



Australian Government

AusAID

# Pakistan Annual Program Performance Report 2011

June 2012

This report assesses the bilateral aid program's progress towards meeting Australia's aid objectives in Pakistan. This is the third annual program performance report (APPR) completed for the Pakistan program.

## Context

### General

Pakistan is a complex operating environment. In 2011 Pakistan was just beginning to recover from the devastating flood of 2010 when more flooding hit southern Pakistan, affecting 5.2 million people, damaging approximately 800 000 homes and more than 9000 schools.<sup>1</sup> The 2011 floods affected already vulnerable communities and compounded Pakistan's already considerable development challenges.

Pakistan ranked 145 out of 187 countries in the 2011 United Nations (UN) Development Programme's Human Development Index, which combines measures of life expectancy, school enrolment, literacy and income. Pakistan lags well behind other countries with similar low average incomes across almost all indicators of social and human development. More than one fifth of the population of over 173 million people live on less than US\$1.25 per day.<sup>2</sup>

Poverty in Pakistan is multidimensional. The poor not only have low levels of income, but also limited access to basic services. Only two thirds of children are enrolled in primary school and over half the adult population is illiterate.<sup>3</sup> The maternal mortality rate remains high at 260 deaths per 100 000 births, and only 39 per cent of births are attended by skilled midwives.<sup>4</sup> Results of the 2011 National Nutrition Survey highlight further concerns, with 30 per cent of children under the age of five reported to be malnourished.<sup>5</sup> Progress against the Millennium Development Goals (MDGs) remained slow in 2011 (Table 1). Although Pakistan demonstrated some gains in infant mortality rates and primary school enrolment, it is not on track to achieve MDGs on extreme hunger and poverty (MDG 1), primary education (MDG 2) and maternal health (MDG 5).

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<sup>1</sup> UN Office for the Coordination of Humanitarian Affairs, Pakistan Monsoon Situation Report No. 14. 1 December 2011.















<sup>2</sup> UN Development Programme, Human Development Report 2011.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Aga Khan University, Pakistan Medical Research Council, Nutrition Wing GoP, UNICEF, National Nutrition Pakistan Survey 2011.

Table 1: Tracking against MDGs in Pakistan

	1	2	3	4	5	6	7	Status
<b>MDG Goal</b>	End poverty and hunger	Universal education	Gender equality	Child health	Maternal health	Combat HIV/AIDS	Environmental sustainability	Development Assistance Committee status (January 2012)
<b>Pakistan</b>	 	 	 	 	 	 	 	LMI*

Note:



On track to meet MDG



Not on track to meet MDG

Organisation for Economic Cooperation and Development – Development Assistance Committee

Abbreviations:

LDC (Least Developed Country), OLI (Other Low Income Country), LMI \*(Lower Middle Income Country), UMI (Upper Middle Income Country)

### Operating context: economy, politics and security

Pakistan’s economy remains vulnerable to external and domestic shocks. The country’s US\$11.3 billion stand-by arrangement (SBA), provided by the International Monetary Fund, lapsed in 2011. The SBA was approved in 2008 to support Pakistan’s economic stabilisation program. It committed the country to economic reforms aimed at increasing government revenue, including broadening the tax base and eliminating energy tariff subsidies. These measures were not fully implemented before the SBA lapsed. Under the agreement, Pakistan repaid US\$1 billion in 2011–12 and is scheduled to repay another US\$3 billion in 2012–13. This is expected to place considerable pressure on Pakistan’s balance of payments.

Pakistan’s burgeoning population is also placing pressure on its economy. Real gross domestic product (GDP) is expected to have grown by 2.9 per cent in 2011–12.<sup>6</sup> With Pakistan’s population expected to grow by another 40 million by 2020, GDP growth will need to reach 7 per cent per year to generate sufficient employment and provide adequate social services and education opportunities for the growing population. A major constraint to increasing productivity and reaching GDP targets is electricity shortages, with load shedding already having an impact on production across the country.

An important political milestone was reached in 2011 with the devolution of many government responsibilities from the federal government to the provincial governments. It remains unclear how development policy implementation and management will be shared between these levels of government and whether the provinces have the resources and capacity to deliver basic services, including in health and education.

Security remains an issue across Pakistan, with ongoing conflict and violence affecting large parts of the country. Political-related violence, insurgency, law

<sup>6</sup> International Monetary Fund, World Economic Outlook, September 2011. <http://www.imf.org/external/pubs/ft/weo/2011/02/pdf/text.pdf>

enforcement operations, and kidnapping—including of foreign aid workers—remain serious security issues.

## Donor context

Globally, Pakistan was the fifth highest recipient country of official development assistance (ODA) in 2010<sup>7</sup>, noting that this result reflects high levels of assistance following the 2010 floods. However, ODA represents just 1.7 per cent of Pakistan's gross national income, limiting the impact and leverage donors have over its macro-economic challenges and development outcomes. Notwithstanding tension in the bilateral relationship between the United States and Pakistan, which manifested in 2011, the United States provided an estimated US\$632 million in development assistance to Pakistan in 2011<sup>8</sup> or 33 per cent of total ODA. The United Kingdom also continued as a lead donor to Pakistan in 2011, providing UK£215.8 million for 2011–12<sup>9</sup>.

The World Bank and Asian Development Bank (ADB) continued to be highly engaged in Pakistan. As of 1 March 2011, the World Bank's portfolio of initiatives comprised 22 active projects with a total commitment of US\$3.822 billion. The World Bank's Pakistan Trust Funds portfolio has 55 active grants with a total commitment of US\$110.405 million.<sup>10</sup> In 2011, the ADB provided to Pakistan US\$550 million in disbursement and US\$1163.24 million in sovereign loans.<sup>11</sup>

## Program objectives and strategy

### Australia's aid program in context

Against this challenging context Australia's development assistance to Pakistan continues to grow. In 2010–11, Australia provided total ODA of \$116.4 million and an estimated \$95.3 million total ODA in 2011–12. The higher 2010–11 amount reflects the additional development and humanitarian assistance provided to Pakistan after the devastating floods in 2010.

