



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/CP/PAK/4
19 March 1987

ORIGINAL: ENGLISH

Thirty-fourth session
26 May-19 June 1987, New York
Item 5 (b) of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR THE ISLAMIC REPUBLIC OF PAKISTAN*

<u>Programme period</u>	<u>Actual resources programmed</u>	\$
January 1987-December 1991	IPF resources for 1987-1991	64 900 000
	Third cycle balance	11 600 000
	Third party cost-sharing	<u>160 000</u>
	Total	76 660 000

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES	1 - 34	2
A. Current economic trends	1 - 12	2
B. National development strategies	13 - 25	4
C. Technical co-operation priorities	26 - 31	6
D. Aid co-ordination arrangements	32 - 34	7
II. THE COUNTRY PROGRAMME	35 - 103	8
A. Assessment of current country programme	35 - 54	8
B. New programme proposal	55 - 101	13
C. Unprogrammed reserve	102 - 103	22
<u>Annex.</u> Financial summary		23

* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operational funds and programmes under the authority of the Administrator; and (e) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. During the last decade, the overall economic performance of Pakistan has been remarkable, especially considering the various unfavourable external factors which affected the country's economy. These included the 1979 oil shock, the 1980-1982 world recession and the Afghanistan crisis, which resulted in a burden of approximately 2.5 million refugees. More recently, the uncertainty of continued growth in the Middle Eastern countries has had consequences on migrant labour, remittances and shrinking export markets.
2. Since 1978, the average annual growth rates of gross national product (GNP) have been well over 6 per cent. Economic growth was interrupted only in 1983-1984 as a result of an unexpected downturn in agriculture production due to bad climatic conditions and the decline in migrant remittances mainly from the Middle East. The growth rate of the country's GNP for the financial years 1984-1985 and 1985-1986 were 8.8 and 7.5 per cent respectively. These good growth rates were accompanied by a high degree of price stability. During the first nine months of 1985-1986 the average inflation rate of consumer prices dropped to 4.8 from 7.5 per cent compared to the same period a year earlier.
3. After two difficult years, the external financial position improved during the period 1985-1986. Export receipts increased, as did workers' remittances from abroad, while the cost of imports decreased as a result of the fall in petroleum prices. Despite this improvement, the balance of payments position remained weak with a current account deficit of \$1.1 billion or 3.1 per cent of GDP.
4. Pakistan is faced with one of the highest population increases in the world. The annual rates of population growth have been well over 3 per cent since the early 1970s. In mid-1986 the country's population was estimated to be approximately 98 million, as compared with only 36 million in 1951. Should the population continue to grow at the current rate, it would double every 25 years and is likely to reach 140 million by the year 2000. The size of the population and its rapid growth exert significant pressure on national resources, especially the physical and social infrastructure of the country. It has also led to accelerated urbanization. With the slowdown in migration to the Middle East, it is feared that the increased supply of labour might lead to critical unemployment problems, especially among the young.
5. Considering the overall economic performance over the last few years, the investment rate of Pakistan is low by international standards. A number of key sectors, including power, irrigation, transport, education, health and urban services have been particularly affected by resource constraints and low investment growth. The deterioration of social and physical infrastructure and unchecked population pressures combine to endanger economic development over the long term.
6. Education is one of the key sectors which in the past has been seriously neglected. The country's literacy and school enrolment rates are among the lowest

in the world. It is estimated that only 26 per cent of the population of Pakistan knows how to read and write. Only 49 per cent of its primary and 16 per cent of its secondary school-age children are enrolled in schools. Rural/urban and male/female differences are even more striking. Public expenditure on education accounts for 2.1 per cent of GNP, an allocation the Government recognizes as too low to provide the broad, educated population base necessary for development.

7. Although progress in the provision of health services has been faster than in education, there is still considerable room for improvement. Less than 1 per cent of GNP is spent on health and even today there is only one doctor for 3,400 persons and one nurse for 13,100 persons. These factors are reflected in a high rate of infant mortality and a low life expectancy, as compared with other countries at similar levels of development.

8. Over the past decade, there has been a sustained migration of people from rural to urban areas, leading to a rapid growth of poor urban areas such as "katchi abadis" (squatter settlements) and slums. Today, approximately 30 per cent of the Pakistani population are city dwellers and it is projected that at the present rate, urban population will reach 60 million by the year 2000; 41 per cent of the total population will then be urban dwellers. In the future this will represent a formidable burden on urban housing services and management in general.

9. The country's main cash crops are wheat, rice, cotton, sugarcane and maize. During the period 1983-1984 agricultural production experienced a sharp decline, largely because of adverse climatic and biological conditions. However, during the two subsequent years, 1984-1985 and 1985-1986, agricultural production completely recovered and growth in the agricultural sector is estimated at 12 and 6.5 per cent respectively for each of these periods. These high growth rates reflect both favourable weather conditions and the ready availability of key agricultural inputs. Agriculture remains the key sector engaging approximately 70 per cent of the total population and contributing 29 per cent to the gross domestic product (GDP). Agricultural raw materials and processed products account for approximately 70 per cent of all export earnings.

10. Agriculture depends mainly on irrigation and Pakistan has one of the largest irrigation systems in the world. The major problems include the distribution and availability of water on the one hand and proper drainage on the other. According to a recent survey by the Pakistan Water and Power Development Authority, 62 per cent of the irrigated areas are waterlogged, with a water table depth within 10 feet of the surface. Twelve per cent of these are described as disaster areas with water table depths within 5 feet. Proper management of water allocation and an increased effort in drainage will therefore be necessary to save a large proportion of agricultural lands.

11. With rapid industrial growth, improved agricultural technology and higher living standards, energy demands have outpaced energy supply, and this has adversely affected the Pakistani development efforts of recent years. The problem is particularly acute during the winter months, when serious power shortages have had negative effects on agriculture and manufacturing. During 1985, progress in the energy sector was considerable in terms of production and policy initiatives.

