2007 and were fed into the design of PRMP II cluster. (ADB 2007 para 74).

In addition to TA Loan No. 2031-PAK, the Government of Punjab requested ADB for a TA grant to help prepare the Sub-programme 2 of the PRMP. The TA Grant Project No. 37202-12 and Loan No.4520 in the amount of \$250,000 became effective in May 2005 (Table 3). The TA required 43 person-months of domestic consulting services of one lead policy analyst, two fiscal management experts, one public finance expert, one public administration expert and one private sector development expert. The TA resources were also used in Sub-programme 2 implementation. Its focus was on improving public financial management, institutional strengthening and capacity development and creating conducive

environment for private sector development (PSD). Further consultancy inputs were provided to enhance the quality of capacity building management and to develop a monitoring and evaluation framework of the Programme Management Unit (PMU), which coordinated all donor-assisted policy reform programmes in the Punjab. The TA was used to enhance capacity for policy analysis within the PMU. The TA was used to strengthen the medium term expenditure framework (MTEF). An international consultant was hired to finalize the detailed blueprint for the MTEF-related reforms. Two more international consultants were hired to provide actuarial advice on Punjab's pension scheme and the general provident fund. The TA supported a workshop, held in June 2005, which brought together civil servants, staff of ADB, World Bank and DFID to brainstorm over policy objectives of Sub-programme 2 on civil service reform and private sector development. International experts helped assess business processes in Punjab from an outsider's point of view and provide an opportunity to expose existing government practices to international standards especially in the areas of private sector development, private-public partnership and human resource management.

Another TA Grant (TA 4734-PAK) in the amount of \$150,000, requested by the Government of the Punjab, was approved by the Asian Development Bank in December 2005 (Table 3). The purpose of TA was to provide advice for the implementation of Sub-programme 2 and for the preparation of Sub-programme 3. The ADB grant covered the entire foreign exchange cost and part of the local currency cost, mainly for domestic consultants. As Sub-programme 3 did not materialize, the TA resources were spent on consulting services in support of ongoing activities and on private sector development workshops. It required 3 person-months of international and 20 person-months of national consulting services. The TA had four components: 1) Fiscal and financial management. Experts were engaged to facilitate revenue and expenditure management; to restructure public debt and provincial liabilities; identify inefficient subsidies in order to phase them out; improve accountability and financial management systems; and to review reforms for public procurement systems. 2) Civil service reform. This component supported the Government of the Punjab to review and assess various options on restructuring the provincial civil service; to assist in the preparation of a human resources policy; provide technical review for amendments to the legislation and rules of the provincial public service commission; and to design a medium-term departmental restructuring plan. 3) Private sector development: The TA provided support to draft laws, regulations and rules required to effect changes in the legal regime impeding private sector growth; and to prepare templates for public-private partnerships; design innovations in business processes to encourage the inclusion of private sector in service delivery; help government to privatize and outsource agriculture-related functions and prepare options for privatizing public sector organizations. 4) Reform management and policy dialogue: Provided assistance to the PMU, the Finance Department and the Planning and Development Department to manage work plan for TA loan; develop capacities of key officials and players in the reform process; help the PMU to institute a performance monitoring and evaluation system for the reforms; provide civil society and partner organizations

with strategic information and conduct policy dialogue; and publicize progress on reforms through electronic and print media and through professional exchanges.

The Department for International Development (DFID) of UK provided parallel and tied co-financing to bolster the PRMP reform agenda through a TA grant of £3 million. This TA complemented the PRMP TA loan project. This TA grant was formally approved in October 2006 for a period of three years. The DFID support to the Government of the Punjab was facilitated by an international consultancy firm (Crown Agents) that coordinated closely with the PMU and all implementing agencies. It focused on (i) reform of fiscal and financial management; (ii) poverty-focused planning and monitoring system; (iii) international technical advice for civil service reforms, and (iv) enabling environment for private sector development. The work of ADB and the DFID project teams was closely coordinated by the PMU. The two agencies maintained an ongoing dialogue on how best to collaborate in assisting the government of Punjab's reform agenda. The DFID participated in the design workshops and helped refine the PRMP reform agenda (Table 3).

Consultative Process for PRSP

One of the preconditions of the PRMP was to engage the civil society and other stakeholders (private sector, NGOs, multilateral donors) in defining the objectives and the scope of the reform programme. The Punjab Government pursued this goal via the specialized, periodical consultative forum called the Punjab Development Forum. The central idea of Punjab Development Forum is that the reform programme is 'home-grown' and is owned by the top political and bureaucratic leadership of the province. The platform of Punjab Development Forum follows the format of the Pakistan Development Forum (PDF) which has become, more or less, institutionalized since the organization of the first PDF in 2001. Spread over two to three days, the Pakistan Development Forum is used to share the national development priorities with domestic and external stakeholders. Its sessions are used by the government to report progress and to identify impediments to the implementation of national development plans such as PRSP. Apart from the representatives of bilateral and multilateral development partners, increased participation of civil society, academic and private sector is encouraged. Organized by the Economic Affairs Division of the Ministry of Finance, the PDF enjoys active support of the international development partners such as the World Bank, ADB, CIDA and DFID.