### Objectives

Australia's aid program to Pakistan is guided by the Australia – Pakistan Development Partnership (the Partnership), signed by the foreign ministers of both countries in October 2011. The Partnership forms the basis of ongoing engagement with the Government of Pakistan (GoP) on development issues, and sets out the principles, mutual commitments and priorities for development cooperation between

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<sup>7</sup> Organisation for Economic Cooperation and Development, ODA Receipts and Selected Indicators for Developing Countries and Territories. [http://www.oecd.org/document/9/0,3746,en\\_2649\\_34447\\_1893129\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/9/0,3746,en_2649_34447_1893129_1_1_1_1,00.html)

<sup>8</sup> United States Agency for International Development, Foreign Assistance Disbursements by Fiscal Year for Pakistan—All Agencies 2012, [http://www.foreignassistance.gov/OU.aspx?OUID=169&FY=2010&AgencyID=0&budTab=tab\\_Bud\\_Spent&tabID=tab\\_sct\\_Democracy\\_Disbs](http://www.foreignassistance.gov/OU.aspx?OUID=169&FY=2010&AgencyID=0&budTab=tab_Bud_Spent&tabID=tab_sct_Democracy_Disbs)

<sup>9</sup> Department for International Development, Annual Report and Accounts for 2011–12, <http://www.dfid.gov.uk/About-us/How-we-measure-progress/Annual-report/>

<sup>10</sup> World Bank, *Pakistan: Achieving Results in a Challenging Environment 2012*, <http://www.worldbank.org.pk/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/PAKISTANEXTN/0,,contentMDK:20131431~menuPK:293052~pagePK:141137~piPK:141127~theSitePK:293052,00.html>

<sup>11</sup> ADB, Factsheet on ADB and Pakistan 2012, <http://www.adb.org/sites/default/files/pub/2012/PAK.pdf>

Australia and Pakistan. The Partnership also provides for annual senior officials talks on development policy issues and progress in implementing the development program.

In accordance with the Partnership, the overall objective of Australia's aid program is to work with the GoP towards maintaining a stable, secure and democratic country through broad-based social and economic development and poverty reduction in line with the MDGs. In 2011 the goals of the Pakistan program were outlined in *Australia's strategic approach to aid in Pakistan* (December 2010). In mid-2011 the Australian Government released *An Effective Aid Program for Australia Making a real difference- Delivering real results* (Effective Aid Policy) which established the Australian Government's overall aid policy through to 2015–16. In 2011, the Australian Agency for International Development's (AusAID) Pakistan section reviewed its Pakistan program goals and updated them to align with the strategic goals and objectives set out in the new Effective Aid Policy. The updated goals and objectives for the Pakistan program were subsequently agreed with the GoP during the first annual Partnership talks held in early 2012 and are the strategic goals against which the Pakistan program's progress in 2011 will be assessed.

The 2011 APPR reports against the following strategic goals and objectives for the Pakistan program:

Primary goals and objectives:

- saving lives—improving health and reducing malnutrition for women and children
- promoting opportunities for all—improving the quality of, and access to, education for boys and girls
- sustainable economic development—through increasing agricultural productivity and improving rural livelihoods.

Secondary cross-cutting goals and objectives:

- effective governance—supporting democratic institutions and processes
- humanitarian and disaster response—responding effectively to humanitarian disasters and improving disaster risk reduction practices.

These objectives further reflect the Australian Government's commitment to assisting Pakistan to achieve the MDGs, in particular MDG 2 (universal education), MDG 4 (reduce child mortality) and MDG 5 (improve maternal health). They will be formalised in a new country strategy for the Pakistan program, which is currently being developed and will be released by the end of 2012.

In developing a new country strategy, the Pakistan program will report against the headline results captured in AusAID's Comprehensive Aid Policy Framework released in May 2012. The country strategy will also include a performance assessment framework and risk management strategy to assist with evaluating program progress and monitoring and managing risks.

Delivery strategies for AusAID's priority sectors (health, education, agriculture/rural development) will be finalised in 2012. In addition to ensuring Australia's investments are well targeted and aligned with GoP priorities, these delivery strategies will include detailed program pipelines to guide ongoing efforts to reduce

fragmentation. AusAID aims to reduce fragmentation by identifying long-term, large-scale programming options while maintaining flexibility to respond to emerging priorities as required.

## **Strategy, approach and risk management**

Development cooperation is an important component of Australia's enhanced engagement with Pakistan. Australia's response to the 2010 floods generated substantial goodwill with Pakistan which was consolidated with further assistance following the 2011 floods. In particular, the GoP values Australia's expertise in agriculture and natural resource management, and appreciates our ongoing practical assistance in health and education.

As set out in the Effective Aid Policy, Australia's long-term national interest in contributing to development in Pakistan will continue. Our efforts focus on a limited number of sectors where Australia can make the biggest difference (health, education and agriculture and rural development). Australia's aid program focuses on two provinces—Balochistan and Khyber Pakhtunkhwa (KPK)—where we have a history of engagement, where development needs are substantial, where there are gaps in donor assistance and where we have the capacity to make a difference.

Pakistan is a high-risk location for delivery of aid and the two focal provinces for Australia's assistance are among the most difficult places to deliver effective programs. To mitigate security and fiduciary risks, Australia delivers development assistance primarily through multilateral, non-government organisations (NGOs) and other donors with a solid track record on the ground. This also enables Australia to leverage larger programs to maximise effectiveness. Australia does not provide direct budget support to the GoP. Where Australia does provide budget support, we provide it through larger donors, such as the World Bank and the United Kingdom's Department for International Development (DFID), which have established fiduciary and risk monitoring mechanisms in place.

Australia has been growing its aid program to Pakistan in recent years. Given the political and security environment, the high level of risk and the reliance on implementing partners, identifying, designing and delivering programs in Pakistan continues to be difficult. Whilst consolidating the Pakistan program is a long-term aim, this will be balanced against maintaining flexibility to ensure objectives are still met if progress of large-scale activities is interrupted or delayed given the operating environment, and AusAID is able to respond effectively to emerging situations such as natural disasters.