Oil production almost doubled and increased exploration activities now offer good prospects for further developments in output. Also, Pakistan has considerable potential for large-scale hydro-power schemes at Kalabagh, Basha and Dasu. In particular, the planned Kalabagh Dam, with a proposed power generating capacity of up to 3,600 megawatts, could have a great impact on the provision of cheap energy in future years.

12. In recent years, government policies have made a substantial contribution to the recovery of the industrial sector. Performance during the period 1985-1986 remained strong, although there are indications of a slowdown in production, which continues to be oriented largely towards the domestic market. Manufacturing exports are marginal and production is confined largely to food processing, textiles and other industries based on agricultural raw materials. Under a new strategy announced in 1984, industries have been deregulated, private investments are being encouraged and a new emphasis is being given to the promotion of small industries and industrial exports.

B. National development strategies

13. The Sixth Five-Year Plan covering the period from 1983 to 1988, envisages sustained economic growth of over 6 per cent per year. Its principal objectives are to achieve a major breakthrough in agricultural production, an expansion in the export market for agricultural products, a greatly expanded role for the private sector, the rapid development of selected industries in which the country has a comparative advantage and faster development of public services that are critical for the country's long-term progress. The public sector programme emphasizes the provision of an adequate physical and social infrastructure stressing the energy and irrigation sectors, social services such as education and health, as well as the development of the country's less-developed geographic areas.

14. The Sixth Plan strategy for agriculture stresses improved yields, brought about by improved inputs and agricultural services. The major thrust of the Plan is to move from self-sufficiency towards export-oriented agriculture. It also calls for the production of seeds for the domestic market.

15. The strategy for the water sector is directed towards (a) protection of fertile land and infrastructure from waterlogging, salinity and floods; (b) improvements in existing irrigation and drainage facilities by canal remodelling and rehabilitation, command and on-farm water management and reorganization of the institutional framework; and (c) extension of irrigation and drainage through new schemes, medium-sized reservoirs and public tubewells in underdeveloped areas.

16. The Plan envisages a reduced government role in industrial development by encouraging the private sector to increase private investments, by paying greater attention to export promotion and by emphasizing the development of agro-industries, engineering goods and small-scale industries. The Plan attaches higher priority than in the past to the mining sector for providing raw materials for industrial development.

17. The Sixth Plan objectives for the energy sector aim (a) to expand investments sharply to augment power supply; and (b) to encourage energy conservation. The main features of the investment programme are the expansion in power generating capacity and the start-up of large-scale projects such as the multi-purpose Kalabagh Dam. The Plan also calls for the development of oil and gas reserves and a major expansion in exploration.
18. Recognizing the fact that Pakistan is lagging in educational development, the Plan places high priority on education and training. It emphasizes the rapid expansion of primary and secondary education, growing educational opportunities for girls and the launching of a programme of mass literacy. The Plan also outlines policies for the development of skilled manpower both for the domestic market as well as for migration to the Middle East.
19. To address the most urgent problems in the health sector, the Plan stresses the need to concentrate on the development of preventive programmes and to strengthen primary health care through the expansion of Basic Health Units. It also provides new impetus to family planning programmes and encourages multi-sectoral approaches with emphasis on improving people's attitudes towards a small family, rather than a concentration on birth control methods as in the past.
20. To overcome acute problems resulting from the non-availability of drinking water and sanitation facilities, the Plan stresses the importance of applying appropriate and adaptable technologies to expand water and sewage services to rural areas as well as to urban centres. Also, the Plan provides for increased allocations for the rehabilitation, operation and maintenance of existing schemes.
21. In the face of rapid growth in the urban population, the objective of the Sixth Plan is to concentrate on urban development by providing low-income housing, improving the social and physical conditions of the urban poor and strengthening the capabilities of urban development authorities.
22. In 1985 a new Government was formed and, with the lifting of martial law, the Prime Minister announced a five-point programme on the basis of which a new Four-Year Economic and Social Programme was developed to cover the years from 1986 to 1990. The economic programme reiterates the objectives and orientations laid down in the Sixth Five-Year Plan. However, it places special emphasis on establishing an economic system based on the principle of social justice which benefits the poor and helps in developing the underprivileged classes and underdeveloped areas of Pakistan.
23. In stressing the intention of the Government to eliminate social injustice and to distribute the fruits of economic growth more evenly, the new Programme calls for specific programmes in fields such as rural development, salinity and waterlogging control, improvement of "katchi abadis", housing for low income groups in rural areas and an integrated manpower plan.
24. The programme for rural development aims at extending the coverage of educational and health services and at increasing the access to electricity and potable water in rural areas. A special programme is being drawn up to assist the

landless and rural poor in improving their housing. The new Programme also stresses the need for accelerated efforts in controlling the problems of salinity and waterlogging, which threaten the livelihood of a large proportion of the rural population. In particular, it calls for a large-scale land reclamation programme involving 4.4 million acres by installing additional tubewells and other drainage facilities.

25. A growing number of the urban population are living in slums and "katchi abadis". The preparation of a comprehensive programme is planned to improve their welfare on a self-help and co-operative basis with assistance from the Government for urban services such as water, sewage, sanitation, electricity and roads at reasonable charges. The new Programme further calls for an integrated manpower plan covering both the public sector and the private sector. An important aspect will be the provision of jobs for educated youth.

C. Technical co-operation priorities

26. To translate the objectives of the Sixth Five-Year Development Plan and the new Economic and Social Programme into reality requires, first, the mobilization of substantial domestic and external resources and, second, a sustained effort to ensure the most efficient use of resources made available for development.

