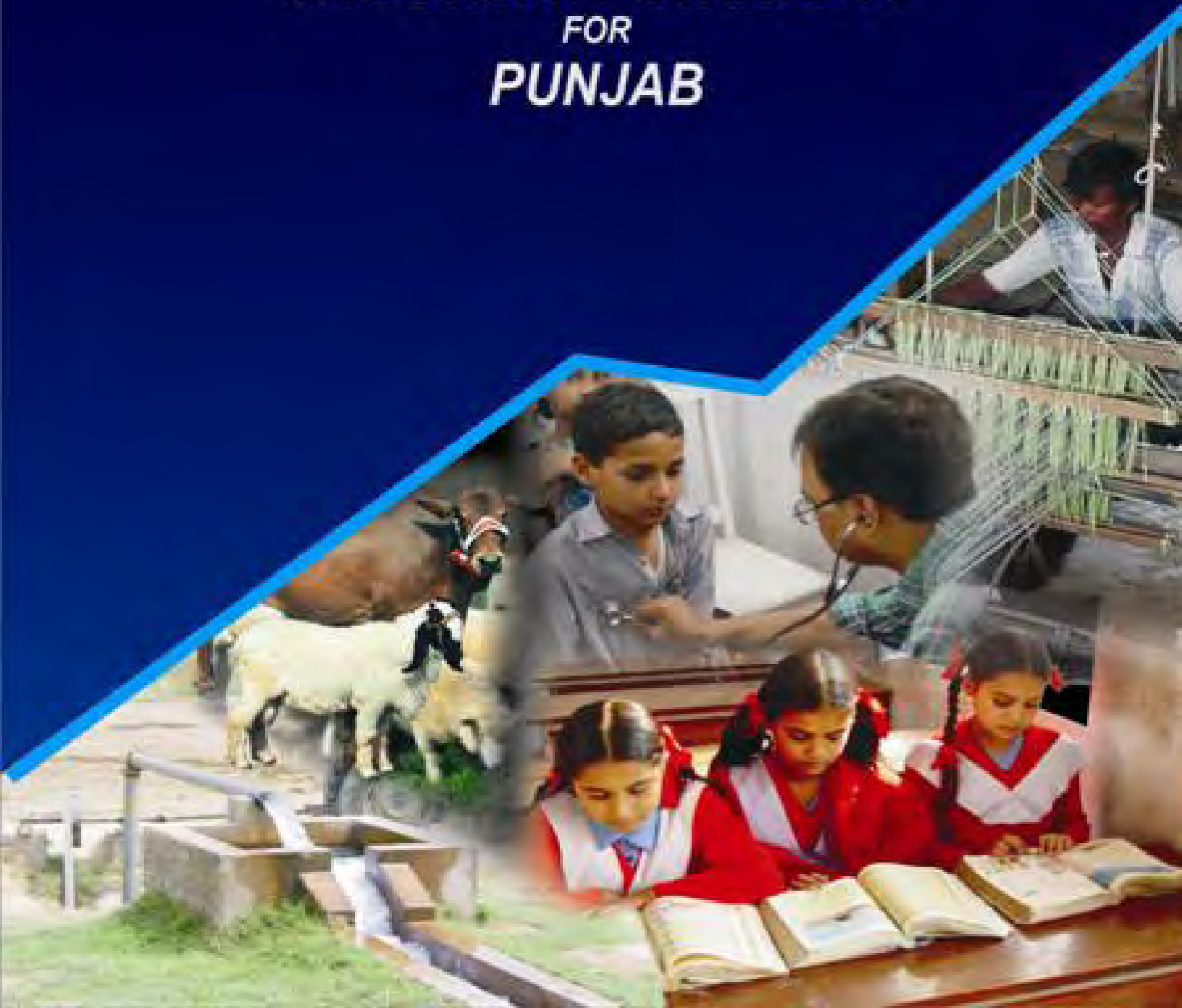




Government of the Punjab

# **POVERTY FOCUSED INVESTMENT STRATEGY FOR PUNJAB**



**POVERTY FOCUSED  
INVESTMENT STRATEGIES FOR  
THE PUNJAB**

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# FOREWORD

Poverty Focused Investment Strategy (PFIS) for Punjab is part of the efforts of the Government of the Punjab to attack poverty. This vision has been expressed in Punjab's Poverty Reduction Strategy Paper as well as in a number of other policy commitments including the Vision 2020 of the Chief Minister Punjab and the Millennium Development Goals. The efforts at reducing poverty are now being backed up by a process of public sector reforms that refocus public sector expenditures at the provincial level towards sectors and areas that have the greatest impact on poverty reduction. Poverty Focused Investment Strategies for Punjab have been developed under Punjab Resource Management Program [PRMP] for six key sectors viz. health, education, water supply and sanitation, housing, SMEs and livestock and dairy development. These investment strategies are now to be developed into targeted programmes that are well designed and address the new institutional arrangements put in place by devolution.

The PFIS has been approved by the Chief Minister Punjab and concerned provincial government departments have already been asked to prepare the annual development plans accordingly. It is therefore expected that the implementing departments will find this document of value in developing and effectively implementing pro-poor programs. The PFIS for six key sectors would also be of great interest to researchers, international development partners and development professionals who are interested in development initiatives of the Punjab, especially those aimed at reducing poverty. For wider sharing of the PFIS it has also been uploaded on PRMP website and can be accessed from the link: [www.punjab-prmp.gov.pk/pfis/index.htm](http://www.punjab-prmp.gov.pk/pfis/index.htm).

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**(ASAD SUMBAL)**  
Program Director PRMP



## List of Abbreviations

BHU	Basic Health Unit
CBOs	Community Based Organizations
CCBs	Citizen Community Board
DSSP	Devolved Social Service Delivery Programme
EFA	Education for All
HDI	Human Development Index
MDGs	Millennium development Goals
MICS	Multiple Indicator Cluster Survey
MTBF	Medium Term Budgetary Framework
NGOs	Non-Government organizations
PER	Punjab Economic Report
PESRP	Punjab Education Sector Reform Programme
PFIS	Poverty Focussed Investment Strategy
PIHS	Pakistan Integrated Household Survey
PHED	Public Health and Engineering Department
P&D	Planning and Development
PPA	Pakistan Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
PSIC	Punjab Small Industries Corporation
SMEs	Small and Medium enterprises
SPDC	Social Policy Development Centre
TEVTA	Technical and Vocational Training Authority
TMA	Tehsil Municipal Administration
UPE	Universal Primary education
WASA	Water and Sanitation Authority
WATSAN	Water and Sanitation
WTO	World Trade Organization



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## EXECUTIVE SUMMARY

Developing a Poverty Focused Investment Strategy (PFIS) for Punjab is an attempt at furthering the process of public sector reforms in general and at refocusing public sector expenditures at the provincial level towards sectors and areas that have the greatest impact on poverty reduction in particular. The Punjab PFIS is meant to translate the aspirations for achieving Millennium Development Goals (MDGs) and other goals set by the Punjab Government into specific programs and to encourage poverty-focused thinking and task-oriented strategizing within departments. The direction, thrust and intensity (also the need) for such strategy is related to the state of poverty in Punjab; time bound targets and the supply/demand constraints in poverty focused sectors for increase in incomes, access to quality social services and for social protection. Following the suggestion of P&D Department, the first PFIS includes these sectors: Education and Literacy; Health; Water Supply and Sanitation; Housing and Urban Development; SME sector (Punjab Small Industries Corporation), Livestock and Dairy Development.

Several overarching themes have emerged from the PFIS exercise. All available evidence clearly shows high levels of poverty and gross disparities in access to social services in terms of spatial distribution (across districts and urban-rural divide), gender divide, and differentiation as per income levels. An interesting dichotomy in Punjab is that financing is not a constraint any more since the departments are assured substantial levels of predictable funding over the medium term. However the major constraints are:

- low levels of absorptive capacity in the departments;
- lack of comprehensive, actionable strategies for the sector justified by evidence and backed by theory;
- lack of effective execution strategies targeting earlier implementation failures.

Targeting outcomes, including but not restricted to the MDGs, necessitates a shift in departmental thinking towards an integrated, holistic approach whereby the department is not just responsible for the performance of public sector alone but for the outcomes of the sector as a whole which includes the private sector and non-state players (NSP).

The study highlighted the need for evidence-based and outcome-targeted planning. With the publication of the Multiple Indicators Clusters Survey (MICS), planners in Punjab now have access to a sophisticated district-based data set. This makes possible setting of credible baseline and realistic targets for socio-economic indicators and can support decisions for resource allocation and can help monitor progress through repeat surveys.

Devolution is a major cross-cutting theme in this study. In fact PFIS achievement is not possible without a strong, district-based targeting regime instituted through conditional grants mechanism. Vertical programs may be necessary in the short run given constraints in the districts and given commitment to MDGs, but are not conducive to the building of institutional capacity and the strengthening of local accountability relationships that can best ensure sustainable improvement in the long run. The province-district relationship needs to be based on handholding.

Any public sector strategy, especially one that targets poverty reduction and access to social services, can only function in an environment of results-based accountability

where the public sector publicly targets certain outcomes, makes resource allocation and implementation decisions accordingly, and links civil service and public finance reforms to the achievement of these outcomes. All of these are relevant for making progress on PFIS in Punjab. But it is also contingent on creating conditions for realizing the promise of devolution. A centralized, top-down strategy relying only on public provision while ignoring local governments and non-state players has not done Punjab much good in the past and will not do so in future. However given a shift in strategy, some signs of which are already emerging, Punjab could be well on course for realizing the vision of a poverty-free society.

## 1. EDUCATION AND LITERACY

Punjab is better placed than other provinces in educational indicators. PESRP is a major intervention towards achievement of its commitment to universal education. Punjab has already achieved considerable physical coverage of schools. However major issues pertaining to quality, governance and institutional failures remain outstanding. SAP experience in the 1990s shows that there is limited connection between increased funding and better education outcomes.

Sustainable improvement in access and quality of learning requires sector reforms and involvement of Non-State Players. Since access issues are effectively addressed by PESRP, the strategy emphasizes consolidation of public school infrastructure, targeting drop-out rates, instituting institutional reforms and improving quality. It advocates taking advantage of the rapid growth of private sector by encouraging its growth through incentives.

**Quality and Access:** In order for the public education sector to thrive, the Punjab DoE needs to immediately put into action a plan to consolidate and rationalize the existing coverage and quality of schools in the province. Some actions include the introduction of co-education at primary level; improving the access of girls to schools through the introduction of incentive systems such as food-for-education, merger of mosque schools,

**Teacher Training:** The focus of teacher training should shift from top-down, cascaded trainings to district and cluster based institutionalized thrust towards continuous professional development along with incentives and accountability to facilitate improvement in quality of teaching.

**Strengthening Education Management:** The DoE needs to implement institutionalized mechanisms for strengthening education management through training, certification and by linking posting of education managers with such education.

**Vocational Education:** DoE and TEVTA need to mainstream technical / vocational education.

**Curriculum Development:** The province can contribute to curricula revision and modernization, though federal subject, through provision of technical input and support.

**Inter-governmental Linkages:** The province should retain only the functions relating to the enunciation of policy, the establishment of standards, regulatory and monitoring

frameworks, the enactment of laws to encourage private sector participation, the oversight of curricula and syllabi revision and the production of textbooks while building capacity of district education offices

**Private Sector Collaboration:** DoE can make a substantial contribution to improving education outcomes by capacity-building of private schools (providing information on private school performance as a public good, teacher training) and through public financing of private education (voucher, loans for home-based non-formal schooling). Private sector needs to be incentivized through Punjab Education Foundation and monitored in a non-intrusive manner, primarily by disseminating credible information on school quality to enable parents to make informed choices.

Functional literacy programs should focus on strengthening capacity of the poor to solve day-to-day problems and to equip them with income-generating skills. In an environment of low literacy rate and widespread poverty, it is essential to make provision for continuous learning of the neo-literates. This requires an extensive institutionalized continuing education programme. The EFA district units, with strong district ownership, need to be made the pivot of all literacy initiatives. These units should conceive and actualize a close role for elected councillors, at the union level. The Model District approach is again promising but needs to be backed up with greater decentralization of planning and decision making so that districts can adopt different approaches for achieving 100% literacy. Lastly the Adult Literacy Centers, the Non Formal Basic Education Centers and Literacy and Vocational Education Centers need to be made more functional through better supervision (which remains a weak link in this NGO-reliant model), through involvement of local governments and through integrated planning with education department.

## **2. HEALTH**

Despite massive investment in health sector, it is plagued by poor utilization and low quality of service, especially for the poor, and governance, institutional issues. The proposed strategy seeks to improve equity of access, effectiveness and efficiency of services, responsiveness to existing and emerging disease burden, and focuses on MDGs and other pro-poor interventions.

**Access and Quality:** Alternative methods of improving access and quality of services to rural areas and vulnerable populations need to be explored. Some options include setting differential pay packages to attract staff to work in remote areas, developing a cadre of village-based midwives who work on self-employment, contracting out management of health facilities to private sector and NGOs, and institutionalizing community involvement through health committees, encouraging communities to invest in and manage the services and by furthering the Rahim Yar Khan experiment in public-private partnership.

**Improved Public Infrastructure:** Health facilities, particularly at the PHC level, need to be made fully functional through provision and repair of specified equipment, provision of accommodation to staff at cluster locations, and by ensuring staff presence.

**Public Awareness and Minimum Package:** People should be made aware of their rights and duties vis-à-vis the health care system. Minimum standards and protocols for

various types and kinds of hospitals and nursing homes should be laid down. A minimum package of services available to anyone at each health outlet should be guaranteed, announced and monitored.

**Licensing:** With regard to private practitioners, the state and medical councils should ensure that only properly qualified persons practice. There should be regular medical and prescription audits and the renewal of license and registration should be dependent on it. The soft lending to doctors through Punjab Health Foundation should be conditioned on provision of primary health care services by the borrowers to people as per DoH guidelines.

**Human Resources: Performance based incentives** are recommended for medical and paramedical staff. The pro-doctor bias needs to be tilted in favour of paramedics. For the female staff, incentives should be provided for facilitating their practice in rural areas and urban slums. Private practice should be institutionalized. Manuals with Job descriptions, Protocols and SOPs need to be developed. Systems should be developed for planning, financial management, logistics, MIS, monitoring, redesigning and functionalizing patient referral system. A new cadre of public health professional may be established with the option/incentive of up gradation.

**Integrated Health care:** The DoH should introduce a referral system as one of its strategies to make the best use of hospitals and primary health care services. There is dire need to have senior citizen package including old age home to deal with the old age people problems.

**District level Interventions: Core Competencies** (management, HRM, planning, monitoring and budgeting, M&E, social mobilization) need to be strengthened through *training and support*. Establish a system of Continued Medical Education (CME). The province should build capacity for district-based planning based on district data (MICS, EMIS).

**Mainstreaming Private Health Care:** Ensure compliance to defined standards, encourage chains of health service providers, and by public financing of private sector, contracting of services, and provision of incentives and conditions through PHF. DoH needs to create linkages of private sector PHC facilities with vertical national health program.

**Innovative Approaches:** Target malaria free Punjab, strengthen devolution, clarify province-district roles, institute remote business processes, utilize HMIS, expand School Health Program and extend health insurance, on group basis by government subsidy and critical disease cover.

### **3. LIVESTOCK AND DAIRY DEVELOPMENT**

Given certain institutional reforms, the livestock sector can play a significant role in poverty reduction. Reforms include determining proper public role in the sector, making targeted interventions for the poor while creating enabling conditions for sustainable market-led growth. Low productivity, under-exploited export potential and institutional weaknesses are major ills facing the sector compounded by food and fodder shortage,

poor breed improvement, inadequacy of animal health services, weak marketing infrastructure, and poor disease control.

The earlier neglect of the sector has ended and the department is currently conducting or planning many good projects and interventions. There is a need for conducting proper financial and economic analysis of these development projects, for prioritization and picking ones with the greatest economic returns. Since livestock is a devolved subject, most of these projects are better handled by district governments and only specific ones, like research, by the province.

**Departmental Functions:** The department needs to be clear about its role and concentrate on its core public goods functions such as the prevention of epidemic diseases (not necessarily implying public provision), provision of extension services and research.

**Service Delivery:** Among the most important public interventions is establishing a market-friendly and privatized animal health service delivery system. This can free up scarce human and financial services in the public sector which can then be concentrated in poor, inaccessible areas and on targeted subsidies for poor and landless farmers.

**Price Controls:** Price controls for meat and beef that act as a disincentive for private sector investment should be removed. This is likely to induce a supply response in the long run resulting in greater output at competitive prices as happened in the poultry sector.

**Grassroots Interventions:** The department needs to improve and extend veterinary services to the village-level through supporting production of green fodder, encouraging formation of livestock owners associations to get better access to services and to develop better marketing outlets, and supporting cooperatives with advisory services and training.

**Nutritional Standards:** Set up Livestock Feeds Standards for manufacturers and importers; provide Feeds Quality Assurance Services; investigate feed combinations of local ingredients.

**Sanitation and Hygiene:** Set up Meat Hygiene and Sanitary Standard; enforce International Hygiene Standards especially for the export market; develop minimum meat preservation requirements through research; and monitor veterinary drugs and hormone residues in food.

**Technological Innovations:** The department should facilitate the translation of technological breakthroughs (like the development of a cheap, ocular vaccine for treatment of the high-mortality Newcastle disease) into benefiting the livestock owners.

**Credit Facilities:** Recently there appears to be some realization of the importance of credit services for the sector. Different loan schemes are opening for livestock farmers. Besides micro finance through Micro finance Institutions (MFIs), Baitul Mal & Zakat funds are other potential source which could be effectively employed for poverty reduction through investing in livestock.

**Research, Education and Public Awareness:** Research and extension linkage needs to be strengthened. Research should be demand-driven and not supply-driven. One way of doing this is by establishing an Endowment Fund for sector research to be run autonomously by experts with seed funding by the government. The state has to enable private sector breakthrough by addressing the serious shortage of qualified persons (vets, vet assistants etc.) Innovative use of alternative media, especially electronic media should be encouraged. The potential of radio to create awareness among the rural poor through popular programs should be exploited.

#### **4. PUNJAB SMALL INDUSTRIES CORPORATION**

This paper analyzes the role of PSIC in employment generation in the Punjab, looking at its activities over time and envisaging a way forward. In order to put things in context an overview of the labour force and its trends in the province are analysed. Moreover, the bird's eye view of the Small and Medium Enterprise sector in the Punjab is deemed essential to scope the potential of work in this sector and map out the coordinates of PSIC and the opportunities available, in juxtaposition to the labour force analysis. The paper has been prepared after numerous consultations with the Managing Director and his team of Directors at PSIC, as well as Chairman Planning and Development Board and other stakeholders.

PSIC is an important instrument for micro economic development through enterprise development and employment generation. Making relatively expensive machinery available for common use of small manufacturers; training, introduction of new technology (intermediate/ appropriate), supply of credit and other ancillary activities have over time resulted in strong correlation between PSIC provision of these services and growth of clusters all over Punjab. Its comparative advantages lie in its presence across most districts of the province, its experience in setting up small industrial zones in different parts of the province, and its support to small enterprises through provision of credit and technical support. This is a desirable thrust towards working to reduce the 'cost of doing business' for small industries. While some progress has been made by the SME sector in Punjab, its growth and impact on employment has remained limited and sub-optimal.

In order to be able to effectively support the SME sector in Punjab as a strategy to create sustainable jobs and reduce poverty, PSIC will need to restructure in a way that its services are focussed at the new and existing enterprises that have potential to grow and penetrate national, regional and international economies, keeping in view the World Trade Organisation's (WTO) free trade regimes. These expanding enterprises are expected to create new and, more importantly, sustainable jobs.

PSIC needs to incorporate a monitoring, evaluation and research unit, which would regularly monitor and evaluate its interventions and give feedback for course correction of its interventions. It should have an operational research component to pilot new approaches before they are implemented and scaled up and to document the findings of such experiments for influencing the policymakers and a wider audience. PSIC should also commission a comprehensive review of all its programmes to extract the lessons learned over all these years. Market research is also an activity of immense importance for an organisation like PSIC. It might be advisable for PSIC to do this through outsourcing studies and involving relevant experts in the various fields so as to access the

best resources available and not to develop in-house capacity to do this, as it requires specialized skills.

In this context, PSIC should also move towards expanding in the roles where it possesses comparative advantage. It should focus on facilitating and providing access to technical guidance for potential and existing entrepreneurs by creating industrial clusters in order to attain economies of scale. It should support the SMEs to access credit through the SME Bank, training through the TEVTA/ SMEDA, and industrial estate and required infrastructure through PIEDMC, while supporting the market-oriented enterprises to explore export markets through the EPB. Thus a new role of creating linkages should replace the 'doing it alone' mindset.

Development of clusters should remain a key function of PSIC. Its role should evolve to the branding and marketing of clusters, while supporting the enterprises in these clusters to access credit, adopt efficient and environmentally clean technologies, comply with labour, environmental and tariff related laws and regulations, set up informal conflict resolution arrangements, develop market linkages for inputs and outputs, and comply with WTO and SAFTA regulations to benefit from the existing and emerging free trade opportunities.

A major emphasis of PSIC should be on bringing women into the active labour force, especially in industries which suit the cultural environment of different districts of Punjab. This may be possible through setting up or supporting 'neighbourhood' workplaces, capacity building of women in enterprise development, training in vocational skills through TEVTA, and innovative credit-plus schemes, whereby PSIC provides the clusters of women's enterprises with a range of services, such as credit, training, technical support, exposure visits, market linkages, etc. To further this cause PSIC needs to map women development initiatives in the province and create programmatic linkages with them where ever possible.

In order to prepare for a changed, more dynamic role, PSIC will need to restructure itself and develop core competencies in its new areas of work. Its board of directors should have more members from the private sector, especially stakeholders' representatives, to play an effective role in supporting the small enterprises. It should build the capacities of its frontline staff in business appraisal, financial and economic analysis, and, most importantly, networking and linkages. PSIC should develop a management information system (MIS) and a networking environment where staff are able to access client information in a easy-to-handle way. It would be in line to recommend detailed studies to be commissioned on the various aspects of PSIC under the PRMP.

PSIC should play a very important role by 'organizing' the sector that it works in. Small scale entrepreneurs need to be brought on a single platform where they can exert influence on policy. This would automatically lead to not only PSIC interventions but a lot of others by the government in this sector to be 'demand-driven' rather than anything else.

PSIC needs to invest heavily into improved and ideally 'outsourced' design centre which develops innovative utility products saleable abroad, using traditional crafts and methods. This would ensure that the crafts and original methods are preserved and remain a part of our culture, but at the same time have a continuous relevance to the real world.



In view of the labour force analysis, PSIC might want to further investigate and pilot some interventions in new and hitherto untried areas like the service and trading sectors within the SME sector. It may also want to further explore its role in the 'informal' or the 'micro' enterprise sector which has the maximum number of labour force working in it. PSIC should also collaborate with other entities supporting the development of small enterprises, like Small and Medium Enterprise Development Authority (SMEDA), Export Processing Zones Authority (EPZA), Export Promotion Bureau (EPB).

## **5. HOUSING & URBAN DEVELOPMENT**

Punjab's urban population is about 25 million (out of a total of about 84 million), and some 7.5 million, or 35.0% of the total urban population, live in slums, with another 2.8 million, or 11.5% of the urban population, living in katchi abadis. About half the urban population is concentrated in the five primate cities of Punjab, i.e., in Lahore, Faisalabad, Multan, Gujranwala and Rawalpindi. Lack of government policies and planning has led to unbridled and random urban sprawl in the province. Relatively high growth, combined with slow urban sector development, has resulted in uncontrolled urban sprawl; deteriorating urban environments; deficiencies in urban services such as water supply, sewerage systems, drainage, solid waste management, roads, urban transport, and community facilities, and the lack of access to education and health facilities by the poor. Most of the problems in this sector also have their roots in poor governance, particularly related to institutional and organisational issues, and lack of technical capacity and capability. The overarching concerns relate to lack of a holistic strategy for urban development and management, and the non-availability of adequate resources, both financial and human, for delivering and maintaining services needed at an acceptable level of quality.

The issue of mobility is becoming even more important as the roads in the urban areas are being pre-empted by the more well-off segments of society through the explosion in the population of cars and two-wheelers used by them. This is crowding out the public transport services. There is a need to examine the implications of such an unregulated use of space meant for the movement of people, and for the formulation of a policy that encourages mass transit schemes within the primate cities and schemes that can bring in and take back work force from adjoining towns, so as to take pressure off from the largest cities.