Table 3: Technical Assistance (TA) Loans supporting PRMP 2003-08

Project No.	Modality	Loan No.	Approved (US\$)	Effective	Closing Date		Amount	Source	Undisbursed
					Original	Actual			
36057-023 ¹	TA Loan	2031-PAK	4 Dec 2003	23 Dec 2003	30 June 2006	17 Dec 2008	US\$ 4 million	ADB	50%
37202-012 ²	TA	TA 4520-PAK	22 Dec 2004	26 May 2005	31 Jul 2006	26 Mar 2008	US\$ 250,000	ADB TASF	24%
37202-022 ³	TA Grant	TA 4734	14 Dec 2005	14 Dec 2005	30 Jun 2007	Revised 31 Mar 2008	US\$ 150,000	ADB TASF	43%
	TA Grant co-financed by DFID ⁴		Oct 2006 For three years				£ 3 million	DFID	

Source:

¹ www.adb.org/projects. Punjab Government requested a TA grant from ADB to assist in completing and implementing P-PRSP and PRMP.

² www.adb.org/projects. Punjab Government requested ADB for TA grant to help prepare Sub-programme 2 of PRMP.

³ www.adb.org/projects. The purpose of TA was to provide advice for implementation of Sub-programme 2 and for preparation of Sub-programme 3.

⁴ Progress Report on Tranche Release. Pakistan: PRMP (Sub-programme 2). August 2007 paras 79-81.

The Government of Punjab organized its first Development Forum in 2003. Thereafter three more were convened. Some observers feel that development forum is not an effective tool for gauging the opinion of the general public and the poor.²

The Government of the Punjab did not confine itself to the mechanism of Punjab Development Forum alone for the consultative process. It undertook additional measures to ensure that consultation was detailed and down-to-earth. The work for the preparation of P-PRSP was assigned to a special section in the P&D Department. Under the overall supervision of the chairman, P&D, the Chief Economist worked on the preparation of P-PRSP, assisted by Director, Punjab Economic Research Institute (PERI), Director General Punjab Bureau of Statistics and Senior Chief, Poverty, Social Action Programme (SAP). After obtaining inputs from the various line departments, a provincial seminar on P-PRSP was held to which administrative secretaries, representatives of various government bodies, District Nazims, District Coordination Officers, academicians, NGOs, and CBOs were invited. The participants were briefed on the theme of poverty, its trends, the funding requirements and strategies to combat poverty. The district governments were made part of all consultations in finalizing the P-PRSP. Special consultative meetings were arranged with the DCOs of 15 selected poverty stricken districts. They were asked to point out factors causing poverty and to prioritize areas of action. Six workshops on poverty reduction were held at the headquarters of six selected districts. These workshops were mainly attended by the representatives of district governments, NGOs, notables, academia and the press. The participants were briefed about the efforts underway for poverty alleviation and were introduced to the main features of P-PRSP. They were provided with copies of a structured feedback form and were asked to fill it through consultation with fellow participants towards the end of the workshop. This exercise generated new and innovative ideas for poverty alleviation. In addition to the intensive consultations in the six districts, a SWOT proforma was distributed among the DCOs of all the districts of the province. Their responses reflected their assessment of poverty and poverty reduction strategies in relation to their geographic, climatic, socio-economic and resource-base situation. In order to consult the primary target group of P-PRSP viz., the poor, a participatory poverty assessment (PPA) was conducted in 15 selected districts of Punjab. The PPA report was presented to a seminar presided over by the Chairman P&D and attended by heads of all government departments, representatives from the federal government, district governments, members of civil society and international development agencies. Consultations with the federal government and the international financial institutions and bilateral development partners continued during the entire period of preparation and implementation of P-PRSP. The P-PRSP was subjected to continuous monitoring review and updating in consultation with the district governments and other stakeholders. (Government of Punjab 2003)

Actions taken under Sub-programme 1 of PRMP

KRA #1: Strengthened Provincial Revenues. The aim was to build a stronger revenue base to finance a shift in expenditures towards high-priority social sector interventions. For this purpose, provincial taxes and duties were restructured, non-

tax revenues and user charges were enhanced and measures were adopted in order to improve tax and revenue administration. The provincial government eliminated low yielding taxes and reduced the number of provincial taxes from 36 to 9. The scope of General Sales Tax for services was expanded to cover additional services such as television / radio advertisements, courier services, marriage halls, beauty parlours. Professional Tax base was broadened to include lawyers, jewelers, wholesale tobacco dealers, contractors, builders and property developers. Urban immovable property tax (UIPT) was increased and exemptions from property tax eliminated. The Punjab Government broadened the base of token tax rates and motor vehicles registration fees. It introduced a flat rate irrigation water charge (*abiana*) and increased user charges of water supply and sewerage schemes of WASAs (Water and Sanitation Authorities) towards cost recovery. It reactivated PMDFC (Punjab Municipal Development Fund Company) to fund infrastructure and capacity building projects of TMAs (Tehsil Municipal Administrations) on matching grant basis, and built capacity for assessment and collection of property tax at local government level. (ADB 2005 and ADB 2003)

KRA #2: Rationalized Provincial Expenditure. Provincial expenditure was to be rationalized by restructuring provincial debt, containing contingent liabilities, phasing out non-poor subsidies and improving public accountability of spending for pro-poor public service delivery. Under Sub-programme 1, the Government of Punjab changed its expenditure pattern by gradually reducing the cost of debt servicing. (i) Using the proceeds of the first tranche of SP 1 of PRMP, the Government of Punjab reduced the provincial debt by retiring cash development loans (CDL or high interest bearing loans from Federal Government). Taken together SP 1 and SP 2 helped the provincial government to repay \$ 3 million equivalent worth of CDLs.; (ii) reduced contingent liabilities of pension by establishing a legal and regulatory framework for the capitalization of both the pension fund and the General Provident Fund; (iii) initiated actuarial assessment of civil service pension liabilities; (iv) phased out government subsidies that did not explicitly target the poor, for example, initiated phasing out of wheat subsidy; (v) rationalized Annual Development Programme (ADP) by making it consistent with availability of funds in the MTBF projections; (vi) wrote off all non-performing loans of PSOs (Public Sector Organizations) guaranteed by the provincial government; (vii) enhanced pro-poor expenditures (increased allocations for Education and Health, water supply and sanitation, and access to justice); (viii) provided proprietary rights to 84000 slum dwellers, distributed 100,000 acres of land among landless and small farmers, and provided low-income housing to 200,000 beneficiaries.