27. One of the major constraints to viable economic development has been the difficulty of bridging the gap between the collective needs for development and the level of sacrifice the nation has been willing or able to make. In order to improve domestic resource mobilization, the Government is currently undertaking concentrated efforts to increase the public saving rate through tax reforms and to reduce subsidies through a general policy of decontrol and deregulation of the economy. However, Pakistan will depend on the continued support of external donors for its development efforts for the foreseeable future. The Annual Development Budget for the present fiscal year (1986-1987) envisages total public sector development programmes of over 40 billion rupees (approximately \$2.8 billion). Of this amount, an estimated 26 billion rupees (approximately \$1.5 billion) will be provided through various forms of external aid.

28. Donor support to the development of Pakistan has been considerable. Total pledges made at the Paris Consortium meetings increased from \$2.1 billion in 1985 to \$2.3 billion in 1986. The 1986 Development Co-operation Report published by UNDP estimates total contributions from both bilateral and multilateral development resources for ongoing projects and projects that are about to be approved at about \$9 billion. But the success of the country's development efforts will depend largely on its capacity to absorb fully and utilize effectively these large amounts of external resources available for its public investment programmes.

29. Despite these pledges by donors, Pakistan is experiencing substantial difficulties in translating the pledges into disbursements. This not only jeopardizes the pace of its economic development but also may reduce donor interest in continued support. To overcome shortfalls in aid disbursements or to increase the level of external aid will require major efforts by both the Government and the

donor community. On the one hand, this will include the streamlining of administrative procedures for project approval and implementation, as well as the mobilization of additional domestic resources for project counterpart funding. On the other hand, the optimal use of foreign assistance will depend on the Government technical and institutional capacity to identify, prepare and implement large-scale public investment programmes. It is in this context that UNDP could make a useful contribution by assisting the Government in tackling technical problems and in upgrading human resources required to guarantee the most efficient use of its domestic and external development resources for the improvement of the physical and social infrastructure of the country.

30. Through UNDP the Government can draw on the experience and expertise available in industrial as well as in developing countries, from both inside or outside the region, in order to complement its own expertise and to broaden its technical know-how. The Government also considers that, because of its multilateral and grant character, UNDP involvement in the development process of Pakistan can be especially useful in technical co-operation activities that will result in or require participation by a number of other sources of development assistance, either in the form of follow-up investments or other development activities.

31. In view of the above the Government plans a concentration of UNDP resources during the fourth country programme on the technical assistance required to improve its overall performance in preparing and implementing its public development programme. Such technical assistance could be provided in the form of master plans or prospective studies for various subsectors or in undertaking feasibility studies for large-scale development projects. Technical assistance might also be considered for the support of large-scale development programmes in order to strengthen technical know-how and to increase economic impact. This could be done either by providing technical assistance directly to large development programmes or by setting up or strengthening institutions required to implement and support development efforts. The overall concern in such assistance would be the development of human resources necessary to lead to increased self-sufficiency in managing the development programme of Pakistan.

D. Aid co-ordination arrangements

32. In Pakistan, the Economic Affairs Division of the Ministry of Finance has the overall responsibility for the co-ordination of external assistance with the various foreign development authorities. An annual Consortium meeting under the chairmanship of the World Bank serves as a forum for discussions between the Government and the major donors for the overall co-ordination of external assistance.

33. UNDP contributes to this forum and to overall aid co-ordination by publishing the annual Development Co-operation Report. This Report provides the Government and donors with an almost complete compendium of all ongoing and pipeline development projects in Pakistan which receive external donor contributions, as well as profiles of major donors. The Report has become a useful tool for bilateral and multilateral programmes, as well as sectoral and project preparation missions in their efforts to co-ordinate activities with other donors.

34. Under the leadership of the Economic Affairs Division, a large number of Government authorities were involved in the process of establishing the new orientation of the country programme. Furthermore, to guarantee the co-ordination of the new UNDP programme with other aid activities, various rounds of discussion took place with the donor community. These discussions included both the new programme orientation, as well as individual new project proposals. UNDP also initiates and participates in meetings to discuss co-ordination aspects of specific subsectors or areas of interest to its programmes with other donors. During the next country programme there will be special interest in co-operation in those subsectors in which UNDP is called upon to assist in preparing the development investment programmes, notably water resources development, watershed management and barani (rainfed) area development.

II. THE COUNTRY PROGRAMME

A. Assessment of current country programme

35. At the end of 1985, the Economic Affairs Division and the UNDP field office undertook a joint evaluation of the third country programme with the aim of assessing, to the greatest possible extent, its relevance, effectiveness and impact in supporting the development efforts of the Government.

36. The third country programme covered a period of five years from 1982 to 1986 and was based on the assumption of an Indicative Planning Figure (IPF) of \$118 million. However, because of the financial uncertainty regarding expected increases in the annual pledges to UNDP, only \$98 million were taken into account for programming at the time the third country programme was approved. At the end of 1982, the programme had to be reduced further to 55 per cent of the original IPF, leaving only \$64.9 million as new resources. Together with the \$3.75 million carry over from the second country programme, the actual resources available were \$68.6 million.

37. The uncertainty about the availability of financial resources seriously hampered the preparation of the third country programme inasmuch as it made long-term planning extremely difficult. This was reflected by the fact that the third country programme document did not identify individual new projects, but, instead, provided only for sectoral allocations. Under these conditions, it was remarkable that all available resources were committed by 1986 and that 85 per cent of those funds were utilized during the third cycle.

38. In accordance with the objectives of the Fifth Five-Year Plan (1978-83), the third country programme identified sectoral priorities in which a major share of UNDP contribution was channeled into the development of agriculture and natural resources (65 per cent) and, to a lesser degree, to human resource development, trade and industry and infrastructural development. The final analysis revealed that the sectoral distribution of expenditures in the course of the programme cycle differed somewhat from the original plans. This is not surprising, considering the substantial change in the resource picture during the programming period. However, the overall orientation adhered to the initial ranking of priorities, with the

largest share of actual expenditure (54 per cent) going to agricultural and natural resources development projects, while trade, industry and infrastructure received slightly increased allocations. These trends are shown in the table below:

Sectoral Distribution of the third country programme

Sector	Planned Distribution per cent	Actual Distribution per cent
Agriculture	33	27
Natural Resources	32	27
Human Resources	17	13
Trade and Industry	7	18
Infrastructure	11	15
TOTAL	100	100

39. In the agriculture sector, support for the Cotton Research Institute in Multan and the Cotton Classing and Grading project have both had a positive impact. A new cotton variety, Multan 70, has been developed and is now undergoing field trials. It promises increased cotton yields under the specific local conditions of Pakistan. The cotton grading project has made the first serious attempt to develop standards for Pakistan cotton which are acceptable to cotton growers and ginners, as well as to the domestic and international cotton market. The two projects have been instrumental in initiating a major cotton development project of approximately \$90 million that will also include continued UNDP assistance.