## **Policy engagement and donor coordination**

The main mechanism for policy engagement with the GoP is the annual senior-level talks introduced under the Partnership. The first Partnership talks were held in early 2012 so will be reported against in next year's APPR. Opportunities for high-level policy engagement with the GoP were limited in 2011 as the Pakistan Development Forum (PDF)—the main broad-based forum for aid coordination and development policy engagement—was not held. The forum last met in November 2010. In its place the GoP held consultations with a subset of the PDF comprising the GoP, the eight largest donors and a representative of 'mid-sized, like-minded donors' (the

Development 10 Group). From March 2011, Australia was the mid-sized donor member of the Development 10 Group which contributed to Australia's elevated profile within the donor community. Notwithstanding irregular GoP-led donor coordination meetings, donors meet regularly and coordinate in-country at heads of agency level, through sector working groups and through activity-level consultation.

The recent devolution process has made donor consultation and coordination with government in Pakistan more complicated as donors adjust to new arrangements. Provincial governments now have primary responsibility for key services such as health and education. While Australia built on existing relationships with provincial counterparts in 2011, this is an area for continued attention going forward.

During 2011, Australia continued its active membership of the Friends of Democratic Pakistan (FoDP) group. While a FoDP Ministerial Meeting was not convened, Australia participated in a number of policy-level FoDP initiatives. A water sector task force, established during the last Ministerial Meeting of the FoDP in November 2010, was tasked with preparing a water management strategy for Pakistan. AusAID provided two experts to support this—a water management expert was seconded to the ADB to contribute to the drafting process, and a technical expert provided strategic input on a short-term basis. At the time of writing, the strategy has been finalised and is pending GoP approval.

In August 2011, AusAID—with officials from the Australian Government's Department of Foreign Affairs and Trade and the Australian Centre for International Agricultural Research (ACIAR)—participated in a FoDP workshop on institutional capacity building in Ankara, Turkey. The workshop was an opportunity for the GoP and the international community to review ongoing capacity building programs in Pakistan, explore new institutional linkages and partnerships, and identify models of success. The meeting also provided an opportunity for Australia to highlight ongoing work to build Pakistan's agricultural capacity through the ACIAR-managed Agriculture Sector Linkages Program (ASLP). A workshop outcome was an agreement that the GoP would prepare a paper on institutional capacity building for submission at the next FoDP Ministerial Meeting (yet to be scheduled).

## **Expenditure**

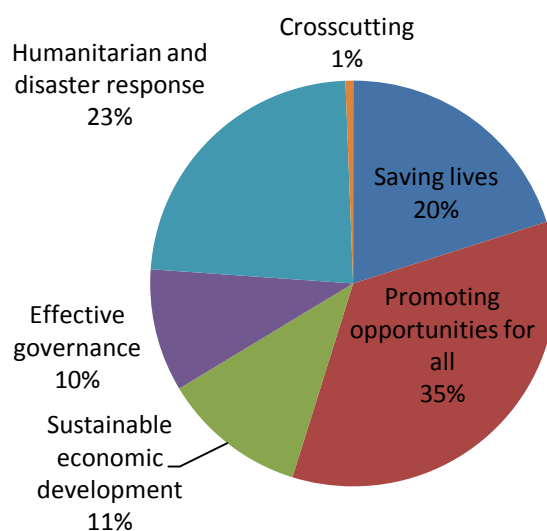
Total ODA for Pakistan (2011–12) is estimated at \$95.3 million. Tables 2 and 3 show the breakdown of ODA against the strategic goals outlined in the Effective Aid Policy. AusAID's bilateral country program for 2011–12 is estimated at \$79.0 million and forms the basis of reporting under this APPR.

Table 2: Estimated expenditure in 2011–12

Objective	A\$ million	% of total ODA
Objective 1: Saving lives	19	20
Objective 2: Promoting opportunities for all	33	35
Objective 3: Sustainable economic development	11	11
Objective 4: Effective governance	9	10
Objective 5: Humanitarian & disaster response	22	23
Crosscutting	0.5	1

Table 3: Expenditure per sector in 2011–12

## Pakistan Strategic Goals: 2011-12



## Progress against objectives

The challenging development and operating context in Pakistan outlined illustrates why it is difficult to deliver effective aid in-country. The volatile security situation remains a constant impediment to implementing and monitoring aid activities across Pakistan. The floods in 2010 particularly, and to a lesser extent in 2011, caused major social and economic impacts and dominated GoP and donor efforts, diverting attention and resources from long-term development programming.

Despite these challenges, the Pakistan program continued to progress toward its objectives in 2011. Some activities achieved positive tangible results however it is difficult to aggregate these activity-level results towards progress against the sectoral objectives given that the Pakistan program does not yet have a performance assessment framework setting out progress indicators. This demonstrates that work is still needed to develop the country strategy architecture to match the program which



has grown rapidly over the last few years from total ODA of \$16.9 million in 2006-07 to more than \$116 million in 2010-11.

Table 4: Ratings of the program's progress towards the objectives

Objective	Current Rating	Relative to previous rating
Objective 1: saving lives—improving health and reducing malnutrition for women and children	■	Unchanged
Objective 2: promoting opportunities for all—improving the quality of, and access to, education for girls and boys	■	Unchanged
Objective 3: sustainable economic development—increasing agricultural productivity and improving rural livelihoods	■	Unchanged
Objective 4: effective governance—supporting democratic institutions and processes	■	Unchanged
Objective 5: humanitarian and disaster response—respond effectively to humanitarian disasters and improve disaster risk reduction practices	■	Unchanged

Note:

- The objective will be fully achieved within the timeframe of the strategy.
- The objective will be partly achieved within the timeframe of the strategy.
- The objective is unlikely to be achieved within the timeframe of the strategy.

### Objective 1: Saving Lives—improving health and reducing malnutrition for women and children

Australian assistance in the health sector focuses on saving lives by improving health and reducing malnutrition for women and children. It also aims to reduce the incidence of avoidable blindness as a means to eliminate poverty. In 2011, work was undertaken to consolidate the health program and in 2012, AusAID will finalise a health sector strategy for Pakistan. This strategy will consolidate priority areas, pipeline activities and anticipated results for Australian support to the health sector.

