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Pakistan

Strategic Provincial Investment Plan
and Project Preparation for
Rural Water Supply,
Sanitation and Health.

National Executive Summary of the Draft Investment Plan

July, 1989

Wardrop - Acres
Cowater International
NESPAK

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National Executive Summary of the Draft Investment Plan

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LIST OF ABBREVIATIONS

GOP	Government of Pakistan
CIDA	Canadian International Development Agency
NWFP	North Western Frontier Province
AJK	Azad State of Jammu and Kashmir
NA	Northern Areas
FATA	Federally Administered Tribal Areas
PATA	Provincially Administered Tribal Areas
PHED	Public Health Engineering Department
PWD	Public Works Department
LGRDD	Local Government and Rural Development Department
LBRDD	Local Bodies and Rural Development Department
P&D	Planning and Development Department
ADP	Annual Development Programme
RWS,S&HE	Rural Water Supply, Sanitation & Hygiene Education
AKRSP	Agha Khan Rural Support Programme
HRD	Human Resource Development
HWD	Human Waste Disposal
O&M	Operation and Maintenance
SAZDA	Sindh Arid Zone Development Authority
WAPDA	Water and Power Development Authority
CBO	Community Based Organization
IPC	Inter-Provincial Committee
PP	People's Programme
SDP	Special Development Programme
NGO	Non-Government Organization
SPIP	Strategic Provincial Investment Plan
BIAD	Baluchistan Integrated Area Development Programme

1. INTRODUCTION

The Government of Pakistan has undertaken to expand the coverage of water supply, sanitation and drainage facilities to people living in the rural areas. In the past, these services have been provided by the Government through the Annual Development Plan, through special projects with foreign funding and by the private sector.

The Seventh Five Year Plan set the target of increasing water supply coverage of the rural populace in the province from 40% to 70-75%. It specified that the priority was to be given to areas where sweet groundwater was not available at reasonable depths and to areas where people rely on untreated surface water. In areas where people have their own handpumps or house connections, priority would be given to sanitation and disposal schemes.

A review of the sector was carried out by the World Bank and CIDA in 1987 and a National Policy Conference on Rural Water Supply and Sanitation was held in Islamabad in April, 1988. It was attended by representatives of Government line departments and other agencies from all provinces. The delegates to the Conference proposed a strategy for future investments in the sector which would expand the role of the beneficiaries in the development of projects, integrate water supply, sanitation and hygiene education, strengthen and coordinate institutions, enhance the role of the private sector, use appropriate technologies which would provide service levels the beneficiaries want and can afford, with the government providing a basic level of service.

The purpose of this report is to present an overview of the effective demand of the beneficiaries for water supply, human waste disposal, drainage and health education; estimated coverage targets at the end of seventh and eighth Five-Year Plans; estimated sector resource availability; proposed role of the line departments to maximise the benefits of the investment strategy; and the proposed size and component of the Government and Donor assistance in the sector to achieve the coverage targets.



2. POPULATION AND DEMAND

2.1 Rural Population

The total estimated rural population of Pakistan in 1988 including Azad Jammu and Kashmir, Northern Areas and the Federally and Provincially Administered Tribal Areas is 73.6 million (Table 2.1). These estimates are based on the 1981 census reports. The projected rural population at the end of the Seventh Plan (1993) will be about 82 million and at the end of the Eighth Plan, approximately 90 million.

Table 2.2 gives estimated coverage in the sector in 1988 and the remaining population left to be served.

2.2 Effective Demand for Services

The effective demand for services (Table 2.3) has been determined through field surveys carried out in each geographic region and it has been found to vary from place to place. The demand seems to be closely related to the physiographic conditions of a particular area and the economic condition of the rural population. For instance, demand for water supply is low in the sweet water zones, but the demand for drainage is high in these areas.

2.3 Water Supply

The demand for water supply is high in the Potohar Plateau of Punjab, arid, highly brakish water zones of Punjab, Sindh, NWFP and Baluchistan and deserts of Punjab, Sindh and Baluchistan due to low rainfall, high temperatures during most of the year and poor or deep ground water resources which make the water schemes relatively more expensive.

The demand for water supply in the mountainous regions of Northern Areas and AJK, where mostly gravity schemes from spring source can be installed, plains with sweet water available at greater depths (50 ft or more) and moderately brakish zones of Punjab, Sindh, Baluchistan and NWFP, is usually moderate.

The demand is low to nil in the sweet water zones of NWFP, Punjab, Sindh and AJK where sweet water is available at lower depths (less than 50 ft) and where handpumps can easily be installed through the private sector.