40. Another successful project concerned the introduction of new technologies for the conversion of agricultural residues, waste and other by-products into animal feed resources. For this purpose, the project helped to establish an animal nutrition institute and national standards for animal feed, as well as pilot projects. It provided technical advice, including the preparation of feasibility studies for investments in livestock and livestock feed production, of approximately one billion rupees. A relatively small project in sericulture was successful in the development of a parent stock of silk worms and the production of high quality silk seed. The project has created the potential for additional income for small farmers and small-scale industries through silk production in Pakistan.

41. The Baluchistan Coastal Fisheries project was able to make a positive contribution towards the development of small-scale fisheries in this relatively backward province. The success of the project led to an Asian Development Bank (ASDB) loan of \$25 million for the building of a fisheries port and auxiliary facilities. A second project in marine fisheries exceeded the absorptive capacity of the implementing agency and was only partially successful. Fish stock assessment work could be undertaken only at a few sites and the effort to diversify

fishing was not accompanied by an economic environment which could persuade fishermen to avoid over-exploiting certain demersal species in coastal areas.

42. A relatively small project for introducing watershed management teaching into the curricula of the Pakistan Forestry Institute had to overcome many administrative and organizational problems. However, in view of the concerted effort to be undertaken by the Government for the improvement and development of watershed management areas, this project has received a new impetus and has laid the foundation for future development in this area.

43. Because of the importance of water and power to the country's development, the natural resources sector has traditionally received high priority. UNDP contributed to the development of this sector with some large-scale and highly successful projects. UNDP financed the preparation of the Revised Action Plan for Irrigated Agriculture which revealed that two-thirds of the surface irrigation water was lost because of the inefficient operation of irrigation systems. The action programme indicated that major emphasis should be given to the improvement and rehabilitation of existing irrigation and water courses, the water management system, a flood forecasting and flood warning system, increased surface water storage capacity and the improvement of drainage facilities. To follow up its recommendations, UNDP financed feasibility studies focusing on land reclamation, drainage and irrigation. This project has led to investments of approximately one billion dollars, which included financing from a large number of multilateral and bilateral donors. This included, among other studies, the preparation of the Left-Bank-Outfall Drain in Sind, one of the largest public investments of Pakistan with financing from nine different donors.

44. The largest single project to be financed under the third country programme was the preparation of the Kalabagh Dam Project, for which close to \$10 million was earmarked. The project was designed to prepare a feasibility study, a draft project planning report and detailed engineering designs, including cost estimates as well as tender documents for civil works and electrical and mechanical equipment. This assistance has been successful because all technical reports, however complicated and complex the issues they address, are being prepared according to schedule and are providing the basis for one of the most important investment decisions to be taken by Pakistan in the near future.

45. During the third cycle, UNDP financed a number of projects in the field of geological and mineral development, including technical assistance to the Geological Survey of Pakistan and the Resource Development Corporation in Baluchistan. UNDP co-operation made a significant contribution towards improving the capacity of geological staff in geological mapping, advanced techniques of exploration, economic geology, geophysical survey and analysis and interpretation of geological data, all of which has resulted in the identification of lead, zinc, barite and copper in Baluchistan. However, as in the case of the exploration of the Saindak copper mines, the finances necessary for the development of the mines remain to be mobilized.

46. In human resources development, the success of UNDP-financed projects was mixed. Whereas UNDP involvement was considered successful in the field of skill

development, the impact of a number of projects in education remains in doubt. The National Vocational Training Project supported a major Government effort to strengthen and expand skills training in Pakistan and focused on the development of a national vocational training system, curriculum development, the development of vocational skill standards, testing and certification, as well as advisory services for in-plant training. It was closely connected to a \$42 million public investment project supported by the World Bank and aimed at improving and extending the physical facilities for a number of vocational training centres throughout the country. UNDP support to the educational sector through a cluster of 10 projects covering six provincial centres and a number of educational institutions was less successful, partly because of poor project design and partly because of the lack of support and motivation from the executing agency as well as the counterpart agencies. All these projects had to be closed following a joint agreement between UNDP and Economic Affairs Division.

47. The industrial sector projects of the third country programme have concentrated mainly on the public sector, emphasizing the metallurgical and engineering, textile and leather industries. The UNDP contribution involved surveys and pre-investment studies for medium- and small-scale industries, and shop-floor and specialized training in various industrial fields. Two projects provided in-plant training for a fairly large number of engineers, foremen and supervisors for the Pakistan Steel Corporation. The staff trained under this project has made an important contribution towards the improvement of know-how in the maintenance and repairs of the mechanical and electronic units of steel rolling mills. Assistance provided to the Pakistan State Engineering Corporation, with its 11 units in Karachi, Lahore and Taxila, has contributed to improving the quality of the country's output of capital goods. Training and know-how imparted to the private entrepreneurs through the Leather Products Development Centre in Karachi, has improved the quality of leather goods and increased export revenues.

48. Among the projects in the field of human and physical infrastructure, the most significant contribution has been made in the field of civil aviation. As a result, an excellent training institute has been established in Hyderabad (Sind) which has sophisticated laboratories in navigational aids and telecommunications and a competent core staff. It provided training to more than 300 students in various technical fields such as air traffic control, communications operations, electronics and rescue and fire-fighting.