There have been some improvements in the overall health of Pakistan's population; in particular, significant gains with child health and progress against MDG 4 (reduce child mortality). Between 2005 and 2010, Pakistan's infant mortality rate decreased from 75 deaths per 1000 live births to 70<sup>12</sup> and the mortality rate for children under five decreased from 94 per 1000 births to 87.<sup>13</sup> The rate for immunisation against measles for children aged one increased from 78 per cent in 2005 to 86 per cent in 2010.

Gains were also made with maternal mortality, with the rate dropping to 260 women per 100 000 live births in 2010, from 320 per 100 000 in 2005.<sup>14</sup> Despite these improvements, maternal health indicators continued to lag behind other countries in the region and Pakistan is not on track to achieve MDG 5 (improve maternal health). Child nutrition requires serious attention if progress gained in 2011 towards MDG 4 is to be maintained. It is estimated that more than 30 per cent of children under five

<sup>12</sup> UN MDG indicators. <http://mdgs.un.org/unsd/mdg/data.aspx>

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.



are under-nourished and the level of acute malnutrition (at 15 per cent of children under the age of five) is critical.<sup>15</sup>

#### **Maternal, neonatal and child health**

In 2011 Australia continued to work in partnership with DFID to support the GoP to implement its National Maternal, Newborn and Child Health Program (MNCH). Australia has committed \$30.5 million to this program over a period of five years (2007–08 to 2011–12). Australia’s contribution helped establish a Research and Advocacy Fund (RAF) and the Technical Resource Facility (TRF) in support of improved MNCH outcomes in Pakistan.

The RAF generates original research-based evidence to contribute to effective MNCH policy development in Pakistan. In 2011 it allocated more than \$12.6 million to 16 projects in 56 districts in-country. The grants enabled research and advocacy on key maternal, newborn and child issues, such as barriers to health services for women and children, and improved birth preparedness for poor women.

The TRF procures and helps manage quality technical assistance on behalf of Pakistan’s federal and provincial governments for maternal and newborn health. The TRF focuses on program planning, financial management, human resources and program evaluation. In 2011 recommendations developed under the TRF, such as the KPK health strategy, were adopted by the GoP. The federal department of health drew on the KPK health strategy, now a best-practice model, when planning and designing its national health programs.

The TRF revised the curriculum for community midwives training in 2011. The new curriculum is being used to train community midwives in rural areas. This helped train 8966 community midwives in rural areas in 2011, 2969 of which have already been deployed to serve in the community. Overall, improvements in MNCH have been reported in Pakistan. For example, skilled birth attendance increased by nearly 31 per cent in rural areas between 2006–07 and 2010–11 (compared to an almost 5 per cent increase in urban areas).<sup>16</sup>

Australia’s investment in this high-profile program, along with the strong partnership with DFID, has provided us with the opportunity to be involved in discussions on health policy issues with the GoP and given us opportunities to further encourage performance against MDG 4 (reduce child mortality) and MDG 5 (improve maternal health).

#### **Nutrition**

In 2011 Australia continued to improve nutrition outcomes, particularly for women and children. Through DFID, Australia funded the United Nations Children’s Fund (UNICEF) to conduct the National Nutrition Survey (NNS), released on 19 September 2011. The survey updated Pakistan’s nutrition-related indicators, enabling areas of greatest need to be identified. Key findings include:

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<sup>15</sup> Aga Khan University, Pakistan Medical Research Council, Nutrition Wing GoP, UNICEF, National Nutrition Pakistan Survey 2011.

<sup>16</sup> Pakistan Bureau of Statistics, Pakistan Social and Living Standards Measurement Survey (2010–11).

- maternal and child under nutrition remains a major issue for Pakistan in all of its dimensions
- major differences in nutrition levels exist between geographic areas with Balochistan, the Federally Administered Tribal Areas (FATA) and Sindh emerging as areas with major problems for childhood under nutrition
- Balochistan and FATA generally have relatively low development indicators and delivery of government services in these areas are difficult for logistical and security reasons
- the 2010 floods, which greatly affected Sindh, exposed the high levels of malnutrition in these communities, and the 2011 floods had a further negative impact on already vulnerable communities.

These key findings will play an important role in shaping and influencing nutrition-related investments by the GoP and its donor partners, including Australia. Drawing on the NNS findings, AusAID is already working with the World Bank to design a program of support for Pakistan's provincial governments to expand access to nutrition services for women and children.

AusAID support to the One UN Joint Programme on Health and Population continued to produce results in 2011. This program, implemented by the World Health Organization (WHO) and UNICEF, provides supplementary feeding to acutely malnourished children and mothers in Balochistan and KPK provinces. It also provides education on nutrition to the community. In 2011 more than 44 000 children (aged 6 to 59 months) received multi-micronutrient powder to reduce vitamin and mineral deficiencies, more than 40 000 children (aged 2 to 5 years) were dewormed with deworming tablets and more than 105 000 people, including health workers and mothers, were educated about infant and young child feeding, hygiene and nutrition.

#### **Avoidable blindness**

In 2011 Australia continued to achieve impressive results through the Fred Hollows Foundation's programs to target avoidable blindness in Pakistan, namely, the Pakistan District Eye Care Project Phase II (PADEC Phase II) and the Pakistan Australia Sub Speciality Eye Care (PASEC) activities. Whilst PADEC Phase II works at the district level to make high-quality general ophthalmology services accessible and affordable for the population, specialised services at tertiary level are being developed and strengthened through PASEC.

PADEC Phase II is strengthening eye units in 25 districts by providing training, equipment and systems delivery. In 2011, a total of 23 of these units were provided with 100 intraocular lenses for use by patients who cannot afford to buy their own. More than 247 000 patients were screened for eye diseases and 22 805 cataract surgeries performed.

During the reporting year, PASEC continued to support the GoP to implement the National Programme for the Prevention and Control of Blindness (2005–11). This project installs new equipment, trains ophthalmic teams and upgrades infrastructure in key tertiary institutions and district-level teaching hospitals. It is also taking steps to prevent childhood and diabetes related blindness. In 2011 the PASEC project continued to achieve strong results. More than 10 000 patients were screened at

diabetic retinopathy clinics in Karachi, Lahore and Peshawar. Also, 44 822 school children were screened for refractive errors and other eye conditions. The project also upgraded the capacity of three hospitals to treat eye conditions. The hospital eye units were fully equipped with staff and equipment.