An overarching body needs to be established which should be mandated to set standards and regulate an overall urban development and management policy framework and commensurate strategies within this framework. A proposal for this is on the anvil in the form of the Punjab Urban Commission (PUC). It is imperative that proper documentation of all informal housing settlements is undertaken as it will help in conceptualising and implementing appropriate housing policies for the urban poor. A study should also be initiated to set the mandate of the PHED and the possibility to subsume within itself the PHED, the PHATA, the DGKAUI and the RTA functions of planning, facilitating and regulating each of these specific services, and whether these departments and authorities should be wound up and their implementation capability transferred to the local governments concerned. The PUC should have the over-arching authority to ensure that even federal government and Ministry of Defence agencies

comply with its regulations. This would ensure that only one set of regulations apply when considering any programme, project or scheme.

Local governments should be encouraged to prepare base maps of their areas using satellite imagery. The development plans at each level should be prepared by the local governments with technical help and assistance provided by the province and keeping within broad framework enunciated by a body perhaps like the Urban Commission. TMAs should also be provided the assistance needed to improve financial management, ranging from accounting and book-keeping to resource generation and recovery on an urgent basis. An attempt should also be made to improve the resources available to the TMAs by removing the exemptions from land and property taxes and permitting the introduction of the levy of property tax based on capital value rather than on rental values as at present.

The GoPunjab should consider the provision of undeveloped land where only the plots are demarcated and the land is allotted to a community of the poor rather than to an individual. This has the advantage of replicating settlement patterns from the localities from which rural migrants originate. These communities, then, through self-help build the infrastructure to suit their requirements and attach them to the arterial network put in place by government.

Evictions should only be undertaken if alternative resettlement schemes are offered to the people. It is recommended that resettlement schemes be initiated under the guidance of professionals and experts drawing from the experience of successful initiatives. There is a need to strongly discourage future encroachments and squatting on public and private land through enforcement. Extension of credit, utilisation of viable funding sources, capacity building and the need for low-income schemes in both the public and private sector are also emphasized. There is potential for the role of a support organization, to organize and facilitate communities in this context as well.

Financial intermediaries need to develop financial instruments and products that suit and target lower income groups. Easy credit would give a demand driven boost to the industry like it has to the 'car industry'. A housing finance policy which boosts demand is welcome but supply and planning side needs to gear up beforehand. The provincial government should try to orchestrate such a turn around of the economy. The basis of this move is also palpable in the Punjab Economic Report. A much neglected potential target sector of the industry is the housing rental market. Again cheap and easily available credit could boost this market and raise incomes of people while making shelter available to people desirous of same.

## **6. WATER SUPPLY AND SANITATION**

According to the 2001-2002 PIHS, half<sup>1</sup> of the water supply to urban households was through a tap in the house. Of those with taps in the house, 96<sup>2</sup> percent were connection through a piped system installed by the local governments. In the rural areas, only 5 percent of households have taps inside the premises installed in equal proportions by the households themselves or through the activities of the non-governmental organisations involved in the sector. The bulk of the supply is through hand pumps.

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<sup>1</sup> The comparable figure for 1998-99 was 45 percent

<sup>2</sup> In the PIHS 1998-99 this was estimated to be 94 percent

Access to sanitation at the household level is measured through the availability and type of toilet facilities preferably inside the house. In the cities and towns of the Punjab, 91 percent of households have installed a flush latrine. In the rural areas less than a third (31 percent) of the households has the same facility and more than two-thirds (68 percent) have no toilet facilities within the premises of their homes (PIHS 2001-02).

Traditionally the government has been limiting its own scope by choosing to be just one of the 'providers' of water. It has done this by following a one-point agenda which has been to increase 'coverage' of households provided water, be it in rural or urban areas or the primate cities of the Punjab through Water and Sanitation Agencies, (WASAs). It is argued in this paper, that in the given circumstances if the provincial government needs to even secure a fighting chance to achieve the MDGs it needs to undergo a role-change to that of a regulator. This is essential to ensure quality of services provided by an ever increasing number of players in the sector. Regulation of sanitation facilities, disposal and treatment of wastewater needs to be undertaken to minimize its negative environmental externalities and adverse affects on the environment. This waste usually ends up polluting water bodies that are the sources for livelihood and food for the poor and the diseases caused also impact the poor disproportionately. This is why there is also a need for raising awareness about water quality among citizens who get/ demand water under two categories: one, as consumers / buyers who purchase water as a service. Two, as a public right: access to safe water. A transparent regulator would encourage new players to come into the market and new partnerships of public and private entities in water supply and sanitation.

Past habits of command and control through the issuance of directives, needs to shift to facilitation and strengthening of local governments. This can be achieved through establishing clear and stable provincial policy frameworks, and the monitoring and provision of technical support to local governments for the implementation of those policies. The PHED is currently in the process of establishing a Provincial Resource Base [PRB] which would include a training institute and the Central Design Unit. The training unit, Water and Sanitation Training Institute (WASTI), would also include the Central Water Testing Laboratory. The PRB is mandated to assist the TMAs, train staff, establish standards, evaluate the technical merits of designs proposed, and make and implement regulations.

The existence of a public water supply is not necessarily the most effective solution, particularly in the sweet water zone. Care should be taken to analyse and examine all alternative mechanisms and to adopt only those which maximise benefits to the user and not the provider. Such examinations should be undertaken by agencies such as those in the academia or civil society and not just by consulting engineers. The policy of not providing a mechanised scheme should be continued for sweet water zones, however, it should be modified to state that public water supply schemes in such areas would be limited to the provision of Afridev pumps on loans to be provided to households or through a water supply scheme to be designed and delivered through the CBOs and RSPs. However, even this water needs to be tested for impurities and contamination. One way in which such shortages can be overcome is by making available the services of a public sector technical assistance office comprising of the design officers from the PHEDs at the provincial level and from the WASAs. Such an organisation should compete for advisory services needed by local government units.

Community based schemes are highly desirable in this sector. Successful models of 'component' sharing need to be followed in urban and rural areas for purposes of financial sharing and speed of projects. Component sharing could be the preferred model which would work perfectly if there is a need for such a scheme in the community, where only tertiary and perhaps secondary lines and 'internal' development should be the responsibility of the household and primary level infrastructure including pumping/ purification/ treatment works need to be paid for and even run by the government. Policies should also be developed and implemented which specify both standards of design and levels of service appropriate to the communities' affordability to pay not only the O/M costs but also to partially finance the capital costs. This would ensure the use of lower cost solutions and appropriate construction standards.

In the short term two critical elements need to be addressed. These relate first to the schemes which were under implementation at the time when local governments came into existence (2001) and were abandoned for want of an "owner". These need to be revived and brought on stream. While permission to do so has been obtained, the issue with respect to ownership needs to be settled. The PHED must negotiate ownership with the TMA and transfer these to them. Also of critical importance in the negotiations would be the timing of handing over title: an ex-ante handover would possibly result in a re-estimation of the cost of completion. The second relates to the schemes constructed under the PRWSS project which were handed over to the communities and which are now being abandoned for a variety of reasons. If such investments are not to be treated as sunk costs, then title to these must be transferred to the TMAs and modalities worked out for the communities to once again take responsibility for operations and maintenance. While it might not be possible to do away with 'vertical' programmes it is certainly possible to have them as 'on-budget' schemes done by the relevant TMA and the funding is passed on as 'conditional grant'. The provincial government may want to consider a set modality for such grants so as to ensure that the TMAs undertake planning and execution with technical support of the provincial resource base, if required.



## INTRODUCTION

1. Developing a Poverty Focused Investment Strategy (PFIS) for Punjab is an attempt at furthering the process of public sector reforms in the province in general and at refocusing public sector expenditures at the provincial level towards sectors and areas that have the greatest impact on poverty reduction in particular. Attacking poverty is a major priority with the Punjab Government as illustrated in the Vision 2020 and the Punjab PRSP. The challenge now is to translate this vision and commitment into targeted programmes for poverty reduction designed with technical finesse and keeping in mind the new institutional arrangements instituted by devolution. A number of traditional constraints to such an exercise are currently becoming opportunities because of the reforms currently underway in Punjab. Thus the historical, incremental and segmental approach to planning and budgeting is currently undergoing a shift to the medium term under the MTBF process. Devolution and the increasing inclusion of Non State Providers (NSP) through Public Private Partnerships are providing new opportunities for better aligned incentives to improve performance. Devolution specially opens up the possibility of ensuring targeted, outcome focused, incentive-based and better monitored service delivery through contractual relationships under Provincial Finance Commission. Although the provincially driven vertical programmes apparently interfere with the achievement of efficiency gains through a decentralized setup, yet the provincial government looks at these programmes as temporary features meant to assist the local governments in achieving the MDG targets.

2. The PFIS is meant to translate the aspirations for achieving Millennium Development Goals and other goals set by the Punjab Government into specific programmes and to encourage poverty-focused thinking (identification of areas, strategies) and task-oriented strategizing within departments. The direction, thrust and intensity (also the need) for such strategy is related to the state of poverty/ deprivation in Punjab; time bound targets and the supply/demand constraints in sectors relevant for attacking poverty. Poverty focused sectors broadly include those impacting increase in incomes, enhanced access to quality social service delivery, and provision of social protection. Following the suggestion of the Planning and Development Department, the first PFIS includes the following sectors:

- Education and Literacy
- Health
- Water Supply and Sanitation
- Housing and Urban Development
- Small and Medium Enterprises (Punjab Small Industries Corporation)
- Livestock and Dairy Development

3. The PFIS, a part of Punjab Resource Management Programme reform matrix, was developed by a team of consultants and regular staff with inputs from the respective Sector Chiefs of P&D Department and through working closely with the focal teams suggested by the respective provincial departments for the development of sectoral PFIS. The sectoral teams held roundtables and workshops with non government players and specialists for eliciting fresh ideas and for independent feedback.

4. Several overarching themes have emerged from the PFIS exercise. The reference for this exercise is the state of poverty in the province. All the available evidence, as

demonstrated later, clearly shows high levels of poverty and gross disparities in access to social services in terms of spatial distribution (across districts and urban-rural divide), gender divide (male-female), and differentiation as per income levels. An interesting dichotomy in Punjab is that financing is not a constraint any more since, as shown later, the departments are assured substantial levels of predictable funding over the medium term. However the major constraints are low levels of absorptive capacity in the departments; lack of comprehensive, actionable strategies for the sector justified by evidence and backed by theory; and lack of effective implementation strategies that address earlier implementation failures. Another theme to emerge is that targeting outcomes, including but not restricted to the Millennium Development Goals, necessitates a shift in departmental thinking towards an integrated, holistic approach whereby the department is not just responsible for the performance of public sector alone but for the outcomes of the sector as a whole which includes the private sector and other non-state players (NSP). This also requires a shift in policy thinking beyond issues of direct public sector provision and honing and utilization of different and more sophisticated policy instruments for intervening/influencing these players towards public policy objectives and these include besides provision, financing and regulation.

5. A major theme having emerged from this study is the need for evidence-based and outcome-targeted planning. With the publication of the Multiple Indicators Clusters Survey (MICS), planners in Punjab now have access to a district-based data set segregated by gender, region and age. This makes possible setting of credible baseline and realistic targets for socio-economic indicators and can support decisions for resource allocation and can help monitor progress through repeat surveys. However there appears limited capacity within departments to utilize this data, something that can be addressed through capacity-building and external support.

6. Devolution is a major cross-cutting theme in this study. In fact PFIS achievement is not possible without supporting a strong, district-based targeting regime instituted through a conditional grants mechanism and supported by the provincial government. Thus the tendency to opt for vertical programmes does not appear conducive to building of capacities for sustained targeting of social outcomes and to development of local accountability relationships based on performance. The tendency within some quarters of provincial government to opt for centralized institutional mechanisms through vertical programmes can yield short term results but may adversely impact the building of institutional capacity and the strengthening of local citizen-provider accountability relationships that can best ensure sustainable improvement in the long run. On the other hand, vertical programmes may be useful as a short to medium term strategy especially in areas where the MDG targets require additional allocations, where there are capacity constraints in the district governments and where demand agglomeration / decision mechanisms at the local level may not be enough to fill the gap between the current social sector indicators and the MDG targets. Till such time that these conditions are not met, the target should be transforming the province-district relationship from a centralized arrangement to one that is based on inter-governmental partnership and handholding and on ensuring ownership, input and collaboration from district governments. Ideally such vertical programmes should be brought within the purview of Provincial Finance Commission through a conditional grant mechanism that relies on non-discretionary and transparent transfers and contractual obligations based on transparent data.

## PUBLIC EXPENDITURE PROFILE

7. A public expenditure profile of the province amply demonstrates the earlier cited observation that funding is no longer a major constraint to the expansion and improvement of services in Punjab, especially for the sectors that are poverty focused like education, agriculture, intra-district and farm-to-market roads, health, livestock, housing, kachi abadis, etc. However there is no policy direction specifying minimum package or minimum thresholds of expenditures for provision of key public services to the citizens in general and the poor in particular that could serve as a solid basis for pro-poor planning. The total current expenditure of the province in 2002/03 was Rs 181.7 billion. This increased by about a third to Rs 223.6 billion in 2004/05. The overall current expenditure on the poverty focused arena has increased from Rs 70.8 billion in 2002/03 to Rs. 93.5 billion in 2004/05. Its share in the sum total of current expenditure for the province over the same period has increased from 39% to 41.8% respectively. In the context of development expenditure, the allocation to the local governments has been consistently pegged at Rs. 9 billion.

### The MTBF

8. Punjab has initiated a process for preparing a three-year rolling budget within the Medium Term Budgetary Framework. The summary resource and expenditure forecasts are shown in Table 1. This shows that the GoPunjab will have a Gross Surplus which will increase from a base of Rs 46.2 billion in 2004/05 to Rs 105.9 billion in 2007/08. This growth at a rate of 9.6% per year is substantially lower than the estimate of growth for revenues, 16.0%. During the same period total development expenditure is expected to nearly double from Rs 64.6 billion to Rs 126.9 billion at an annual growth rate of 25.2%. Although there is general consensus regarding the broad thrust of increase in resource envelope in the medium term, however availability of the precise amount of resources is contingent upon the terms of the finalized National Finance Commission.

Heads	RE 2004/05	2005/06	2006/07	2007/08	Growth
<b>Total Current Revenue Receipts</b>	186,021.3	224,783.8	256,507.5	290,066.5	16.0%
<b>Total Current Expenditures</b>	139,772.3	154,570.0	168,334.2	184,195.0	9.6%
<b>Gross Surplus/Deficit</b>	<b>46,249.1</b>	<b>70,213.7</b>	<b>88,173.3</b>	<b>105,871.6</b>	
<b>Net Capital Receipts</b>	7,459.9			7,345.9	
<b>Net Public Account</b>	2,100.0	2,110.7	2,087.9	2,022.2	
<b>Foreign Assistance</b>	8,785.0	9,614.0	10,575.4	11,632.9	
<b>Total Financing for Development</b>	<b>64,593.9</b>	<b>81,938.4</b>	<b>100,836.6</b>	<b>126,872.6</b>	<b>25.2%</b>
Source : Finance Deptt, Govt of the Punjab; 2004; Medium Term Budgetary Framework; Lahore					

9. Total allocations for both development and current expenditures have been forecast to increase from Rs 154.6 billion in 2004/05 to Rs 251.1 billion, that is by more than 17.5% annually. Based on the short-term development plans proposed for the four social sectors, the allocations suggested by the MTBF appear to be more than adequate to attain the targets set for 2007/08. These levels of funding appear ambitious before finalization of the NFC, but do highlight the fact that the focus should now shift to



ensuring more effective utilization of these higher levels of funding, as indicated in the proposed sectoral expenditure allocations in Table 2, through raising the absorptive capacities of departments.

10. The recent move to the medium-term budgetary framework in the Punjab has had two effects on the planning process. It has given government officers some sense of continuity and an envelope around which they can plan, however, vague or (still) unpredictable that might be. But more importantly it has necessitated them to think and actually 'plan' ahead in the sectors. Initially, it might have appeared that such budgeting was purely incremental, that probably is still true but increasingly exercises like PFIS lead to a thought process within departments and some institutional thinking will probably develop on the lines of the medium to long term vision development.

11. PFIS marks certain sectors and sub-sectors within the public sector as 'pro-poor'. The purpose of this exercise would stand to be served if these sectors could be declared 'preferential', thus receiving proportionately more than others in the time of fiscal expansion and 'protected' to cuts across the board in times of fiscal contraction. Politics also has its role to play in the development process of the province. Developmental schemes and plans are at times politically motivated and aberrations to the existing patterns of expenditures. By identifying certain sectors and sub-sectors as 'pro-poor' expenditures within these more or less make them important enough that it might become politically unviable to cut back. The proposed sectoral expenditure allocation identified by the Finance Department, Government of Punjab is given below, although these are still in the process of being finalized.

<b>Table 2 : Proposed sectoral expenditure allocations</b>					
<i>(Rs. In million)</i>					
<b>PRSP Related Expenditures</b>	<b>R. E. 2004-05</b>	<b>Budget 2005-06</b>	<b>Budget 2006-07</b>	<b>Budget 2007-08</b>	<b>ACGR</b>
<b>Roads, Highways, Bridges and Buildings</b>	<b>16,780.8</b>	<b>23,936.9</b>	<b>28,147.6</b>	<b>33,137.0</b>	25.46
Current	5,824.9	6,407.4	7,112.2	7,894.6	10.67
Development	10,955.9	17,529.5	21,035.4	25,242.4	32.08
<b>Water Supply &amp; Sanitation (Excluding WASAs)</b>	<b>11,479.1</b>	<b>13,244.7</b>	<b>14,567.5</b>	<b>16,827.8</b>	13.60
Current	5,890.7	6,538.7	7,257.9	8,056.3	11.00
Development	5,588.4	6,706.0	7,309.6	8,771.5	16.22
<b>Education</b>	<b>54,717.3</b>	<b>68,543.2</b>	<b>77,557.8</b>	<b>87,859.0</b>	17.10
Current	45,353.3	52,156.2	57,893.4	64,261.7	12.32
Development	9,364.0	16,387.0	19,664.4	23,597.3	36.08
<b>Health</b>	<b>20,122.3</b>	<b>25,680.3</b>	<b>29,484.7</b>	<b>33,903.4</b>	18.99
Current	12,866.3	14,796.3	16,423.9	18,230.5	12.32
Development	7,256.0	10,884.0	13,060.8	15,673.0	29.27
<b>Population Planning</b>	<b>746.0</b>	<b>1,230.9</b>	<b>1,341.7</b>	<b>1,462.4</b>	25.15
Current					
Development	746.0	1,230.9	1,341.7	1,462.4	25.15
<b>Social Security &amp; Soc. Welfare</b>	<b>706.4</b>	<b>782.1</b>	<b>866.0</b>	<b>958.9</b>	10.72
Current	606.4	673.1	747.2	829.4	11.00
Development	100.0	109.0	118.8	129.5	9.00
<b>Natural Calamities &amp; Disasters</b>	<b>26.5</b>	<b>29.4</b>	<b>32.7</b>	<b>36.3</b>	11.00
<b>Irrigation</b>	<b>11,862.0</b>	<b>16,244.4</b>	<b>18,393.5</b>	<b>21,354.1</b>	21.65
Current	6,535.0	7,188.5	7,979.2	8,857.0	10.67
Development	5,327.0	9,055.9	10,414.3	12,497.1	32.87
<b>Agriculture</b>	<b>4,079.9</b>	<b>4,957.7</b>	<b>5,563.1</b>	<b>6,330.7</b>	15.77
Current	3,140.4	3,454.5	3,834.5	4,256.2	10.67

Table 2 : Proposed sectoral expenditure allocations					
(Rs. In million)					
PRSP Related Expenditures	R. E. 2004-05	Budget 2005-06	Budget 2006-07	Budget 2007-08	ACGR
Development	939.5	1,503.2	1,728.7	2,074.4	30.22
<b>Industries (Including TEVTA)</b>	<b>2,273.5</b>	<b>2,880.0</b>	<b>3,303.0</b>	<b>3,647.3</b>	17.07
Current	1,767.6	2,121.1	2,354.4	2,613.4	13.92
Development	505.9	758.9	948.6	1,034.0	26.90
<b>Rural Development</b>	<b>8,012.1</b>	<b>9,546.7</b>	<b>11,121.9</b>	<b>12,975.2</b>	17.43
Current	3,345.5	3,713.5	4,122.0	4,575.5	11.00
Development	4,666.5	5,833.2	6,999.8	8,399.8	21.64
<b>Housing Sector</b>	<b>946.7</b>	<b>1,075.1</b>	<b>1,256.1</b>	<b>1,377.5</b>	13.32
Current	340.3	377.7	419.2	465.3	11.00
Development	606.4	697.4	836.9	912.2	14.58
<b>Safety nets</b>	<b>2,300.3</b>	<b>2,645.4</b>	<b>2,936.3</b>	<b>3,259.3</b>	12.32
Current	2,300.3	2,645.4	2,936.3	3,259.3	12.32
<b>Access to Justice Programme</b>	<b>20,511.4</b>	<b>22,757.7</b>	<b>25,250.1</b>	<b>28,015.7</b>	10.95
Current	20,011.4	22,212.7	24,656.0	27,368.2	11.00
Development	500.0	545.0	594.1	647.5	9.00
<b>Total PRSP Expenditures</b>	<b>154,564.3</b>	<b>193,554.4</b>	<b>219,821.9</b>	<b>251,144.7</b>	17.56
<b>Current</b>	<b>108,008.6</b>	<b>122,314.4</b>	<b>135,769.0</b>	<b>150,703.6</b>	11.74
<b>Development</b>	<b>46,555.7</b>	<b>71,239.9</b>	<b>84,052.9</b>	<b>100,441.1</b>	29.22

Source : Finance Deptt, Govt of the Punjab; 2004; Medium Term Budgetary Framework; Lahore

## PUNJAB'S PROFILE OF POVERTY

12. Punjab's profile of poverty and social disparities implies that the province is facing a major challenge of increasing incomes, reducing vulnerability, improving social outcomes and reducing the serious disparities across different levels. The poverty levels and disparities are clearly shown by all the available studies on the measures of deprivation.

### The Social Policy and Development Centre (SPDC)<sup>3</sup>:

13. SPDC study ranks all the districts of Pakistan using the level of deprivation by households for 18 key services and facilities from four broad sectors, namely, employment (2 indicators), education (4 indicators), housing quality (9 indicators) and housing services (3 indicators). The indicators in each sector were combined to create an overall Index of Multiple Deprivation (IMD). The ranking is in order of deprivation, from 1 to n, where 1 is assigned to the most deprived. These have been disaggregated and depicted by rural and urban areas, and then clubbed together into low, medium and high level of deprivation. Each of these represent one-thirds of the total population of the country/province (as applicable). The results for ranking the whole of Punjab and by area give a different set of districts within each portion of the analysis. The planner can, therefore, use these results and prioritise projects for assigning priority to districts which have a high level of deprivation in both the urban and rural areas, then into those with identified in the rural areas alone and finally in those identified with high deprivation in the urban areas.

Table 3: SPDC Ranking of Punjab Districts.							
	Districts Provinci	Districts National	Depriva tion		Districts Provincial	Districts National	Depriva tion

<sup>3</sup> Social Policy and Development Centre (SPDC) estimates based on Population and Housing Census (1998) and on SPDC Research Report No. 10 (1996): 'Social Development Ranking of Districts of Pakistan'.

	al Rank*	Rank**	Scale [1- 100]		Rank*	Rank**	Scale [1- 100]
<b>High Deprivation</b>				<b>Urban Areas</b>			
Jhang	25	46	74.9	Vehari	15	22	59.5
Bahawalpur	26	49	76.5	D.G. Khan	16	23	60.9
R.Y. Khan	27	53	78.2	Sahiwal	17	27	63.4
Pakpattan	28	54	78.3	M.B.Din	18	28	63.9
Bhakkar	29	61	83.0	Hafizabad	19	30	64.8
Lodhran	30	65	85.5	R.Y. Khan	20	32	66.3
Layyah	31	68	86.1	Sargodha	21	33	67.0
D.G. Khan	32	72	89.8	Jhang	22	34	67.5
Muzaffargarh	33	73	90.0	B. Nagar	23	36	68.5
Rajanpur	34	82	100.0	Okara	24	37	69.4
<b>Rural Areas</b>				Bahawalpur	25	43	74.3
Pakpattan	26	53	71.7	Khanewal	26	45	75.2
Bhakkar	27	55	72.7	Khushab	27	49	79.8
Lodhran	28	60	76.6	Muzafarabad	28	51	80.6
Layyah	29	61	76.9	Pakpattan	29	53	83.1
R.Y. Khan	30	63	78.2	Mianwali	30	60	87.8
Bahawalpur	31	64	80.3	Layyah	31	62	90.9
Muzaffarabad	32	72	86.9	Bhakkar	32	66	92.6
D.G. Khan	33	77	89.9	Lodhran	33	67	93.5
Rajanpur	34	86	100.0	Rajanpur	34	75	100.0

\* Districts Provincial Rank Order (1 = Least Deprived; 34 = Most Deprived)

\*\* Districts National Rank Order (1 = Least Deprived; 100 = Most Deprived)

#### The Punjab Economics Research Institute (PERI)<sup>4</sup>:

14. This study of deprivation ranked districts similarly, but its choice of indicators was richer than SPDC's, namely, nine instead of four. These were Agriculture, Industry, Services, Education, Health, Housing, Sewerage and Drainage, Road and Transport and Income and Wealth. It divides the population into quartiles. Its comparative analysis also shows marked differences amongst districts.