KRA #3: Improved Effectiveness and Accountability in Fiscal Management. The aim was to improve effectiveness, predictability and accountability in financial management through user-friendly budgets within MTBF, implement rule-based systems of inter-governmental transfers, transparent and efficient procurement of goods and services and timely, reliable and publicly accessible accounts. SP 1 achievements in financial management include (i) finalized MTBF and improved information content and presentation of budget documents; (ii) prepared in MTBF mode budget planning for education and irrigation (one devolved and one retained

sector) in two selected districts; (iii) introduced White Paper on the provincial budget providing information on contingent liabilities and losses of off-budget PSOs (Public Sector Organizations); (iv) appointed Provincial Finance Commission (PFC) for rule-based systems of inter-government transfers, finalized fiscal awards through PFC for better information of districts about their allocations; (v) the government implemented agreements on PIFRA (Project for Improvement in Financial Reporting and Auditing) with World Bank support, the provincial government strengthened the capacity of its Finance Department and local governments to implement public sector accounting and auditing reforms under PIFRA; (vi) adopted new budgetary classification for accounting of financial transactions; (vii) increased budgetary allocations to strengthen DAOs (District Accounts Offices); (viii) reviewed existing purchase procedures/manuals and provided capacity building training to provincial and local government procurement agencies for transparent and efficient procurement of goods and services; (ix) published provincial budget on the website of the Government of Punjab; (x) inaugurated online presentation of expenditures by line departments.

(KRA #4: Strategic Investment for Poverty Reduction. The idea was to adjust institutional arrangements for pro-poor impact of expenditure through improved strategic programming of investments for poverty reduction. This objective required a medium-term, poverty-focused, investment strategy, effective systems and procedures to operationalise provincial goals and priorities and improved monitoring, feedback and evaluation systems. Important milestones reached were: (i) draft medium-term poverty-focused investment strategy (PFIS) including quantifiable targets and indicators, was developed for key sectors and presented for discussion at the second Punjab Development Forum in 2005; (ii) Medium-term strategies were developed for education, health, water supply and sanitation, housing, urban development, small and medium-sized enterprises and livestock and dairy development sectors; (iii) PRMP helped to improve monitoring, feedback and evaluation systems by reconciling actual expenditures against budget estimates and revised estimates, it also assessed the actual results of inputs and revenue allocated for pro-poor social sector spending to assure better long-term planning and resource allocation; (iv) enhanced medium term planning and budgetary capacity of local governments; (v) P & D (Planning and Development Department) in collaboration with UNICEF initiated MICS (Multiple Indicator Cluster Survey) in order to collect baseline indicators for improved monitoring of poverty in districts and to provide a mechanism for feedback and evaluation system; (vi) P and DD introduced a system for each department to monitor the functioning of the related department in the local government on progress in implementation of PFIS (Poverty Focused Investment Strategy); (vii) developed Vision Statement 2020 for Punjab; (viii) held first Punjab Development Forum for consultation of stakeholders on poverty reduction strategy.

KRA #5: Restructured and Strengthened Government, Administration and Human Resource Development. (i) improved structure and institutional capacity of the Planning and Development Department and Finance Department of the

Government of the Punjab for more effective policy planning and fiscal management especially for poverty reduction; (ii) The Government of Punjab established a Change Management Unit (CMU) to guide and support the Government on civil service restructuring; (iii) The Government revised Regulations of Punjab Public Service Commission (by amending the Punjab Public Service Commission Act, 1978) to strengthen the autonomy and financial powers of the members, enhanced their period of tenure but made it non-renewable; (iv) added to the responsibilities of the Public Service Commission the recruitment of provincial staff BPS-11 to BPS-15; (v) restricted permanent recruitment in the public sector employment (especially in health and education sectors) and shifted to institution-specific contract appointments (vi) announced Contract Employment Policy 2004; (vii) announced a new civil service reform policy on merit-based recruitment, promotions and transfers; (viii) prepared and approved GRAP (Gender Reform Action Plan for Punjab); (ix) Health and Education Departments instituted pay structures incorporating incentives for contract posts in remote areas.