TABLE 2.1 ESTIMATED REGION-WISE RURAL POPULATION IN PAKISTAN
(IN MILLION)

<u>REGION</u>	<u>1988</u>	<u>1993</u>	<u>1998</u>
Punjab	39.4	43.4	46.5
Sindh	12.8	14.6	16.5
Baluchistan	4.5	5.3	6.2
NWFP-Settled	11.5	13.0	14.6
-Tribal	2.6	2.9	3.1
Northern Areas	0.7	0.8	0.9
AJK	2.1	2.4	2.7
TOTAL:	73.6	82.4	90.5

Source: Estimates based on 1981 Census

TABLE 2.2 ESTIMATED COVERAGE - WATER SUPPLY

Region	Estimated Population in 1988 (Million)	Est.Existing coverage in 1988 (%)	Est.Existing coverage in 1988 (Million)	Estimated Population in 1993 (Million)	Estimated coverage in 1993 with existing schemes (Million)	Target for coverage 1993 (%)	Target for coverage 1993 (Million)	Estimated Population in 1998 (Million)	Estimated coverage in 1998 with Existing Schemes (Million)	Target for coverage 1998 (%)	Target for coverage 1998 (Million)
Punjab	39.4	38%	15.0	43.4	16.5	52%	22.6	46.5	24.2	61%	28.4
Sindh	12.8	22%	2.8	14.6	3.2	52%	7.6	16.5	8.6	80%	13.2
Baluchistan	4.5	23%	1.0	5.3	1.2	32%	1.7	6.2	2.0	45%	2.8
N.W.F.P.											
-Settled	11.5	55%	6.3	13.0	7.1	70%	9.1	14.6	10.2	100%	14.6
-FATA	2.6	35%	0.9	2.9	1.0	70%	2.0	3.1	2.1	100%	3.1
N.A.	0.7	29%	0.2	0.8	0.2	40%	0.3	0.9	0.3	55%	0.5
A.J.K.	2.1	40%	0.8	2.4	0.9	55%	1.3	2.7	1.5	75%	2.0
Total:	73.6	37%	27.0	82.4	30.1	54%	44.6	90.5	48.9	71%	64.6

Source: 1. Estimates based on 1981 Census
 2. PHED/PWD/LGRDD/LBRDD
 3. Field Surveys

TABLE 2.3 EFFECTIVE DEMAND OF RURAL COMMUNITIES FOR WATER SUPPLY, HUMAN WASTE DISPOSAL, DRAINAGE AND HEALTH EDUCATION

<u>Region</u>		<u>Water Supply</u>	<u>Human Waste Disposal</u>	<u>Drainage</u>	<u>Hygiene Education</u>
Punjab	Potohar	High	Low	Low	Low
	Irrigated Plains	Low	Low	Moderate	Low
	South	High	Moderate	Low	Low
Sindh	Barrage Areas (Sweet Water Zones)	Low	Moderate	Moderate	Low
	(Brakish Water Zones)	Moderate	Moderate	Low	Nil
	Arid Zones	High	Low	Low	Nil
Baluchistan		High	Low	Low	Nil
NWFP	North	Moderate	Low	Nil	Nil
	Centre	Low	Moderate	Moderate	Nil
	South	High	Low	Low	Nil
N.A.		Moderate	Moderate	Nil	Nil
AJK		Moderate	Low	Low	Low

Source: Field Surveys carried out by the project during April/May, 1989.

2.4 Human Waste Disposal

The demand for human waste disposal, is moderate to low all over the country. There is also a lack of awareness that the absence of sanitation facilities can pose a health hazard. A latrine is considered a prestige item among many villages. A majority of people prefer the traditional method which is going to the open fields in most cases.

women also?

2.5 Drainage

The demand for drainage exists mostly in the plains of Punjab, Sindh, NWFP and AJK. In these areas, water supply is often provided through house connections and the excess water creates drainage problems.

2.6 Hygiene Education

While the need for better hygiene facilities all over the country is great, the demand is minimal. The demand can only be increased by raising consciousness of the villagers particularly the women.

3. INVESTMENT STRATEGY

3.1 Objective

The objective of the strategy is to maximize the investment's impact on improved health and quality of life of the rural population through increased coverage of water supply, sanitation and drainage facilities which are sustainable and affordable and which are integrated with a hygiene education programme.

Future investment should be consistent with guidelines previously established by the Government for the sector.

In the Seventh Five Year Plan the Government of Pakistan set the objective of substantially increasing the coverage of water supply and sanitation.

At the Policy Conference held in Islamabad in April, 1988, representatives of Government line departments and other agencies involved in the sector, recommended future strategies should incorporate:

- . Community involvement in all phases of system development from planning, through construction to operation and maintenance with special attention paid to enhancing the role of women;
- . integration of water supply, sanitation and hygiene education;
- . strengthening of institutions through training programmes and coordination of their efforts;
- . strengthening of the private sector;
- . the use of technologies which are affordable to, and sustainable by, the beneficiaries; and;
- . service levels which the beneficiaries want and can afford, with the Government providing basic levels of service.

The strategy now proposed encompasses all of these components and is based on a realistic assessment of what can be accomplished considering the present and projected resources.

3.2 Proposed Investment Strategy

The objective of the investment strategy has three components:

- . the first deals with increased coverage of water supply, human waste disposal and drainage facilities;
- . the second deals with improving the impact of the investment by ensuring that the systems work longer and by giving the recipients the basic knowledge necessary to allow them to maximize the potential benefits of the new systems; and
- . the third deals with assisting in developing new methods for the existing departments by strengthening their institutional, technical and community development capacity so that durable, efficient and sustainable water supply and sanitation systems can be installed with the operational and maintenance responsibility delegated to the recipient communities.