*Overall assessment:* While positive results were achieved in 2011 in each activity in the health sector, the relative size of our investment compared to the breadth of the health challenges in Pakistan and the GoP's own low levels of sectoral spending means this objective was only partially achieved. For this reason an amber rating was given for this objective in 2011.

### **Objective 2: Promoting opportunities for all—improving the quality of, and access to, education for girls and boys**

There is a close link between education and development in Pakistan—the country's weak education indicators contribute to its development and security challenges. Pakistan is not on track to meet MDG 2 (universal primary education). The country suffers from low enrolments at primary level—only two-thirds of primary school-aged children go to school and more than a third of these will drop out before reaching high school. Wide disparities exist with accessibility of education between regions and by gender, and a shortage of trained teachers further contributed to poor performance. Attendance at school for many children was disrupted by the 2010 and 2011 floods which damaged thousands of schools.

Australian assistance focuses on improving the quality of, and access to, education for boys and girls. AusAID currently has activities in Balochistan, Gilgit-Baltistan (GB) and KPK. In 2012, AusAID will finalise its education strategy for Pakistan which will identify priority areas, pipeline activities and anticipated results for Australian support to the education sector.

#### **Khyber Pakhtunkhwa**

A key component of Australia's education program is supporting the development and implementation of the Government of KPK's (GoKPK) Education Sector Plan. In 2008 Australia, along with other key donors (Canada, Germany and the United Kingdom) signed a memorandum of understanding (MoU) with the GoKPK for better coordination of donor support to KPK's education sector. A key principle of the MoU was that the GoKPK would finalise an education sector plan behind which donors would align their support for education in the province. Australia is supporting two aspects of the plan. AusAID is working with DFID to help deliver education services in the province, and is also working with Germany to build the capacity of GoKPK officials to implement the education sector plan.

AusAID and DFID have agreed to provide joint support for the practical implementation of the education sector plan, with AusAID investing \$63.5 million (between 2012 and 2016) through DFID. Finalisation of the program design was delayed until mid-2011 for several reasons. In 2010-11, as an interim measure, AusAID and DFID provided textbooks for school students in the province, as well as stipends for girls attending secondary schools (as reported on in the 2010 APPR).

AusAID also continued to support the GoKPK's Education Capacity Development Strategy through the German Agency for International Cooperation. This strategy

supports the capacity of GoKPK officials to implement its Education Sector Plan and to deliver improved education services to children and youth, especially girls. In 2011, 953 heads of secondary schools, GoKPK education managers and teachers were trained in areas such as school leadership and management, project planning and management, and interactive learning methods.

Australia also continued to support an early childhood education program implemented by Save the Children which works directly with schools and communities to improve the quality of primary and early childhood education. The program aims to improve educational outcomes and access for children in government schools in KPK, by increasing learning and development opportunities and improving the transition from early childhood care and education to primary school for children aged three to nine years. This program started in mid-2011 and initial activities focused on setting up processes, systems and strategies to ensure effective implementation. Work included establishing a strong partnership with the GoKPK to ensure Save the Children works effectively with its education department. In 2011 the program also established and staffed provincial and district offices and identified 160 schools in which 24 000 students who are enrolled will benefit from program activities.

#### **Balochistan**

The Aga Khan Foundation (AKF) Early Childhood Development Project in Balochistan suffered delays in 2011 due to the challenging security situation in the province and a high turnover in stakeholders (including government officials and teachers). In late 2011 some project inception activities took place including a baseline survey of 75 schools. A MoU was finalised with the Government of Balochistan and implementing partners selected. AusAID has engaged closely with AKF to closely monitor progress and is commissioning a mid-term review in 2012 to formally assess the performance of this project.

Australia has a long history of working with UNICEF to improve education outcomes in Balochistan and continued this partnership in 2011 by working together to develop a provincial education sector plan. In 2011 an education situation analysis and sectoral diagnosis were completed. These documents will inform the drafting of the education sector plan, due to be finalised in 2012.

#### **Gilgit-Baltistan**

In 2011 Australia also continued to work with AKF to implement the Education Development and Improvement Program in GB.

The program aims to improve the accessibility and quality of education in remote and marginalised communities of Gilgit-Baltistan, with special emphasis on community participation in the sector. Under the program more than 630 teachers were trained in disability sensitisation and inclusive education. A further 556 teachers, head teachers and masters trainers were trained in curriculum enrichment and education leadership. A total of 440 school children were also enrolled in schools, 189 of which were girls.

#### **Scholarships**

In 2011 Australia continued its long-standing scholarships program, which has been in place in Pakistan since 1991. The program focuses on building capacity and

addressing skills gaps in priority sectors agreed with the GoP. In 2011, 42 Australian development scholarships were awarded to Pakistani nationals (21 females and 21 males), to study at Australian universities. Another eight scholarships were awarded to three women and eight men under the Australia – Pakistan Agricultural Scholarships program. Through this program Australia will meet its commitment to deliver one hundred short-term and long-term scholarships targeted at the agriculture sector.

*Overall assessment:* Progress towards this sectoral objective was made in 2011 and some notable results achieved through several activities. However progress was not consistent across all activities and the large-scale education activity with DFID (which will make an important contribution to meeting the objective) was still being developed in 2011 (for implementation in 2012). For this reason an amber rating was given for this objective in 2011.

### **Objective 3: Sustainable economic development—increasing agricultural productivity and improving rural livelihoods**

According to the World Bank, 109 million people (some 63 per cent of Pakistan's population) live in rural areas.<sup>17</sup> Agriculture is important for the country's economy as it generates 21 per cent of Pakistan's GDP and 45 per cent of its employment, however structural constraints hinder the sector's contribution to broad-based economic growth and poverty reduction.<sup>18</sup>

The pressure on availability of water resources for irrigation results from competing demands between urban and industrial uses. High-value horticulture products, such as citrus and mango, are an important source of agricultural income; however crop management practice issues means the risk of losses along the production chain are high. AusAID is developing an Australia – Pakistan Agriculture and Rural Development Strategy to guide investment decisions in the sector from 2012 to 2015. As with other sectors, the draft strategy will be updated to reflect AusAID's revised country strategy architecture and finalised in 2012.