KRA #6: Reforms for Private Sector Development. The Government of Punjab initiated several reforms to develop the private sector; (i) in order to address problems in acquiring land assets, a major impediment to private sector development, the Government established PIEDMC (Punjab Industrial Estate Development Management Company) under public-private partnership, to facilitate establishment of public-private partnership industrial estates; (ii) with ADB TA loan, it established a computerized land and property registry to improve record registration and management, to provide greater security and transparency of property rights for enhanced revenue collection on land and property and promoting effective and pro-poor utilization of public lands and properties; (iii) Government of Punjab approved a policy to develop markets outside major cities for bulk trading of agriculture products; (iv) also the provincial cabinet approved amendment in Punjab Agriculture Produce Market Ordinance, 1978, designed to eliminate the monopoly of public sector nominated market committees and to allow private firms and farmers to sell their produce in any market; (v) outsourced installation and operation of weighbridges to the private sector in selected cities and established cooling chains through PAMCO (Punjab Agriculture marketing Company) at selected airports. (vi) amended Rent Control Ordinance, 1959 to ensure that the rent controller's powers to fix rents were withdrawn and pro-tenant bias was reduced in matters relating to eviction of tenants; (vii) the Government announced new labour, industrial and environmental policies in order to remove restrictions to sustainable private sector development (viii) established EPD (Environmental Protection Department); (ix) government approved urban development policy to develop zoning and building regulations in Lahore (a major city) and Kharian (a smaller city) in line with modern urban planning standards.

KRA #7: Reduced Direct Public Sector Involvement in Economic and Commercial Operations; (i) The Government constituted Punjab Board of Investment and Trade (PBIT) , under the chairmanship of the Chief Minister, a body comprising of leaders from both the private and public sector to promote investment and trade in the

province (ii) Under a TA loan the government initiated assessment of operational and financial viability of six PSOs (the Punjab Small Industries Corporation, the Punjab Provincial Cooperative Bank Ltd., the Tourism Development Corporation of Punjab, the Punjab Government Printing Press, the Punjab Seed Corporation and the Bank of Punjab) with a view to restructure, privatize or close.

Actions under Sub-programme 2 of PRMP

By improving short-to medium-term fiscal management in the province, Sub-programme 1 allowed the government to increase its spending in social sectors through local development budgets. Consistent with the development strategies of Pakistan and with the country operating strategy of the Asian Development Bank, SP 2, extended and deepened the reforms under SP 1. The activities under Sub-programme 2 gave rise to important outputs in the seven Key Result Areas (listed below), which in turn yielded the following 11 significant outcomes. (a) a wider tax base; (b) reduced provincial debt and contingent liabilities; (c) better service delivery; (d) transparent budgeting; (e) transparent procurement of goods and services; (f) effective government systems and procedures; (g) increased capacity of provincial agencies for policy making, planning, and fiscal and financial management; (h) merit-based recruitment, promotions and transfers in the civil service; (i) an improved enabling environment for private sector development (j) improved land registration and management practices; and (k) restructured public sector organizations in economic and commercial activities. Sub-programme 2 fully achieved its objectives in three of the 11 outcome areas (d, f, g). The release of the first tranche was contingent on the fulfillment of 24 conditions, all of which were fully complied with. The second tranche was linked with 39 conditions. Of these 26 were fully complied with, 6 were substantially complied with, another 6 were partially complied with, and one was not complied with. The Asian Development Bank waived full compliance with the following seven partially or fully non-complied conditions: decentralization of levy and collection of UIPT to all TMAs in Lahore, Faisalabad and Sialkot districts, the Civil Service Census of provincial government staff to develop a database to reconcile payroll and pension records for ten districts or ten departments, eliminate the monopoly of market fee collection by public sector nominated market committees, outsource installation and operation of weighbridges in market committees of five districts, establish a cooling chain at five airports, outsource operation of three training institutions of TEVTA, outsource collection of market fees in Gujranwala, Faisalabad and two large markets in Lahore. (ADB 2010)

KRA # 1: Strengthened Provincial Revenues

The intention was to consolidate the improvements made to the provincial resource base under SP 1. Some of the actions were designed to increase various provincial taxes and rates, others focused on institutional adjustments for that purpose. The Excise and Taxation Department approved an action plan for automation of tax assessment and collection. The Finance Department, Excise and Taxation Department and Board of Revenue notified revised policies on UIPT (Urban

Immovable property Tax), AIT (Agricultural Income Tax) and Stamp Duty. Till such time as the capacity of TMAs is sufficiently developed, the assessment, levy and collection of UIPT is to be continued to be made by the E and T Department on their behalf through its district offices. However, the UIPT proceeds were credited directly to the TMAs. Agricultural income was brought in to the tax net. The Government increased, through better tax administration, provincial tax revenue by more than the target 14 per cent in FY 2006. (ADB 2007)

KRA #2: Rationalized Provincial Expenditures

The aim was to carry on the provincial debt management strategy developed under SP 1 i.e. to reduce the province's debt service liability. It also required introduction of institutional arrangements for off-budget liability management and capitalization of Pension Fund and General Provident Fund to reduce fiscal pressure caused by annual pension and GPF payouts. The aim was also to improve the quality of investments of these Funds and of investment returns to contributors. As a result of the debt management strategy the Finance Department reduced debt servicing (interest only) as a percentage of total expenditure from 6.4 per cent in FY 2005 to 4.1 per cent in FY 2006. The Finance Department finalized the legal framework, rules and regulations for the GPF (General Provident Fund). It capitalized the Pension Fund and partially capitalized the GPF. The Finance Department increased the allocation for Operation and Maintenance (O & M) expenditure to at least 8 per cent and non-salary allocations to at least 12 per cent of total current expenditures in FY 2006 yielding better quality of services by the public sector.

