

# THE SAP EXPERIENCE IN PAKISTAN

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Given recent international interest in the development of sector wide approaches (SWAps) in the health sector a number of DFID staff expressed a wish to know what the impact of the Pakistan Social Action Programme, the longest running example, has been and what lessons can be learnt from this experience. This briefing paper sets out how SAP came about, how it operates, what is known about its impact to date and options for the future.

## What is SAP?

The Social Action Programme (SAP) is a multi-sector policy initiative of the Government of Pakistan. It was established in 1992 and is open ended. Despite twenty years of relatively stable economic growth, with an average annual increase in GDP of 6%, Pakistan's human development status was amongst the worst in the region, and far below what might be expected in view of its level of per capita income. Influenced by a small, but significant, group of politicians and bureaucrats the Government, anxious to improve economic performance, and accepting that economic development cannot be sustained without human development, adopted SAP to increase the quality and quantity of investment in basic social services. This was defined initially as primary health including community services and basic health units, primary education, population welfare and rural water supply and sanitation.

In the first year SAP was a planning and financing exercise in which some policy initiatives were taken and the extremely low budgets were increased significantly. Government recognised that it couldn't sustain this commitment to reverse the decades of neglect of its basic social services without external support and sought donor assistance. Donors, who were already providing support to the four sub-sectors to little effect, saw an opportunity to have greater influence on policy and implementation for the whole of basic social services, and responded positively.

## The SAP Projects

Since 1993 donors have been providing programme support for SAP through two sector investment projects. Under this partnership Government agrees to increase spending, adopt agreed sector policies, implementing them through annual operational plans, and act on identified institutional and policy reforms. The donors commit pooled finance to meet an agreed proportion of overall expenditure, support for the policy dialogue, and agree to provide a continued level of investment and technical assistance projects in support of the SAP financial envelope.

The first SAP project was for three years (1993/4-95/6) but was extended into 1996/97 due to expenditure lags and delays in planning the second project. The World Bank, Asian Development Bank, the Dutch Government, and DFID, who joined after eighteen months, provided support. The second SAP project runs from 1997/98 to 2001/02. The European Union has joined the donor group and the scope of SAP has been extended to include all elementary education, health up to first level hospitals (approx. 55% of public health expenditure), and more activities in the urban areas.

## Why SAP?

As indicated Pakistan had achieved a reasonable level of growth but failed to impact significantly on poverty or human development. Government itself identified deficiencies in implementation, flaws in social service design, and inefficiencies in resource allocation and utilisation resulting from political and institutional constraints. SAP was conceived as an integral part of the overall development planning process, not as an isolated or special programme. SAP was intended to provide a policy framework and financing envelope that would cover all sector specific and Province specific projects and programmes in the social sectors. From the outset therefore SAP was seen as a means of improving implementation, increasing financing and budgetary efficiency, improving policies and addressing governance problems, notably building political commitment and minimising political interference.

Government's desire for improved resource availability, sector policies and strategies, together with institutional reform, and a sound governance agenda, was a clear rationale for a sector wide approach to basic social services. However, this understanding was limited to a small number of influential politicians and bureaucrats. Though government commitment was achieved there was not wide political ownership of SAP or its implied budgetary shift away from defence and non-social sector expenditures. Further, whilst Pakistan has a Federal structure in which the four Provinces are responsible for almost all domestic expenditures most income is raised centrally and overall fiscal policy is a Federal responsibility. Thus, social sector policy and implementation rests with the Provinces whilst macro financing, budgetary control and planning lies at the Federal level. A successful sector wide approach to the social sectors therefore requires ownership and commitment at both levels.

## How SAP Works

The SAP process is quite simple. At a macro level there is a five-year financing plan and policy framework covering sector policy, strategies and reforms, which are reviewed annually. The donor financing reimburses a proportion of all expenditure, recurrent and development, agreed under the financing plan. Reimbursement encourages increased budgets and ensures they are maintained. In return, the donors are involved in discussion and agreement on the sector strategies, operational practice and policy reforms.