Australia promotes sustainable economic development in Pakistan by increasing agricultural productivity and improving rural livelihoods. These countries share similar agro-climatic and resource management challenges. This uniquely places Australia to provide specialist expertise to further Pakistan's development in this area. Australia provides this assistance primarily through ASLP implemented by the ACIAR. Phase 1 of ASLP was highly regarded by the GoP and key stakeholders. In response to requests from Pakistani counterparts, AusAID and ACIAR embarked on the second phase of ASLP in early 2011, to improve access for small-hold and marginalised farmers. Activities are helping farmers increase market and employment opportunities; enhance academic links through long and short-term scholarships; and develop partnerships to improve Pakistani approaches to natural resource management.

Key outputs of ASLP in 2011 included research on key topics relevant to mango production by three female students at the National University of Agricultural

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<sup>17</sup> World Bank, World Bank Data Rural Population <http://data.worldbank.org/indicator/SP.RUR.TOTL.ZS>

<sup>18</sup> GoP Ministry of Finance, Pakistan Economic Survey 2010-11.

Sciences in Islamabad, delivery of a mango production workshop seminar held in Punjab for district and agricultural officers, the publication and distribution of recommendations for better mango orchard management to more than 400 farmers and a trial air shipment of mangos to China.

Australia also provided support for rural development in partnership with the Sarhad Rural Support Programme (SRSP), a Pakistani NGO with extensive experience in KPK. SRSP's Livelihoods Strengthening Program (LSP) aims to reduce poverty by reviving livelihoods and empowering communities affected by conflict in three districts of KPK— Charsadda, Nowshera and Peshawar. The program was poised to start when the 2010 floods hit, severely damaging community infrastructure and displacing the population in these three districts. In response to the impact of the floods, AusAID and SRSP reoriented LSP to address the early recovery needs of affected communities and carried out community reconstruction and rehabilitation activities, including restoring flood damaged community infrastructure such as drains and bridges.

After the success of the early recovery phase in 2010, the LSP made the transition to the long-term rural development phase. In 2011 the program supported livelihood development through small grants to 318 women for community investment and income-generating activities. It also provided training to 175 youths in technical and vocational skills resulting in an increase to their monthly incomes of more than \$50. The program also trained 380 people in management and community development.

*Overall assessment:* Australia's support for the agriculture and rural development sector is well received by Pakistani counterparts and, despite some delays caused by the 2010 floods, is progressing well. Current activities represent only part of the anticipated larger investment in the sector. New activities, which will assist with meeting the overall sectoral objective, are expected to start in 2012. For this reason an amber rating was given for this objective in 2011.

#### **Objective 4: Effective governance—supporting democratic institutions and processes and improving social service delivery**

Strengthening democratic governance is critical to Pakistan's future. Australia's engagement in this sector is modest, representing approximately 5 per cent of AusAID's country program and approximately 10 per cent of total ODA.

Australia aims to support democratic institutions and processes in Pakistan and improve service delivery in health, education and agriculture. This includes strengthening the capacity of civil society organisations to participate in government decision making and improving the quality of, and access to, basic social services. Future investment in the governance sector will focus on electoral support and supporting provincial governments to build capacity to deliver social services (linked to the Pakistan program's primary pillars of health, education and agriculture). In 2011, AusAID undertook a scoping mission to assess the level of support Australia should provide to the governance sector. The mission recommended that governance should be a secondary, crosscutting sector under AusAID's country program to Pakistan. A governance strategy, building on the mission's recommendations, will be finalised in 2012.



To encourage improvement in access to, and quality of, basic services Australia supports the Communication for Effective Social Service Delivery program which works with communities and local governments to strengthen the delivery of education, health and water services in 11 districts in KPK. In 2011, AusAID assisted the establishment of 511 Social Services Committees (SSCs) to encourage community involvement in the management of education, health and water services. Formation of the SSCs has resulted in a 50 per cent increase in student enrolment and a 187 per cent increase in children visiting health facilities in areas with SSCs. This program plans to scale up over the next four years to achieve a critical mass of SSCs in the 11 districts. AusAID is considering further support to this initiative beyond 2012 to build on these positive early results.

In 2011, Australia continued to support Pakistan's Strengthening Participatory Organizations' Democratic Governance and Social Harmony program which strengthens community and public interest organisations to advocate for community priorities and improve service delivery from government. In 2011, this program contributed to the issuance of national identity cards to 13 000 women, enabling them to access a range of essential government services.

Another element of Australia's governance program is support for bilateral exchanges in areas such as parliamentary strengthening and access to justice. For example, the Australia – Pakistan Law and Access to Justice Dialogue brought together prominent Australian and Pakistani legal practitioners and judges in November 2011.

A range of other Australian government departments and agencies provide bilateral support to the GoP, including the Departments of Immigration and Citizenship and Customs and Border Protection Service, the Attorney General's Department and the Australian Federal Police. These departments and agencies provide support to build the capacity of Pakistani counterparts in areas such as anti-money laundering, forensic capacity and border-management.

*Overall assessment:* While progress in each governance activity was achieved in 2011, the environment in Pakistan means Australia's ability to effectively build good governance capacity was unchanged compared to 2010. For this reason an amber rating was given for this objective in 2011.

## **Objective 5: Humanitarian and disaster response—respond effectively to humanitarian disasters and improve disaster risk reduction practices**

### **2010 floods**

Supporting disaster and conflict-affected populations is an important component of Australia's engagement in Pakistan. Australia's response to the 2010 floods generated goodwill with Pakistan and led to requests for assistance in response to the 2011 floods.

The 2010 floods were declared the worst in Pakistan's history. More than 20 million people were affected, approximately half of whom required humanitarian assistance. In response, the Australian Government provided more than \$75 million in assistance (across 2009–10 and 2010–11) for emergency relief and early recovery. Australian assistance was delivered through Australian NGOs (primarily CARE Australia, Oxfam Australia and Save the Children), the Red Cross/Red Crescent Societies, and



UN agencies. Although flood response activities commenced in 2010, many of these activities, particularly early recovery activities, continued throughout 2011. Full partner reporting on these activities was only received during 2011.