Based on an analysis of the resources available to and required by the sector to achieve even a modified target, the consultants concluded that there would be severe limitations for the future. As such it is recommended that:

- . each Government should seek Donor financing in order to increase the resource and expand the amount of new coverage which can be provided;
- . in each area a detailed methodology and strategy has been identified for the entire investment which entails some modification to approaches being used currently such as, closer coordination of various line departments and involvement of the community in O&M;
- . human resources have been identified in all provinces as a major limiting factor on how quickly the size of the investment can be expanded to increase coverage and how quickly new methodologies can be implemented which will involve the community and prepare the beneficiaries to accept their responsibilities for operation

and maintenance. As a result, the modifications to the present approaches have to be phased in at a pace which the institutions and staff can manage;

in order to prepare the communities to accept this responsibility, the recipients should be involved in all phases of the provision of the service including planning, design and construction;

the Government should provide a basic level of service;

P&D should have a stronger role in coordination, monitoring and evaluation of the schemes (Table 3.4);

PHED/PWD should continue to take the lead role in designing and supervising construction and commissioning of schemes for the larger communities which usually require technologies with mechanised systems. LGRDD/LBRDD should work with PHED/PWD in preparing the communities to meet their responsibilities of operating and maintaining the systems;

for smaller communities, and in communities where simpler technologies e.g. dugwells, handpumps and gravity schemes are used, the LGRDD/LBRDDs should be the prime executing agency; and

encouragement of women to participate in the sector should be an integral part of the strategy.

In addition to the provincial plans, there is a need to undertake three initiatives at the Federal level in view of the sector issues identified at the Federal level (Table 3.5):

overall monitoring and evaluation of the programme implementation by:

- Economic Affairs Division in their normal manner as preparation for reviews with the Donors; and
- Project Wing of Planning and Development. There are currently more than 7,000 projects ongoing in the country and the Project Wing cannot possibly monitor and evaluate them all. However, because of the national aspect and

TABLE 3 DEPARTMENTAL ROLES IN THE FUTURE SECTOR INVESTMENT

Region	P & D	PHED/PWD	LGRDD/LBRDD	Health	Others
Punjab	Coordination, Planning Monitoring and Evaluation	Installation of New and Rehabilitation of Existing Schemes	Motivation of Community; Dissemination of Hygiene Education in Collaboration with Health Department. Organizing District Councils for O&M	Preparation of Hygiene Education Programme	-
Sindh	As above	Rehabilitation of Existing Schemes and Installation of New Mechanized Schemes	Installation of Small Manual Schemes e.g. Dug Wells. Handpumps, Latrines, Training of villagers as Operators HE Programme		SAZDA for schemes in Arid Areas. WAPDA for Groundwater Investigations. Tandojam Institute for Training
Baluchistan	As above	Large Schemes, Rehabilitation of Existing Schemes Upgrading cost/benefit analysis for priority schemes	Small and low cost schemes e.g. Handpumps gravity schemes Dug wells, HWD and Drainage Schemes	As above	-
NWFP	As above	Schemes above 500 population and Technical Assistance to LGRDD	Schemes below 500 population; Community Organization	As above	Education Department for Training
Northern Areas	As above	Schemes above 2000 Population water resources investigation. Community motivation HRD	Schemes below 2000 population, HWD Community Motivation HRD	As above	AKRSP also to be involved in implementation where their Village Organizations exist
AJK	As above		All Schemes Water Supply HWD, Drainage and Community motivation	As above	-

importance of this investment, they have agreed to take an active role. This is particularly important because of the several departments involved and the established need for coordination;

Polytechnic Curriculum Development, which is a federal responsibility, is necessary to introduce rural concepts to water programmes which have an urban bias because most of the sub-professional staff hired by the departments involved in the sector are graduates of the polytechnics; and

support to the Health Department for the Hygiene Education initiative.

TABLE 3.2 SECTOR ISSUES AT THE FEDERAL LEVEL

1. INTER-PROVINCIAL CO-ORDINATION

Establishment of an Inter-Provincial Committee (IPC) for developing common standards and criteria, coordination of inter-provincial training programmes and the sharing of experience.*

2. CO-ORDINATION BETWEEN FEDERAL AGENCIES AND PROVINCIAL LINE DEPARTMENTS

Access to sector-related data with federal agencies like WAPDA by provincial line departments in the Sector.

3. INVESTMENT ROLES

3.1 Role of the Ministries of Local Government and Rural Development, Health Education and Planning and Development in the sector.

3.2 Impact of the Peoples' Programme on institutional arrangements for delivery of services.

4. FINANCIAL RESOURCES

4.1 Degree of the Federal Government's commitment to finance the achievement of Sectoral targets in the Seventh Five-Year Plan at the individual province level

* This recommendation was made by the National Policy Conference held in April, 1988

4.2 Policy on grants to provinces for financing the additional recurring costs for strengthening institutional capabilities in the Sector.

4.3 Policy on cost recovery and the degree of political commitment to its achievement.

5. **COMMUNITY BASED ORGANIZATIONS**

5.1 Need for legislative support for the Community Based Organizations at the village level.

5.2 Policy on the role of NGOs generally and within the Sector.

6. **SECTOR DATA BASE**

Establishment of a Sector data base at the Federal level for investment planning in the Sector.