KRA # 3: Improved Accountability in Financial Management

The objectives were to introduce policy-based and predictable planning, rational allocation decision system and to put in place a more transparent procurement system. The Finance Department finalized and announced the PFC Award (Provincial Finance Commission) and thus made the flow of resources to local governments more predictable. The Finance Department and Planning and Development Department (P & DD) set up dedicated MTBF cells and prepared budgets of Communication and works Department (provincial section) and Irrigation and Power Department in accordance with the MTBF. Finance Department and P & D Department revised and updated Budget and Planning Manuals, published monthly civil accounts on its website in a user friendly format and implemented a time-bound action plan to prepare the district budgets and accounts under the New Accounting Model (NAM). For transparent and efficient procurement of goods and services the S & GAD posted all unit costs of procured goods and services of S & GAD and Health Department on the official procurement website. The S & GAD standardized items of common use based on transparent eligibility criteria for two years and posted these on the official procurement website, substantially updated the Purchase Manual and established Departmental Purchase Committees on a permanent basis. P & DD approved and notified new consultant selection guidelines on its web site.

KRA # 4: Strategic Investment for Poverty Reduction

The achievement target was to provide a modern, institutionalized basis for ensuring that development priorities are translated into action through government planning cycles and an efficient monitoring system is in place to ensure that targets are achieved in timely fashion. In coordination with PIFRA, the Finance Department devised and implemented a development expenditure tracking system for provincial and local government budgets with regard to social sectors. It was expected to enable the stakeholders to track the district government's performance in a timely fashion. The P & DD operationalized PFIS through annual development Programme (ADP) allocations in FY 2007 for Education, Health and Livestock and Dairy Development Department. This strategy provided the guiding framework for sector policy and medium-term planning in the three departments. It prompted the Punjab government to develop a health sector reform framework (HSRF). The government also held workshops to develop an action plan for the implementation of HSRP. The P & DD automated its monitoring procedures for tracking expenditures and outcomes of the ADP and for the implementation of PFIS. The system provides a real time updating of the progress of various development schemes with multi-dimensional performance tracking.

KRA # 5 Strengthened Government Administration and Human Resource Development

The achievement targets were to create modern, function-based reorganization of key planning and financial management departments and to introduce merit-based, transparent and institutionalized system of recruitment, promotions and transfers. The Finance Department, Irrigation and Power Department and Health Department reviewed, enhanced and notified delegation of non-financial departmental authority to expedite disposal of official business and to reduce workload on senior policy making positions. P & DD implemented its re-organization plan along functional lines to make further adjustments. An institutional reform consultant attached to CMU undertook an organizational review of the Punjab Public Service Commission and made recommendations for amendment to regulations to make its composition more broad-based, include members from more professions. Health and education Department instituted an incentivized pay structure for contract posts in remote and unattractive locations.

KRA # 6 Introduced Reforms for Private Sector Development

The aim was to encourage private sector growth through removal of irritants in urban development regulations and agricultural marketing management regime. The aim was also to enhance the role of private sector in service delivery through partnerships and out-sourcing arrangements. Good progress was noted with regard to streamlining urban zoning regulations and initiating public-private partnership in health sector. The Punjab Health Foundation (PHF) helped the private sector and nongovernmental health care givers in remote areas through grants and loans for

equipment and building construction which complemented efforts to make service delivery more pro-poor. HUD (Housing and Urban Development Department) notified urban zoning regulations for Lahore and one smaller city (Kharian) to delineate zones for different categories of land use, e.g. residential, commercial, and industrial. Home Department amended the Rent Control Ordinance, 1959 to reduce pro-tenant bias so that increased investment in housing market is achieved; Excise and Taxation Department and Local Government and Rural Development Department awarded contracts for automation of property tax records and urban property tax collection system by ten TMAs of five selected districts (Lahore, Rawalpindi, Gujranwala, Faisalabad and Sialkot); Commerce and Investment Department finalized an assessment of the provincial legal and policy framework affecting private sector growth in the province including factors affecting the cost of doing business; Lahore Development Authority (LDA) and Faisalabad Development Authority (FDA) started implementation of modern urban land titling system and decided to introduce bio-metric identification in phased manner; Chief Minister approved policy, including timelines and targets, to relocate 18 agricultural markets outside cities in the main agricultural centres of the province for bulk trading of agricultural products (grains, vegetables, fruits) and to ensure that normal city life is not interfered with; Makro, an international chain, started operations outside Lahore for bulk trading, Government amended Punjab Agricultural Produce Markets Ordinance, 1978 and related rules in order to allow private sector and farmers to sell their produce in any market thus eliminating monopoly of public sector nominated market committees; Agricultural Marketing Department outsourced installation and operation of weighbridges in one market, Multan; It could not install weighbridges in four remaining markets (Faisalabad, Sargodha, Mian Channu, Lahore) because of stiff resistance from farmers who favoured the use of a middle-man in agricultural marketing. Agricultural Marketing Department approved setting up of cooling chains by PAMCO at five airports, (Lahore, Multan, Rahimyar Khan, Faisalabad, Sialkot) but actually established only in the cargo section of Lahore Airport through long-term lease with the CAA, hoping to boost exports of horticulture products, assist the private sector in bringing down their costs and providing opportunities for growth of the economy.

KRA # 7 Reduced Direct Public Sector Involvement in Economic or Commercial Operations

Provincial cabinet announced, through a White Paper on Budget FY 2008, a comprehensive policy and a two-year action plan for privatization or divestment, liquidation or re-structuring of provincial public sector operations to bring more efficiency; Industries Department transferred management of five small industrial estates of PSIC to the respective Industrialists' Associations; TEVTA signed an MOU with CARE (an educational NGO) to outsource the management and operation of three of its training institutions.