Least Deprived			Second Level of Deprivation			Third Level of Deprivation			Most Deprived		
District	SPDC Rank	PERI Rank	District	SPDC Rank	PERI Rank	District	SPDC Rank	PERI Rank	District	SPDC Rank	PERI Rank
Lahore	1	1	Kasur	16	10	D.G. Khan	32	18	Mandi Bahauddin	12	26
Faisalabad	5	2	Sargodha	17	11	Jhang	25	19	Muzaffargarh	33	27
Multan	13	3	RY Khan	27	12	Bhanwalnagar	24	20	Pakpattan	28	28
Gujranwala	4	4	Vehari	21	13	TT Singh	8	21	Attock	9	29
Rawalpindi	3	5	Jhelum	7	14	Rajanpur	34	22	Hafizabad	15	30
Bahawalpur	26	6	Khanewal	23	15	Lodhran	30	23	Khushab	19	31
Sialkot	2	7	Okara	20	16	Chakwal	14	24	Narowal	11	32
Sheikhupura	10	8	Gujrat	6	17	Mianwali	22	25	Bhakar	29	33

<sup>4</sup> M. Jameel Khan et. al (2001) 'Development Ranking of Districts in Punjab'. Punjab Economic Research Institute Publication No. 134.

Sahiwal	18	9						Layyah	31	34
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### National Human Development Report (NHDR)<sup>5</sup>:

15. Estimated human development indices for the districts and provinces in 2003. The variation in HDI between provinces and districts are indicative of regional disparities in both the level of economic growth and in terms of health, education and quality of life. There exists a wide disparity in the human development indices within each province. In the case of Punjab, Jhelum has the highest HDI (0.703) whereas Muzaffargarh has the lowest (0.459). The size and overall development of a district also affects its HDI rank due to *intra* district variations in income and social infrastructure. Lahore has an HDI rank of 0.558 compared to 0.703 for Jhelum because of the much greater inequality of incomes and level of social infrastructure available to the poor and rich parts of Lahore district. Based on this ranking the five most deprived districts of Punjab are Muzaffargarh, D.G. Khan, Narowal, Lodhran and Hafizabad. Of these five, three are in Southern Punjab showing that poverty and/or deprivation may be appropriately tackled through better geographical targeting of allocation of resources for improving service provisions. The level of deprivation is higher among urban areas of Punjab compared to that of rural. Variation in deprivation level also exists in rural and urban areas of many districts. A large majority of Southern Punjab districts are backward and/or most deprived.

District	HDI	HDI Rank National	HDI Rank Province
Okara	0.528	29	18
Khanewal	0.513	34	19
Vehari	0.508	36	20
Attock	0.507	37	21
Bahawalpur	0.501	40	22
Pakpattan	0.498	41	23
Multan	0.494	44	24
Hafizabad	0.486	46	25
Lodhran	0.475	51	26
Narowal	0.472	52	27
Dera Ghazi Khan	0.471	53	28
Muzaffargarh	0.459	59	29

### Punjab Participatory Poverty Assessment Report<sup>6</sup>:

16. This report provides a qualitative assessment of poverty and identifies the factors that define the poorest localities and the characteristics of the people who reside there. This is a nation-wide study that includes 15 locations in the Punjab spread over the three agro-ecological zones. From each district poorest union council were determined first and in each union council and the poorest and better off sub sites were selected. The PPA study focused on identifying the poor, identifying the principal changes affecting

<sup>5</sup> Hussain, Akmal (2003) et. al., 'Pakistan: National Human Development Report', United Nations Development Program.

<sup>6</sup> World Bank (2002) 'Pakistan Poverty Assessment. Poverty in Pakistan: Vulnerabilities, Social Gaps and Rural Dynamics' Report No. 24296-PAK, World Bank, Washington DC.

them, the relevant resources, relationships, and institutions, and the scope for improvement in public policies, institutions and regulatory frameworks that could increase the opportunities open to poor people. It identified some characteristics of the poorest localities – lack of access to main roads; water logging and salinity, desert and drought effect; poor flood and rain water drainage; and lack of facilities and basic services. It found that the poor lack access to land and water and require protection to natural resource base. The poor households are extremely vulnerable and social safety nets are weak. The poor lack basic services particularly health, education and water along with effective institutions. The poor are unemployed and need jobs and access to credit. The poor lack access to political power and justice.

### Multiple Indicators Cluster Survey (MICS 2003)<sup>7</sup>:

17. MICS is different from other surveys (HIES, PIHS) as it is the only district-level data set. Its purpose was to help track the reduction of poverty and to assist in planning at the district level. The survey provides data for over 44 socio-economic indicators in addition to economic and demographic information. These include Education related indicators (literacy, primary and middle school enrolment, attendance, dropouts and distance from nearest school); Water/Sanitation (access to improved sources of water, adequate sanitation and methods of disposal); Women’s Health (maternal mortality estimate, coverage of pre-natal, births and post-natal care, awareness and knowledge of HIV/AIDS, contraceptive use, fertility and coverage by LHWs); Child Health (mortality rate, under-nutrition, breast and infant feeding, immunization, recent illness and who consulted); Child Protection (birth registration, child labour and runaways) and other concerns, such as TB diagnosed in the past year. Some results from MICS regarding the social sectors are given in this table.

**Table 6: Major Social Indicators for Punjab**

Indicators	Punjab
<b>1. Education</b>	
Literacy rate (10 years and above)	54
Literacy Rate (10 years and above) M/F	62/40
Net primary school enrolment ratio	65
Net primary school / enrolment ratio M/F	68/62
Children completing Grade 5	88
<b>2. Water Supply and Sanitation</b>	
Use of Improved drinking water	97
Adequate Access to Improved water(In household, all sources)	92
Adequate sanitary excreta disposal	59
Proper Disposal of Waste Water	43
Proper Disposal of Solid Waste	15
<b>3. Maternal Health</b>	
Maternal mortality estimate(per 100,000)	329
Contraceptive prevalence (modern methods)	22

<sup>7</sup> Planning and Development Department, Govt. of Punjab. (2004) ‘District-based Multiple Indicators Cluster Survey 2003-04’.

<b>Child Health</b>	
Under-five mortality rate	112
Infant mortality rate	77
Underweight children/under 5 years	37
Full Immunization Coverage (%) (12-23 months)	66

## **POLICY INTERVENTIONS**

18. The Government of Punjab's commitment to poverty reduction is expressed in a number of key policy documents.

## **CHIEF MINISTER'S VISION 2020**

19. The vision was set out by the Chief Minister and lays down the strategic direction to be followed and provides guidelines for reorienting development programmes and public services to meet the stated objectives by 2020 AD. The long term objectives are full employment, full literacy, highly educated, highly skilled and talented work force, tolerant and culturally sophisticated society, full integration with the world economy, and an affluent and healthy populace. These are to be achieved by creating an excellent education system, thriving and competitive markets, internationally competitive strong companies, world class infrastructure and modern urban centres, modern high value adding agricultural sector, and smart and efficient government. The development framework would encompass long term strategies aimed at achieving an annual growth rate of 8 % in Punjab's economy with the goals of doubling per capita GDP every eight years to attain the target of US \$2000 by 2020. The Vision mentions that these objectives are to be achieved through developing the following strategies:

- A comprehensive urban development strategy
- A comprehensive rural development strategy
- An integrated human development strategy
- An integrated physical infrastructure strategy
- A cluster development strategy
- A comprehensive development financing strategy

These comprehensive strategies have not yet been finalized and are currently in the process of preparation.

## **The Punjab Economic Report**

20. The Punjab Economic Report (PER) suggests a medium term strategy, focused on key areas, to accelerate economic growth in the Punjab across all sectors. The objective is to create in the medium term a million new jobs every year. The report also focuses on improving public service delivery and social outcomes needed to improve the welfare of the people. A strategic programme for improving and reorienting provincial finances for funding the development strategy is also an integral part of the PER. The recommendations of the PER for the medium term have been translated into the goal of directly attacking poverty and improving the lives of the people of Punjab through improving incomes and the delivery of public services.

## **Punjab Poverty Reduction Strategy (P-PRSP)**

21. The P-PRSP highlights the poverty situation in Punjab and its increase in both urban and rural areas. The overall poverty incidence in Punjab has been higher than that of Pakistan as well as Sindh and Balochistan. Urban poverty at 26% is higher than the national average [22%] while rural poverty [36%] is also higher than Sindh [35%] and Balochistan [23%]. It has tended to concentrate in the slums and kachi abadis in urban areas resulting in spatial pockets of poverty. Southern Punjab has seen a concentration of poverty. However, the food poverty is less than the other provinces of the country. The P-PRSP elaborates the major causes of poverty as: Reliance on traditional agriculture resulting in low productivity and income levels; Fragmented land holdings and absence of opportunities for off-farm income along with low levels of education and training; Poor socio-economic indicators and high gender disparity esp. in rural areas; Inadequate institutional arrangements for addressing the problems of disadvantaged groups; Large proportion of un-paid family helpers in agriculture sector; Large gap in availability of safe drinking water and sanitation facilities; Lack of financial discipline resulting in sub-optimal and wasteful expenditures in public sector; Inadequate support to small and medium scale industry; Imbalances in the educated and trained manpower vis-à-vis job opportunities/requirements.

22. Given the problems highlighted in the P-PRSP the focus of the reforms in the Punjab relate to governance reforms, qualitative and quantitative improvements in service delivery [especially for the social sectors], improved fiscal and financial management, promotion of private sector and sectoral programmes for poverty. As part of the exercise a draft Medium Term Budgetary Framework [MTBF] has also been prepared for the period 2004 to 2006 indicating the projected resource availability for the poverty reduction programme which is currently being finalized. Accordingly, P-PRSP is based on the following cross cutting themes:

- a) Improved efficiency through governance reforms.
- b) Strengthening of planning capability at all levels.
- c) Improvement of service delivery in the key sectors of Health and Education.
- d) Fiscal and Financial Management Reforms within MTBF mode to enhance effectiveness and accountability of expenditure and improve resource mobilization for making additional resource available to pro poor sectors.
- e) Integration of gender concerns in all sectors.
- f) Focus on income and employment generation activities.
- g) Streamlining environmental issues throughout the Province.
- h) Creation of investor friendly environment to promote private sector.

The Punjab PRSP was an initial work and has since been complemented by the Vision 2020 and the Punjab Economic Report. The challenge now is to translate the vision and commitment expressed in all these documents into implementable programmes and to use these documents as the basic tools for this purpose. Development of PFIS is an attempt in this direction.

### **Internal Poverty Alleviation Mechanisms**

23. These include the Khushal Punjab Programme designed as a public works programme to improve and expand public infrastructure and to help in poverty alleviation by creating jobs with the use of labour-intensive techniques. However, evidence suggests limited progress in achievement of programme targets due to contracting procedures and because a large majority of projects are not designed as labour

intensive interventions. The Pakistan Bait-ul-Mal is implementing the Tawana Pakistan School Nutrition Programme for Girls and Zakat distribution has had a limited impact on social protection but there are major issues of targeting failure in both programmes. Sector Investments are going apace through the annual development programmes of the province, the districts and the TMAs. There has been some policy shift towards funding the pro-poor sectors and for improving the well-being of the population through investments by the District, Tehsil and Union administrations. Finally the National Rural Support Programme and the Punjab Rural Support Programme, established through public endowments, are also contributing to poverty reduction through social mobilization.

### **Externally Assisted Programmes and Projects**

24. Among the externally assistance programmes, the important ones are the federally funded *Education Sector Reforms Action Plan (ESRA)* and *the Punjab Education Sector Reform Programme (PESRP)* which has already made a substantial contribution to improving education sector enrolment in the province. The *Southern Punjab Basic Urban Services Project* targets improvement in living conditions and quality of life of about 3.6 million urban people, mostly in low income communities in southern Punjab. The *National Urban Poverty Alleviation Program (NUPAP)* is based on lessons learned from successful community based urban initiatives in Pakistan in other cities. *The Punjab Devolved Social Services Program (DSSP)* is designed to assist in undertaking reforms, strengthen institutions, build capacity and partnership in the social services, especially in health services.

### **Suggested Sector Strategies**

25. The sector strategies developed in this book, build on and use earlier work. Part of the intended outcome of formulating these strategies has been the actual process through which these were derived. The involvement of the concerned departments was much higher than usual in such studies. Also, it was ventured, with mixed results, to involve the second tier (permanent) officers of the concerned departments in a process which gives a vision and a strategy to the department which is based on outcomes with the Millennium Development Goals and their targets being kept in mind. One learning that has come out of this process needs to be shared and flagged here: although there is a realization that the time and resources required to achieve the MDGs may not be available within the government, they are not beyond reach if the private and non-government sectors are factored into the equation, not just as players that need to be monitored or watched out for but as equal and positive partners who have as much to gain from a prosperous and healthy, literate society as anyone else.

26. The strategies for the individual sectors or departments might not be holistic and may not give out a 'grand' plan on what to do and how. Very often there is no way of knowing what will work and what will not. Strategies are only that and need to be verified to be workable in the field and that too on a considerable scale. The public investment strategies outlined here just point in a general direction. They try to give the big picture and in doing so probably don't come up with anything new. However, what they do is to broadly chart out the woods and give a general direction. These strategies are by no means 'dead'. For each department these are living documents and it would be a very positive step if these are updated, at least yearly, so that they retain their relevance and are a guide to the MTBF. These strategies are only 'suggested' to the departments and



do not have to be taken up in toto, nor all at the same time. This is both because the time frame available made possible only an initial work, but more importantly also because in a lot of ways this is an innovative exercise that needs to be validated and updated against empirical data, sector vision and departmental capacity and political choices regarding the best way forward. However since these are all key sectors that are the focus of provincial government reform initiatives, therefore the departments are going to use these basic strategies to develop full blown investment programs.

### **Health**

27. The target in the health sector is targeting MDGs through reversing the tertiary care bias in the sector to improved primary health care and through better planning, staffing and public-private partnerships. At the primary health care level, this requires addressing issues of low utilization and low quality of health care provided and ensuring a package of minimum services to be guaranteed by the public sector. It also requires addressing the serious dearth of qualified health professionals especially nurses and paramedics and improving human resource management. It also necessitates development of district planning focused on district specific health needs and ensuring greater community participation and public-private partnerships by, among other things, expanding/ refining the Rahim Yar Khan model.

### **Education**

28. The education and literacy sector goal is sustainable Improvement in Access & Quality of Learning through Sector Reforms and Involvement of Non-State Players. Since access issues are effectively addressed by PESRP, the strategy emphasizes consolidation of already expanded public school infrastructure, targeting of drop out rates, instituting governance and institutional reforms including strengthening education management and improving quality by focusing on teachers training through continuous professional development, child friendly environment and curricula. It strongly advocates taking advantage of the rapid growth of private sector by encouraging its further growth and incentivising private schooling through initiatives like the Punjab Education Foundation. The literacy sector needs to further target collaboration with non formal sector and NGOs and better gender targeting.

### **Water Supply and Sanitation**

29. The target here is improving access to safe water and basic sanitation through enabling environment for better devolved service delivery since non-performance in this sector has huge negative externalities, shared disproportionately by the poor. The suggested strategy emphasizes targeting access to 'safe' drinking water and that the provincial government needs a paradigm shift from financing/ executing TO financing/ regulation/ capacity building, especially after devolution.

### **Housing and Urban Development**

30. Here the target is improving access through upgrading slums and enabling market-led urban development. The strategy suggests using housing as part of a broader approach to urban development. This implies regularization and upgrading of kachi abadis; following 'incremental housing' and best practices approach; and introduction of holistic, spatial planning and land use policies and oversight institutions.

### **Small and Medium Enterprise Development**

31. In this sector, the suggested strategy is to target poverty reduction through employment generation. This means a two-pronged approach including policy actions that provincial government is committed to for ensuring an environment conducive to investment and direct interventions needed through institutions like PSIC to encourage investment in the SME sector by targeting reduction in cost of doing business for SMEs. The interventions include institutional steps for encouraging research, partnerships, and SME associations; credit plus schemes especially targeting women and small/micro sector; clusters / incubators (second generation, WTO compliance, clean technologies, legal assistance); and Small Industrial Estates / Export Processing Zones providing common facilities and joint management.

### **Livestock and Dairy Development Sector**

32. The sector strategy suggests employment / income generation through public sector reform and shift to market-led sector growth. The suggested strategy emphasizes limiting the over-extended state into commercial activities and neglect of core public functions by refocus on the oft-neglected public functions of epidemic preventions, extension, research and privatization of animal health services by contracting private sector in carrying out some public functions under a 'sanitary mandate'. It also emphasized increasing access of animal health services for poor areas, greater public-private partnerships and community involvement, utilization of technological advancements for poor and creation of enabling conditions for private-sector led sector growth through removal of policy distortions, creation of skilled human resources and filling of missing markets. Meanwhile it cautions against the likely elite capture of provision of subsidized credit schemes for the livestock owners.

33. Any public sector strategy, especially one that targets poverty reduction and access to social services, can only function in an environment of results-based accountability where the public sector targets certain outcomes, makes resource allocation and implementation decisions accordingly, makes the target outcomes, the strategy and achievements/gaps public, and links civil service reforms and public finance reforms to the achievement of these outcomes through medium-term performance budgeting, linking security of tenure with performance contracts and incentives and greater transparency and accountability. All of these are relevant for making progress on PFIS in Punjab. But these are also contingent on creating conditions for realizing the promise of devolution in improving governance and public sector outcomes. A centralized, top-down strategy relying only on public provision while ignoring local governments and non-state players has not done Punjab much good in the past and will not do so in future. However given a shift in strategy, some signs of which are already emerging, Punjab could be well on course for realizing the vision of a poverty-free society.

## **SECTOR: EDUCATION AND LITERACY**

### **1. Introduction – Overview of Education in the Punjab**

34. Punjab appears to be better placed than other provinces in terms of achievement of targets relating to universal primary education. It has expressed a strong commitment towards achieving the Millennium Development Goals (MDGs) and Education for All (EFA) goals. These focus on several issues notably universal primary education, improved literacy rate, higher quality education through teachers training, curriculum and materials development and better opportunities of access to secondary and higher education with a particular emphasis on technical and vocational education. The Punjab Education Sector Reforms Programme (PESRP) is a major intervention towards achievement of this commitment. However major issues pertaining to quality, governance and institutional failures remain outstanding.

35. With the installation of new, locally elected governments under the devolution plan the district level authorities are taking more decisions in all areas affecting education in accordance with community needs and preferences. The private sector is also active in providing education and skill development services. Data also shows that Punjab has already achieved considerable physical coverage (though not adequate access) to schools for a majority of population. This implies that the priority now should be consolidation of already existing infrastructure instead of its expansion.

36. The major issues relating to access of primary educational services are being effectively addressed by the PESRP. The challenge now is to leverage the achievements of the PESRP into sustainable institutional and quality improvements. Without these softer reforms, which admittedly are harder to conceive and difficult to implement, education sector's improvement is not possible and even the increases in enrolment may be difficult to sustain.

### **2. Issues and Concerns for Strategy Development**

37. Despite encouraging statistics, education in Punjab still lags behind due to issues of quality, governance and institutional weaknesses. Earlier initiatives, such as the Social Action Programme, show that there is limited connection between increased funding and better education outcomes. In fact, there appears to have been a decline in enrolments in public schools during the early 1990s indicating that expansion in the availability of funds is not enough to improve enrolments in public schools. The SAP experience suggests that increased funding should be accompanied by targeting of institutional and governance issues hindering improvement in education outcomes and by putting a greater emphasis on improvement in quality. Only increased commitment to the education sector by the state can lead to higher enrolments, better quality and equitable access to both boys and girls. The major issues to be highlighted are elaborated below.

#### **2.1 Governance**

38. Past experience has brought to light several gaps in the way education has been managed in the Punjab and elsewhere in the country. The most startling of these adhere to the inability to create an interest in education on behalf of the poor; the inability of the state to prevent political interference in education management; inferior human resource capacities; and a lack of accountability and planning within the system. This latter issue is normally related to the lack of reliable and independently verified data, although as a

consequence of the implementation of the PESRP, this has changed to some extent, as data is now being compiled and is readily accessible. Faulty selection of school sites is another issue since many schools are located where access is poor, especially for girls and even for female teachers, or where there is an insufficient number of school-going children. Furthermore, a bias towards recruiting more male teachers has also led to a decline in parents sending their daughters to school. However this has recently been shifted in favour of female recruitment.

## 2.2 Institutional Issues.

39. Public sector education in the Punjab suffers first and foremost, from the misuse of scarce resources and poor management and planning of functions. Another institutional dilemma facing the education system, both in the public and private sectors, is the “*part-time*” education provided in the schools. This stems from issues relating to governance, especially teacher absenteeism and limited staff availability, which encourages students to take extra tuitions in the evenings. Teachers themselves indulge in giving tuitions to earn additional income within a poorly incentivized structure. Then there is a need for standardization of qualifications. The output from the schools produces children with varying levels of educational attainment. The substance of textbooks is compromised by the inability of the province to include provincial and regional concerns in the syllabi and curricula which are necessary for making the education provided relevant to the future needs of the students and the market.

## 2.3 Enrolment

40. Although coverage of public sector education infrastructure is no longer a major issue in Punjab, ensuring adequate access is still an issue owing to the sheer level of enrolment, high attrition rates particularly during the transition from primary to middle levels and due to lack of corresponding facilities. A total of 63,664 schools are designed to cater to the needs of 11,141,200 students<sup>8</sup>. This has led to a two-fold impact; overcrowding in public schools and the growth of private schools. One reason for the decline in public sector school enrolments may be attributable to the arguably better quality of education provided by the private sector, as a consequence of which there may be a transfer of students away from the public sector schools.

**Table 7: Enrolment at Primary Level (Percentage)**

	Boys					Girls				
	Govt	Private	Deeni madr asa	Other	Total	Govt	Private	Deeni madr asa	Other	Total
<b>Punjab</b>	64.2	35.3	0.4	0.1	100.0	64.5	35.1	0.3	0.1	100.0
<b>Rural</b>	73.6	25.9	0.4	0.0	100.0	73.8	25.9	0.3	0.1	100.0
<b>Major Cities</b>	31.7	67.8	0.4	0.2	100.0	35.3	64.2	0.4	0.1	100.0
<b>Other Urban</b>	46.8	53.0	0.2	0.0	100.0	51.8	47.7	0.3	0.2	100.0

Source: MICS data set, P&D Department, 2004.

<sup>8</sup> assuming 35 students per class and 5 classrooms per school

## 2.4. Dropout Rates

41. Dropout rates in public sector schools appear to be very high, particularly at the primary level. Information provided by the DoE indicates that for the cohort of students completing class 5 in 2003-04, only 51 per cent, of those enrolled in class 1 five years earlier, were able to complete primary school level education. The relative position of boys and girls was 47.4 percent and 57.2 percent respectively. Another 21 percent of those studying in class 5 do not carry on and enrol in class 6, the next stage (middle), in the schooling cycle. Thus the gross attrition rate is of the order of 70 percent. No country can afford to lose such a high proportion of children. Quantitative evidence of dropout from the private sector schools is not available. However, anecdotal data suggests that this is lesser and is caused by transfer of parents from city to city rather than an actual exit from the system.

**Table 8: Drop-out Rates 2003/04**

Levels	Drop out rates		
	Total	Male	Female
On completion of Primary Cycle (Class 1 to 6)	70.8%	63.3%	78.2%
On completion of Elementary Cycle (Class 1 to 9)	82.4%	77.7%	87.0%

Source: Department of Education, Government of the Punjab (2004); Education Management Information Systems 2003 Report

## 2.5 Quality

42. Issues of quality in public schools relate to a number of factors. Most notably, these can be categorized as:

**Inappropriate physical environment** – This includes the location of the school in wasteland settings or locations at a distance from inhabited settlements making access difficult.