4 INVESTMENT PLAN

4.1 Plan Size

The investment strategy is based on developing the sector strengths while addressing to remove the constraints. The focus is to use an integrated approach of providing water supply, sanitation and drainage facilities with increased community involvement, supported by institutional development and training initiatives.

Based on this strategy the SPIPs envisage a total requirement of Rs. 6.1 billion during the last three years of the Seventh Five-Year Plan. Table 4.1 shows that this is made of of Rs. 5.6 billion (89.2 percent) for hardware and Rs 564 million for software.

An additional Rs. 10.4 billion is required during the Eighth Five-Year Plan (94 percent for hardware and 6 percent for software). Component-wise distribution of these required resources are shown in Table 4.1 for the Seventh Plan period and Table 4.2 for the Eighth Plan period. These estimates are based on the premise that the overall principles enunciated in both the current plan documents and the Islamabad Declaration are implemented to the fullest, excepting the stipulated targets. Figure 4.1 shows a graphical comparison of the SPIP slicing between components.

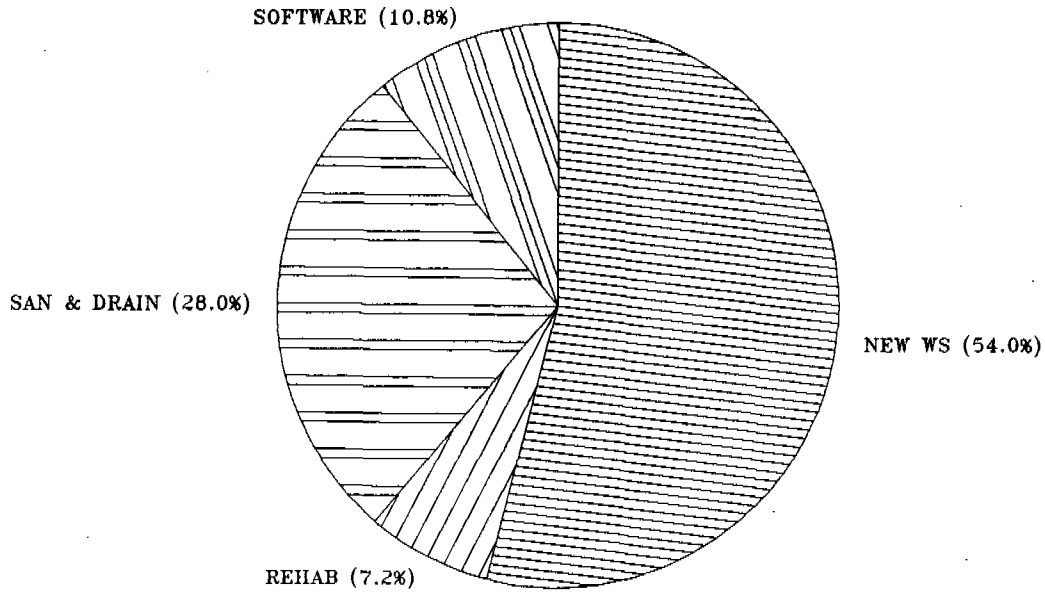
TABLE 4.1 STRATEGIC PROVINCIAL INVESTMENT PLAN FINANCIAL NEEDS 1990 TO 1993

(Rupees in Millions)

<u>COMPONENT</u>	<u>Punj</u>	<u>Sind</u>	<u>NWFP</u>	<u>Bal'n</u>	<u>N.A.</u>	<u>AJK</u>	<u>TOTAL</u>	<u>%</u>
<u>HARDWARE</u>								
Construction of new Water Supply Schemes	1371	594	612	561	109	141	3343	54.0
Rehabilitation of existing Water Supply Schemes	270	54	12	102	8	--	446	7.2
Construction of Drains	1371	300			--	--		
Latrine Programme	--	2	39	3	2	7	1724	28.0
Sub-Total Hardware	3012	950	663	666	119	148	5558	89.2
<u>SOFTWARE</u>								
Water Resources Development	--	--	--	15	--	--	15	0.2
Human Resources Development	42	29	24	57	7	4	163	2.6
Community Participation Programme	6	--	--	--	31			
Hygiene Education	66	20	30	27	16	20		
Institutional Development		5	42	82	15	4	386	8.0
Monitoring & Evaluation		14	--	8	--	--		
Sub-Total Software	108	74	96	189	157	59	564	10.8
TOTAL FINANCIAL REQUIREMENT	3120	1024	759	855	67	207	6124	