During the first project the reimbursement rate was about 10% across all expenditures; with some budget lines (e.g. essential drugs, monitoring and evaluation) reimbursed at 100%. Given the economic crisis at the beginning of the second project period the donors wanted to ensure protection of the non-salary budgets (the only financial proxy for quality) and increased reimbursement against them to 75% with a consequent reduction in reimbursement of the salary budget so that the average rate overall will be about 8%. Combining this programme support with the other investment and technical assistance projects the total donor contribution to the government budget for basic services was 17% (\$589 million of \$3.5 billion) during 1993/4-96/7; and is planned to be 20% (\$2 billion of \$10 billion) during 1997/8-2001/2.

## **SAP in Practice**

From the outset the World Bank acted as lead donor, co-ordinating other inputs and managing the dialogue with the government. Particularly during the first project, the World Bank's resources and style dominated. The policy dialogue, which was at the heart of SAP, became focused on the World Bank led supervision missions. The distinction between SAP as a government programme and the project supporting it became blurred. SAP was seen as a donor, and often a World Bank, construct.

The donors paid undue attention to the detail of operational plans taking the initiative away from the Provincial Government service departments. The pattern became one of detailed scrutiny of these implementation plans through traditional project supervision with less attention paid to the sector policies, strategies and reforms. At Federal level there was a continuing emphasis on the macro financing issues but a gulf emerged between this national perspective on the financial envelope and the reality in the Provinces.

The donor leadership militated against increased ownership particularly amongst Federal and Provincial politicians. The key interlocutors were the Provincial Department Secretaries and the Federal Planning Commission. Ownership, energy and commitment here was not reflected at the political level and as most of the effort was put into the donor dialogue understanding was not spread down to implementation level and on to the public.

Donor co-ordination and World Bank management arrangements were reviewed at the end of 1997. For the second project the World Bank appointed a senior social sector team leader in Islamabad, finally shifting all the management of SAP to Pakistan, and the donor group agreed a more collaborative and participative approach. However to date the mission focus and limited engagement with politicians has continued.

There has been an improvement in the level of policy dialogue and a growing awareness amongst some of the senior Provincial bureaucrats and the donor technical team of the value and nature of sector wide working. However the lack of continuity, particularly, but not exclusively, on the government side, and the continued donor preoccupation with the detail of planning and implementation has slowed progress towards an effective, government led sector wide programme.

## **The Impact of SAP**

The major successes of SAP so far have been the increase and protection of expenditures and the establishment of a sector wide approach to policy within the social sectors. Improvements in sector performance have been much slower.

The main focus of SAP in the early years was on increased expenditures, which were at an exceptionally low level. Budgets and spending during the first project period were protected and increased by about 50% in cash terms. In particular, public health expenditures increased by 35% in real terms and population and welfare by 30%. Though the targets in terms of the share of GDP were not achieved, the social sectors saw a major increase in share of budgets at a time when defence and other public programmes were being curtailed. SAP financing increased from 1.8% to 2.1% of GDP between 1993 and 1997, with non-salary recurrent spending rising from a very low base of 1.2% of expenditures to 3.3%. At the same time defence expenditure dropped from 6.5% of GDP to 5.1% of GDP and non-SAP development

spending from 5.1% to 2.1%. Since the start of the second project more severe macro-economic problems and political uncertainty have affected all budgets and spending but it appears that SAP commitments are being honoured in terms of relative protection and priority setting.

In addition to the financial impact SAP has established a coherent sector wide approach to policy development and planning. Senior managers are beginning to appreciate the benefits of these improvements. They have a clearer vision and direction and have gained a comprehensive view of the management and resource issues they face. Primary health care, the provision of essential medicines and contraceptives at facility level, staff attendance and performance and service quality are all being seen as of critical importance. Good planning, monitoring and management, and the effective and efficient use of the increased budgets are beginning to be developed. Some Secretaries have expressed the wish to move to a full sector approach, especially in health, having seen the benefits that have accrued from SAP. As the dialogue with donors has begun to move away from a focus on micro management of planning towards a broader review of policy and strategy these benefits are becoming more apparent.