**Poor or no physical infrastructure** – This includes schools that are not housed in any building (shelter less schools) and those whose structures are in poor and often dangerous physical conditions. There are also many school buildings that lack any furniture or latrine and sanitation facilities, let alone proper space for playgrounds.

**Poorly qualified teaching staff** - Where multi-grade teaching is undertaken, mostly in rural areas, the teachers do not have the skill or training for conducting these classes. Pedagogy takes the form of rote learning and memorization rather than student-centred learning methods being adopted. In-service training is mostly seen to be a necessary evil by the teachers themselves, or, at best, an avenue for promotion to higher grades.

**Out-dated textbooks and teaching methodology** - The public sector schools use a standardized kit for teaching at the primary level. More often than not, these are conspicuous by their absence. Even where they were found to be available, they appeared to be unusable in most cases as parts were missing.

**Inadequate facilities for teaching and learning** – As opposed to private schools, public schools lack complementary facilities such as libraries, computer and science laboratories and skills and facilities for extra-curricular activities, all of which impact on the quality and level of the education provided to the children.

## **2.6 Role of Private Schools**

43. Census of Private Schools (2000) shows there are about 40,000 private schools, with more rapid growth in rural areas in recent years, having an enrolment of 6.3 million children, mostly at primary level. This amounts to more than 10 times increase in their numbers since 1983. Evidence<sup>9</sup> shows that the majority of private schools are catering to lower and middle class income groups and that growing competition is leading to reduction in school fees. These schools display better gender outcomes both because these are mostly coeducational institutions and also because these mostly recruit female teachers. Quality of such schools is a concern though as their quality is not very high on average but is comparable to public schools

## **2.7 Public-Private Partnerships**

44. The private sector also joins hands with the public sector in the urban areas to improve the rate of utilization of government education infrastructure. Such schools (Community Participation Project<sup>10</sup>) operate in these premises during the afternoon and offer a range of educational services – from primary schools to professional and vocational training institutes such as computer training institutes. The experience from these partnerships has shown mixed results. The more socially conscious NGOs have fulfilled the terms of the agreement, while the more unscrupulous for-profit operators have broken their commitments and decamped without paying the utility bills and some have even damaged school property before they were ousted. So far 6,890 such upgraded afternoon schools have been opened in Punjab (4,212 girl schools and 2,678 boys' schools). A host of NGOs and CBOs also operate community based schools where the teacher (invariably a female) is drawn from the communities they serve. Most, if not all, have provided an adequate level of education at a monthly fee ranging between Rs. 50 and Rs. 100. A plethora of non-profit organizations also operate schools ranging from literacy centres and non-formal primary education, creating adequate competition for the public sector.

### **Box 1: Punjab Education Foundation (PEF)**

A restructured Punjab Education Foundation is the best placed institution to incentivize improvements in private schools. The PEF was formed in 1991 to facilitate private sector education but with sub-optimal results. In order to re-vitalize this organization a new law has been passed by the Provincial Assembly. The new law aims at reducing bureaucratic control, ensuring more participation on the Board from the private sector (51%), stipulates that 70% of the funds lending is to be to the rural and poor areas and ensures more flexibility in decision making. The salient features of the new act are that the Board of Punjab Education Foundation would have a majority of members from the private sector with the Chairman elected from amongst them. The Chief Executive of the Foundation would also be hired through open advertisement at market level salary. Following the poverty alleviation policy, the Foundation would divert lending of most of

<sup>9</sup> Andrabi, Asim and Jishnu (2003).

<sup>10</sup> This is a DoE initiative designed as a public-private partnership for a more intensive use of school buildings through the operation of classes after school hours

the funds to the rural and poor areas. The Foundation after restructuring is expected to perform the following functions:

- Provide financial assistance for the establishment, expansion, improvement and management of educational institutions;
- Provide incentives to students, teachers and educational institutions;
- Promote public-private partnerships;
- Provide technical assistance to educational institutions for testing policy interventions and innovative programmes for replication;
- Rank private educational institutions based on educational standards;
- Raise funds through donations, grants, contributions, subscriptions and the like;
- Assist educational institutions in capacity building, including training of teachers.

## **2.8 Monitoring / Regulation of Private Schooling**

45. The regulatory regime for the private schools should be non-intrusive in order not to affect the sector in its current growth phase. At one level such monitoring needs to be minimalist, least interventionist, incentive based and housed in a neutral and autonomous body representing the government, the private sector and eminent educationists and perhaps funded by the Punjab Education Foundation. This body may call for voluntary membership with members becoming subject to certain regulations as well as eligible for incentives. It can correct the existing market failure of credible comparative information on education quality not being available to parents and students across the range of public and private schools at the primary and middle levels enabling them to make informed choices. At present such comparative information is only available at the matriculation level. The regulatory body for private schools should devise a transparent standard and rating mechanism at the district level and ensure availability of such information in collaboration with the education department through uniform, standard testing of all children in both private and public schools at the completion of primary cycle and at the completion of elementary cycle. Such a system of monitoring through dissemination of credible information on school quality may be linked to provision of incentives through Punjab Education Foundation in the form of loans /grants / public funding for training of private teachers / free textbook provision/ stipends for bright and needy children, etc. Another linkage where incentives can be incorporated is regarding registration and affiliation with the various Boards of Education. This measure will help improve the education market and will create incentives and pressures for sustainable improvement in both private and public schools.

## **2.9 Proposed Strategic Interventions**

46. Creating a long-term vision for quality based primary education in the Punjab is the first step towards achieving UPE. The following direction is proposed as this first step:

**Vision:** 'Enhancing the output of an educated person to create the capability of competing for work equitably in the domestic and international marketplace'.

**Mission:** 'To provide a quality of education which prepares the student for responding to the needs of the domestic and international markets and which is comparable to some of the best in the world'.

## Objectives:

- Universal literacy by 2015
- Full enrolment of all children in the age group 5 to 15 years
- Higher Secondary Education should be available to only the capable and meritorious children and preparing them for further education in the vocational, technical, professional and tertiary arenas.
- Tertiary and vocational and technical education should ideally be available to anyone desirous of attaining this level of education and demonstrating both merit and capability

### 3.0 PESRP Impact and Future Course of Action:

47. The initiatives taken under the Punjab Education Sector Reform Programme (provision of missing facilities, girl stipends, teacher training, school councils, awareness campaign etc.) are effectively addressing some of the key issues plaguing education sector in Punjab and are producing results. Preliminary estimates of a single year's effort reveal a 7% increase in enrolment at primary level and a 6% increase at the middle level, an impressive achievement when compared to SAP experience. This increase is substantially higher than the achievements of comparable programmes like *Progres*a in Mexico (8 percent) and *Educo* in El Salvador (nearly 7 percent). However part of this increase may not reflect enrolment of out of school children but of already enrolled private sector students switching to public sector. The true impact of the programme can only be gauged if the current practice of collecting only public sector enrolment data is changed in favour of collection of universal enrolment data covering all types of schools. This shift is already underway to some extent since the FBS is conducting a complete census of private schools. Since the school requirements are continuously shifting due to the demands of child-centred learning and quality considerations, education department should carry out a fresh survey of missing facilities in public schools with the involvement of district governments.

48. Education management is another weak area where lack of capacity results in induction of poorly trained education managers. The DoE is proposing<sup>11</sup> making certification (Certificate/Diploma/Masters in Education Management) compulsory for all managerial positions. CEM is to be awarded on the basis of an examination on a prescribed syllabus and DEM on completion of prescribed management courses at designated institutes while MEM being a university taught programme. All school heads are proposed to have at least CEM to be eligible for posting. All managerial positions of DDO's, DO's and EDO's would require DEM (eventually DEM for all levels) while DEM eligibility will only be for those having CEM. These are promising initiatives but need to be further thrashed and more importantly implemented. The DoE is also proposing the concept of School Districts, comprising clusters of 50-70 schools from one or more union councils, to be run by a board representing the Union Nazim/s, the heads of comprising schools and a district school superintendent to be appointed by government and assisted by staff responsible for teacher training and HRM issues. The idea is to empower boards to make transfers within the school district (with province making transfers only to districts and districts making transfers from one school district to another), allocate funds to individual schools with the lump sum total school budget provided to them and with additional resource mobilization through levy of education tax

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<sup>11</sup> Based on discussion with the Secretary Education and on a 'Presentation on Proposed Reforms for Strengthening Education Management', Education Department, 26.05.2005



under PLGO 2001. The idea of school districts needs to be further explored through extensive consultations with stakeholders and specialists. The challenge is to utilize the potential for greater local accountability and better information available at local level with a system that provides appropriate incentives and demands for systemic improvement, especially in terms of institutional issues and quality enhancement.

### **3.1. Improved Access and Quality of Public Schooling**

49. In order for the public education sector to thrive, the Punjab DoE needs to immediately put into action a plan to consolidate and rationalize the existing coverage and quality of schools in the province. Most of these suggested interventions fall outside the current purview of PESRP. It is proposed that this could be achieved through the following actions:

- Establishment of new standards for school infrastructure, facilities and staff to reflect quality considerations and conducting a fresh survey of all schools for benchmarking and better planning
- Introduction of co-education at the primary level, unless there is a specific need that warrants otherwise, should be a long term goal. The private sector has demonstrated the social acceptability of this irrespective of the social standing, income or wealth of the parents. This could be implemented through a merger of girls and boys schools at primary level
- improving the access of girls to schools at all levels through the introduction of incentive systems such as food-for-education
- improving the retention rates of students from class 1 to class X by revitalizing the curricula making these more relevant to current days and by introducing the basics of vocational training to provide an early exit to vocational training or technical education on a full time basis
- Discouraging drop outs in schools by provision of a child-friendly environment through banning corporal punishment, rationalizing excessive subject text books and work loads
- improving the skills of teachers away from rote learning to student centred learning and adopting a district-based and cluster-centred system of continuous professional development of teachers along with incentives and accountability for improving the quality of education
- the development, testing and production of text books should be improved by involvement of outside expertise and by introducing greater diversity and competition with better regulation by the DoE
- establishing public sector's regulatory, monitoring and standardization framework for private provision of education in a non-intrusive manner
- the province establishing standards, monitoring performance and regulating both the private and the devolved public sector establishments
- tasking the revamped Punjab Education Foundation to encourage greater participation and upgrading of private sector, to explore and encourage public private partnerships and to finance pilot test innovative policy interventions like encouraging competition and school choice through school vouchers etc.
- Finalizing the system of education management and implementing it in the whole province and across the different tiers of educational institutions
- Conversion of mosque schools into regular schools and up-gradation of all Middle Schools to High Schools level
- Mainstreaming of old municipal schools under urban disadvantaged areas improvement program

- Creation of clusters for better school management and teacher training and establishment of infrastructure for creation of school districts concept
- improvements to be made to the existing education testing service to ensure a uniformity in the output from the education sector and to evaluate teacher skills

### **3.2. Curriculum Development**

50. Genuine education reform requires above all political will, as institutional and political reform challenges the entire framework of patronage towards a system of facilitation and regulation without intrusion. The revision and modernization of the syllabi and curricula should be initiated only after a detailed and independent evaluation of the current contents. Recent studies examining the curricula and textbooks have found these wanting in a number of ways. This should also be accompanied by an evaluation of the total burden of education in each class, particularly at the primary level. To encourage wider participation, a panel of well known educators from each subject should be appointed as judges to select one or more books as text books and reference readings. There is no reason for limiting the text as diversity, particularly at the school leaving stages, would encourage a wider horizon of knowledge. Although curriculum development is a federal subject, yet the provincial government can contribute to the process through provision of technical input and support.

### **3.3. Standardization**

51. To ensure the effective regulation of educational establishments, and to ensure adherence to minimum standards, the provincial government should establish the framework and modalities of such regulations and standards. The provincial government should use the National Education Testing Service to standardize the entry requirements to Higher Secondary and Tertiary educational establishments and to verify the skills attained by teachers at various levels.

### **3.4. Inter-governmental Linkages**

52. The relationship between the provincial government and district governments ought to change in favour of greater decentralization of functions, staff and resources and the establishment of new performance-based relationships incentivized through the general and conditional grant mechanism and by a transparent regulatory and monitoring framework. The provincial government should retain only the functions relating to the enunciation of policy, the establishment of standards, regulatory and monitoring frameworks, encouraging private sector participation, the oversight of curricula and syllabi revision and the production of textbooks.

### **3.5. Private Sector Collaboration**

53. Private schooling still has a lot of potential to expand if it is supported by the government and not curbed through excessive regulations. The state can make a substantial contribution to improving education outcomes by capacity-building of private schools (teacher training, financing, provision of information on private school performance as a public good etc) and through programs involving public financing of private education including, for instance, voucher schemes for poor families and loans for home-based non-formal schooling.

### **3.6 Strengthening District Offices**

54. The district education offices at present are not equipped to undertake district level planning by utilizing district data from MICS and EMIS. This capacity for evidence-based planning needs to be upgraded at the district level with a lead role by province. And the district education office needs to be restructured on functional basis (human resource management, monitoring and evaluation, student assessment etc). Again the province has to take a lead. Moreover mosque schools catering for the first three years of schooling need to be merged into mainstream educational institutions. This can be done through detachment of such schools from mosques and through establishment of dedicated primary schools and creation of necessary infrastructure. There is also a need for rationalization of the remaining schools. The department needs to ultimately move towards a three-tiered schooling system (primary tier for classes 1-5, elementary tier for classes 6-8, and higher secondary tier for classes 9-12).

### **4. Prioritising Strategy**

55. The suggested strategy for the education sector is based on the realistic assumption that the interventions under the Punjab Education Sector Reform Program (PESRP) will continue in the medium term. Thus this strategy focuses more on areas that are either not in the purview of PESRP or are yet not being effectively addressed.

56. As a result, private schooling needs to be encouraged in the interest of greater competition and coverage. The education enrolment data collection needs to be comprehensive and should cover the private sector as well in order to enable holistic planning. The Punjab Education Foundation should be activated to take up its redefined roles of encouraging innovations and supporting schooling in poor areas.

57. The focus of PESRP needs to shift now to preventing drop out rates and improving quality of education provided. These require institutional and governance reforms in collaboration with the district governments. A targeted program for capacity building of district education offices for performing the functions of planning, human resource management, student assessment and teacher training for the medium term is immediately required. Pace of implementation of promising initiatives like School Councils, Education Management and School Districts needs to be speeded up.

58. Continuous professional development of teachers and educational managers is the key to quality improvements and needs to be strategized by DSD by involving private sector stakeholders and by developing a non-cascaded, teacher-centered training strategy. Lastly incentives and accountability procedures need to be put in place for realizing the quality learning promise of improved trainings.

## **LITERACY**

### **1. Introduction - Overview of Literacy in the Punjab**

59. The 1973 constitution enjoins upon the state to eradicate illiteracy and provide universal compulsory free education up to secondary level within minimum possible period. As a signatory of World Declaration on “**Education For All**” Pakistan is committed to reduce adult illiteracy by 50% of the existing illiteracy rate. This commitment has been reaffirmed by Pakistan at various national and international fora.

However past literacy and non-formal basic education initiatives have had a limited success. The current status shows alarming figures:

**Table 9: Current Illiteracy rates**

Age Group (years old)	Population (in millions)			Out of School / Illiterates (m)		
	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>
3-5	7.0	3.6	3.4	4.0	2.1	1.9
5-9	11.2	5.8	5.4	4.5	2.0	2.8
10 and above	51.0	26.9	24.1	27.7	11.5	16.2

Source: Literacy Department, 2005.

60. Today Punjab is confronted with a formidable task of educating about 38 million illiterates of age group 10+ and arranging educational facilities for the dropouts, left-outs of age group (5-14) years and also of ensuring 100% participation/enrolment by introducing an Early Childhood Education concept through joyful learning.

## 2. Issues and Concerns for Strategy Development

61. Efforts to promote literacy need to go hand in hand with those to improve the formal education system. While the latter needs to be in place in order to provide universal education to all those who deserve so, literacy programs should be designed to provide a second chance to the out of school children to meet their educational and learning needs. The carving out of Literacy Department from Education Department was meant to facilitate a targeted approach to tackling illiteracy through reliance on non-formal education, yet the departments need to work closely with each other for development of an integrated approach to literacy and education. The major intervention areas of non-formal education are early childhood education; adult literacy; literacy to all illiterates, particularly the poor from rural, remote and difficult areas; continuing education; and consolidation or improvement of skills.

62. Literacy efforts should be planned and delivered in close collaboration with formal education, spreading and strengthening of which should be the ultimate objective. There will however be a dire need to focus on literacy programmes in the short to medium term till such time that the existing formal education system is geared to enrol and complete the primary cycle of all children in the 5-9 years age group. Merely ensuring universal enrolment is not enough and other issues and rigidities in the formal education system also need to be effectively addressed. These include high drop out rates, the absence of child or learner friendly atmosphere and the limitations imposed by fixed timings and fixed age bracket.

63. Punjab has adopted a sensible approach of targeting illiteracy in collaboration with civil society and donor agencies. The Provincial Plan of Action on "Education for All" (EFA) has been formulated. The content of literacy manuals is being reviewed to make them more functional and poverty sensitive. Functional literacy is primarily focused on strengthening capacity to solve day-to-day problems along with promotion of healthy attitudes, behavioral change and character building.

64. Poverty alleviation requires equipping the poor with skills and techniques to generate incomes. Such skills may include needlework/embroidery, harvesting work, vegetable growing, poultry keeping / farming, electric work and welding etc. These skills need to be instructed in skill training centres. In an environment of low literacy rate and widespread poverty, it is essential to make provision for continuous learning of the neo-literates who

undergo the NFE programmes. This requires an extensive institutionalized continuing education programme.

### 3. Proposed Strategic Interventions

65. Current strategic interventions in the literacy sector in Punjab include the following:

**1. Literacy & Primary Education Project (UJALA) Project:** 2000 literacy centers established to provide basic literacy skills, primarily to adults, 90% of who were women.

**2. Literacy and Vocational Education Project under Education Sector Reforms Programme:** 3224 Literacy & Vocational Education centers were established in the province at cost of Rs. 93.76 million. Under this scheme 100,000 learners of age group 15 & above are provided basic literacy skills for seven months and income generating skills / vocational training for five months.

**3. Establishment of 4216 Adult Literacy Centers (124 in each district):** These centres aim to provide Basic Education / Literacy Skills to illiterates along with useful life learning skills.

**4. Early Childhood Education Project:** 104 ECE Centers were opened in eight districts of the province providing employment opportunities provided to 200 teachers and 'ayahs'. In the first cycle, about 5000 children have been trained.

**5. Model Districts for achieving 100% Literacy:** This project of literacy promotion is being implemented through federal, provincial and district funding in collaboration with Japan International Cooperation Agency, (JICA) Four districts, identified as Model Districts, are Khanewal, Khushab, D.G.Khan and Mandi Bahud.Din. Need assessment, mapping and project development will occur in first phase followed by launching of multi-sectoral campaign, Non-Formal Basic Education programme for out of school children and opening of Adult Literacy Centers linked with life learning skills for the adolescent youth / adults.

**6. Establishment of District and Provincial EFA Units:** 34 district EFA units have been established and equipped for coordinating EFA activities at district level, preparing district plan of action on Education for All, and for acting as a local data source for district level planners, policy implementers and administrators.

### 4. Prioritising Interventions

66. The EFA units set up at the district level need to be made the pivot of all literacy related initiatives. Efforts must be made to closely link these units with the district governments. Thus these units should conceive and actualize a close role for elected local government councillors, particularly at the union level.

67 The Model District approach is again promising but needs to be backed up with greater decentralization of planning and decision making so that each of these districts can adopt different approaches for achieving 100% literacy.

68. Lastly the Adult Literacy Centers, the Non Formal Basic Education Centers and Literacy and Vocational Education Centers need to be made more functional through better supervision (which remains a weak link in this NGO-reliant model), through involvement of local governments and through integrated planning with education department.

## SECTOR: HEALTH

### 1. Introduction- Overview of Health in Punjab

69. Even though the sector on the average performs better than the country at large, nevertheless public sector health care services in Pakistan are not meeting the needs of the vulnerable segments of society: the poor, particularly their women and children, those employed in the informal sector and those who are unemployed. Many reports indicate that the public health sector is concentrating its investments into the secondary and tertiary health care institutions located largely in the bigger cities. The outcomes of the health sector in the Punjab compared with Pakistan as a whole are as shown:

Indicators	Pakistan		Punjab
	Year	#	#
Children under five years of age underweight for age %	2001/02	37.4	34
Under-five mortality rate (per 1000 live births)	**1998	113	112
Infant mortality rate (per 1000 live births)	**1998	82	77
One-year olds immunised (%)	2001	57	66
Births attended by skilled birth attendant (%)	2000	20	38
Tuberculosis prevalence rate (per 100,000)	2000	415	500
Population with sustainable access to an improved water source - Urban (%)	2000	95	95
Population with sustainable access to an improved water source - Rural (%)	2000	87	91
Population with sustainable access to improved sanitation - Urban (%)	2000	95	95
Population with sustainable access to improved sanitation - Rural (%)	2000	43	43
Note : ** 1998 Population Census Report Punjab Province			
Source : <b>World Health Report 2004</b> ; WHO, Geneva; Population Census Organisation; 2000; <b>1998 Population Census Report Punjab Province</b> ; Government of Pakistan Printing Press, Islamabad; Bureau of Statistics, Government of the Punjab and United Nations Children Fund; 2004; <b>Punjab District-based Multiple Indicators Cluster Survey (MICS 2003)</b>			

70. Punjab has the largest infrastructure in the health sector in Pakistan with a three-tier system, divided into primary, secondary and tertiary levels. In public sector alone there are more than 5000 health facilities ranging from primary health care level to tertiary level. There is one Basic Health Unit in each Union Council and a Rural Health Centre in each *Markaz*. Each tehsil and district headquarter has a hospital capable of treating the bulk of medical and surgical needs and emergency services. In the larger towns, the public health care system also has a network of specialist clinics and teaching hospitals.

71. Public sector provision of health care services is through a number of agencies. The federally funded vertical programmes predominate in the preventive medicine arena and work in collaboration with the staff available at the primary health care centres operated by the DoH. The DoH predominates as the principal supplier at the primary and secondary level. The province is fairly well covered by the network of public health care facilities. Despite this massive investment in health infrastructure, quality medical services are available only in big cities and small town and lacking at Union Council level (i.e. BHUs). The private sector plays a pivotal role in the provision of health care from

GP practice to the community based doctor, the private MCH and hospitals catering to the more well off in society and the specialist clinics and teaching hospitals. In addition philanthropy plays a pivotal role in improving the facilities available within public sector hospitals. Alternative medicine is available through the large network of *hakims*, *homoeopaths*, and other forms of medical service providers. A number of non-profit organisations enter into a contractual relationship with government, particularly for the delivery of federally driven vertical programmes in the Health, Population and Nutrition arena. These in turn work with community based organisations for actual delivery.

## 2. Issues and Constraints for Strategy Development

72. Service providers in the sector enjoy a position where their highly demanded skill sets can be used to augment incomes substantially. This, therefore, creates a situation where issues of governance become critical (World Bank 2004). Other issues affecting the sector's performance relate to institutions, quality of health care provided and health care financing. These especially have an impact on the poorer segments of society.

### 2.1 Governance

73. A number of studies and reports have all indicated that perhaps the most burning issues in the governance arena are:

- a) **dichotomous relationships** in reporting have sprung forth following devolution of the health sector with service delivery being district responsibility and staff, resources remaining with the province, thereby largely undermining the service delivery improvement promise of devolution.
- b) **accountability** and inability of the system to take remedial action against all health care personnel regarding absenteeism, negligence etc.
- c) **data and research**: the wealth of data which exists within the records of the system is not easily accessible or in usable form. This makes it unavailable, either for management purposes, or for independent monitoring of performance. Moreover the system does not facilitate research into public health issues.
- d) **human resources**: availability appears to be skewed. The province has an oversupply of doctors: 62 physicians per 100,000 people compared to 37 physicians per 100,000 people for South Asia. This availability is in fact more than the average for the world (58 per 100,000 people).
- e) **location**: locational disadvantages (poor access, physical condition of building, accommodation and other services) have a large contribution in health facilities remaining understaffed and under-utilised.
- f) **shortage of female doctors/staff**: particularly in rural areas and squatter settlements. For social and cultural reasons, most women doctors will not serve in the rural areas. A recent study<sup>12</sup> has found that most women acquire a degree in medicine to improve their prospects for marriage, - as medicine is also seen as a lucrative career option - thereby *reflecting a "perverse incentive" for higher education that does not benefit Pakistani society as a whole*
- g) **absenteeism** of health care personnel results in a denial of service to the rural and the urban poor. Even in the larger cities, the pre-emption of service by the elite and well off is detrimental to the poor. This becomes even more iniquitous as the persons pre-empting the services can afford to pay for the services provided by private practitioners

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<sup>12</sup> Sadiq, Ahsan; 2004; **Social Protection Strategy Development Study Final Report Volume 2 – Health Insurance**; Gessellschaft fur Verisicherungswissenschaft und gestaltunge. V.;Islamabad

- h) **the rate of utilization of basic health care services** is very low.