In addition to the early-recovery results captured in the 2010 APPR, additional results for 2011 include:

- Australian supported the World Food Programme to distribute food baskets to 8 799 000 people
- Australian funding enabled Oxfam to implement a successful water, sanitation and hygiene response, including installing water tanks and hand pumps, fixing wells and distributing water purification tablets and hygiene kits. This helped more than 440 000 people in Nowshera and Charsada districts of KPK.

A review found that Australia's assistance was timely, effective and contributed to saving lives. However, the \$75 million package was spread across almost 22 implementing partners and this added to the fragmentation, management and monitoring challenges of the Pakistan program.

#### **2011 floods**

Whilst the 2011 floods were not of the same magnitude as the 2010 floods, they affected communities still recovering from the impact of the earlier disaster. When the GoP requested international assistance, Australia was quick to respond. In 2010, Australia, through the UN's Food and Agriculture Organization (FAO), provided sunflower seeds to help flood-affected farmers replant cash crops to restore livelihoods. Given the success of this venture, the President of Pakistan asked Australia for similar assistance in 2011. In response, Australia provided \$4.8 million to the FAO to distribute sunflower seeds to 35 000 farming households to revive agriculture and livelihoods in Sindh.

Australia also contributed \$2.5 million to the World Food Programme to provide more than 5600 metric tonnes of wheat for emergency food relief and \$1 million to the Australian Red Cross for shelter for up to 12 000 people. As was the case in the 2010 floods, emergency response and early recovery activities are ongoing.

In response to the 2005 earthquake in northern Pakistan, Australia provided \$19 million to UNICEF's Pakistan Earthquake Trust Fund. This contribution funded the reconstruction of 145 schools (86 permanent and 59 pre-fabricated) which were built consistent with the GoP's Build Back Better policy and incorporated disaster risk reduction (DRR) principles. In response to recent natural disasters, the Pakistan program continued to incorporate DRR into new and existing activities, including training teachers in DRR through existing education activities. The Pakistan program will continue to incorporate DRR into new initiatives.

*Overall assessment:* Australia responded quickly and effectively to Pakistan's request for humanitarian assistance following the 2010 and 2011 floods. For this reason a green rating was given for this objective in 2011. This rating remains unchanged from the 2010 APPR.

## Program quality

As noted, Pakistan is a difficult environment to deliver effective aid. In 2011 flood recovery and response, ongoing security concerns and local capacity constraints made it difficult for many activities to progress. However, long-standing, well-established programs—such as those delivered by the Fred Hollows Foundation—continued to deliver good results. The ASLP which is positively received by Pakistani counterparts was also assessed favourably. Education initiatives in which AusAID partnered with DFID, Save the Children and UNICEF also rated highly. As the quality at implementation scores in this APPR indicate, progress under the Balochistan Early Childhood Development Program was slow. AusAID and the AKF are taking steps to ensure the project improves in the next reporting cycle.

Given the operating environment in Pakistan, independent activity monitoring is difficult. AusAID works through experienced and reliable partners and to a large extent relies on the implementing partner reports to assess activity progress. These reports are carefully analysed and translated into quality at implementation ratings by the program. AusAID's Pakistan program is exploring options to support independent verification and third-party activity monitoring to enhance its program monitoring and reporting. In 2012 a performance assessment framework will be developed to identify indicators against which to monitor progress of sectoral objectives and support more robust assessment of program performance. A results framework will also be developed to help track program progress against the headline results included in AusAID's Comprehensive Aid Policy Framework. These frameworks will be developed as part of the revised country strategy being created for the Pakistan program in 2012.

Promoting gender equality continues to be an important crosscutting theme under the Pakistan program. Education and health programs have traditionally targeted female beneficiaries and therefore rate fairly well on the gender assessment. It is often harder to identify the positive efforts to promote gender equality in agriculture and rural development activities, as traditionally these sectors are male dominated. However, the Livelihoods Strengthening Project targets women and provides skills training to enable them to increase their monthly incomes. ASLP continues to better integrate gender into its activities, but still has a long way to go. Assessing gender issues can be complex as the rating for the scholarships program attests. This program met its target 50 per cent quota for female students, but it is becoming increasingly difficult to attract female applicants from some target provinces where women are not traditionally involved in the government sector from which scholarship applicants are predominantly drawn. It is therefore seen that gender has not been promoted equally across all program components. In 2012 the Pakistan program will draft a gender strategy to more fully and effectively integrate gender into program activities.

Table 5: 2011 Quality at implementation scores

Initiative name	Quality at implementation scores					
	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality
<b>Education</b>						
INJ060—Balochistan early childhood development project	4	2	2	4	4	4
INJ061—GB education development and improvement program	4	4	3	4	4	4
INJ290—Interim support to education in KPK	5	5	5	4	4	5
INJ785—Early childhood care and education in KP	5	4	5	5	4	5
INJ786—Education sector development programme KP	5	5	5	5	5	5
<b>Health</b>						
INH 723—Delivering better health budget initiative	5	4	4	5	4	5
INH 502—Pakistan – Australia sub-specialty eye care project phase II	4	5	5	5	5	5
INH 326—Pakistan – Australia district comprehensive eye care project phase II	4	5	5	4	5	5
<b>Rural development and agriculture</b>						
INJ207—Livelihood strengthening program	5	4	4	3	4	4
INJ015—Agriculture sector linkages program	5	4	4	4	4	3
<b>Humanitarian</b>						
ING453—Pakistan earthquake reconstruction program	5	4	5	5	5	4
<b>Good governance</b>						
INH868—Border area development—democratic governance and social harmony program	4	4	4	3	3	3
INJ885—Communication for effective social service delivery II	5	4	4	4	4	5
<b>Scholarships</b>						
INI611—Australian development scholarships—Pakistan	5	4	4	5	4	3

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very high quality

■ = 5 = Good quality

■ = 4 = Adequate quality

Less than satisfactory (1, 2 and 3)

■ = 3 = Less than adequate quality; needs significant work

■ = 2 = Poor quality; needs major work to improve

■ = 1 = Very poor quality; needs major overhaul

## Multilateral performance assessment

A key element of Australia's approach to managing risks and ensuring quality in the Pakistan program is to work with multilateral partners with proven capacity to operate effectively and deliver results in-country. In 2011, Australia continued to partner with multilateral organisations on development and humanitarian initiatives, including the World Bank, UNICEF, WHO and the World Food Programme. Australia delivered key components of its 2010 and 2011 flood responses through multilateral partners. Supporting large multilateral partners is an effective way to deliver humanitarian

assistance because it supports harmonised and coordinated donor contributions and enables economies of scale. Organisations such as World Food Programme are experienced in Pakistan and well-placed to deliver coordinated food aid in-country.