49. UNDP has supported a unique project involving the Transfer of Know-how through Expatriate Nationals (TOKTEN) that started in 1980 as a five-year project. Over 150 Pakistani scientists and engineers working abroad were called back to the country for short-term consultancies to assist various technical and scientific institutions with the latest trends in technology. The programme has been cost-effective in transferring new technologies and met with a very high level of local acceptance.

50. The assessment of the third country programme has shown that those projects which were connected with large-scale investments were more likely to have a lasting impact. These were either in the form of pre-investment activities, investment support activities or human resource development in areas with public

investment activities. The main implementation problems were experienced in the social sector especially in education, where despite repeated efforts by UNDP and the Economic Affairs Division of the Ministry of Finance, the implementation of approved projects could not be improved, nor was it possible to substitute new and better-conceived technical assistance proposals for these projects.

51. One aspect which made the overall implementation of the third country programme difficult was the large number of small-scale projects. As many as 117 projects were operational during the five-year period. The large number of very small projects not only dispersed technical assistance excessively, which resulted in too little impact in too many areas, but also increased the managerial and administrative burden. The time-consuming administrative requirements for project approval and implementation are basically the same for small- and large-scale projects, so that less time is left for substantial discussions on project preparation, monitoring and evaluation, with negative effects on programme quality.

52. The assessment also revealed long delays both in project preparation and approval as well as in implementation. This was often less the result of technical difficulties than of administrative requirements both within the Government and the United Nations system. It was estimated that the time which elapsed between the initial discussions of a project concept and its final approval was approximately two years, too long to ensure adequate and prompt reaction to technical assistance needs. By the time a project started, the environment had often changed substantially, requiring project revisions which again resulted in administrative delays. Once a project was approved, further delays were encountered because of the time required for obtaining approval of experts and fellowships, the provision of counterpart staff and the purchase of equipment. Such delays often resulted in great difficulties in the necessary co-ordination of inputs and led to project extensions and increased costs.

53. During the third country programme, for the first time, a more systematic effort was made to employ national expertise in technical assistance projects. This experience was assessed as being highly successful, in particular where projects employed a well-balanced input of national and international expertise.

54. This assessment has led to the following considerations for improving the implementation of projects during the fourth country programme.

(a) To concentrate the fourth country programme on large-scale projects or to combine groups of small-scale activities with similar subject matter under one umbrella project;

(b) To ensure greater co-ordination between UNDP and various government institutions in identifying and preparing new project proposals (e.g. to undertake preparation of government documents (PC-I and PC-II) and UNDP project documents simultaneously);

(c) To increase the responsibility of project implementing agencies and project management, both national and international, in implementing a project within the parameters of the approved project document. In particular, decisions

concerning project operations and management, such as short-term consultants, fellowships and the procurement of equipment, should be taken at the project level to prevent long delays in channelling official approvals for activities which have already been agreed upon in signing the project document;

(d) To establish a more systematic approach in the use of national experts and consultancy firms in technical assistance projects financed by UNDP with the aim of increasing the cost-efficiency of inputs and of upgrading national consultancy services.

B. New programme proposal

55. The overall objective of UNDP technical co-operation during the fourth country programme will be to provide support to the Government to improve the effectiveness of the utilization of development resources for its investment programmes and to increase the absorptive capacity of the national development infrastructure through technical assistance projects that are aimed at:

- Pre-investment activities, such as the preparation of master plans for specific development areas, investment programmes for various sectors or subsectors and the preparation of concrete feasibility studies;
- Technical support for the implementation of specific public investment programmes that include external financing;
- Strengthening development institutions which provide the essential infrastructure for large development programmes; and
- Development of the human resources required to implement and sustain the public investment programme effectively.

56. The fourth country programme includes 31 new project proposals with a total estimated UNDP contribution of \$37.13 million. Together with planned extensions of six ongoing projects for \$1.65 million, commitments for new approvals identified in this country programme represent 51 per cent of available resources. A total of 45 projects approved during the third country programme will continue into the fourth cycle with commitments of \$16.625 million. However, most of those 45 approved projects have only residual budgets which will be used up during the first year of the new country programme. Altogether, approved projects and new project proposals amount to 73 per cent of the total available resources for the fourth country programme.

57. In comparison with the third country programme, the fourth places a stronger emphasis on a clear orientation for UNDP technical assistance activities. The new project proposals are almost equally distributed under the four new programme objectives. In accordance with the assessment of the third country programme, the number of new project proposals has been drastically decreased from 117 during the last cycle to 31, and the average project size has doubled from approximately \$600,000 to \$1.2 million. Furthermore, close linkages with projects and programmes

of other multilateral and bilateral donors have been established. A new project proposal is designed to strengthen national consultancy services, which will not only have an impact on UNDP-financed projects, but potentially serve other aid programmes.

Pre-investment activities

58. UNDP will assist the Government in the preparation of investment programmes for selected subsectors, as well as the preparation of specific feasibility studies for follow-up investments.

Projects

59. UNDP will provide the technical assistance necessary for the preparation of investment programmes in the following subsectors: water resources development, watershed development in major watershed areas, and barani area development. The projects in all three subsectors will follow a similar pattern of first assessing the needs and the potentials of the sector, second, establishing priorities for future development and, third, preparing feasibility studies for follow-up investments.

60. Pakistan has one of the largest continuous irrigation systems in the world and the development of water resources has traditionally received a high priority. The 1986 Development Co-operation Report indicates that more than 17 per cent of total external assistance is being channeled into the maintenance and improvement of facilities in the water sector. UNDP will finance the preparation of a medium-term investment plan for the water resources sector to help channel future investments by the Government and a large number of bilateral and multilateral donors. This plan would not only look into investment priorities of the physical infrastructure but also into requirements for the improvement of the institutional framework. Further, it would identify projects to improve irrigation and drainage practices at the farm level. In a follow-up project, UNDP will finance the preparation of feasibility studies identified under the investment plan for follow-up investment.