SPIP SLICING SEVENTH PLAN PERIOD

Rs. 6,124 Million



SPIP SLICING EIGHTH PLAN PERIOD

Rs. 10,395 Million

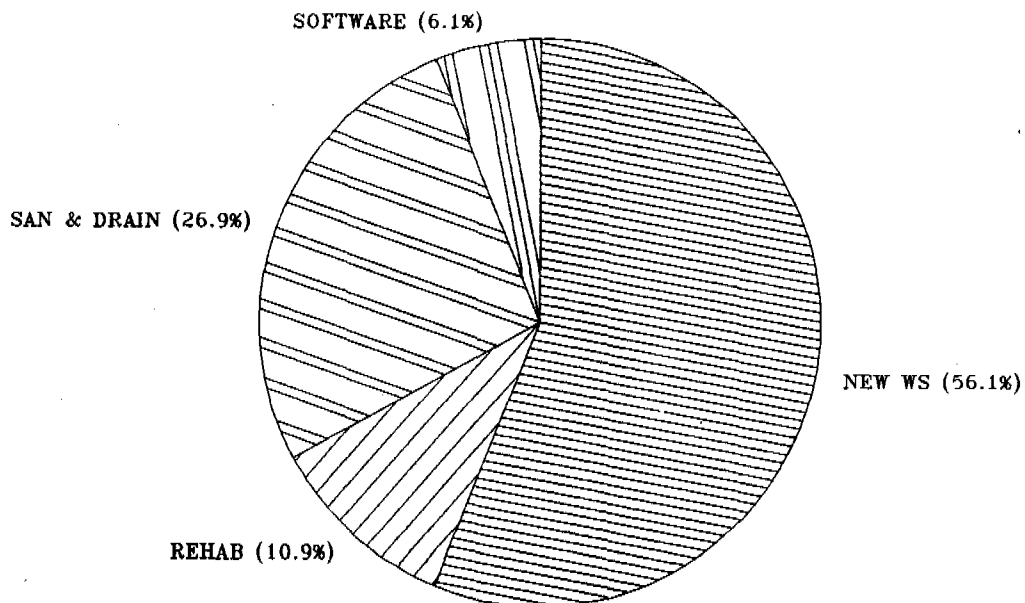


Figure 4-1

TABLE 4.2 - STRATEGIC PROVINCIAL INVESTMENT PLAN FINANCIAL NEEDS

(Rupees in Millions)

<u>COMPONENT</u>	<u>Punj</u>	<u>Sind</u>	<u>NWFP</u>	<u>Bal'n</u>	<u>N.A.</u>	<u>AJK</u>	<u>TOTAL</u>	<u>%</u>
<u>HARDWARE</u>								
Construction of new Water Supply Schemes	2137	1145	1024	995	232	306	5839	56.1
Rehabilitation of existing Water Supply Schemes	850	105	41	130	10	--	1136	10.9
Construction of Drains	2137	593			--	--		
Latrine Programme	--	2			4	16		
			27	25			2804	26.9
Sub-Total Hardware	5124	1845	1092	1150	246	322	9779	93.9
<u>SOFTWARE</u>								
Water Resources Development	--	--	--	155	--	--	155	1.4
Human Resources Development	2		--	21	--	1	24	0.2
	**							
Community Participation Programme			--	--	--	11		
Hygiene Education	74	43	20	24	11	8		
							437	4.5
Institutional Development			44	60	14	3		
		125						
Monitoring & Evaluation			--	--	--	--		
Sub-Total Software	76	168	64	260	25	23	616	6.1
TOTAL FUNDS REQUIRED	5200	2013	1156	1410	271	345	10395	

** included below

4.2 Macro Resource Availability

During the past few years, the resource position of the public sector has deteriorated significantly. Domestic resource mobilization has been constrained by a relatively inelastic and narrow tax base. Recurring expenditures on defence, debt servicing, general administration and subsidies have risen rapidly. Recurring deficits of the Provinces have widened considerably requiring large and growing subventions and grants-in-aid from the Federal Government. The consequence has been that development expenditure (ADP) in the public sector has become more dependent upon the flow of external resources.

Table 4.3 presents the ADP expenditures at constant prices of 1987/88 during the Fifth and Sixth Plan periods and the first year of the on-going Seventh Plan. Based on the recent Federal budget, a projection has been made of the level of real ADP for the next financial year. The Table indicates that real ADPs of the Federal Government were constant during the Fifth Plan period, but showed growth during the Sixth Plan period. Provincial ADPs have demonstrated growth throughout the decade culminating with exceptionally large increases between 1985/86 and 1987/88. This enhanced rural development by increasing allocations for social and physical infrastructure (including rural water supply and sanitation), primarily through Provincial line departments.

The change of Government in 1988 along with a tightened resource situation and emergence of inflationary pressures in the economy has led to a cutback in development allocations. At the Federal level, it is expected that current real ADP expenditure will decline by about 2% from the previous year. Provincial development expenditure is likely to fall more dramatically, by almost 23%. The only component of the ADP which is likely to increase significantly is the Special Development Programme.

TABLE 4.3 - REAL ADP EXPENDITURES AT CONSTANT PRICES OF 1987/88*
(Rs in Billion)

	<u>National</u>	<u>Provincial</u>	<u>Special Development Programme</u>	<u>People's Programme</u>	<u>Total</u>
<u>Fifth Plan Period</u>					
1978/79	29.4	7.2	-	-	36.6
1979/80	26.9	5.3	-	-	32.2
1980/81	29.8	6.4	-	-	36.2
1981/82	30.1	8.0	-	-	38.1
1982/83	29.7	8.3	0.2	-	38.2
<u>Sixth Plan Period</u>					
1983/84	27.4	8.9	0.5	-	36.8
1984/85	31.7	8.4	0.6	-	40.7
1985/86	31.5	10.7	0.9	-	43.1
1986/87	34.7	13.1	0.7	-	48.5
1987/88	34.0	14.5	1.3	-	49.8
<u>Seventh Plan Period</u>					
1988/89	33.4	11.2	3.4	-	48.0
1989/90**	32.4	10.8	3.1	2.5	48.8