Multilateral partners face many of the same challenges as other implementing partners in Pakistan: unpredictable security situation, partner capacity issues, fiduciary risks, developing and tailoring designs to effectively mitigate these risks, and limited access to activities for monitoring by international staff. These challenges were highlighted when UNICEF reported alleged misappropriation of funds under a school rehabilitation program implemented between 2009 and 2010 which involved Australian and other donor funds totalling more than US\$4 million. On confirmation of the involvement of Australian funds, AusAID has actively encouraged UNICEF to investigate the matter fully and to pursue recovery of the missing funds. UNICEF reported the matter to the GoP authorities for a thorough investigation and took steps in 2011 to strengthen its in-country financial management and monitoring systems and processes.

Australia relies on multilateral partners to implement activities and lead donor coordination and policy engagement. While Australia does not directly fund the ADB in Pakistan, it appreciates its role in coordinating donors through Heads of Aid Agencies meetings in Islamabad, and its efforts in engaging with GoP on economic and policy issues such as water management. The World Bank is also an important partner for delivering key activities such as the multi-donor trust funds for Balochistan, FATA and KPK, and playing an active role in donor coordination and policy engagement on a range of issues.

## **Management consequences**

The main management challenge the Pakistan program faced in 2011, similar to 2010, was its rapid expansion without a concurrent corresponding increase in human resources. Due to the 2010 floods, in 2010–11 total ODA to Pakistan almost doubled from a budget estimate of \$66.5 million to actual delivery of \$116.4 million and remained at an estimated \$95.3 million in 2011–12. Programming these funds effectively in Pakistan's complex operating environment is an ongoing challenge for the program, particularly with limited in-country resources. Major natural disasters in 2010 and 2011 also diverted resources from long-term development programming to disaster response adding to programming challenges. Work to develop country strategy architecture, including sectoral delivery strategies, is the main priority in 2012 to support effective scale-up and tracking of performance.

### **Country strategy preparation**

Action from the 2010 APPR

- Finalise the Pakistan Country Situational Analysis (CSA) and start preparing a country performance framework.
- Start updating the statement of commitment and sector strategies following the release of the Aid Effectiveness Review and Effective Aid Policy.

In 2011, the Pakistan program revised the draft CSA to reflect the results of the Effective Aid Policy. After consultations with whole-of-government partners, the CSA was finalised for approval in 2012. Preparations also started on the country

strategy which will reduce fragmentation by consolidating efforts around a few target sectors. Initial efforts also got underway on sectoral strategies, the performance management framework and the risk management strategy.

For action in 2012:

- Preparation of the country strategy and sector strategies reflecting the Effective Aid Policy, as well as a country performance framework and a risk management strategy.

#### **Increasing engagement with the Government of Pakistan**

Action from 2010 APPR:

- Arrange for operationalising and signing of the Partnership at the earliest opportunity and start arrangements for the first annual talks between Australian and Pakistani senior officials to set priorities and review progress against agreed development commitments.
- Undertake a study of working in partner systems in Pakistan as background to annual talks to be held under the APDP and to inform future programming.

The partnership was finalised and signed in the sidelines of Commonwealth Heads of Government meeting in October 2011. Once signed, AusAID increased its engagement with the GoP starting with the first annual partnership talks, held in March 2012.

As a part of the Australian Government's commitment to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, AusAID is investigating the feasibility of working in partner systems in Pakistan, with the commissioning of a study to be finalised in 2012. As noted earlier, responsibility for service delivery in Pakistan was devolved to provincial governments in 2011. AusAID will also work with partners such as the World Bank to better understand the devolved division of responsibilities and the basis for resource allocation between federal and provincial governments to support social service delivery.

For action in 2012:

- Hold the first partnership talks and commence the process for updating the Partnership document which lapses in mid-2013.
- Following devolution, increase direct engagement with the governments of AusAID's target provinces (Balochistan and KPK).
- Work with partners to analyse devolution and resource allocation between federal and provincial governments to support service delivery.

#### **Partnerships and donor coordination**

Action from the 2010 APPR:

- Continue to strengthen engagement with the GoP, international financial institutions and other donors, through the Pakistan Development Forum (including as representative of mid-sized donors in the Development 10) and other avenues to promote increased donor coordination and improved aid effectiveness.

AusAID continued active participation in and promotion of donor coordination fora in Pakistan. This included representing other medium sized like-minded donors in the Development 10 Group throughout 2011. Australia also supported the FoDP by attending a workshop on institutional capacity building and providing technical expertise to its Water Sector Task Force. These experts assisted in the development of a water management strategy. Australia continued to advocate with the GoP and donors on the importance of the PDF and the need for it to be convened as soon as possible. These efforts will continue in 2012.

For action in 2012:

- Promote donor coordination and aid effectiveness through active participation in forums such as the PDF and continue to advocate for it to be held annually.

#### **Program management and resourcing**

Action from the 2010 APPR:

- Ensure that Post (Islamabad) and Desk (Canberra) are appropriately resourced to manage Australia's growing bilateral aid program to Pakistan, including developing appropriate plans for knowledge transfer and succession planning to manage staff turnover.

Program management will continue to be a challenge given the complex and insecure operating environment. In 2011, a second permanent Australian-based position at Post was filled. In 2012, AusAID will build its staff resources with the recruitment of additional program managers and A-based positions in Islamabad.

For action in 2012:

- Recruit additional staff for Post including an additional First Secretary, an agricultural and rural development adviser and corporate support positions.