61. The accelerated deterioration of the major watershed areas of Pakistan is not only a threat to the rural economy in the northern part of the country but also has a negative long-term impact on irrigated areas in the plains of Punjab and Sind. A plan is needed to review the present situation of this subsector, to orient future efforts in this field and to prepare the basis for large-scale investments. UNDP will provide the assistance for the preparation of a master plan for the integrated management and development of watershed areas, as well as the preparation of feasibility studies for individual follow-up investment projects.

62. The barani areas of Punjab are relatively poor and underdeveloped because of their lack of agricultural potential. Under its new policies, the Government is making an effort to bring barani areas into the mainstream of economic development and plans to improve public infrastructure in this region. UNDP is assisting the government of Punjab in the preparation of a development plan for barani areas, which will include the identification of specific investment opportunities. UNDP will also finance the preparation of a master plan for a co-ordinated approach to improve water and sanitation facilities in rural areas.

63. In urban development, UNDP will finance the preparation of a feasibility study to look into alternative sewage disposal methods for Karachi, particularly studying the feasibility of pumping sewage into desert land for controlled irrigated farming. Should it prove feasible to transform wastewater into an asset, it would provide Karachi and probably other cities such as Quetta with an alternative to conventional sewage treatment facilities and allow those towns to make substantial savings in their development budgets. A recent UNDP-financed pre-feasibility study made very encouraging recommendations. Another major feasibility study in the field of urban development will look into the growth potential of a number of cities in the Sind province with the aim of preparing the outline for a number of town development plans that would establish the basis for follow-up investments. An ongoing project in Peshawar will be extended to prepare a detailed investment plan for the upgrading of urban services.

64. To date, little has been done to develop and exploit mineral resources in Pakistan. The exploitation of mineral resources may be of interest especially for provinces and areas that are relatively less developed. UNDP assistance will concentrate on pre-investment activities for the evaluation of mineral deposits in areas such as Baluchistan and Azad Kashmir. In Baluchistan, UNDP will finance both the exploration and economic evaluation of sulphur, lead and zinc deposits, whereas in Azad Kashmir, UNDP will participate only in general exploration work.

65. During the Fourth country programme, UNDP will continue to provide the technical assistance necessary to finalize the preparation of the multi-purpose Kalabagh Dam. This project lays the technical foundations for the construction of one of Asia's largest hydro-power plants with an initial generating capacity of 2,400 megawatts which can be increased to 3,600. The dam would also provide for additional storage of water for irrigation and, in conjunction with the Tarbela Dam, make a major contribution towards solving the country's power and water problems. At present prices, the total costs for the construction of Kalabagh Dam are estimated at approximately four billion dollars, making it by far the single largest investment currently being considered by the Government of Pakistan, with enormous consequences for the country's future economic development. UNDP assistance is intended to provide Pakistan with the best internationally available advice for all technical aspects of this important decision.

Programmed reserve

66. The fourth country programme has earmarked a programmed reserve of \$4 million for further pre-investment activities. Possible activities are being considered in the transport sector and the agriculture sector, but it is also hoped that UNDP will make a greater contribution to the preparation of investments in the social development sectors, such as education.

Linkages

67. For the success of pre-investment activities, the horizontal and vertical linkages with other development projects are essential and have therefore in most cases been firmly established. Interest in the follow-up of all pre-investment activities in the water resources development sector has been expressed by the

World Bank, AsDB, the United States Agency for International Development (USAID), the Federal Republic of Germany and Canada. A similar situation exists for the master plan project for watershed management and development in which AsDB, the World Bank, USAID and the Federal Republic of Germany are likely to co-operate. The follow-up investment for barani area development is expected to come mainly from AsDB, but the Netherlands have also shown interest.

68. In urban development, the World Bank and AsDB have expressed interest in following up on the results of the Peshawar town planning project, the Sind secondary cities project and the feasibility study for a Karachi Sewage Farm. Follow-up investment for the Kalabagh Dam is presently under consideration by the Government. In the mean time, the World Bank has set up a task force to consult with donor countries that are likely to contribute to its financing.

69. The project to improve water and sanitation facilities in rural areas will benefit from a UNDP-sponsored regional project and is closely linked with field activities supported by the United Nations Children's Fund (UNICEF). The results of both watershed development and the barani area development projects will be important for future activities of the World Food Programme (WFP). Linkages have been further established among various UNDP-financed projects, such as between the Barani Area Development Project and the livestock and sericulture projects.

Direct investment support

70. UNDP will provide the necessary technical assistance in support of large-scale investment programmes with the objective of increasing their overall impact.

Projects

71. Cotton is one of the most important Pakistani cash crops, both in terms of agricultural production and as a raw material for the domestic cotton and textile industry. Cotton has also become the country's largest export. The Government has obtained support from the AsDB for a large-scale investment scheme of approximately \$90 million for the development of the cotton sector, which includes improved cotton production and the upgrading of ginneries, as well as improved marketing facilities. In order to make this project economically feasible, it is necessary to increase the value of local cotton by grading it according to internationally accepted quality standards. UNDP is contributing to this phase and helping to institutionalize cotton standardization and cotton arbitration, as well as training cotton graders. The ultimate aim of the technical assistance will be to establish a Pakistan Cotton Standards Institute.

72. The Agricultural Development Bank of Pakistan has become a major force for the development of rural areas through the provision of credits as well as through its technical backstopping. The Government will also use this Bank for the promotion and establishment of new agro-industries in the rural sector. For this purpose, the AsDB is planning to provide a \$100 million loan to the Agricultural Development Bank of Pakistan. UNDP will contribute the necessary technical assistance to establish within the bank a capacity to identify and economically assess viable proposals for loan support, as well as to enhance its ability to monitor and provide backstopping to loan recipients.