* ADP expenditures at current prices have been converted into constant prices by applying the implicit GDP deflator for gross domestic capital formation

** Budget

Sources: Pakistan Economic Survey, 1988/89, Economic Advisers' Wing, Ministry of Finance, GOP
Budget-in-Brief, 1989/90, Ministry of Finance, GOP

There has been a noticeable change in government priorities which has led to a precipitous decline in Provincial ADPs from the peak level. Instead, the Government has launched a Peoples Works Programme, which will also involve allocations for rural development including roads, education and water supply. Execution responsibility will primarily rest with District committees working directly under the control of the Federal Government.

Indications from the Federal budget of 1989/90 are that the recently established pattern in real ADP expenditures will continue. The Federal ADP could decline further in real terms by about 3% and the Provincial ADP by an equivalent percentage. The Peoples

Programme will involve a development allocation of Rs 2.5 billion (at 1987/88 prices). The prospects for the remaining years of the Seventh Plan period (up to 1992/93) are for continued pressure on public finances with anticipated rapid increases in debt servicing liabilities, which have emerged as the largest item in the recurring budget of the Federal Government. Unless a dramatic breakthrough is achieved in making the tax base more broad-based and buoyant, it is unlikely that even with significantly higher levels of foreign loans and grants, the overall development programme in the public sector will increase in real terms. Already the total public sector development programme is operating at a rate of between 70 to 75% of the target level in the Seventh Plan.

Not only will it be difficult to sustain real ADP at its present level but pressures on development funds will increase as limits to growth are attained due to bottlenecks in physical infrastructure. As shown by Table 4.4 the need for physical infrastructure has caused larger allocations to be made to the power and transport and communications sectors. Simultaneously, cutback is visible in sectors like physical planning and housing and rural development from which investments in rural water supply and sanitation have traditionally been financed. Greater external Donor assistance will be required if the country is to come close to achieving the Seventh Plan targets for drinking water and sanitation.

TABLE 4.4 - REAL SECTORAL ADP EXPENDITURES AT CONSTANT PRICES OF 1987/88

(for Federal and Provincial Governments combined)

(Rupees in Billion)

<u>Period</u>	<u>Energy</u>	<u>Transport and Communications</u>	<u>Physical Planning and Housing</u>	<u>Rural Development</u>	<u>Others</u>	<u>Total</u>
<u>Fifth Plan Period</u>						
1978/79	5.2	7.2	2.7	0.4	21.1	36.6
1979/80	4.8	5.7	2.1	0.3	19.3	32.2
1980/81	5.3	6.9	2.7	0.6	20.7	36.2
1981/82	6.3	7.5	2.6	1.0	19.9	37.3
1982/83	7.2	7.5	2.8	1.3	19.4	38.2
<u>Sixth Plan</u>						
1983/84	6.5	6.3	3.3	1.2	19.5	36.8
1984/85	9.6	6.6	3.3	1.2	20.0	40.7
1985/86		9.5	7.3	3.3	1.0	22.1 42
1986/87	11.5	6.4	4.8	2.2	23.7	48.6
1987/88	13.1	5.1	5.6	2.7	23.3	49.8
<u>Seventh Plan</u>						
1988/89	12.8	7.1	3.7	1.9	22.5	48.0
1989/90	13.8	N.A	N.A	N.A	N.A	48.8

Sources: Pakistan Economic Survey, 1988/89, Economic Advisers' Wing,
Ministry of Finance, GOP
Budget-in-Brief, 1989/90, Ministry of Finance, GOP

The emerging scenario for the next few years is characterized by the following salient features:

no growth or only modest growth in the overall public sector ADP;

a larger share being executed by the Federal Government;

higher priority being given to investments in physical infrastructure; and

lower real allocations for the social sectors, including rural water supply and sanitation.

Resource constraints confronted by the Government are not only operative on the development side but also on recurring expenditures. The last two Federal budgets have included an economy drive in current expenditures by Government departments. Table 4.5 indicates the trend in real recurring expenditures on general administration, social, economic and community services (including PHED) by the Federal and Provincial Governments. These expenditures grew rapidly up to 1986/87 but were followed by an attempt to contain the increase.

In 1988/89 real recurring expenditures by both levels of Government on administration and on the operating and maintenance of publicly provided services are likely to be below the level attained in 1986/87, with the prospect that they would be reduced even further in 1989/90. The pressure on provincial governments to cut back on recurring expenditures is likely to be exceptionally strong in view of the decision by the Federal Government to freeze the total flow of funds (revenues from divisible pool of taxes plus non-obligatory grants) to the provinces at the nominal level of 1988/89.

The economy drive on recurring expenditures implies that the ability of Provincial line departments (including PHED and LGRDD) to expand employment to undertake new initiatives will be limited in the next few years. In addition, there will be strong pressures to limit operation and maintenance expenditures on the existing network of services. The Provincial Governments may try to develop their own revenue sources in the face of limits on Federal Government support. This opens up the prospect for more serious cost recovery with escalation in the level of user charges and improvements in revenue collection mechanisms.