## **2.2. Institutional Limitations**

74. The health sector also has a number of issues which, while within the governance arena, merit special attention.. These are:

- a) the need for a holistic vision in planning for the growth of public health care services, human resources and facilities.
- b) the shortage of professionally qualified health care service managers and planners results in doctors being assigned to perform these functions. This is a misuse of scarce resources and results in poor management and planning of functions
- c) part-time service of health care providers in the form of partial availability of staff during fixed hours which results in the denial of access to services, more so in the rural areas
- d) health care infrastructure has not been expanding in the urban areas synchronous to the widening spatial extension in the urban sprawl
- e) in most hospitals, the ratio of nurse to doctors is skewed and is not consistent with the level of treatment required. There is severe shortage of nurses and paramedics

## **2.3. Quality**

75. The quality of health care is impacted by a host of factors. The most important ones relate to the physical environment where patients are treated and the quantum and quality of inputs (health care provider, medicines, equipment) which are needed for maximising the benefits from health care. The shortage of qualified personnel, especially of nurses and health technicians, at all levels contributes to poor standard of quality. Also there are no standards against which performance may be measured. The quality of health care is also impacted by relevance of the training given to health care professionals and practitioners, which is biased towards use of sophisticated diagnostic and testing facilities not available in rural areas. Within the environmental arena, the first concern is the location of facilities and their physical infrastructure. In the larger facilities, the environment created is not designed for low maintenance. Some buildings are even dangerous and if not attended to could lead to major disasters.

## **2.4. Inadequate Health Equipment**

76. Another major issue in the bulk of the public sector health care facilities is the equipment available. The general complaint is the non-availability of facilities and equipment owing to breakdown, disrepair or being out-of-date. This is mostly because either there are no operating manuals or, if available, these are not followed by health technicians. Specialists in tertiary hospitals voice an almost insatiable demand for very costly and state of the art equipment, such as MRIs and CT Scans, without adequate justification. Much of this equipment is either under-utilized or supports private practice.

## **2.5. Lack of qualified health care professionals**

77. From the perspective of the poor, the most critical issue is shortage and absenteeism of nurses and paramedics. This is more visible in the rural areas. Overall the health system is biased towards tertiary and urban health care. The low level of funding in the late 1990s, especially for the non-salary budget, led to further deterioration in the quality of service. While the poor are the bulk of those who use the public health



care facilities, there is no mechanism to ensure that set standards and procedures are followed. These are necessary to ensure that the same level of attention is paid for any particular incident irrespective of the facility that is used and to ensure that the state is bound to supply a minimum package of services. This would also help in ensuring that the relevant medication and supplies are available immediately on demand.

## **2.6. Funding and Resources**

78. Reviews of the Social Action Programme (SAP)<sup>13</sup> have indicated that the link between increased funding and better health outcomes did exist in the health care system in the Punjab. Public sector health services are inequitably distributed and inadequately funded with consequent adverse impact on quality and access<sup>14</sup>. Shortage of funding is reflected in poorly staffed and financed health facilities in rural and hard-to-reach areas. Staff has no incentives to serve in remote areas where most of the poor and vulnerable groups reside. Furthermore, service provisions are not aligned with local needs as is reflected by low utilisation rates, particularly by poor, women and children<sup>15</sup>. There is also a severe shortage of female staff.

## **2.7. Other Critical Issues**

79. A large number of preventable deaths continue to occur among women during childbirth. Sexually transmitted infections and HIV/AIDS, malaria and TB are debilitating families and communities, and population growth and mortality of children under five remain a serious threat. Poor health contributes to declines in per capita income and productivity, ultimately undermining efforts to reduce poverty. The MMR is still in the range of 250-450 against the five year plan target of 200 for the year 2003; IMR is 77 in 2005 against the five years plan target of 40 for 2003. Life expectancy at 65 years is as per target but is causing physical and social problems of old age life.

80. Issues of critical concern in the primary health care are shortage or non-availability of staff, particularly doctors and more particularly female doctors, coupled to absenteeism. This is also an issue at secondary health care level as this is the first level of referral. In the absence of such staff the burden of care is transferred to the major hospitals located in the larger cities. Other issues are non-availability of critical items, such as refrigerators (needed for maintaining the cold chain of vaccines, injections and medicines) and basic laboratory equipment (rendered useless for having outlived their useful life or requiring repairs); absence of equipment as they have either not been supplied initially or they have been out of order; shortage of medication etc.

## **3. Proposed Strategic Interventions**

81. The proposed Reform Programme targets an improved health delivery system in which consistent patient-centered care is guaranteed, and a better planned, managed and performance measured system in which needs, services, funding and outputs are

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<sup>13</sup> SPDC 1997, 1998, 2000; Sosec Consulting Services; 2004; Devolved Social Services Sector Development Programme – Final Report; Sosec Consulting Services; Islamabad

<sup>14</sup> The financial resources available to the sector are through the current and development budgets of the federal, the provincial and the district governments. At the federal level these are in the form of expenditure on the federally driven programmes, such as EPI, Malaria Eradication, HIV/AIDS. The total amount available to the DoH has nearly doubled between 2002/03 and 2004/05 from Rs. 5.6 billion to Rs 11.0 billion. Another resource avenue for the sector is the money spent by the District Governments.

<sup>15</sup> For health sector based on HMIS 2003 data, the number of deliveries conducted and child patients attended are far few at BHUs and RHCs. Similarly 65% of children of 5<sup>th</sup> quintile in urban areas are fully immunized compared with 21% children of 1<sup>st</sup> quintile in rural areas

systematically interlinked; and a health system which maximizes use of resources. It seeks to improve equity of access, effectiveness and efficiency of services, responsiveness to existing and emerging disease burden, consumer satisfaction, and focuses on MDGs and other pro-poor interventions.

### **3.1. Access and Quality**

82. There is a need to search for alternative methods of improving access and quality of services to rural areas and vulnerable populations, especially women and children. Some options include setting differential pay packages to attract staff to work in remote areas, developing a cadre of village-based midwives who work on self-employment, contracting out management of health facilities to private sector and NGOs, and encouraging CCBs, CBOs and user committees to invest in and manage the services.

### **3.2. Improved Public Infrastructure**

83. A large number of facilities, particularly at the primary health care level, either do not have the standard equipments specified or these are non-operational for a variety of reasons or function only partially. There is, therefore, a need to make such units function well to improve the access of people to quality health care. One of the contributing factors to the absence of medical personnel from the BHUs is the non-availability of accommodation and other facilities. Unless these concerns are redressed, there will always be a shortage or absence of medical personnel from such locations.

### **3.3. Public Awareness**

84. People should be made aware of their rights and duties vis-à-vis the health care system, specifically the private health sector. A medium term strategy should ensure that there is adequate representation of the people and consumer organizations on the various regulating and monitoring bodies functioning at various levels. Records should be maintained properly and the patients should have access as a matter of right. Minimum standards and requirement for various types and kinds of hospitals and nursing homes should be laid down. With regard to charges and fees there should be standardization of fees charged by the practitioners and fixation of reasonable charges by hospitals for the services provided.

### **3.4. Licensing**

86. With regard to private practitioners, the state and medical councils should ensure that only properly qualified persons practice. The current licensing system is flawed since it does not ensure continuous oversight or incentives for skill enhancement and upgrading of knowledge. It is important to target spread of practitioners and hospitals in the province to prevent over-concentration in certain areas through licensing and other means. There should be regular medical and prescription audits and renewal of license and registration should be dependent on it. The soft lending to doctors through Punjab Health Foundation should be conditional that the recipients will provide primary health care services to people as per public sector guidelines.

### **3.5. Human Resources**

87. In order to deal with the issues of vacancy position and to minimize staff absenteeism, recruitment may be accomplished through Public Service Commission as prior to devolution. Moreover **performance based incentives** are recommended for

medical and paramedical staff. House jobs for doctors may be extended to 2 years, out of which, one year to be spent at the tertiary care hospital and the other at rural level with linkages with the tertiary care hospitals. For this purpose, it is recommended to attach each and every district with a teaching institution preferably keeping in view the location of the district within the regions. For the female staff, incentives should be provided for facilitating their posting in rural areas and urban slums. Private practice should be institutionalized. A coronary service should be established for provision of specialized medico-legal services and for freeing up the time of regular health staff. The government may file appeal in the Supreme Court for exemption of female staff from conducting medico-legal examination.

88. Lack of job description and standard procedures for health service delivery is one of the main reasons for inefficiency of the health personnel and for breakdown of equipment. Thus a medical manual should be prepared with two major parts including Job descriptions and Protocols / SOPs. Standard procedures should be developed for planning, financial management, logistics, Management Information System (MIS), Supervisory system, redesigning and functionalizing patient referral system.

89. The number of nurses and paramedics is insufficient to meet requirements. The current ratio of doctors to nurses is skewed as is that of paramedics. This results in over-burdening the available staff which detracts them from providing quality health care. Unless this is corrected, the level of health care provided will be low and the standards will continue to be violated. The greater use of nurses, technicians and para-medics to screen patients initially and provide immediate relief would ensure that the doctors spend more time on diagnosis thereby improving the general level of health care services. Moreover the quality and level of knowledge and post-qualification training provided to health care personnel varies across institutions in both the public and the private sectors. One option for ensuring availability of health professionals, especially female staff, is to adopt a policy of differential salaries especially with higher allowances/bonuses in hard and inaccessible areas. Health sector is also an area where pilot projects for adoption of market wages could be tried for health professionals in selected areas and the policy, if found successful by carefully conducted impact studies, could be replicated in other areas.

### **3.6 Creation of a new cadre of public health professionals**

90. A critical constraint in health sector human resource management is the serious dearth of public health professionals (nurses, paramedics etc.) at all levels. The ones that are available have generally serious quality issues. There is a need to address the issues plaguing the existing cadres (better selection, training, higher wages, introduction of foreign trainers especially nurses, improvement in career structure including promotion prospects etc.), but also to explore introduction of a new cadre of public health professionals along the lines of the erstwhile LSMF cadre. This cadre is more likely to serve in un-serviced areas and is likely to make the health care system more productive. The nurse-doctor ratio in Punjab is seriously skewed and is out of line with the international practice. There is a need to have greater number of better qualified and trained health professionals but the existing ones are not qualified to perform all the functions of public health professionals lacking the training or the incentive to upgrade their knowledge. The idea is to have a cadre of professionals with almost the same entry requirements as regular doctors who undergo a rigorous education of, say, three years focused on public health issues. These professionals then need to be incentivized to

serve in rural areas, urban un-serviced areas and to serve under regular doctors in mainstream health institutions. They should also have the option/incentive, after they have served for some years in the field, of being able to join medical colleges in order to become regular doctors by studying at the medical colleges for some more years<sup>16</sup>.

### **3.7 Linking greater autonomy of health institutions to system improvement.**

91. The Punjab initiative of granting autonomy to hospitals and health institutions is in line with smart management practices as it enables innovations, greater resource mobilization and better management at the institution level. However this cannot by itself alone lead to systemic improvements for which health institutions not only need to be externally supported but also incentivized. Thus greater autonomy to health institutions should be linked with external monitoring of outcomes through annual Performance Surveys conducted through third parties. Moreover DoH should make outside expertise (consultants, private institutions etc.) available to these institutions for capacity building of systems development (patient management systems, inventory control, MIS, equipment management systems, protocols for protection of poor patients etc.)

### **3.8. Integrated Health care**

92. In order to provide a comprehensive and integrated health service for the people of Punjab, the department of health should introduce a referral system as one of its strategies to make the best use of hospitals and primary health care services. In this system, all patients should first be seen by primary health care physicians who will decide whether a referral to secondary care is necessary. There is dire need to have senior citizen package including old age home to deal with the old age people problems. There may be a special budget allocated to the health of the senior citizens. Another option is to assign a special team of health personnel to the senior citizen's health.

93. Routine services may be strengthened through revamping the system and development of proper protocols and SOPs by groups of experts and grass root workers in the relevant field. For example, experts may explore innovative strategies for developing programmes, policy, and research to promote comprehensive immunization coverage for all age groups.

### **3.9. District level Interventions**

94. District teams require capacity building in a number of areas as there is a perceived gap in the existing capacity both in terms of human and system support resources. **Core Competencies** including general management, human resource management, planning and budgeting, monitoring and evaluation, advocacy /communication /social mobilization need to be enhanced. *Support systems* including comprehensive health management information system are required had to be established. *Training and support* is earnestly required to strengthen these systems if meaningful functions are a desired outcome. A clear understanding of expenditure and resource allocation patterns is fundamental to effective and efficient district management and planning. At present, the financial and accounting systems are adequate and should exist as such.

95. The province should facilitate the process of district-based planning. This concept has been already successfully implemented in the 8 districts in Punjab under Women

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<sup>16</sup> For more details, see the Sector Paper.

Health Project, where DHMTs are preparing their 1 year operational and 5 years strategic plans. The support package should include the planning, monitoring and advocacy competencies of the district managers with special emphasis on re-defining objectives of training at all levels, core competencies focused management training, and establishing a system of Continued Medical Education (CME).

### **3.10. Models for Private Health Care**

96. The private health sector is a large and important constituent in the country's health care delivery system. Pakistan probably has one of the largest private health sectors in the world. Compared to state expenditure on health the private household expenditure is nearly four to five times more than that of the state. Punjab Health Foundation needs to be reconstituted on the pattern of Punjab Education Foundation in order to give it a more pro-poor focus and to task and empower it to encourage public-private partnerships, for incentivizing mainstreaming of private health professionals and for carrying out innovative pilot projects, new institutional models and impact studies. Private sector needs to be mainstreamed through

- Private health facilities to conform with defined standards
- Franchise model whereby chains of health service providers provide a defined range of health services to their clients and the chain/firm monitors, regulates and ensures the quality of service provided by its members in different areas against transparent standards.
- Public financing of private sector. This is already done through provision of soft loans from Punjab Health Foundation to doctors in the private sector but could be refined through addition of incentives and conditions.
- Creating linkages of private sector PHC facilities with vertical national health programmes

97. There is a need for institutionalizing greater community involvement in health programmes. This is especially important in enhancing the effectiveness of preventive programmes. One way of doing it is through the establishment of Health Councils at village level which liaise between the community, village health workers and BHUs in preventive, curative, nutrition and health awareness programmes like School Health Programme. The department can also take advantage of presence of organized communities in areas where agencies like the Rural Support Programmes have made substantial investments in the past in terms of social mobilization. Similarly there should be community health liaison committees at the BHU level which include representatives of village health committees, the elected Union Council and the health officials. These committees for involving the local communities in BHUs management would increase local ownership and reduce pressure of monitoring overload from the higher tiers, especially in the rural areas and in urban slums where staff absenteeism is a major issue and where there are demand failures in accessing health services, particularly preventive ones, because of lack of education and other constraints and where community involvement can help overcome these problems. Citizen Community Boards (CCBs) can also be motivated to move beyond infrastructure projects and venture into projects for health improvement. Moreover there is a need to further the Rahim Yar Khan experiment. It is a good management model so far and can be expanded both horizontally in other areas and vertically by including preventive health and by giving communities greater say in the management of the health outlets in particular and of district health policy in general.

## **4. Some Innovative Approaches**

### **4.1 Malaria Free Punjab**

98. WHO has set the standards for declaration of any area as “*Malaria Free*”. Strategies in order to conform to those standards may be developed and “*Malaria Free Punjab*” could be got declared by the WHO. This is not a very complicated process and given commitment, could be achieved within the medium term.

### **4.2 Assistance to remote business process**

99. Moving non-core business processes or back-office applications to external service providers or having the business process performed at a geographically distant location is called as business process outsourcing. Outsourcing is not about giving up control. It is just working with a company which shares your definition of success and does the "non-important" work for you.

### **4.3. Strengthening devolution and clarifying federal-provincial-district roles:**

100. The service delivery improvement promise of devolution can only be realized by furthering the process of devolution and through backing it up with strong provincial and federal support. In the health sector, this may mean clarifying the relationship of EDO (H) with the DCO and District Nazim on one hand and with the provincial secretariat on the other hand. A strengthening of the coordinating role of DGHS is also suggested. Besides further decentralization, there is a definite provincial role in planning, setting broad policies, monitoring and in capacity building. The isolation of DGHS has created a number of technical problems; and the most important being the lack of provincial monitoring. Therefore the EDO (H) are working without adequate technical supervision.

### **4.4. Health Management**

101. Although Operational District Health Plans have been prepared by all districts, review of the progress of activities as per plan exists in a few only. Moreover there is virtually no useful information being generated for the district which may be utilized for planning. The already existing Health Management Information System needs to be refined and more importantly should be regularly used for sector planning and monitoring of results, for developing a Health Institution Data base (HID), for human resource management and for generating regular reports on health outcomes.

### **4.5. School Health Programme**

102. The School Health Programme was doing a useful service at one stage in early identification of diseases and impairment in children and needs to be revived. It involved teams of physicians and technicians periodically visiting each school in their area, examining children and prescribing remedies as needed. This reduced the burden on child health care facilities. The use of mobile health service to provide preventive health care to students is one incentive for attracting children from the poorer segments of society to enrol. This also has the advantage of early diagnosis and treatment of disease and disability among such children. A second benefit is the extension of EPI and other vaccination programmes to a round-the-year effort. School Health Programme can be piloted in some of the backward districts of Punjab and later extended to other districts.

#### **4.6. Health Insurance:**

103. Health Insurance began in Pakistan in 1988-89 for corporate employees and for individuals by a few companies. Basic benefit packages vary from covering hospitalisation services only to covering outpatient, maternity, hospitalisation and dreaded diseases up to a stipulated limit. Government should explore provision of health insurance for at least the critical diseases to the poor and vulnerable groups. For the general population, the government may pay the premium for the total health coverage insurance on sharing basis. This may be initiated on group basis and first group may be mothers and children. This may improve the current situation of MMR and IMR in Punjab in line with MDGs and may be extended, afterwards, for other health services. The feasibility of using Zakat funds for this purpose and for selection of beneficiaries also needs to be explored.

#### **5. Prioritising Interventions**

104. The strategy summarized above reflects the visioning done with the department and can be used as a guide over the medium to long term. Although there is broad agreement on these priorities, yet the Health Department should ideally utilize the services of the Devolved Social Services Program (DSSP) and the Priorities for the medium term are reflected in more detail in the sector paper. The department may take these up considering its resources and capacities. Prioritization of interventions in the medium term may be undertaken as given below:

1. Adopting Life Cycle Approach within the context of primary health care including M&NH and child survival
2. System strengthening through creating conducive environment: This involves in particular furthering decentralization, system building, capacity building of district health offices and exploring the establishment of a new cadre of public health professionals.
3. Facilitate Public Private Partnerships
4. Mainstreaming of the private sector
5. Innovative approaches (Quick-wins)





## **SECTOR: LIVESTOCK AND DAIRY DEVELOPMENT**

### **1. Introduction – Overview of Livestock and Dairy Development in the Punjab**

105. Despite its subservient status to crop production, livestock is the second largest component of agriculture in Pakistan, after major crops. Although being a badly neglected area it has shown remarkable growth and resilience. Caught in the vicious cycle of resource constraints, livestock sector bails out a large portion of population as it makes possible sustainable livelihoods and food security.

106. Livestock production is an integral part of Pakistan's agricultural system and plays a vital role in national economy. At present, livestock is contributing about 49.1 percent of the agriculture value added and 11.4 percent to national GDP. Its net foreign exchange earning was to the tune of Rs 53 billion during 2003-4, which was almost 8.5 per cent of overall export earnings of the country<sup>17</sup>. However the increase in livestock contribution in overall agriculture sector is more a result of stagnant performance of agriculture sector than of the performance of sector itself. The role of livestock in rural economy may be further assessed by the fact that about 30-35 million rural populations are involved in raising livestock. These families on average hold about 2-3 cattle/buffalo and 3-4 sheep/goat and derive 30 to 40 percent of their income from these<sup>18</sup>. Despite all nutrient constraints and fluctuation in the crop sector, the sector posted a steady growth of around 5 percent during the last decade. However, statistics show that the growth engine slowed down to 2.6 percent in 2003-04<sup>19</sup>.

107. In spite of the importance of the livestock and dairy sector, it is still far from realizing its potential. The sector is still mostly looked upon from the perspective of providing social protection to the poor and landless, as validated by a number of studies. However given appropriate policies, the livelihood promotion goal of the sector does not clash with the strategic objective of actualizing the considerable commercial and export potential of the sector and given appropriate institutions (breeders associations, deepening of financial and marketing channels, establishment of affordable and accessible animal health services, promotion of extension services), the synergies between the two objectives can be fully exploited. Besides the scope for harnessing market forces, devolution provides an opportunity to redefine the role of the provincial setup of the Livestock and Dairy Development Department towards planning, policy and standard setting while allowing targeted public sector interventions to be managed and monitored by the district governments.

108. However livestock sector can only play a significant role in poverty reduction and income and employment generation provided certain institutional reforms are carried out in the sector. These include, most importantly, determination of the appropriate role of the state in the sector and focusing on provision of public goods and targeted interventions for low-income populations while creating enabling conditions for sustainable development of the sector through market forces.

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<sup>17</sup> Source: Economic Survey 2003-04.

<sup>18</sup> Source: L&DD Department Punjab, 2004

<sup>19</sup> Source: L&DD Department Punjab, 2004

## 2. Issues and Constraints for Strategy Development

109. Low productivity, meagre income generation, under-exploited export potential and institutional weaknesses are some of the most significant issues for the livestock sector. Interestingly while Pakistan became the fifth-largest milk producing country of the world, its milk import bill inflated from Rs 0.34 million to Rs.770 million during the decade ending in 2003. Low productivity of milch animals remains a key limiting factor. Data show that Punjab is deficient in about 238 million tons (MT) milk, 30 MT meat, and about 2468 million of eggs<sup>20</sup>. Available record shows that per capita daily requirement of APF is about 27 grams whereas in Punjab the per capita availability of APF is about 14.25 grams - about 48.7% deficiency.

110. Nevertheless, these concerns cannot be alleviated without addressing food and fodder shortage, problems of breed improvement programs, inadequacy of animal health services and weak marketing infrastructure. There are some more impediments particularly in the area of food security, trans-boundary disease control and environmental protection. Addressing these issues would need a medium and long term policy framework that enhances economic growth with pro poor benefits.

### 2.1. Food and Fodder

111. One of the major constraints in the development of livestock sector is poor availability of nutrients. In Punjab, the nutritional requirements are mainly met through fodder crops, shrubs, grasses, and agro industrial wastes. The existing available feed resources can only fulfil the maintenance requirements of animals. Under feeding is a major hurdle in the vertical growth of the sector. An underfed animal would never give the desired results even if it is of superior quality. Estimates show that the livestock sector is running short of Total Digestive Nutrients (TDN) by 36% and Total Roughage by 25% (L&DD). Recent research suggests that about 70-75% of the intake of feed and fodder is served for the maintenance of livestock. It is the remaining 25-30% of intake that actually matters for productivity enhancement. Estimates further suggest that the marginal returns from providing larger rations to the existing animal stock in terms of additional production of meat and milk could be much higher as compared to those of using additional feed to give the same quantity of ration to a larger herd. Therefore government should promote productivity growth rather than increase in livestock numbers by enhancing the quantity and nutritional quality of feed and fodder supplies along with their processing. This requires a shift in current policy from supply-driven interventions and across-the-board provision of subsidized veterinary services to a demand led process.

112. Improved husbandry practices would inevitably increase demand for more nutritious feed like oilseed, grains and molasses, which would have to be imported due to non-availability from the domestic market. This could be again an expensive option. One problem is lack of ability to transfer feed and fodder from 'flush' *Rabi* season to the 'lean' *Kharif* season. This has a direct bearing on livestock productivity. Less availability of grass and fodder for the animals during *Kharif* reduces milk production by half.

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<sup>20</sup> Source: L&DD- Annual Report 2003-04

## **2.2. Breeding**

113. Breed factor is considered to be the second most important reason of late maturity and long calving. Reproductive disorders in females lead to substantial economic inefficiencies. Studies show that Punjab is losing about 11.57 million tones of milk and 4.78 million of calves each year on account of reproductive disorders.