73. Following the excellent results of the animal feed resources project during the third country programme, a new phase is under preparation that would reorient the project from research to pre-investment and investment support activities. The new project would support the investment programme of the Agricultural Development Bank of Pakistan in the livestock and animal feed production sector, so that the Bank, through its nation-wide extension systems, would provide the vehicle to disseminate the knowledge and experience gained during the first phase of the project.

74. The Federal Ministry of Agriculture plans to undertake a development project in the field of fruit and vegetable marketing which would help to reduce post-harvest losses and thus increase the value of local fruit and vegetables. The project will concentrate on the improvement of grading, handling, packing, storage and marketing facilities. The Government is presently negotiating a \$24 million loan with AsDB for this purpose. UNDP would finance the technical assistance to introduce appropriate methods in the field of post-harvest technology.

75. In the social sector, UNDP assistance is sought to improve two major development programmes; one in skill development and the other in primary education. In the field of skill development, UNDP will finance the technical assistance component for a second phase of the national vocational training programme. The technical assistance project will be part of a larger investment scheme of \$75 million which will be jointly financed by the Government of Pakistan, the World Bank, the Canadian International Development Agency (CIDA), the European Economic Community (EEC) and the Federal Republic of Germany with the aim of extending the national vocational training scheme throughout the country. UNDP technical assistance will concentrate on institutional strengthening as well as on the preparation of skill standards and testing.

76. In education, the Government is undertaking a systematic effort to improve and extend the quantity and quality of primary education. An initial pilot scheme covering 3,000 schools has been successfully completed. The project will now be extended to all four provinces and includes a total financial umbrella of about \$300 million. A major problem, however, is the insufficient capacity of various provincial authorities to implement this large-scale undertaking. UNDP has been asked to provide the necessary technical assistance for strengthening a number of provincial institutions in the field of educational planning and administration.

77. Recently the Government approved the Karachi Special Development Programme to upgrade the urban facilities of the country's largest metropolitan area. The total scheme provides funding of approximately \$180 million, co-financed with the World Bank and the AsDB. Technical assistance from UNDP is planned to strengthen the Karachi Town Planning Authority, to introduce new methods of urban planning and to prepare an updated master plan.

Programmed reserve

78. A total amount of \$4 million is being programmed for future activities in the field of investment support projects.

Linkages

79. All the projects mentioned above are directly connected with large-scale development schemes undertaken by the Government, which include external financial assistance from one of the two major development banks. In most cases they build on results and experiences gained from the previous programme cycle. UNDP will also serve as a lead organization for the co-ordination of technical assistance components financed by Canada and EEC for the National Vocational Training Programme.

80. Further vertical linkages among a number of technical assistance proposals exist: between the Peshawar and Karachi Master Plan projects and the feasibility projects of sewage disposal and Sind secondary city development, for example, as well as the proposal to improve the operations of water and sewage facilities. Linkages also exist between the Animal Feed Resources project and the feasibility study to establish a Karachi sewage farm, as well as the livestock development project in the Northern Areas.

Development infrastructure

81. UNDP will provide assistance in strengthening government institutions that form the infrastructure for the promotion and implementation of development programmes.

Projects

82. In accordance with government policies of encouraging the private sector in industrial development, UNDP has been asked to provide technical assistance for the establishment of centres in the fields of plastics technology, synthetic fibres, leather goods and automobile parts manufacturing and for promoting and providing technical support to local industries in these fields. One such project intends to establish a plastics technology centre to promote and support the Pakistani plastics processing industry through advice in the application of plastics in agriculture, construction, packaging and household uses; in improving the qualities of presently manufactured plastic articles; in developing appropriate technical know-how; and in increasing the competence of national advisers.

83. Another project aims at setting up, equipping and operating a modern leather institute to encourage the development of leather-based industries through diversifying, modernizing and strengthening production facilities, as well as by fostering the quality and design of finished goods both for domestic and export requirements. Similarly, the Hyderabad Footwear Centre will provide advice and training to small-scale shoe manufacturers. UNDP assistance is also sought for the establishment of a synthetic fibre development and application department. This department will provide technical support for the chemical industry as well as to the textile industries of Pakistan by introducing new technologies and facilities in synthetic fibre production and the use of synthetic fibres in the textile industry.

84. UNDP will also provide assistance to the Pakistan Automobile Corporation in its effort to upgrade the standard of private sub-contracting firms with the aim of substantially increasing the percentage of locally-produced automobile parts. Under this project a centralized monitoring facility will be established which will include quality control facilities for automobile parts and provide technical backstopping to small sub-contractors in the automobile industry. Another project will provide the Pakistan Machine Tool Factory with the necessary technical assistance to expand its product line, in particular for the transport and machine tool industries.

85. UNDP has agreed to help in setting up an international institute of waterlogging and salinity control which will serve as a centre for applied research in the areas of ground water development, water quality standards, flood, drainage and water management, salinity control and the optimal utilization of ground and surface water resources. This institute will become an important element in the technical backstopping of a large number of investment projects in the field of water resource development. Because of the extensive experience of Pakistan in the field of irrigation and waterlogging, the research results of this institute will be made available to the international community.

86. The objective of one new project is to strengthen the capacity of the Government of Sind for animal disease control by setting up a veterinary laboratory. It is clearly connected with the livestock development project in Sind which includes external financing from AsDB in the order of \$26 million. A project in the field of sericulture will build on the results of the UNDP-financed activities undertaken during the third country programme and plans to encourage small-scale investments by farmers and rural enterprises for domestic silk production.

87. In the field of agricultural development, continued support will be given to a Baluchistan fruit development project through the Baluchistan Deciduous Fruit Development Centre which receives technical assistance financed by UNDP. Its aim is to introduce improved fruit tree varieties and to improve yields through better cultivation practices such as trickle irrigation. Crop and livestock development projects in the Northern Areas are aimed at introducing economically viable agricultural facilities in those relatively underdeveloped areas in fields such as the production of seed potatoes and vegetable seeds.