The Performance Completion Report (PCR) rated SP 2 as relevant but not effective and not efficient in achieving outcomes and outputs. The IED (Independent

Evaluation Department of the ADB) rated SP 2 as partly relevant. It also considered the achievement of outcomes and outputs as less effective and efficient. The PCR assessed the programme as sustainable but the IED regarded it as unlikely to be sustainable. Both PCR and the IED described the performance of the Executing Agency as only partly successful. (Table 4)

Table 4: Ratings of SP2 under PCR and IED Review

Ratings	PCR Programme Completion Report	IED Review Independent Evaluation Department Review
Relevance	Relevant	Partly relevant
Effective in Achieving Outcome	Less effective	Less effective
Efficiency in Achieving Outcome and Output	Less efficient	Less efficient
Preliminary Assessment of Sustainability	Likely	Less likely
Borrower and Executing Agency	Partly satisfactory	Partly satisfactory
Performance of Asian Development Bank	Partly satisfactory	Partly satisfactory
Impact	Not rated	Modest
Overall Assessment	Partly successful	Partly successful

Source: ADB 2010. (Adapted)

Punjab's Progress on Millennium Development Goals, 2001-2011: Did PRMP reduce Poverty?

In this section, an attempt is made to answer the question: did the PRMP reforms result in poverty reduction. An indirect approach is adopted. Progress of Punjab in achieving Millennium Development Goals (MDG) is reviewed over the period 2003 to 2011. It is assumed that to the extent a MDG was realized in the Punjab the PRMP may be considered to have registered a success.

According to the results of the PSLM 2010-11 and MICS 2011, Punjab's progress towards achievement of MDGs appears to be better than the national average for a number of indicators. However, substantial improvement needs to be made in order for Punjab to finally achieve any of the MDGs. Data trends suggest that no MDG can be achieved in its entirety in the province by 2015. (UNDP 2011)

Targets of MDG1 (eradicate extreme poverty and hunger) are unlikely to be met at the current rate of progress on indication. The national target for headcount index of poverty is 13 per cent for 2015. The index for Punjab stood at 26 per cent in 2001-02 which was 7 percentage points lower than the national average. By 2005-06 poverty incidences in Punjab across agro-climatic zones ranged between 5.5 and 25 per cent. While incidence of poverty in Punjab was, in general, lower than the national level, Punjab was unlikely to reduce poverty sufficiently to meet the MDG target in 2015. Using another indicator of poverty i.e., the proportion of population living below 2350 calories per day, the incidence of poverty in Punjab was estimated at 36.3 per cent in 2001-02. The incidence of poverty has grown even higher since the conclusion of PRMP. (Table 5)

Targets of MDG2 (universal primary education) are also unlikely to be achieved by 2015. The net primary enrolment ratio stood at 61 per cent in 2010-11 which is 5 percentage points higher than the national average but is still far behind the 2015 target of 100 per cent. This indicator increased by only 16 percentage points between 2001-02 and 2010-11. The literacy rate in the province was 2 percentage points higher than the national average at 60 per cent but it was not likely to reach the MDG target in 2015.

On MDG3 (promoting gender equality) the GPI (Gender Parity Index) for primary education was 0.90 for Punjab – 6 percentage points above the national level in 2008-09. Performance on other indicators, such as wage employment of women in the non-agricultural sector was lower than the MDG target for 2015.

On MDG4 (reducing child mortality), progress to-date suggests that targets for some indicators may be met by 2015. For example, targets for immunization might be met. Estimates for 2010-11 indicate that 85 per cent of children from 12 to 23 months of age had been fully immunized which is close to the MDG target of 2015 i.e., 80 per cent or above. Targets for reducing the infant mortality rate to 50 per 1000 live births and the under-5 mortality rate to 52 per 1000 live births are unlikely to be met.

On MDG5 (improving maternal health) most targets are unlikely to be achieved. The maternal mortality ratio which must be brought down to 140 maternal deaths per 100,000 live births stood at 227 in 2006-07.

On MDG7 (ensuring environmental sustainability) targets have already been achieved. In 2011 access to improved water source in Punjab was close to the national MDG target for 2015. (Table 5)

It may, therefore, be construed that PRMP does not appear to have achieved significant success in reducing poverty in the Punjab

Difficulties encountered in implementing PRMP

Being a resource management programme, PRMP was complex in design. It was too wide-ranging and multifaceted in scope. As such it required long-term institutional development and long-term engagement. Its focus was on policy setting, monitoring and oversight and realignment of systems and procedures and governance structures. Its emphasis was on improving revenue-generating capacity, reforming the civil service, and developing the private sector, to enable the delivery of better public services, reduce employment pressures in the public sector and support sustainable economic growth and poverty reduction. As a whole, the PRMP was overambitious in scope and was therefore less than effectively implemented.

With the intent to create fiscal space, the Punjab government, set about retiring high interest debt of the province to the federal government. From the ADB loan funds under the Subprogramme 2, the P&DD was able to retire about \$300 million equivalent cash development loans from the federal government. Better public services could thus be provided to the poor through the local governments. The P&DD also transferred substantive amounts of funds into the general pension and provident funds accounts. But the P&DD found it difficult to coordinate the activities of the large number of implementing agencies. In addition to federal ministries 13 provincial government departments took part in the implementation of PRMP. The programme steering committee (PSC), met less frequently. The PMU (Programme Management Unit) required a significant upgrading in capacity midway through implementation. The PRMP posed many challenges to the government's capacity and commitment. The ADB had to be physically present and remain continually engaged in dialogue with the government to create a climate of change and reform.