TABLE 4.5 NOMINAL AND REAL* GENERAL ADMINISTRATION AND SERVICES**
RECURRING EXPENDITURE BY FEDERAL AND PROVINCIAL GOVERNMENTS

(Rs in Billion)

	National		Provincial	
	At Current <u>Prices</u>	At Constant <u>Prices</u>	At Current <u>Prices</u>	At Constant <u>Prices</u>
<u>Sixth Plan Period</u>				
1983/84	11.2	15.1	15.2	20.5
1984/85	13.2	17.8	16.8	22.7
1985/86	14.1	17.4	19.6	24.1
1986/87	21.1	22.8	24.0	25.9
1987/88	18.0	18.0	27.5	27.5
<u>Seventh Plan Period</u>				
1988/89	21.6	19.8	27.8***	25.5***
1989/90	23.1****	19.3	N.A.	N.A.

* At constant prices of 1987/88. The nominal expenditures have been converted into real expenditure by using the implicit GDP deflator for the public administration and defence sector in the National income accounts.

** On economic, social and community services (including PHED)

*** Budget estimate

**** Including cost of 5% salary increase for employee up to BPS-16.

Sources: Pakistan Economic Survey, 1988/89, Economic Advisers' Wing, Ministry of Finance, GOP

Budget-in-Brief, 1989/90, Ministry of Finance, GOP
Budget Speech, National Minister of State for Finance, June 3, 1989

4.3 Sectoral Resource Availability

Resources for sectoral investment emanate from a variety of sources ranging from shares in the special development funds of the Federal Government to the locally generated funds of the District Councils. In some instances these are augmented by donor investments for specific projects largely for a particular segment of the sector. Investments for water supply schemes and the on-site disposal of human waste are also supplemented by the private

sector. However, information on the latter two is not generally available. The importance of investment by the private sector may be gauged from the fact that more than two-thirds of the current coverage estimates for drinking water in the rural areas is provided by household hand-pumps entirely financed by themselves.

Grants from the Federal Government are made from the Special Development Programmes announced from time to time either for backward areas, such as the Baluchistan Special Development Programme, or for specific purposes, such as the Five-Point or the Peoples' Programmes. Allocations by the provinces are made from the Annual Development Programme funds to be implemented through any or all of the departments of Physical Planning & Housing, Local Government and Rural Development, and Public Health Engineering (formerly part of Irrigation) and specialised agencies such as SAZDA and BIAD.

In addition the provincial governments give monies to the local bodies, the District and Union Councils, through the ADP as grants-in-aid or as counterpart matching grants a part of which is used to finance implementation of schemes in the sector. Some of the more well off Councils also spend money on the sector from out of their own resources. Details of such expenditures are not generally available.

Historical availability of funds for the sector are shown in Table 4.6. Resources for the sector from provincial ADPs (excluding NWFP) have risen from just under Rs. 400 million at the start of the Seventh Plan to an allocation of about Rs 1.6 billion for the current fiscal year.

TABLE 4.6 SUMMARY OF PAST LEVELS OF PROVINCIAL GOVERNMENT INVESTMENT IN THE SECTOR (in current prices)

(Amounts in Million Rupees)

<u>Plan Period</u>	<u>Punjab</u>	<u>Sind</u>	<u>NWFP</u>	<u>Bal'n</u>	<u>N.A.</u>	<u>AJK</u>	<u>TOTAL</u>
<u>5th Plan</u>							
1978-79	72	31	**	**	**	3	106
1979-80	105	30	**	**	**	3	138
1980-81	104	58	**	**	**	3	165
1981-82	101	56	**	**	**	2	159
1982-83	160	20	**	**	**	3	183
<u>6th Plan</u>							
1983-84	191	41	**	128	24	8	392
1984-85	191	59	**	129	24	11	414
1985-86	266	84	**	183	25	15	573
1986-87	386	209	**	174	25	22	816
1987-88	1,001	249	**	234	25	26	1,535
<u>7th Plan</u>							
1988-89	1,026	279	**	251	20	26	1,602
1989-90	940	268	**	297	22	31	1,558

Notes : ** Not available

Source: Draft Investment Plan, Punjab, Sindh, Baluchistan, Northern Areas, Azad Jammu and Kashmir.
Annual Development Plans, Punjab, Sindh, NWFP, Baluchistan, Northern Areas, Azad Jammu and Kashmir.

4.4 Level and Components of Donor Assistance

The components of Donor assistance in the Seventh and Eighth Plan Periods are highlighted in Tables 4.7 and 4.8 respectively, and shown visually in Fig 4.2. In line with the proposed investment strategy, bulk (53 percent) of the assistance in the first period is for software (promotion, hygiene education, training and institutional development, etc.). During the Eighth plan period, however, over 80 percent of Donor assistance can be used directly for expanding coverage.