114. Sustained enhancement in livestock productivity requires genetic improvement. The most critical issues in the breed improvement relate to limited and poor Artificial Insemination services; poor quality semen; rudimentary genetic improvement programmes; late maturity and long calving interval; and reproductive disorders. The department mainly concentrates on breed improvement through highly subsidized provision of Artificial Insemination services. One AI costs the department about Rs. 115. However, the breeder is charged only Rs. 30 (World Bank 2001). This subsidy is costing the government about 127.5 million Rs. and appears misdirected since AI is clearly a private good and since the subsidized service is not even reaching the needy poor and landless farmers. There is a need to rethink both this across-the-board subsidy and the appropriate delivery mechanism for targeting the poor and landless farmers.

## **2.3. Animal Health Cover**

115. Only 16% of the animals receive vaccination cover in Punjab. The primary emphasis is on clinical services and as a result, endemic diseases such as Foot and Mouth Diseases (FMD) are still prevalent in the province. The limited emphasis on preventive services contributes to Punjab's inability to eradicate animal disease epidemics, which undercuts provincial competitive advantage in the national and international market. Due to the prevalence of such diseases, the sanitary regulations of many OECD countries deny entry of our livestock products. Absence of de-worming and vaccination results in considerable decrease in the livestock productivity.

116. Limited animal health cover in Punjab is not only a factor of low coverage (for instance, vaccines for Hemorrhagic Septicemia can only cover 26% of the animal population) but also of elite capture as shown by considerable anecdotal and some empirical evidence. Thus it is the relatively bigger and richer farmers who mostly avail the subsidized publicly provided curative and preventive animal health services. Most of the public sector veterinarians engage in private practice after office hours. The poor and landless farmers are shut out because they find these services unaffordable (formal and informal fees, transportation costs etc.) and high transaction costs involved in getting access to these services.

## **2.4. Marketing**

117. A well chalked out marketing strategy is essential to enhance productivity of the livestock sector and increase income of livestock farmers. There are many places where linkages could be reformed for pro poor benefit. Punjab Economic Report points out the following factors as hindering the effective functioning of agricultural markets

- Public sector domination of such markets resulting in highly bureaucratic administration lacking effective private sector involvement.
- Lack of market infrastructure: These include poor transportation linkages and other support facilities.
- Poor market information due to prevalence of primitive price collection and dissemination system. As a result market supplies usually do not match demand,

and do not reflect the quality demanded by consumers. Gluts and shortages in agricultural commodity supplies are common and discourage long-term investment in the agricultural sector

- Missed opportunities for diversification: These include lack of proper infrastructure for export markets.
- Grades and standards as a major bottleneck: These include lack of properly defined, formalized and universally accepted standards and poor monitoring of any standards due to lack of credible sanitary and phyto-sanitary laboratories and trained manpower to test and implement standards.

Available data shows that due to improper milk handling, storage, transportation, infrastructure and untimely processing almost 30% of the milk is wasted. Moreover, only 4-5% of the milk produce is processed and the rest is consumed in the local market. This limits the export potential of livestock sector. Available estimates suggest that this is true for meat and other livestock products as well. This calls for dissemination of better processing techniques, establishment of effective marketing outlets and propagation of mechanisms for converting excess milk into milk products like powdered milk.

## **2.5. Extension Services**

118. Extension services are important for bridging the knowledge gap of farmers and for ensuring their active participation in sector growth efforts. Traditionally the department has concentrated on conventional 'train and visit' approach for extension services even though this has been marred by limited monitoring (resulting in 'ghost' workers and trainings!); limited access to farmers (due to few institutional channels for ensuring access to poor and landless farmers, like farmers cooperatives etc. as exist in many parts of India); and low effectiveness (outdated knowledge of trainers, supply-driven trainings and not needs-based, lack of follow-up, feedback mechanism). The generic problem is that the progressive richer farmers seem to be ahead of the state while the state does not reach and target the poor and landless farmers.

## **2.6. Poverty Linkages**

119. Alleviating poverty requires measures that target the poor directly. Livestock products are enterprises in which small scale producers can successfully engage to improve their livelihood and obtain a relatively constant stream of income thus moving from subsistence to market orientation. However, low productivity of livestock sector has added to further income inequalities of the livestock farmers. Available literature confirms that the majority of rural non-poor depend on crops and poor depend on livestock (Malik 2003). Similarly the proportion of households that depend on both crops and livestock is substantially higher for the non-poor [FBS (2001) and Nazli (2003)]. These studies also indicate that the majority of the poor are landless or small farmers.

120. Although the sector is currently heavily distorted in favour of large-scale producers, yet it has enormous potential to combat poverty and strengthen economic growth. It offers unique opportunity of a rapidly growing market of which many rural people already have the experience and which they can enter without the need for substantial resources and training. The livestock production does not offer a universal solution to rural poverty but for many it represents a practical way to build assets and financial security. Livestock development is imperative for strengthening of the national economy due to its potential for job creation, food security and high export prospects.

### **Box 2: Marketing: Success and Future Possibilities**

Reliance on traditional marketing systems results in sub optimal outcomes – causing wastages, preventing livestock owners from getting a fair price and the consumers from getting quality products at fair price. Such systems are of two types. The first category is of the owners of milch animals. Due to marketing problems such as lack of transportation, distance to cities, failure to get fair price, fleecing of the middlemen and perishable nature of dairy products, they either concentrate on domestic consumption or on sale within the village vicinity. The second category is of traditional milk collectors (*Gowalas / dodhies*) who purchase milk from villages and take it to urban and semi-urban areas on bullock carts, horse-driven carriages, cycles and motor-cycles. They sell the milk to middlemen, shopkeepers or supply at the doorsteps of city consumers. The doorstep selling of adulterated and hygienically unsafe milk is still in practice because of it being cheaper than the processed and packed ones.

Literature suggests that development of farmers associations is an effective strategy to ease marketing constraints. This is borne out by global experience. The success of the milk cooperative movement in Indian state of Gujrat and its later extension throughout the country and the current success of Anand Milk Union Limited (AMUL) are a testament to the efficacy of this strategy. This is also validated by the experience of the well-functioning cooperative in Punjab known as Idara-e-Kissan. Idara-e-Kissan is a non-government organization (NGO) that was established in 1983 under a bilateral agreement between the governments of Pakistan and Germany. In the first phase about 45 villages and 15,000 farming and landless households were selected from Pattoki, Kasur. Later more villages from Okara and Kasur were also included. To help farmers in marketing their produce, an extensive system of milk collection, processing and marketing has been evolved by the Idara-e-Kissan. After collection of milk from the villages, it is sent to Pattoki milk processing plant. The processed milk is marketed through an extensive distribution system. These commercial activities have effectively increased the income of the landless and small farmers. This system has also added to the financial sustainability of Idara-e-Kissan. As a result it is expanding to other areas in Punjab such as Sargodha, Arifwala and Layyah.

Policy makers in Punjab learnt from the experience of Idara-e-Kissan and plan to rapidly replicate this experience in other districts. However they need to be cognizant of the key lesson from this or any cooperative experience that there are limitations of top-down expansion approaches. Cooperative development approach requires time and commitment for which there is no short cut. Thus there is a need to properly set up receiving mechanisms in the form of farmers associations or cooperatives before instituting certain high-end interventions like provision of milk cooling tanks to obviate the risk of either elite capture or the risk of failure and default.

### **2.7. Micro Finance**

121. Micro-finance, a recent innovation has evolved as an important economic development approach intended to benefit low-income families through acquiring loans to invest in livestock and poultry services. It is estimated that nearly seven million households in Pakistan need micro-finance services. However, so far, less than one million of these poor households have been served only. Statistics provided by various micro-finance organizations indicate that nearly 40% of credit so far delivered has been invested in livestock and poultry business. Rural Support Programmes are the largest

service providers in the micro-finance sector. Their combined outreach is almost 2/3<sup>rd</sup> of all micro-credit activities in Pakistan and their operations are entirely focused on rural areas. Although these programmes have done a reasonably commendable job yet their outreach is limited and they have not been able to reach the poorest of the poor.

122. Micro credit in rural scene may be counter productive if it is not combined with other micro-finance products. There are scores of mainstream insurance products (i.e. life insurance, health insurance, credit insurance) that cover various types of economic activities but there are few that efficiently provide security for the economic activities of rural poor. Conventional insurance products cover certain types of activities like livestock rearing, but activities like farming do not have adequate risk cover. The challenge however is that how these different products can be integrated into a comprehensive range of services to meet the needs of poor households.

### **3. Proposed Strategic Interventions**

123. Following an extended period of relative neglect, the recent turnaround in the fortunes of the sector in Punjab is a positive sign. In the wake of increased attention and funding, the department is currently undertaking a number of development projects while many others are in the pipeline. However there is a need for conducting proper financial and economic analysis of all these projects. This calls for a detailed financial and economic scrutiny, prioritisation of the projects and picking of projects with the greatest economic returns. Since livestock is now a devolved subject, it may also make more sense to have most of these projects handled by the district governments and only specific ones to be handled by the provincial government (like research, capacity building).

#### **3.1. Price Controls**

124. Price controls for meat and beef that act as a disincentive for private sector investment should be removed. This may have an adverse impact in the short run in the form of escalating and fluctuating prices but given removal of policy distortions, the market competition would induce a supply response resulting in equilibrium with greater output at competitive prices. A comparable example is the poultry sector where there are no price controls thus ensuring adequate returns to private investors as per prices freely determined in the market according to supply and demand dynamics. This has led to substantial private investment in the poultry sector to the extent that today not only is the province meeting its white meat demand but all aspects of the poultry industry, including feed industry and vaccination etc, are taken care of by the private sector with hardly any role for the government.

#### **3.2. Departmental Functions**

125. The department needs to be clear about its role and concentrate on its core public goods functions such as the prevention of epidemic diseases (although prevention does not necessarily imply provision by the government), provision of extension services, better education and training and research.

126. In terms of prevention of epidemics, the department should concentrate on some key functions, so far neglected, which include:

- ❖ Trans-boundary disease surveillance.
- ❖ Disease outbreak investigation.

- ❖ Disease diagnosis system.
- ❖ Disease reporting system.

### 3.3. Grassroots Interventions

127. The department needs to improve and extend veterinary services to the village-level through the following actions:

- Production of green fodder should be increased by growing high yielding varieties and following improved agronomic practices. This requires not only better extension services but also undertaking complementary interventions, e.g. provision of credit for undertaking the initial investment.
- The animal herders at the village level should be educated to use better feeds, like urea molasses, with roughages for improved nutritive value.
- The process of depletion of range lands in desert, arid and semi-arid regions should be targeted in order to decelerate and hopefully to reverse the process. This requires involvement of local communities and area development programmes to develop the right mix of technical and social interventions. For instance it may imply utilizing the suitable technical solutions for each area (e.g. for reversing water logging and salinity) and appropriate social-legal measures for protecting common lands.
- Wherever possible, scattered livestock herders should be encouraged to get organized for better access to public and private services and for developing better marketing outlets. This should at least be attempted for those groups of herders who already share mutual interlinkages and thus have the potential of getting organized in cooperatives.
- Arrangements should be made to collect and take milk to the nearest centre for chilling before transporting the same to a processing plant.
- The village organizations involved in livestock and cooperative activities should be provided advisory services and training for better management of their animals by improving their breeds, feed, and health.
- Necessary veterinary services should be provided at grassroots level, besides improving their marketing system.

### 3.4. Nutritional Standards

128. To improve and maintain an internationally acceptable level of livestock nutritional standards and feeds quality some specific interventions are given.

1. Establishment of a Livestock Feeds Standards to be met by feeds manufacturers and importers
2. Provision of Feeds Quality Assurance Services to farmers, feed manufactures and distributors
3. Establishment of nutritive values of local pastures and feed ingredients and to investigate feed combinations of local feed ingredients.

129. Establishment of nutritive values of local pastures and feed ingredients and to Improving the quantity and quality of feeds could substantially enhance livestock production from the existing genetic pool of animals. The gap between the requirement and availability of nutrients could be minimized both through proper fodder research and extension policies in terms of better quality seed, seed rate and improved agronomic practices.

### **3.5. Sanitation and Hygiene**

130. To assure an internationally acceptable standard of sanitation and hygiene for meat and foods of animal the livestock sector should also take care of sanitation and hygiene standards by:

- Setting of Meat Hygiene and Sanitary Standard to be met by all slaughter houses, slabs and abattoirs.
- Enforcement of International Hygiene Standards in export abattoirs and manufacturing plants of animal derived products for the export market
- Development of minimum meat preservation requirements for a longer meat and meat products shelf life through research.
- Monitoring of veterinary drugs and hormone residues in meat and food of animal origin in keeping with international requirements.

### **3.6. Service Delivery**

131. Among the most important public interventions in the sector is establishing a market-friendly and privatized animal health service delivery. The establishment of such a system can be regarded as a public good since, once established through legal and regulatory cover, it will serve a public function with returns spilling over what the parties directly involved in the transaction would capture. This system can also free up scarce human and financial services in the public sector which can then be concentrated in poor, inaccessible areas. The state could also think of subsidizing poor and landless farmers through focused and targeted interventions.

### **3.7. Technological Innovations**

132. The department should facilitate the translation of technological breakthroughs into benefiting the livestock owners. One example of such breakthroughs is the development of a cheap, ocular vaccine that does not require a whole cold chain for the treatment of the high-mortality Newcastle disease. The department should ensure that the livestock owners, especially the poor and landless ones, get access to this vaccine and are thus able to reap the full benefits of this development.

### **3.8. Credit Facilities**

133. Recently there appears to be some realization of the importance of credit services for the sector. Different loan schemes are opening for livestock farmers. However, unless an effective mechanism for reaching and benefiting the poor is evolved; loans for breeders would become another means of rewarding the already privileged members of the sector or relatively less endowed but reasonably well placed members of rural population. Chief Minister's Scheme for Self-Employment is an effort to let different actors in micro-finance and formal banking follow coordinated approach for poverty alleviation through investments in Livestock Sector. However the scheme, as presently defined, suffers from a number of anomalies, including most importantly a lack of exclusive focus on the poor and the poorest of the poor, thus creating fears of elite capture. Moreover the present strategy does not incorporate, as it should, a key role for district and local governments in order to ensure greater local participation and accountability.



134. Besides micro finance through Micro finance Institutions (MFIs), Baitul Mal & Zakat funds are other potential sources which could be effectively employed for poverty reduction through investing in livestock and poultry business. If disbursed through a transparent and fully decentralized process, these funds can help improve investments in the sector and take the most vulnerable away from the clutches of poverty. Proper targeting is the key to success of any such programme. It is however essential that such projects are decentralized and have effective community participation. This could help in assessing the extent to which beneficiaries meet the eligibility criteria.

### **3.9. Research and Public Awareness**

135. There is a need to create and improve linkages and communication between demand driven research and extension services. There is a need for initiating demand-driven research and not supply-driven, as is the norm in most local research institutes. One way of doing this is to establish an Endowment Fund for Livestock Sector Research to be run as an autonomous institution by experts with seed funding by the government. This could be a challenge fund where anyone desiring to conduct research in the sector could apply and get funding. Innovative use of alternative media, especially electronic media should be encouraged. Radio in particular could be the most useful channel to create awareness among the rural poor through popular programs. Here the need is more for change in the communication strategy for effective outreach of extension services and the use of more creative and popular programming.

## **5. Prioritising Interventions**

136. In terms of priorities, the topmost priority before embarking on any major investment strategy is determination of appropriate roles of public and private sectors. The department should identify its mostly neglected core public functions and let the private sector take a lead in commercial activities. Conceiving and piloting a privatized model of animal health service delivery should be an immediate priority. The Rs. 552 million European Union funded Extension of Livestock Services project targets six districts and is a natural choice for developing and testing such a model.

137. Existing and proposed poverty alleviation schemes need to be made more poverty focused to prevent the possibility of elite capture. The Chief Minister's Self Employment Programme, costing Rs. 2300 million, should be continued in the next three years but it should address the targeting and implementation concerns raised in this paper. This also holds true for proposed new schemes for poverty alleviation and for sustainable livelihood to the destitute, poor rural women in particular, from Zakat and Bait ul Mal funds involving investment in livestock sector.

138. Meanwhile the department needs to undertake specific projects for productivity enhancement. These include schemes for breed improvement through progeny tested bulls, investment in training (better training of more skilled persons), establishment of Disease Diagnostic laboratories and Disease Free Zones, strengthening of research centres through encouragement of market driven research, establishment of Endowment Fund for Livestock Research, and introduction of high yielding fodder varieties and seed production through public private partnership.



## **SECTOR: PUNJAB SMALL INDUSTRIES CORPORATION**

### **1. Introduction - Punjab Small Industries Corporation**

139. The sector strategy on PSIC dilates upon the SME sector, its constraints and potential in Punjab but focuses on PSIC as an instrument of the Punjab Government to generate employment. The Punjab Small Industries Corporation was established in 1961 and has since then been a major contributor to the small industrial development in the province. PSIC works with a mission to promote small and cottage industries through industrial and credit support, contributing to employment generation and socio-economic uplift of the province.

140. PSIC is an important instrument for employment generation through micro economic development, specifically small scale industry. Making relatively expensive machinery available for common use of small manufacturers; training, introduction of new technology (intermediate/ appropriate), supply of credit and other ancillary activities have over time resulted in strong correlation between PSIC provision of these services and growth of small industry clusters all over Punjab. Some examples of these are Sialkot (surgical instruments and sports goods), Gujranwala and Gujrat (light manufacturing), Wazirabad (cutlery), etc. It needs to be pointed out at the outset that PSIC works on the paradigm of 'reducing the cost of doing business' for small and medium enterprises and it would be unfair to judge it on a simple 'income expenditure statement' as a measure of its success.

141. It is interesting and pertinent to note that PSIC had been working on the lines of capacity building, training, provision of credit, market and business development of its clients since its inception. The very latest thinking on small enterprise development (perhaps apart from the element of non-subsidized credit) is not very different from the philosophy of PSIC and its role envisioned under the Act of 1973. This approach to enterprise development which may be called a 'Credit Plus' approach is recommended and followed by the enterprise development sections of NGOs and RSPs today; where provision of credit or micro-credit to a prospective entrepreneur is not an end-all but is the start of a relationship with a client. Skill development, training, capacity building and hand holding are interactive and continuous processes with the client if an entrepreneur has to be created in a sustainable manner. The basic philosophy of PSIC is based on such a multifaceted interaction with the client.

142. The corporation caters to both forward-looking urbanised small entrepreneur and uneducated rural oriented backward but traditionally skilled enthusiast looking for an opportunity to establish a cottage industrial unit. It has supported thousands of talented, ambitious and hardworking men and women to start or expand their enterprises by offering credit assistance and working capital loans. Recently it has acquired an ISO 9001-2000 certification and has a culture of giving incentives to staff in terms of performance based cash bonuses.

143. The P-PRSP acknowledges the role of small industries in creating income and employment generation opportunities for the poor and plans to facilitate the setting up of a network of small, cottage industries in the province. The Government of Punjab sees the Punjab Small Industries Corporation (PSIC) as playing a key role in this regard by building upon its past successes and by expanding the reach and extent of its self employment and rural industrialisation credit programmes.

## 2. Issues and Concerns for Strategy Development

144. Most of the labour force employed in Punjab is in the 'micro' sector, which can be safely assumed to be the 'informal' sector. Trade and services sectors take on the major chunk of workers. The point cannot be over emphasized; this is the neglected/overlooked cluster of sub-sectors in the economy. If seen as a model of firm growth trend and labour movement, Punjab seems to be stuck in a 'low equilibrium' trap for labour which appears not to be graduating (although this is a snap-shot analysis but as is amply emphasized in the literature on the subject) to 'small' and 'medium' sized enterprises. Or, to put it in other words there is a lack of growth in the size of the 'micro' enterprises which demonstrates that there are perhaps constraints to this growth.

### 2.1 Trends in Employment

145. Over the last decade there has been a significant structural change in employment. The share of employment in agriculture has dropped from 51% to 43% of the labour force. However, two-thirds of women still work in the agricultural sector. The table below reflects a very clear trend of move of agricultural labour force to trade, services and manufacturing.

**Table 11: Employment in Punjab by Major Industry Divisions  
1993/94 – 2001/02**

	1993/94	2001/02	% Change
Agriculture and Allied Services	51.0	42.8	-16%
Manufacturing, Mining and Quarrying	11.3	15.7	39%
Construction	6.5	6.0	-8%
Wholesale and Retail Trade	12.1	14.2	17%
Transport, Storage and Communication	4.5	5.3	18%
Community, Personal, and Social Services	13.1	14.8	12%
Other	1.5	1.2	-20%

Source: Federal Bureau of Statistics. LFS: Quoted in World Bank, Punjab Economic Report 2004

146. The nexus between employment and income is only half the story. The picture gets further skewed if we look at the dependency ratios in our economy. With an average household of about seven people dependent per bread-earner, the problem is only half resolved with finding him employment.

### 2.2 Female Participation in the Workforce

147. A deeper look at the link between employment and income generation would not miss a very important trait of our workforce which is characterized by almost an absence of women from the non-agricultural labour force. There is a demand for programmes designed to target women and there is evidence that suggests high probability of success. Given the labour force characteristics this is a vast and uncharted growth area. This problem is very aptly identified and targeted in the Millennium Development Goals; goal two, which commits to gender equality and empowering women. The specific target is worded as, "share of women in wage employment in the non-agriculture

sector” which is to be enhanced. In the current scheme of things, the Punjab government only has one instrument to work on this target, which are the programmes of the Punjab Small Industries Corporation.

### **2.3 Limited growth of SME**

148. Recent literature on the subject delves into the constraints to SME growth in Pakistan. Some of the impediments considered to be holding back SME sector to exploit its potential to the fullest in our context are given below:

a) Definition: lack of a uniform definition of the SME’s prevents the government and other players to streamline policy and fine tune targeting. There is consensus for the need to develop one.

b) Finance: Since most of the enterprises are in the informal sector, un-registered and quite small, the formal financial institutions do not service them. These enterprises also have problems of access due to the transaction costs of accessing financial services from the formal sector. Thus they have to rely on informal (but quick reacting) informal market for expensive credit. Lack of collateral (or acceptable collateral for formal institutions) is also a problem.

c) Legal compliance: This again links up to the problem with ability to work with the formal sector. Because of lack of knowledge, low levels of education and general mistrust of the government, entrepreneurs are reluctant to become registered entities and become players in the formal sector. Lack of formal management training and practices as well as accounting services prevent them from crossing this threshold. Nature of labour and tax laws and their compliance are pertinent issues under this head.

d) Governance: These include some overarching and broader issues such as law and order and the general security environment which affects investment and growth in the economy. However, more immediate issues that come under this head that affect the SME sector are those of contract enforcement, time and financial cost of accessing the judicial system; another important issue is that of infrastructure, physical as well as institutional which enables smaller players in the corporate arena and is pro-SME.

e) Human resource: Human resource is always a problem in economies with low level of education. There is ample evidence now that ‘cheap labour’ per se is not a comparative advantage but *trained* cheap labour definitely can take an economy on a development trajectory. There is a deficit of trained labour force in Punjab, specially technical, managerial as well as white-collar technical, like accountants etc.

f) Technology: Traditionally, this has been considered to be a constraint on the growth of SME sector, however, recent studies on the subject have concluded that this is not a ‘binding’ constraint on the growth of the sector. Transfer of technology also takes on a new meaning when it comes to providing information and technological know how that would help smaller players comply with WTO regulations in the coming years. Thus lack of access to and knowledge of compliance regimes that lead to international competitiveness handicap this sector.

## **2.4. Lack of Organized Space**

149. The provincial government needs to move rapidly to address the constraints that are 'binding' and which are very much within the ambit of the provincial government to address and soften. Probably the first and the foremost task for the sector is to find a 'voice' for itself. The government needs to provide the SME sector with a platform and an opportunity to become an organised player in the political economic scene of the province. Facilitating formation of a body representing the SME sector or various sub-sectors within that could go a long way in articulating the genuine needs and raising pertinent issues.

## **3. Proposed Strategic Interventions**

150. PSIC has been a significant contributor to the development of small enterprises in Punjab during the last few decades. Its comparative advantages lie in its presence across most districts of the province, its experience in setting up small industrial zones in different parts of the country, and its support to small enterprises through provision of credit and technical support. It not only has technical expertise but has an inherent open mindedness to business and the required understanding of different commodity markets in various parts of the province. While some progress has been made by the SME sector in Pakistan, its growth and impact on employment has remained limited and sub-optimal.

151. In order to be able to effectively support the SME sector in Punjab as a strategy to create sustainable jobs and reduce poverty, PSIC will need to restructure in a way that its services are focussed at the new and existing enterprises that have potential to grow and penetrate national, regional and international economies, keeping in view the proposed South Asia Free Trade Agreement (SAFTA) and the World Trade Organisation's (WTO) free trade regimes. These expanding enterprises are expected to create new and, more importantly, sustainable jobs.