**Table 5: Punjab's Progress on MDGs
2001-2011**

MDG	Indicator	Region	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	MDG Target 2015
MDG1 Poverty	Head Count Index (per cent)	Pakistan	34.5	23.9	22.3								13.0
	Proportion below 2350 calories per day	Punjab	26.0	n/a	5 to 25								
	Net primary enrolment (per cent)	Pakistan	30.0	n/a	n/a								
MDG2 Education	Net primary enrolment (per cent)	Punjab	36.34	n/a	n/a								13.0
	Literacy rate (per cent)	Pakistan	42.0	52.0	53	56.0							100.0
	Gender Parity Index for Primary Education	Punjab	45.0	58.0	57	61.0							100.0
	Share of women in wage employment (per cent)	Pakistan	45.0	53.0	54	58.0							88.0
MDG3 Gender Equality	Under 5 mortality rate (deaths per 1000 live births)	Punjab	47.0	55	56.0	60.0							88.0
	Infant mortality rate (deaths per 1000 live births)	Pakistan	0.82	0.85	0.85	0.84						n/a	1.0
	Proportion of fully immunized children 12-23 months	Punjab	n/a	0.89	0.91	0.90							1.0
MDG4 Child Mortality	Share of women in wage employment (per cent)	Pakistan	9.65	10.1	10.93	10.64							14.0
	Under 5 mortality rate (deaths per 1000 live births)	Punjab	6.57	n/a	7.67	7.1							52
	Infant mortality rate (deaths per 1000 live births)	Pakistan	77	77	76	94							52
	Proportion of fully immunized children 12-23 months	Punjab	53	77	71	78							40
		Pakistan	57	84	76	85							40

(Continued next page)

(Table 5: Continued from previous page)

MDG	Indicator	Region	2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	MDG Target 2015
MDG5 Maternal Health	Maternal Mortality Rate	Pakistan	350	n/a	400	380	n/a	n/a	n/a	n/a	n/a	n/a	140
	Proportion of birth attended by skilled birth attendants	Punjab	n/a	n/a	n/a	n/a	227	n/a	n/a	n/a	n/a	n/a	140
	Contraceptive prevalence rate	Pakistan	40	33	48	35		41					>90
	Total Fertility Rate (mean number of children)	Punjab										59	
MDG7 Environmental Sustainability	Antenatal Care coverage (per cent)	Pakistan	28						30.8				55
	Forest Cover	Punjab	22	36		32.2			3.75			35	2.1
	Proportion with access to improved water	Pakistan		4.7				4.32				3.6	
		Punjab	35		50	52			58			74	100
		Punjab	n/a		33	n/a		61			n/a	n/a	6.0
		Pakistan	4.8		4.9	5.02		5.02			3.1	n/a	n/a
		Punjab	64		66	66		65			94	93	
		Pakistan		96	95			95					n/a

Note: n/a or blank means data are not available.

Source: UNDP, Punjab Millennium Development Goals Report 2011

Many of the improvements in financial governance and institutional reform later suffered setbacks. For example, the fiscal space created by retiring the federal debt disappeared when the government resumed borrowing. Similarly, the contractual hiring measures were reversed when hundreds and thousands of contractual employees were regularized in 2009. Thus reforms under the PRMP cannot be deemed as sustainable. The PRMP also failed to use the Technical Assistance funds effectively. A substantial portion of TA amounts remained unspent (Table 3). Seven of the 39 conditions linked with the implementation of SP 2 of the PRMP were not fully complied with. The ADB had to waive full compliance of these seven conditions.

Government ownership of PRMP was slow to emerge in the initial stages due, primarily, to perceptual differences. The PMU (Programme Management Unit) of PRMP had to organize awareness raising events to help enhance the ownership. The staff and consultants of the Programme Management Unit (PMU), (the official body responsible for coordinating the implementation of PRMP), lacked international exposure in critical reform areas. Exposure visits and training had to be used to build acceptance of proposed reforms within and outside the government bureaucracy.

A lot of time was wasted in developing terms of reference which led to unsuccessful procurement of consultants. (ADB 2005). The Implementing Agencies (IA) found it difficult to articulate their requirements well. They had limited skills to conceptualize policy issues and write them up into Terms of Reference (TOR). This difficulty was handled by hiring domestic consultants with special knowledge of the working of the provincial and local governments. Also, dedicated core groups within the IAs (focal persons and core teams) were used to specify reform needs. International counterparts of domestic consultants helped assess business processes in Punjab from an outsider's point of view.

Absence or uncertainty of data presented another problem to consultants in implementing PRMP. For example, different sources of Government of Punjab reported different numbers of active pensionable employees. In such cases, the consultants had to apply sampling and extrapolation techniques for actuarial analysis. The capacity of Pakistan Resident Mission of ADB was limited in processing and implementing PRMP. A consultant who was well versed in ADB implementation guidelines and who understood the working of the Punjab public sector had to be hired for this purpose.

Towards the end of the programme period, the special consultative forum, (Punjab Development Forum), ceased to meet regularly. The dedicated web site of PRMP was also not updated on a regular basis. The attempt to outsource to private sector the assessment and collection of market fee on the sale of agricultural produce met stiff resistance to the extent that the effort had to be abandoned. The plan to introduce contract employment instead of permanent employment in government bureaucracy (to reduce the financial burden of pension) also faced strong opposition. Thus both inertia and entrenched traditions of bureaucratic structures and the social system made implementation of reforms difficult.