Changing the overall approach to policy, planning, financing, and delivery of basic social services is a major task and it is unrealistic to expect evidence of major impact in the early years. Further, attribution in terms of human development indicators is contentious. There has been limited improvement in some areas of SAP; primary school enrolment increased, particularly for girls and in rural areas; child immunisation rates increased markedly and the gender gap reduced; and contraceptive awareness and prevalence rates increased. However all agree that this impact is insufficient. The main reason for the poor performance was the failure to fully identify and address the institutional constraints. Under the second project there is greater emphasis on tackling the institutional and management problems many of which could not be addressed through a traditional project approach.

## **Lessons from SAP**

SAP demonstrates that it is possible to begin to reform basic social services through a sector wide approach to financing and planning even where many of the prerequisites for change are not present. However progress is slow and takes time, patience and persistence. Unless Government ownership and leadership is acknowledged and strengthened progress will remain limited.

SAP was opportunistic. A timely initiative was taken to raise the profile of social services, which gained sufficient government support to become viable. Donors, aware of the failure of existing projects to make an impact responded. However, in an environment of extreme political abuse and poor institutional development, improved governance and institutional reform may not have been preconditions for starting SAP but are essential prerequisites for its success.

Although initial expectations were modest they grew amongst all stakeholders to unrealistic levels. Ambitious expectations, accountability, attribution, and individual donor policy objectives may have to be sacrificed if policy development, owned and led by the Government is to be achieved.

SAP is a national (Federal) programme but social services are the responsibility of the Provincial Governments. The benefits of national coherence have not, in practice, balanced the

price paid for not building stronger Provincial ownership. Wherever the political lead lies it is important for sector wide approaches to relate effectively at all levels; in the case of Pakistan, Federal, Provincial and District.

The SAP policy dialogue needs to have the capacity to deal with the whole range of social sector policy and spending issues, effectively an annual policy framework and public expenditure review covering whole programme including the separate donor aided investment and TA projects. Participants must be prepared to deal with the entire range of social sector and wider public sector issues, including the highly political ones. SAP is a political agenda and requires political engagement and the acceptance of political compromise. SAP was initiated as a multi-sectoral programme because the links between all basic services were acknowledged. In the event this insight has not been capitalised upon. Each sub-sector has been treated in virtual isolation. There have been benefits in identifying broader public sector management issues but stronger links should be made in planning and implementation between the sub-sectors.

SAP has lacked a strong enough focus on performance. The emphasis on financing and planning has detracted from service level management and practice. This has been exacerbated by the lack of a widely agreed methodology and format for monitoring and evaluation. Impact indicators have been effectively monitored through a household survey but this information should be disseminated and used to inform management decisions at Provincial level and below.

## **The Future**

The Government of Pakistan was the driving force behind SAP committing itself to a programme approach to basic services in 1990 and continuing despite eight changes of government and severe macro-economic difficulties. The support of donors has consolidated this commitment amongst senior bureaucrats in the Provinces but has not built political ownership. The focus on budgets and expenditures has yielded results but is also responsible for aspects of the SAP resembling traditional project conditionality. This, and the difficulty the donor team had in moving away from micro management, and a preoccupation with the detail of plans have hampered SAP developing into a full sector wide approach to basic social services. With the recent political uncertainties in Pakistan the future of SAP is unclear. Basic social services are no longer the 'Cinderella' of the public sector and resources are no longer the major problem. With stronger government ownership SAP could be the radical sector programme its designers intended but it must be effective in achieving not only improved expenditures and services but also impact on human development amongst the poorest of Pakistan's women and children.

Author: Paul Thornton, January 2000

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