152. Government intervention in this sector should not create market distortions that are acute and hold market forces at bay. The government can ill afford any subsidy which is across the board and not linked to performance indicators or withdrawal strategy when and where applied. In fact subsidies are the least of the requirements of this sector.

### **3.1. Monitoring, Evaluation and Research**

153. PSIC should incorporate a monitoring, evaluation and research unit, which would regularly monitor and evaluate its interventions and give feedback for course correction and introduction of new programmes. It should have an action research component to pilot test new approaches before they are implemented and scaled up and to document the findings of such experiments for influencing the policymakers and a wider audience.

154. PSIC should commission a comprehensive review of all its programmes to extract the lessons learned over all these years. A comprehensive cost-benefit analysis should be done to objectively analyse the effectiveness of various programmes. The findings of the evaluation should help determine the comparative advantages of PSIC and choose interventions where returns to investment are highest. PSIC interventions are quite diverse and have only been sporadically assessed as stand alone. These interventions need to be assessed regularly, systematically and in a comparative fashion, in order to prioritize and develop the ones which are most effective in terms of employment generation.

155. Market research is also an activity of immense importance for an organisation like PSIC. It might be advisable for PSIC to do this through out-sourcing studies and involving relevant experts in the various fields so as to access the best resources available and not to develop in-house capacity to do this, as it requires specialized skills. A very rudimentary critical analysis of its micro-finance programme is attached as an annexure to the sector paper as a guide to this kind of evaluation.

### **3.2. Access and Service Provision**

156. In recent years, the public sector has undergone a shift towards specialisation of functions. In this context, PSIC should also move towards expanding in the roles where it possesses comparative advantage. It should focus on facilitating and providing access to technical guidance for potential and existing entrepreneurs by creating industrial clusters in order to attain economies of scale. It should support the SMEs to access credit through the SME Bank, training through the TEVTA, and industrial estate and required infrastructure through PIEDMC, while supporting the market-oriented enterprises to explore export markets through the EPB. Developing common programmes with actors like SMEDA and creating linkages for its clients rather than a 'go alone' approach should be taken.

157. Development of clusters should remain a key function of PSIC. Its role should evolve to the branding and marketing of clusters, while supporting the enterprises in these clusters to access credit, adopt efficient and environmentally clean technologies, comply with labour, environmental and tariff related laws and regulations, set up informal conflict resolution arrangements, develop market linkages for inputs and outputs, and comply with WTO and SAFTA regulations to benefit from the existing and emerging free trade opportunities. PSIC's work with the small industrial estates and export processing zones should focus on the up-gradation of common facilities like supply of electricity, gas, hydrants, and communication facilities in these estates and zones, capacity building of enterprises to comply with environmental and labour regulations and institute quality control systems and processes.

### **3.3. Gender Integration**

158. A major emphasis of PSIC should be on bringing women into the active labour force, especially in industries which suit the cultural environment of different districts of Punjab. This may be possible through setting up or supporting 'neighbourhood' workplaces, capacity building of women in enterprise development, training in vocational skills through TEVTA, and innovative credit-plus schemes, whereby PSIC provides the clusters of women's enterprises with a range of services, such as credit, training, technical support, exposure visits, market linkages, etc. To further this cause PSIC needs to map women development initiatives in the province and create programmatic linkages with them where ever possible.

### **3.4. Internal Capacity Building and Restructuring**

159. In order to prepare for a changed, more dynamic role, PSIC will need to restructure itself and develop core competencies in its new areas of work. Its board of directors should have more members from the private sector, especially stakeholders' representatives, to play an effective role in supporting the small enterprises. It should build the capacities of its frontline staff in business appraisal, financial and economic

analysis, and, most importantly, networking and linkages. PSIC should develop a management information system (MIS) and a networking environment where staff are able to access client information in an easy-to-handle way. It would be in line to recommend detailed studies to be commissioned on the various aspects of PSIC under the PRMP.

160. PSIC may also explore the idea of developing its capacities and even a separate entity initially, which might eventually be spun-off in the future as a microfinance bank, catering to this largely unsatisfied demand. Since PSIC already does microfinance, it should seek membership of the Pakistan Microfinance Network and hone its abilities to do it with state-of-the-art methods and adopt best practices accepted internationally.

### **3.5. Information and Promotion**

161. PSIC should have an active, user-friendly website, which should be regularly updated and contain basic information on the frequently asked questions (FAQs) by small industries. The website should be widely publicized and should contain links to the websites of other SME support agencies. The PSIC website should also act as a marketing channel for the mushrooming SMEs to launch their products.

162. Another key feature of PSIC should be to arrange industrial exhibitions and fairs at the local level as well as internationally to display the handicrafts and other innovative products from small enterprises and help them build linkages for marketing, sales, and other joint ventures.

### **3.6. Innovations**

163. PSIC needs to invest heavily into improved and ideally 'outsourced' design centre which develops innovative utility products saleable abroad, using traditional crafts and methods. This would ensure that the crafts and original methods are preserved and remain a part of our culture, but at the same time have a continuous relevance to the real world.

164. In view of the labour force analysis done previously, PSIC might want to further investigate and pilot some interventions in new and hitherto untried areas like the service and trading sectors within the SME sector. It may also want to further explore its role in the 'informal' or the 'micro' enterprise sector which has the maximum number of labour force working in it. PSIC should also collaborate with other entities supporting the development of small enterprises, like Small and Medium Enterprise Development Authority (SMEDA), Export Processing Zones Authority (EPZA), Export Promotion Bureau (EPB), besides the service delivery and utility industries such as Water and Power Development Authority (WAPDA), Pakistan Telecommunication Company Limited (PTCL), and Sui Northern Gas Pipelines Limited (SNGPL). The objective of such linkages would be to create synergies and help the small enterprises to overcome their 'dis'economies through collective bargaining. It should also work for women-friendly enterprise policies, where tariffs and regulations may promote enterprises that are either managed by women or those that encourage and facilitate women workers and thus female employment. There is also a need to constantly look at new and innovative approaches and best practices in SME sector from around the world and pilot them tailored in the local context. (Refer to 'one village, one product' initiative box in paper.)



#### 4. Prioritising Interventions

165. The strategy summarized above reflects the visioning done with the department. It could be used as a guide over the medium to long term. However, in the short to medium term it needs to be prioritized in line with a number of factors: resources and capacities being the main ones. Prioritization of interventions in the medium term may be undertaken as given below. The three year programmatic financial allocations that PSIC has done (annexed to sector paper) reflects most of these priorities:

1. Evaluation of current programmes through relevant experts with an objective of making them mutually enforcing and fine tuning them to make them efficient in terms of employment generation and relevant in terms of demand.
2. Capacity assessment of the organisation to undertake what is recommended and to build same.
3. Map interventions by various players in the areas that PISC operates and build programmatic linkages that complement programmes and reduce chances of overlap. Redesign programmes accordingly.
4. Market research of the cottage industry and stakeholder forums to identify needs and niches for PSIC and design future programmes accordingly.
5. PSIC has a number of industrial estates which need to be upgraded technologically and facility-wise so that industries located in them can improve quality of output and gear up for the WTO. Efforts to make these estates environmentally friendly would also imply a positive outcome. This would be especially beneficial for export oriented industries.
6. PSIC will also be returned thirteen service centres that were given to TEVTA when the training section of PSIC was spun of into an independent agency. However, before investing in these PSIC must study the need, relevance and efficiency of investing in them.
7. New industrial estates and interventions based on the cluster and business incubator models need to be designed carefully and experimented with. The organization should have a proactive as well as a reactive system where lessons learnt are picked up quickly and fed into programme course correction.
8. Evaluations and fine tuning of programmes needs to be undertaken immediately. Considerable expansion of the micro-finance programme is essential if any impact is to be realized. More products targeting women entrepreneurs need to be designed and launched.
9. PSIC needs to be very open minded about moving into non-traditional areas like the service industry and develop programmes in these areas.
10. Helping its client sector to organise itself and find a voice.



## SECTOR: HOUSING AND URBAN DEVELOPMENT

### 1. Introduction – Overview of Housing and Urban Development in Punjab

166. Pakistan's urban population is expected to grow from 37.9 million in 2000 to 56.7 million by 2025, with Lahore's population estimated at 10.8 million people. This huge 50 per cent increase represents a massive housing issue for governments in Pakistan unless they proactively seek to address it<sup>21</sup>. Urban population growth rates in Punjab have led to formation of many slum areas. The province's urban population is about 25 million (out of a total of about 84 million), and some 7.5 million, or 35 % of the total urban population, live in slums<sup>22</sup>, with another 2.8 million, or 11.5% of the urban population, living in *katchi abadis*<sup>23</sup>. About half the urban population is concentrated in the five primate cities of Punjab, i.e., in Lahore, Faisalabad, Multan, Gujranwala and Rawalpindi.

167. Urban concentrations attract investments: people, cheap labour and more investment. This ongoing spiral of labour-capital concentration without any planning or zoning wreaks havoc on the existing social and physical infrastructure. On the other hand, provided enabling environment and well designed land-use policies are in place, the boom in the housing industry can be supported by the government since it is very labour intensive and any growth in the sector has 'multiplier' effects in terms of employment.

168. Public housing and land development schemes meant for the poor are being pre-empted through speculative investment by those with large disposable, but undeclared, income and wealth. Owing to the existing procedures of mutation of land titles, the absence of any meaningful tax on unused land, and the absence of any tax on capital gains or wealth, such speculative investments are becoming even more attractive. The low rates of interest and easy access to bank credit by the rich is further fuelling land prices. These have now reached levels which are beyond conceivable reach of middle-income families, and certainly of the poor, thereby fuelling the phenomenon of land grabbing and further accelerated creation of *katchi abadis*.

169. The Education Department is mandated to provide school level and college education in all areas. However, for some time now it has been retreating from this mandate through a conscious policy decision. No new schools in the public sector have been established over the last several years in any of primate cities, or in any District or Tehsil headquarter urban settlement, other than in very rare instances. This has left the poorer segments of society under-provided and at the mercy of the private sector with dubious quality of education, at times.

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<sup>21</sup> Alvi, S: *Policy & Practice in Urban Housing in Pakistan: An Agenda for Reform?* Dissertation submitted to the University of Manchester for the degree of MA in Social Policy and Social Development, in the Faculty of Social Sciences and Law, Institute for Development Policy and Management (IDPM) 2003-2004 (Alvi, 2004)

<sup>22</sup> A slum is defined as a socially and infrastructure-wise degraded urban settlement where land title has been granted, but where social infrastructure services and facilities have degenerated and unable to cater to the needs of the communities residing therein.

<sup>23</sup> *Unauthorized housing* refers to housing built on legally owned land but not according to officially defined laws and/or standards. *Squatter settlements* refer to housing built with help from family and support networks on appropriated land. Lack of security of tenure is the main feature characterizing such housing. *Katchi abadis* can share the features of either unauthorized housing and/or squatter settlements.

Officially: A *katchi abadi* is an unauthorized settlement on state-owned land of more than 40 dwellings, as defined in March 1985, without land rights and without physical and social infrastructure services and facilities.

170. Catering to health of urban population is the entire gamut of health services; the public sector operated facilities with the dispensary at the bottom rung to sophisticated teaching hospitals and specialised facilities of the single-disease institutes and clinics; the formal private sector facilities ranging from the general practitioner's clinics and consulting rooms to the specialist hospitals and clinics operated by public sector specialists, the charitable organisations and community based facilities; and finally the plethora of informal health services provided by the practitioners of alternate medicine, the advice rendered by pharmacists, pharmacies and medical store operators to faith healers and quacks.

171. One oft neglected phenomenon in planning for urban development throughout Pakistan is the issue of urban transport. The public sector has retreated from the provision of urban transport services, and, by and large, has left this to the largely unregulated private sector transporters. This is to some extent being overcome through the franchising of routes in a public-private partnership framework. This is, however, limited to the primate cities of the Punjab.

## **2. Issues and Concerns for Strategy Development**

172. Relatively high growth, combined with slow urban sector development, has resulted in uncontrolled urban sprawl; deteriorating urban environments; deficiencies in urban services such as water supply, sewerage systems, drainage, solid waste management, roads, urban transport, and community facilities, and the lack of access to education and health facilities by the poor. Most of the problems in this sector also have their roots in poor governance, particularly related to institutional and organisational issues, and lack of technical capacity and capability. The overarching concerns relate to lack of a holistic strategy for urban development and management, and the non-availability of adequate resources, both financial and human, for delivering and maintaining services needed at an acceptable level of quality.

### **Box 3: Snapshots of an Urban Settlement**

As in the rest of the country, urban settlements suffer from various deficiencies in infrastructure. Settlement centres, by and large, have the physical infrastructure needed, including roads, markets, bus stands, water supply systems without community involvement, sewerage systems, and solid waste collection systems with varying levels and quality of service. However, owing to the rapid growth and concentration of economic activities in town centres and in large neighbourhood markets, the pressure on the physical infrastructure is beyond design capabilities. A consequence of this is the spill-over on to the streets in the form of shop-front extensions, hawkers and vendors and spill-over storage and display from shops. This, in turn, results in increasing the congestion on the streets which impedes traffic flows. The traffic flows are far higher than the capacity for which the streets were designed.

Further, owing to a concentration of activities, the rapid spread in the urban sprawl, a densification of population through the conversion of single storey structures to multiple stories, the water supply and sewerage infrastructure as well as the utilities' infrastructure are overloaded and result in frequent breakdown of services. The breakdown of the water and sewer systems results in the collection of water in large pools. Because these pools are not cleared in time, they stagnate and breed mosquitoes and flies. As a consequence this spreads malaria and cholera, both of which are

endemic in all urban settlements of the province. All of these are consequential impacts due to the constraints in the effective delivery of urban services. These constraints include a lack of stakeholder participation in the planning, design and implementation of development projects; low investment levels; inefficiency of public institutions; a lack of accountability; and limited resource mobilisation by local governments.

## **2.1. Policy, Planning and Management**

173. The absence of an overarching body which can ensure that an integrated urban and housing strategy for growth and management is developed and implemented, results in the urban areas not acting as the dynamic growth centres which they are capable of becoming. There appears to be some understanding in the role of cities and the way in which the smaller towns can be used to reduce the impact of rising poverty in the province. However, it is unclear whether the constraints caused by and the impact of poor local governance, inappropriate regulatory and investment environments (in both legislation and implementation), critical infrastructure bottlenecks, severe service delivery deficiencies, distortions in land and housing markets, and the inefficiencies caused by a plethora of overlapping and parallel institutions running in tandem with local governments institutions is realised completely. They severely handicap the growth of private business and impact on the poor disproportionately. They also result in an uncoordinated development of urban areas resulting in insufficient and poor quality of infrastructure varying across the spectrum of urban settlements. Planning continues to use antiquated approaches and focuses largely on Master Planning, which is based only on the development of land-use plans rather than a holistic approach to urban and regional development plans. These are prepared without any participation of the citizens. Even where such land-use plans exist, they are implemented only partially owing to interplay of 'rent-seeking' actors involved in the lucrative business of land development. The sector paper analyzes in some detail a case for having an Urban Commission in Punjab to address some of the issues raised

## **2.2. Inter-Governmental Roles and Responsibilities**

174. There is an absence of clear responsibilities and authorities across departments and levels of government. In some instances dichotomies exist and in others there is a fragmentation of roles. This needs to be clarified and the roles and responsibilities clearly enunciated both within the tiers of local government system and across the two tiers of local and provincial governments.

175. Currently at the provincial level the very existence of the TMAs is being questioned. As a consequence, each of the Provincial Governments has recommended the abolition of this tier of local government to be replaced by the historical system of Town Committees, Municipal Committees and Municipal Corporations in urban settlements (depending on the size of the settlement itself), other than in the City Districts where the Town Municipal Administrations exist. However, there are counter-arguments which are presented in favour of the TMAs themselves. These tend to point to the fact that Government of the Punjab rather than building the capacity of the TMAs, has consolidated or is in the process of consolidating to itself the responsibilities for undertaking functions such as the implementation of sites and services, and the water supply and sanitation projects and schemes even though these have been devolved to

local governments. Further, the TMAs provide opportunities for inter-linking the urban and rural areas.

### **2.3. Municipal Finance**

176. It is estimated that the aggregate resources generated by the TMAs is substantial, between 30 to 35 percent of the total provincial own resources (World Bank 2004). However there are substantial variations in resource availability across the band of TMAs. The overall financial management is constrained by poor systems and procedures, unskilled manpower who have little or no opportunity for improving skills, a lack of linkage between budgeting and planning, the lack of buoyancy in the grant which has replaced the octroi/ zilla tax, under-exploitation of local revenue sources, and inefficiencies in collection and record keeping. In the absence of proper information, it is not possible to track pro-poor expenditures. Taxes earmarked for the local governments also don't seem to trickle down to them. There is also a need to look at innovative and now widely practiced capital raising instruments used around the world by City governments.

### **2.4. Land and Shelter**

177. Notwithstanding the Government's concern to drastically increase housing units; over the last three years in general and specifically over eighteen months, the price of land all over the country particularly in the metropolitan areas has risen exponentially, making it virtually impossible for any one but the affluent to purchase their own homes. This situation, if not addressed, will have very serious social and economic implications. This is further exacerbated by the existing land acquisition policies which inhibit public sector intervention. The current policy requires that land development schemes can only be announced once the sponsoring agency already owns title to at least 80 percent of the land proposed for the scheme. Owing to the shortage of available land this is clearly beyond public sector land development agencies as they are required to operate on a self-financing basis without recourse to raising debt or bridge financing.

178. The main issues impacting efficient functioning of land and housing markets appear to be land titling and access to affordable housing credit. The former is not able to guarantee effective registration and enforcement of property and mortgage rights. There also exists a parallel system of titling available through mutation, which also suffers from the same defects. Access to land is further constrained by the large proportion of land being owned institutionally, both in the city centres and around the peripheries of towns and cities. These existing practices in the development of land for shelter appear to virtually exclude the poor and middle classes from access to state sponsored development projects. Public sector schemes meant for the poor through balloting are, by and large, usurped by a mafia in collusion with officials through spurious applications and through patronage. The housing finance market needs to target the lower end and so as to make their financing easy and accessible, for a broader impact on not just the housing market but the economy as a whole.

### **2.5. Katchi Abadis**

179. Each urban settlement of the province, irrespective of size, is host to *katchi abadis*. With best will in the world, the public sector agencies are unable to stop the establishment of these squatter settlements as most of them spring up overnight. The

public sector agencies, however, are constrained to follow a set procedure to dispossess squatters and they are further hampered by the liberal dispensation of the courts in granting stay orders and repeatedly renewing them. This provides squatters with the opportunity to entrench themselves further. This is invariably done with the collusion of vested interests who charge exorbitant amounts for squatter rights from the poor. A fresh look at *katchi abadis* is required: they are a result of planning failure and a solution to a problem. There is a need to learn from the phenomenon and regulate it accordingly and scientifically and not spurn it and try to uproot it; that has been a proven failure.

## **2.6. Urban Transport**

180. The components of urban transport which need immediate attention are the upgrading of roads and streets, the provision of off-street parking, the provision of a regulated public transport system, and traffic management by trained personnel. On the soft side it requires the preparation of transport plans for each major urban centre, the development and strict implementation of regulatory mechanisms for the private sector and the development of rapid transit plans, at the least, for the first three of the five primate cities. On the management side there is a need to train police, traffic engineers and drivers of vehicles for hire de novo and the strict implementation of traffic laws. The sector paper raises some pertinent issues on urban transport. Efficient means of transport that can bring workers in and take them out on a daily basis, from smaller towns around large cities can be a very effective way of taking off pressure from these cities. But this will have to be done as a part of a larger plan which then also provides good social services to residents of areas living in such areas.

## **2.7. Local Government Capacity**

181. The newly established local governments lack the technical and managerial capacity needed for effective delivery of municipal services and functions. The DAs and the WASAs are beginning to lose these as they have not kept abreast of the knowledge, skills and attitude needed for the changed environment introduced by devolution. They still rely on subsidies and have a poor understanding of the context of devolution which emphasises self-reliance. Further, they have little or no concept of the terms and obligations associated with “customer service” (World Bank 2004). This is particularly so, as the over-arching issues related to governance, institutional reform, finances, management, planning and the sector specific issues impact on urban poverty and the quality of life for those within the poverty net. However, the PLGO 2001 promulgated by the provincial government has mandated local governments to undertake certain functions. It is now the responsibility of the provincial government to build capacity and provide the wherewithal for them to deliver on their mandate. Thus the logic of the provincial government that it has to do things because the local governments don't have capacity is a non-starter.

## **3. Proposed Strategic Interventions**

182. In Punjab 35% of urban population is living in slums and 11.5% in *katchi abadis*. It is important to understand the implications of such a population distribution. Since, on the whole, slums support the livelihoods and housing needs of the poorest of the poor who live in the worst of living conditions, as compared to the *katchi abadis* which support

the relatively better off among the poor, slum up-gradation schemes should have a priority.

183. Punjab has one advantage over the other provinces in this regard. It has more than one primate city<sup>24</sup>, a large network of secondary cities, each with a vibrant industry/ services sector based economy, a much larger network of tertiary urban centres largely centred around agriculture markets (*mandi towns*) and processing centres. As a consequence, Punjab can develop a series of City Development Strategies to cater to the needs of the secondary and tertiary cities and market centres and stagger the rural-urban migration through a filtration process. The economic growth of these smaller urban sprawls, coupled to better municipal infrastructure and services and land tenure for the poor should to some extent mitigate the impact of migration on the primate cities.

184. When dealing with *katchi abadis* a multi-pronged strategy will have to be developed. Its objectives will be: to plan better for such settlements in the future; to improve the quality of life of the residents of existing *katchi abadis*; to strategize on issues of ownership according to context and develop policies according to various scenarios; to develop roles and responsibilities for various tiers of government accordingly, and figure out financial and service delivery responsibilities according to the local government ordinance.

### **3.1. Transport**

185. The issue of mobility is becoming even more important as the roads in the urban areas are being pre-empted by the more well-off segments of society through the explosion in the population of cars and two-wheelers used by them. This is crowding out the public transport services. There is a need to examine the implications of such an unregulated use of space meant for the movement of people, and for the formulation of a policy that encourages mass transit schemes within the primate cities and schemes that can bring in and take back work force from adjoining towns, so as to take pressure off from the largest cities.

### **3.2. Regulation**

186. An overarching body needs to be established which should be mandated to set standards and regulate an overall urban development and management policy framework and commensurate strategies within this framework. A proposal for this is on the anvil in the form of the Punjab Urban Commission (PUC). However, in the interim period the primate cities will need to develop, perhaps with provincial or donor help, such city plans which, once agreed upon mutually, can be undertaken with various financing options. Financing would in any case be primarily from the provincial government.

### **3.3. Research and Documentation**

187. Effective policymaking is impossible without solid documentation of informal housing settlements including *katchi abadis*. It is imperative that proper documentation

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<sup>24</sup> These in the Punjab are Lahore, Faisalabad, Gujranwala, Multan and Rawalpindi



of all informal housing settlements is undertaken as it will help in conceptualising and implementing appropriate housing policies for the urban poor.

188. A study should also be initiated to set the mandate of the PHED and the possibility to subsume within itself the PHED, the PHATA, the DGKAUI and the RTA functions of planning, facilitating and regulating each of these specific services, and whether these departments and authorities should be wound up and their implementation capability transferred to the local governments concerned. However, for obvious reasons this will not be possible till the local governments are empowered and capacitated to undertake such roles and functions. The PUC should have the over-arching authority to ensure that even federal government and Ministry of Defence agencies comply with its regulations. This would ensure that only one set of regulations apply when considering any programme, project or scheme. It is proposed here that a temporary independent commission of experts should be first set up to assess the ground situation in this sector and the role and nature of the various players and then make recommendations to the exact role and nature of an Urban Commission.

### **3.4. TMA Strengthening and Involvement**

189. The TMAs should be encouraged to prepare base maps of their cities using satellite imagery as is being done with the help of OPP in Jaranwala. The development plans at each level should be prepared by the local governments with technical help and assistance provided by the province and keeping within broad framework enunciated by a body perhaps like the Urban Commission.

190. TMAs should also be provided the assistance needed to improve financial management, ranging from accounting and book-keeping to resource generation and recovery on an urgent basis. This could be done through the DSP programme which has funds allocated specifically for this purpose. As an initial step the already devolved function of assessment and collection of Urban Immovable Property Tax should be accompanied with the resources needed to engage property valuation professionals to assist them until such time as they develop their own in-house capability.