Conclusion

The Punjab Government's 2003 reforms for poverty reduction emanated from three policy documents prepared in earlier years: Punjab Economic Report, CM's Vision 2020, and Punjab-Poverty Reduction Strategy Paper. These policy papers provided the intellectual framework for developing broad policy strategies and targets for the medium term in the area of poverty reduction and governance reforms. PRMP (Punjab Resource Management Programme) emerged out of the endeavour to reform the management of the province's public sector for poverty reduction.

The Government of Punjab approached the federal government in 2003 with the request to seek financial and technical assistance from the Asian Development Bank for PRMP. The PRMP loan agreement setting out time-bound achievement targets in a Policy Matrix was signed in December 2003 in the amount of \$ 500 million. The rationale of the Programme was that improvement in public sector governance and resource management would yield considerable gains in economic development, increased budget allocations to social sectors and thus poverty reduction. The reforms in the country's most populous and economically significant province were expected to have far-reaching impact on the country and its people as a whole.

The goal of PRMP was to achieve improvements in socio-economic indicators in Punjab as outlined in the federal government's Poverty Reduction Strategy Paper through efficient delivery of public services to the weak and vulnerable. The Programme was expected to complement, at the provincial level, with various other governance-related initiatives based on PRSP such as Decentralization Support Programme, Devolved Social Service Delivery Programme, fiscal devolution and gender reform.

Considering the comprehensive nature of the reforms and the medium time-frame of the reform process, the PRMP was structured in two sequential sub-programmes. Sub-programme 2 loan was processed upon successful completion of sub-programme 1. The entire programme was implemented over a period of 5 years. Each sub-programme was implemented over a period of around 18 months. The release of loan proceeds under each sub-programme was performance based in two tranches of \$100 million each upon meeting specified achievement targets, after loan effectiveness and before the end of implementation period of the sub-programme.

In Vision 2020, the Chief Minister of Punjab envisioned to achieve, in the medium term, a GDP growth rate of over 7 per cent per annum, increase in the provincial tax revenue by 14 to 16 per cent, increase in operation expenditure (in contrast to expenditures on salaries) to 8 per cent and an increase in non-salary allocations to 9 per cent of current expenditures. In Vision 2020, the provincial government expected to create one million new, sustainable jobs every year (15 per cent in the public sector). It expected to double the income per capita over the programme period. It hoped to reduce the incidence of poverty in the province from 34 per cent in 2003 to 28 per cent in 2008. (Government of Punjab 2004)

Assessments of PRMP by ADB show that only some of the fiscal management targets were met. For example, collection of tax revenue showed some increase, debt servicing of the provincial government was reduced, medium term budgeting framework (MTBF) was introduced and industrial estates for private sector industries were established. Increased revenues, in the short run, enabled the Government of the Punjab to increase spending in the social sectors targeting the poor communities. All these improvements occurred only in the short run. They have not been sustained beyond the PRMP period (2003-08). Similarly, the Government of the Punjab retired millions of dollars of high interest bearing loans with the help of funds generated from the ADB loan. However, after a few years the government resumed borrowing and thus lost the fiscal space gained through debt retirement. The attempt to replace permanent government servants by contract employees in order to reduce pension liability also failed. Civil Service Reform and Human Resource Management policies were formally adopted but never implemented.

Foremost among the accomplishments of PRMP may be considered the initiation of the Multiple Indicators Cluster Survey (MICS). The Survey is conducted regularly since 2003 every three years. Its main contribution is collection of district-wise baseline data which has considerably improved monitoring of poverty in the districts. The second important achievement of PRMP is the establishment of Punjab Industrial Estates Development Authority (PIEDMC) under which small industrial estates have been set up under public-private partnership such as in the Sundar Industrial Estate near Lahore. Under the institutional reforms, the provincial government passed the Punjab Pension Fund Act, 2007 and the Punjab General Provident Investment Fund Act, 2009. These laws provide legal framework for investment of pension and provident funds. The investments are expected to generate financial resources which can be utilized to meet some of the civil service pension liabilities. By introducing MTBF the PRMP replaced the traditional annual budget with three year budget planning. Improving the presentation of the provincial budget document made it more user-friendly. However, the PRMP has not succeeded in improving the role of the members of the provincial assembly in the preparation of the provincial budget. Their role is still in the form of token participation. The PRMP strongly supported devolution of UIPT to the TMAs but the provincial government still has not been able to build the capacity of TMAs to assess and collect UIPT.

The PRMP failed to reform the provincial governance processes which were expected to lead to poverty reduction. The Implementation Agencies (IA) lacked capacity to conceptualize policy issues. Required data, in many cases, were not available for consultants to implement the reform programme. For, these among other reasons substantial amounts of technical assistance funds remained unutilized. The PRMP did not succeed in generating a high rate of growth. It failed to create significant number of new jobs. It performed poorly to enhance income per capita. No wonder it failed to reduce incidence of poverty. In short, the programme was too wide-ranging and ambitious for the implementation capacity of the political and bureaucratic leaders and workforce of the province.

Notes

¹ Of course there are people who are skeptical about the usefulness of poverty reduction strategy as advocated by the World Bank. See for example, Dijkstra, 2011.

² Some observers doubt the usefulness of Pakistan Development Forum format as a medium for consulting the civil society and the poor. One writer described Pakistan Development Forum as more of a flamboyant ceremony than substance, calling it “Pakistan-schizophrenic-forum”. See sehrtariq 2010.

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