Programmed reserve

88. Programme resources of \$4 million are earmarked for new project proposals aimed at strengthening government institutions through technical assistance.

Linkages

89. The project proposals in the industrial sector will focus mainly on establishing linkages between the private sector and public corporations and are all aimed at supporting small and medium industries. Other projects such as the Waterlogging Institute and the deciduous fruit tree development project in Baluchistan will work closely with ongoing programmes in their respective fields.

90. It is expected that the Northern Areas agricultural and livestock development projects will benefit from the livestock feed resources project. Because of the significant potential of the Northern Areas to produce seed potatoes, close links have been established with a Swiss-financed national potato development project. Both this project, as well as the fruit development project, are expected to benefit from the activities to be carried out under the fruit and vegetable marketing project.

91. The project proposal for improving the operation and maintenance of water and sewage facilities will be connected to assistance for urban development such as those for Peshawar and Karachi. The pilot project for sanitation and drinking water to rural schools as well as the project to develop a Karachi sewage farm benefit from the technical backstopping of a sanitary engineering project financed by the World Health Organization (WHO).

Human resource development

92. UNDP will finance technical assistance projects with the aim of developing human resources required to support public investment programmes.

Projects

93. Under the third country programme, a project was carried out to introduce watershed management techniques under the degree programme for the Master of Science in Forestry. A new project is envisaged to consolidate and strengthen specialized training for future foresters in this field. This training has received new importance in view of the recent government efforts to improve watershed management in the Northern Areas.

94. UNDP has been asked to finance the establishment of a central materials testing laboratory which would serve both the public and private sector in the execution of major construction programmes such as the construction of dams, barrages, canal distribution systems, bridges, roads and major buildings. The materials testing laboratory would provide the basic infrastructure and human resources for Pakistan to guarantee the quality of those construction programmes and would make the country independent of materials testing that to date has had to be carried out abroad.

95. The assessment of the last country programme has shown a number of advantages in utilizing national consultants in technical assistance projects, given their familiarity with the social and cultural environment, their knowledge of local languages and the fact that their services are available at lower costs to donors. Pakistan has a large reservoir of talented and highly educated professionals, some of them working abroad. To tap this resource, UNDP has been asked to assist the Government in reviewing and streamlining private and public consultancy services with the aim to make national consultancy firms an attractive alternative for qualified national professionals and to enhance their participation in the implementation of development projects and programmes. UNDP will also continue to finance the TOKTEN project.

96. In an effort to bridge the vast distances within Pakistan and to enhance its social and economic integration, the Government has made considerable investments in its civil aviation infrastructure throughout the country. UNDP will assist in the training of the necessary manpower to operate and manage the new facilities. Training programmes will include technical fields such as airport engineering, fire and rescue services and flight surveillance. In the area of maritime transport, UNDP will provide training for manpower improvements in modern techniques of cargo handling by maritime personnel and dock labour.

97. Two project proposals, the Development Studies and the Development Support Project, will address urgent needs for short-term training, study tours and short-term advisory services. These projects will provide the Government with the necessary flexibility to promote new project concepts such as the Short-term Advisory Services (STAS) programme or to strengthen important development aspects of other projects such as women's participation in development or the strengthening of non-governmental development efforts.

98. With the help of a number of other donors, Pakistan has undertaken efforts to extend medical and health services, especially to rural areas. In this context UNDP has been approached to contribute by assisting the Ayub Medical College to establish a tutor training programme for paramedical technicians and nurses. The Ayub Medical College serves as the national centre for the training of paramedical tutors.

Programmed reserve

99. Programme resources of \$4 million are earmarked under this heading. Expectations are high for the identification of additional assistance needs in the field of women's participation in the development of Pakistan.

Linkages

100. The watershed management training project will be closely linked with the project to establish a master plan for watershed area development. The central materials testing laboratory will have a considerable impact on major construction in the fields of irrigation and power generation facilities. The laboratory will also provide a service to the private construction industry.

101. The paramedical tutor training programme will be an integral part of a larger development programme in the health sector financed by the AsDB and the British Overseas Development Authority (ODA). The Development Support project will help to establish linkages with and among a number of projects in providing the flexibility to react promptly to new ideas or problems. The project to strengthen the national consultancy sector will be very important for a large number of technical assistance components financed by the foreign donor community. It follows the example of a UNDP-financed project in Indonesia and will receive support from a UNDP-financed regional project to establish a network in the field of industrial consultancies.

C. Unprogrammed reserve

102. Pakistan has started the preparation of its Seventh Five-Year Plan, whose implementations will begin in mid-1988. The new Plan will therefore overlap with the bulk of the fourth UNDP country programme. An in-depth review of the country programme will take place in 1988 to align it better with the objectives of the new Government Plan.

103. In order to provide sufficient flexibility for this purpose, only 73 per cent of available resources has been earmarked for identified projects. \$16 million is allocated in the form of reserves under the four programme objectives, and \$4.655 million is kept as an unprogrammed reserve.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A. UNDP-administered sources

	<u>\$</u>	<u>\$</u>
Third cycle IPF balance	11 600 000	
Fourth cycle IPF	64 900 000	
Subtotal IPF		76 500 000
Special Measures Fund for Least Developed Countries	-	
Special programme resources	-	
Government cost-sharing	-	
Third party cost-sharing	160 000	
Operational funds under the authority of the Administrator	-	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds	<hr/>	<hr/> 160 000

B. Other sources

Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise	-	
Parallel financing from non-United Nations sources	-	
Subtotal, other sources		<hr/> -
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<hr/> <hr/> 76 660 000

II. USE OF RESOURCES

Ongoing projects	18 275 000	
New project proposals	37 730 000	
Programmed reserve	16 000 000	
Subtotal, programmed resources	<hr/>	72 005 000
Unprogrammed reserve		<hr/> 4 655 000
TOTAL USE OF RESOURCES		<hr/> <hr/> 76 660 000