191. An attempt should also be made to improve the resources available to the TMAs by removing the exemptions from land and property taxes and permitting the introduction of the levy of property tax based on capital value rather than on rental values as at present. The advantage of this would be the removal of under-valuation to a very large extent. In addition, the TMAs should also consider removing the exemption granted to owner occupied properties as these are iniquitous. These exemptions should be given to only the widows, minor orphans and indigents.

### **3.5. Land Re-development and Rehabilitation**

192. The GoPunjab should consider the provision of undeveloped land where only the plots are demarcated and the land is allotted to a community of the poor rather than to an individual<sup>25</sup>. This has the advantage of replicating settlement patterns from the

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<sup>25</sup> This was done in the past for co-operative housing societies which were formed by communities or groupings of like-minded people requiring access to land for house building. This resulted in the developed of close knit communities which undertook all inner-planning and development at their own cost, but linked to arterial infrastructure within an overall land-use plan and built according to specified standards. Such efforts have also been replicated in the rehabilitation of *katchi abadis*.

localities from which rural migrants originate. This experiment has also proven its success in the Khuda ki Basti (KKB) programmes developed first in Hyderabad and subsequently in Karachi for the poorer segments of society. These communities, then, through self-help build the infrastructure to suit their requirements and attach them to the arterial network put in place by government. However, public is deficient in Punjab and issues of land acquisition for pro-poor land and shelter interventions will have to be sorted out first.

193. Evictions should only be undertaken if alternative resettlement schemes are offered to the people. It is recommended that resettlement schemes be initiated under the guidance of professionals and experts drawing from the experience of successful initiatives. However, no matter how well planned and fair these always end up being only partially successful as people can't possibly be expected to give up their livelihoods which are inextricably linked to their settlements. There is a need to strongly discourage future encroachments and squatting on public and private land through enforcement. In all cases, it is acknowledged that *katchi abadi* dwellers and those living in low/ under serviced settlements themselves will contribute financially to secure permanent housing at reasonable rates. Extension of credit, utilisation of viable funding sources, capacity building and the need for low-income schemes in both the public and private sector are also emphasized. There is potential for the role of a support organization in this context as well. Provision of micro-finance and services through an intermediary which is a non-government body, yet is financed by the government can be explored.

### **3.6. Financing Policy**

194. The housing industry, in general needs an impetus. Financial intermediaries need to develop financial instruments and products that suit and target all sorts of income groups. Easy credit would give a demand driven boost to the industry like it has to the 'car industry'. But an important lesson from this example is very pertinent here. If a lot of cars are expected on the roads, the traffic road systems need to be ready to take that surge. A housing finance policy which boosts demand is welcome but supply and planning side needs to gear up beforehand. The housing industry has backward linkages to almost seventy two industries; more over they are labour intensive. A housing construction boom could lead to a sustained boom in the economy of the province. The provincial government should try to orchestrate such a turn around of the economy. The basis of this move is also palpable in the Punjab Economic Report. A much neglected potential target sector of the industry is the housing rental market. Again cheap and easily available credit could boost this market and raise incomes of people while making shelter available to people desirous of same.

## **4. Prioritizing Interventions**

195. A number of issues need to be studied before making decisions. Informed policy-making in this sector is the first step recommended. Other important steps in order of importance are:

- Policy vis-à-vis land acquisition needs to be rethought. With the current policy the government cannot undertake any programme at a required scale to address the issues of land and shelter for the poor. This is a huge stumbling block and the government needs to take a fresh look at the issue at the highest level. The policies of the 1970's may have to be

brought back in one form or another, because that was the only time when noteworthy progress in the sector was made.

- Urban areas need to be redefined locally and new areas demarcated for policy and planning implementation. This is an important exercise for all cities and towns that would be essential to execute any subsequent policy on urban areas.
- The TMAs should be encouraged to undertake mapping and planning exercises. The provincial government should fund such activities and subsequent projects can be funded jointly. Housing projects may even be undertaken in partnership.
- Research on *katchi abadis* needs to be undertaken to study the problem and behavioural patterns of the poor. Policies and programme then need to be forged with the lessons learnt so that they elicit the required reactions from the poor. Only then can policies and programmes in this sector be successful. This would include census of *katchi abadis* which is up to date and reflects the need for appropriate interventions. The Directorate of *Katchi Abadis* in Punjab needs to be proactive and follow the policy guidelines enunciated by the Federal Government. There is need in the Directorate to build capacity to recognize the issues and study and follow international, even national best practices.
- Transportation in urban areas needs to have two directions of focus. One, being mass transit within primate cities. These should involve innovative partnerships with the private sector and policies that attract foreign capital in large projects. The other being mass transit schemes connecting primate cities with their satellite towns carrying works in and out, thus keeping them for migrating to the city for work.
- At a higher level the role and nature of a body like the Punjab Urban Commission needs to be clarified even before forming a permanent body. A TA needs to be fielded immediately which should include relevant technocrats of national standing to scope out the need, nature and scope of the Commission<sup>26</sup>.
- The provincial government wants to undertake direct interventions under this sector, especially in the primate cities<sup>27</sup>, but these are limited more to service delivery issues like roads and water supply and sanitation. Perhaps the provincial government needs to look a bit deeper and find a more effective role for itself. Getting financial institutions to have an 'easy' money policy for house building, especially for the middle and lower class segment of society would be a good option.

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<sup>26</sup> Refer to Annexure A for draft ToRs

<sup>27</sup> See Annexure C for HUD Department proposed investment plan.



## SECTOR: WATER SUPPLY AND SANITATION

### 1. Introduction – Overview of the Water Supply and Sanitation Sector in Punjab

196. Water Supply in one form or another is accessible to all either piped into the dwelling through a municipal water supply, or collected – mainly by women – from some considerable distance in the rain-fed (*barani*) areas of the province. The greater part of Punjab<sup>28</sup> has been blessed with an underground water table of sweet water recharged through the irrigation network. In the sweet water zones, the bulk of the access to and thereby coverage in the rural areas is through hand pumps, and in the urban areas is through a piped water supply system attached to tube wells installed and operated by the Tehsil Municipal Administrations (TMAs). In the *barani* (rain-fed) areas existence of potable water aquifers within easy reach of human settlements is not common. This, therefore, requires water to be transported either through pipes or by portage. Where it does exist, it is available at some depth, 100 metres or more. This requires technology which is beyond the reach of these poor and marginalised communities.

197. According to the 2001-2002 PIHS, half<sup>29</sup> of the water supply to urban households was through a tap in the house. Of those with taps in the house, 96<sup>30</sup> percent were connection through a piped system installed by the local governments. In the rural areas, only 5 percent of households have taps inside the premises installed in equal proportions by the households themselves or through the activities of the non-governmental organisations involved in the sector. The bulk of the supply is through hand pumps.

198. Traditionally the government has been limiting its own scope by choosing to be just one of the ‘providers’ of water. It has done this by following a one-point agenda which has been to increase ‘coverage’ of households provided water, be it in rural or urban areas or the primate cities of the Punjab through Water and Sanitation Agencies, (WASAs).

199. For water supply, a fundamental issue that figures do not and cannot reflect is quality. The MDG emphasizes, and rightfully so, ‘access to **safe** water’. Conventional wisdom, as far as government departments are concerned at least, a proxy of **pip**ed water is used for **safe** water. There is ample reason to believe that this is more often than not, a presumption that is not borne out by facts: more than 40 percent of the hospital beds are occupied by patients with water-related diseases, such as cholera, typhoid, hepatitis, diarrhoea, dysentery, yellow fever and malaria. About 60 percent of infant mortality is associated with water-related infectious and parasitic diseases<sup>31</sup>.

200. Access to sanitation at the household level is measured through the availability and type of toilet facilities preferably inside the house. In the cities and towns of the Punjab, 91 percent of households have installed a flush latrine. In the rural areas less than a

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<sup>28</sup> Parts of this paper borrow from AASA: Water Supply and Sanitation: Situation, Issues and Strategies Paper (2004)

<sup>29</sup> The comparable figure for 1998-99 was 45 percent

<sup>30</sup> In the PIHS 1998-99 this was estimated to be 94 percent

<sup>31</sup> Source: SDPI: The Politics of Managing Water. OUP, 2003 (these figures are for Pakistan, but there is every reason to believe that they are no different for Punjab).

third (31 percent) of the households has the same facility and more than two-thirds (68 percent) have no toilet facilities within the premises of their homes. .

201. Even though the benefits accruing from using a sanitary latrine have been demonstrated, defecation in the fields appears to be the preferred option. This may be due to a number of factors linked to socio-cultural factors, environmental conditions and economic factors. The Housing Census 1998 reports that in the Punjab nearly 58 percent of the households have no latrines available for use inside the house. In the urban areas this percentage is about 13 percent.

202. In the urban areas a fairly large proportion of households (38 percent) were connected to a piped sewer system and a relatively small proportion (7 percent) were connected to a covered drain. In the rural areas only 43 percent were connected to some form of drainage/sewer system. More than half the households were not connected to any form of drainage.

203. Proper planning would have demanded that water supply schemes are automatically complemented by sanitation schemes. However, this has not happened in the Punjab and there appears to be a deficit in coverage and also 'access' to sanitary toilets in this case. There has been a policy decision in the P&DD in this regard recently. In future water supply schemes would not be approved unless a drainage scheme is included in it. A greater area of concern is the total lack of waste water treatment in Punjab. Effluent from cities where collected, is pumped into nearby streams or rivers without any treatment whatsoever. This is a huge environmental hazard and is gradually killing the rivers and surface water bodies.

## **2. Issues and Concerns for Strategy Development**

### **2.1. Impact of Devolution**

204. Even though devolution of the water and sanitation services has been undertaken, there still remain a number of constraints to improving service delivery. Although these problems predate devolution, they have been exacerbated by provincial political functionaries, the relationship between the province and the local government remaining constrained. The presence of a number of agencies working in the sector at different service levels, technologies and mandates creates overlaps and gaps. Unless their work is integrated through one institution or policy framework, the benefits and synergies of several alternative technologies would not be maximised. The provincial government does not control the TMAs and WASAs directly. These are now at the forefront of service delivery in this sector. The provincial government is left with two players to intervene directly in this sector; these are the PHED and the LG&RDD. The province should recognize the players in the field now and should reinvent its role accordingly.

### **2.2. Implementation Mechanisms**

205. With the politicians' need to satisfy the demands and interest of his constituency, a number of requests are made for the provision of water supply, sanitation and drainage schemes to the PHEDs in the sweet water zones. The ability of the engineers to deny such requests is limited. To circumvent policy, they, therefore, certify that the underground water is not potable (without adequate proof). While schemes can be justified in pockets where potable water is not available, this fact needs to be verified. To

counter the pressures from vested interest groups, particularly the poorer segments of society, a third party validation system should be put in place. PCSIR certified water testing laboratories (preferably one in each district) should be approved for validating the quality of water in the underground aquifer. The PHED has in fact allocated budget for this activity in the coming years.

206. Moreover, a number of avenues exist through which schemes are implemented without any community participation. As these schemes are provided without any community contributions, the communities not having access to this largesse argue the need for their own need to contribute to costs. Time and again the recommendation has been that all schemes be implemented using the principles laid down in the Uniform Policy. This, in the long run, ensures that schemes are sustainable provided the caveat for effective community participation has been met holistically and in spirit.

### **2.3. Flexibility and Control**

207. Despite the changes in incentives for District/ Tehsil Nazimeen, there has been little or no change for the service providers and managers. There appears to be a loss of morale at the senior management level and for the benefits of devolution to be achieved, these motivational issues need to be addressed. Weak accountability at the local level combined with this lack of motivation leads to undermining the quality of service provision. The dichotomy of control over the officials of the former PHED staff (now part of the Works and Services Department of the district governments) has resulted in these officials not being responsive to their new political masters. These officials are more ready to respond to directives from provincial line departments. Because of rigidities in the size and composition of the establishment, meagre operational budgets, and the fragmented annual development planning processes, the managers do not have the flexibility needed to ensure a client responsive service.

### **2.4. Lack of Adequate Human Resources**

208. There is a lack of qualified planners with a background of both community development and public health engineering. This results in the development of schemes which are not necessarily optimal. There is also a lack of professional contract management staff. This results in selection and implementation of schemes which are motivated by vested interest groups while construction procedures do not deliver according to design and specifications. The senior-most staff in the PHED feel that this is a generic problem in each of the departments where engineering is the base of skills required. Their suggestion is to empower the engineers in a manner similar to what has been done in the past for the other specialised branches of public service, e.g. the District Managers, the Tax, Audit and Accounting Professionals and the various specialisations in the revenue wings of government. They argue for a specialised Engineering Management Service.

209. Expertise in designing mechanised schemes appears to exist only for the water sub-sector with little or no expertise in the sanitation sub-sector. The skills which do exist within the PHEDs is located largely in the design offices attached to the Chief Engineer's offices in Lahore and Multan. Skills for designing sewerage and large drainage schemes exist only within the Water and Sanitation Agencies. Even these are available in not all the major cities (population over 1 million) of the Punjab.

## **2.5. Effective Integration of Community Development Effort**

210. One of the stated pillars of policy for the water supply and sanitation sector (following the National Policy Conference in 1988), particularly in the rural areas, has been effective community involvement from identification to post-construction operations and maintenance. This was put in practice in during the Social Action Programme executed in the 1990s. However, this has largely taken the form of establishing ineffective community organisations after construction of mechanised schemes has been completed in the smaller urban and larger villages of the province. This has largely been the result of the poor quality of construction requiring substantive rehabilitation, repair and maintenance, in some instance even before such schemes have been operationalized.

211. The presence of schemes implemented through vertical programmes and grants of the provincial and federal governments (as gifts to a select few localities) is in direct competition to the stated policy. This requires that there should be effective community participation manifest through sharing in the capital costs. Unless all schemes are implemented on the same basis irrespective of the source of fund, the likelihood of effective integration would be conspicuous by its absence or at best a lukewarm presence. Moreover, in the absence of implementing the uniform policy, the chances of achieving full O/M cost recovery is minimised. Another hurdle in such an approach moving forward is the availability of good/ well trained NGOs in this field that can, in large masses, mobilize communities and train them. The government might need to fund NGOs to establish and do this, like in the case of the Punjab Rural Support Programme.

## **2.6. Cost Recovery**

212. Many users want to have a higher level of service than is being provided, particularly as it relates to the convenience of house connections. Distribution systems which will accommodate private house connections are generally not being provided where systems are designed to supply less than 5,000 persons. With only a stand post level of service, consumers are unwilling to pay a tariff if they have an alternative supply. Consequently cost recovery is inadequate to operate these schemes on a sustained basis.

213. Compounding this is the constant rise in costs largely due to the power tariff which is constantly being revised upwards without consideration for the ability to pay for services by the consumers of public goods. Mechanised water supply schemes constructed by the PHED are over-designed at source, under-designed at distribution and the quality of materials used in construction is poor. This results in their inability to provide water of sufficient quality at desired pressure level thereby ensuring that consumers are dissatisfied with the service. This results in unwillingness of consumers to pay for a service which does not meet their demand. Very few, if any, water supply schemes installed by the PHEDs have been able to achieve operations cost recovery. The TMAs, therefore, are in a no win situation. Low revenues and lack of alternative funding, on the one hand, and the need to deliver an efficient water supply service, on the other hand. This results in customer and voter dissatisfaction, the creation of large deficits with the eventuality of a cut-off in power supply owing to non-payment of energy bills.



## **2.7. Water Pollution**

214. In the irrigated areas underground water has been affected largely owing to water-logging which has created salinity and also owing to use of chemical fertilizers and pesticides and the discharge of untreated sewage and industrial effluents discharging into rivers, streams and canals.

215. This has resulted in polluting the water supply in the under-ground aquifers to a depth of, in some not infrequent instances, up to 100 feet. Only hand-pumps designed to deliver water from such depths or more are capable of providing potable water in these areas. Thus the current policy of denying public water supply schemes in such areas (which are in pockets) can no longer be a universal rule.

## **2.8. Alternate Technology, Design and Standards**

216. At present water supply, drainage and sewerage schemes are designed and implemented separately. This leads to the lack of cohesion within the sector. Integrated schemes have the advantage of compatibility. There are no specified standards of service with the result that delivery to different communities is based on the judgements of the various executive engineers. There is a need to specify a uniform level of service and standardised design parameters which should be the minimum<sup>32</sup>. Any variation upwards should be on the basis of full cost recovery of both capital and recurring costs and not the marginal costs.

## **2.9. Contract Implementation and Supervision**

217. The PHED is an engineering design and contract management department. However, it is constrained by government procurement and payment procedures and is manned by a staff which is ill-paid, has no incentives for extra ordinary work, is fearful of repercussions, particularly under the Accountability Ordinance, and is, therefore, loath to take decisions for non-SOP (standard operating procedure) mechanisms of implementation. This results in fortifying the already solid nexus between the engineer and the contractor leading to lax or null supervision, contract over-runs both in time and quantity, and poor quality of output. Moreover, since the PHED is not accountable to the people it serves, there is no external supervision over it and no compulsion to improve performance. Add to this the political interference in scheme and site selection and the political exigencies of wanting the work undertaken in the shortest possible time. These result in the PHED not being able to bring its best practices into use and seek for short-cuts to keep the politicians (MNAs, MPAs and Senators) happy. Further the system is also conducive to the creation of contractor cartels wherein individual contractors bid for and obtain contracts on the basis of queuing. The acceptance of lowest bids under this system is thereby negated.

## **2.10. Inter-Governmental Roles and Responsibilities**

218. With the devolution to local governments, the PHED now has been divided into several parts. Each of its district offices has been merged within the Infrastructure and Services offices of the TMAs. The secretariat and the Chief Engineers' Offices continue to exist with no clear mandate of their responsibilities. The secretariat continues to

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<sup>32</sup> Annex A (of the Sector Paper) contains minimal standards approach to the WATSAN; which can be referred to when evolving policy for the province. (Developed and provided by Mr. Reza Ali.)

perform its routine functions as in the past: the posting and transfer of officers, coordinating the sector activities and providing assistance to the TMAs wherever required.

219. The province has decided to restrict itself to facilitating the devolution of responsibility, build capacity within the TMAs, provide a centralised pool of resources which would otherwise be uneconomical for the TMAs to maintain and intervene only when requested to do so. It would also continue to oversee any vertical or foreign funded programmes and projects. The province is also clear in its understanding that all schemes should eventually be the property of the TMAs and that the TMAs should take on the responsibility of transferring these to the communities for O&M wherever possible.

#### **Box 4: The PHED: Limitations and Constraints**

In the current scenario it is very important to be careful about one thing: PHED should not ignore TMAs like it did communities during the SAP program. It is imperative for the department to keep in mind the following if they wish to work successfully with the district governments:

- Schemes should be constructed with full involvement of the TMA and the communities and PHED should stop following an in and out approach with no consultations and hence no ownership.
- Agreements to 'take-over' schemes can always be signed by TMAs for lack of any option, since they are cash-starved but a sign on the dotted line should not be the end of the responsibility as far as PHED is concerned. Any schemes, paid by any tier of government should reflect in the budget of the local government and related expenditures and the nature of the scheme should be discussed in the respective house.
- It is not only the capital that is being spent on the scheme, but due to the undertaking the scheme would be an O&M burden on the TMA and should be thoroughly scrutinized before any such scheme is 'signed-on' by the TMA.
- If an announced and reasonable criterion is followed in vertical programmes then it does not matter if issues of political economy come into play and if the 'queuing' principle is violated, as far as getting additional funds for a certain area are concerned.
- However, if technical standards as well as policies vis-à-vis communities are also violated then such vertical programmes would skew the whole sector and would run the risk of being detrimental to any efforts to plan. Mixed signals would go out to various players which could have counter-productive results in the race to achieve the MDG targets.

(Extract from sector paper)

### **3. Proposed Strategic Interventions**

220. Past habits of command and control through the issuance of directives, needs to shift to facilitation and strengthening of local governments. This can be achieved through establishing clear and stable provincial policy frameworks, and the monitoring and provision of technical support to local governments for the implementation of those policies. The PHED is currently in the process of establishing a Provincial Resource Base [PRB] which would include a training institute and the Central Design Unit. The

training unit, Water and Sanitation Training Institute (WASTI), would also include the Central Water Testing Laboratory. The PRB is mandated to assist the TMAs, train staff, establish standards, evaluate the technical merits of designs proposed, and make and implement regulations.

### **3.1. Community Infrastructure**

221. The models of 'component' sharing need to be followed in urban and rural areas for purposes of financial sharing and speed of projects. It would also have very high ratio of sustainability. Schemes where communities contribute are seldom abandoned since these are 'self-selected' and a result of the need of the people. Communities would obviously never contribute in schemes where they have not been consulted and which they think will not work or will be difficult and expensive to maintain. Therefore, the whole Uniform Policy needs to be looked at afresh and policy should be enunciated, going one step back, which is project identification and financing. Component sharing could be the preferred model which would work perfectly if there is a need for such a scheme in the community, where only tertiary and perhaps secondary lines and 'internal' development should be the responsibility of the household and primary level infrastructure including pumping/ purification/ treatment works need to be paid for and even run by the government.

222. Policies should also be developed and implemented which specify both standards of design and levels of service appropriate to the communities' affordability to pay not only the O/M costs but also to partially finance the capital costs. This would ensure the use of lower cost solutions and appropriate construction standards.

223. Regulation of sanitation facilities, disposal and treatment of wastewater needs to be undertaken to minimize its negative environmental externalities and adverse affects on the environment. This waste usually ends up polluting water bodies that are the sources for livelihood and food for the poor and the diseases caused also impact the poor disproportionately. This is why there is also a need for raising awareness about water quality among citizens who get/ demand water under two categories: one, as consumers / buyers who purchase water as a service. Two, as a public right: access to safe water.

### **3.2. Public Water Supply Schemes**

224. The existence of a public water supply is not necessarily the most effective solution, particularly in the sweet water zone. Care should be taken to analyse and examine all alternative mechanisms and to adopt only those which maximise benefits to the user and not the provider. Such examinations should be undertaken by agencies such as those in the academia or civil society and not just by consulting engineers.

225. The policy of not providing a mechanised scheme should be continued for sweet water zones, however, it should be modified to state that public water supply schemes in such areas would be limited to the provision of Afridev pumps on loans to be provided to households or through a water supply scheme to be designed and delivered through the CBOs and RSPs. However, even this water needs to be tested for impurities and contamination.

226. One way in which such shortages can be overcome is by making available the services of a public sector technical assistance office comprising of the design officers from the PHEDs at the provincial level and from the WASAs. Such an organisation

should compete for advisory services needed by local government units. This element of competition with the private sector consulting and design engineers would ensure state of the art knowledge and a lower price tag to the local governments.

### **3.3. Local Government Service Provision**

227. Two critical elements need to be addressed. These relate first to the schemes which were under implementation at the time when local governments came into existence (2001) and were abandoned for want of an “owner”. These need to be revived and brought on stream. While permission to do so has been obtained, the issue with respect to ownership needs to be settled. The PHED must negotiate ownership with the TMA and transfer these to them. Also of critical importance in the negotiations would be the timing of handing over title: an ex-ante handover would possibly result in a re-estimation of the cost of completion. The second relates to the schemes constructed under the PRWSS project which were handed over to the communities and which are now being abandoned for a variety of reasons. If such investments are not to be treated as sunk costs, then title to these must be transferred to the TMAs and modalities worked out for the communities to once again take responsibility for operations and maintenance.

228. To ensure that the MDGs are achieved, and there is some equity in the provision of services to achieve the same level of access and coverage throughout the province, there is some justification for vertical programmes, at least in the short run. These can be delivered through the TMAs who are mandated to take over these functions from the provincial government. The mechanism of conditional grants for local government performance (in this case TMAs), as provided in the PLGO, can be used for this purpose.

## **4. Prioritising Interventions**

1. Training of TMAs is to be undertaken to build capacity at local level. Establishment of WASTI is a step in this direction.
2. All water supply schemes undertaken now, under the latest policy, have to have sanitation component. However, this component must be implemented and not rolled over for lack of finances.
3. The community driven programme currently undertaken through support of the ADB is encouraging but needs to be analysed and assessed on various indicators, amongst them involvement of local government being most important and pertinent. Best practices of community involvement, including component sharing need to be up scaled.
4. In the short run the PHED is planning to undertake vertical programmes under an accelerated programme through the ‘provincial resource base’. It is hoped that this does not become a permanent feature and function of the department which really should be strategizing on area of regulation, quality issues and technical assistance and moving away from implementation. Given the dire need felt by the provincial government for these programmes; they must be carried out with full involvement of the local governments, in the shape of ‘conditional grants’ and be duly reflected in their budgets. Non-functional schemes need to be identified and made functional only through active community participation to ensure their sustainability. The government might consider employing the services of an NGO to assist in their interface with the community.