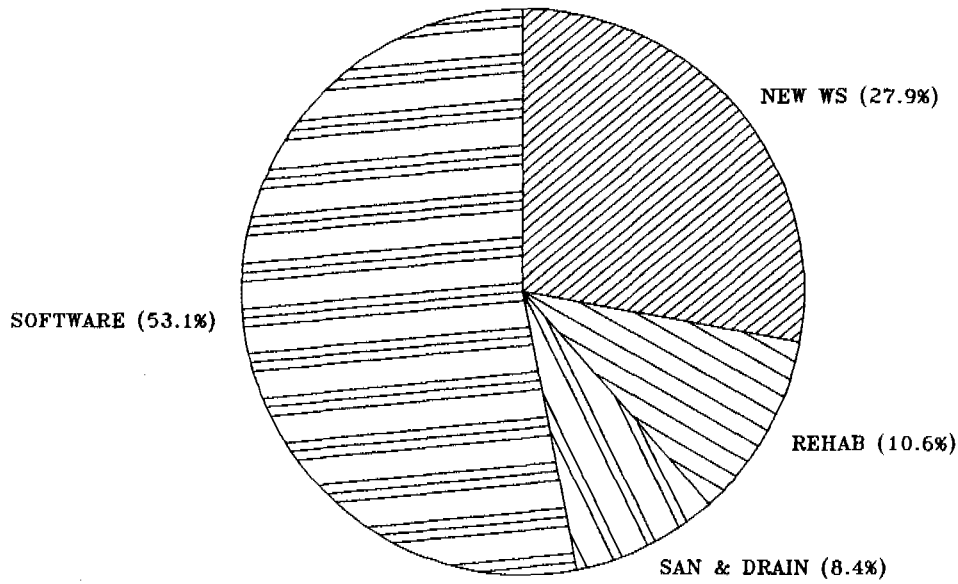
TABLE 4.7 - LEVEL AND COMPONENTS OF DONOR ASSISTANCE REQUIRED FOR THE INVESTMENT PLAN BY REGION DURING THE SEVENTH PLAN PERIOD

(Rupees in Millions)

<u>COMPONENT</u>	<u>Punj</u>	<u>Sind</u>	<u>NWFP</u>	<u>Bal'n</u>	<u>N.A.</u>	<u>AJK</u>	<u>TOTAL</u>	<u>%</u>
<u>HARDWARE</u>								
Construction of new Water Supply Schemes	81	107	22	42	28	18	298	27.9
Rehabilitation of existing Water Supply Schemes	30	51	12	21	--	--	114	10.6
Construction of Drains	81	--	--	--	--	--	--	--
Latrine Programme			3	3			90	8.4
			2			1	0	
Sub-Total Hardware	192	160	37	66	29	18	502	46.9
<u>SOFTWARE</u>								
Water Resources Development	--	--	--	15	--	--	15	1.4
Human Resources Development	42	29	24	57	7	4	163	15.2
Community Participation Programme		6	--	--	--	31		
Hygiene Education	66	20	30	27	16	20		
Institutional Development		5	42	82	15	4	386	36.5
Monitoring & Evaluation		14	--		8	--	--	
Sub-Total Software	108	74	96	189	38	59	564	53.1
TOTAL DONOR ASSISTANCE	300	234	133	255	67	77	1066	

DONOR PROGRAMME 7TH PLAN

Rs. 1,066 Million



DONOR PROGRAMME 8TH PLAN

Rs. 1,934 Million

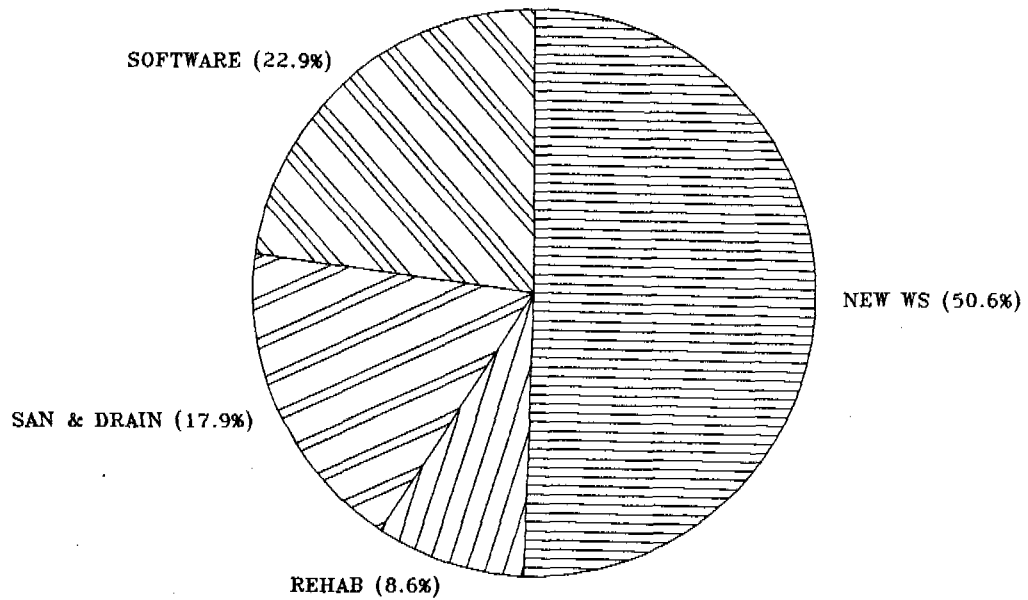


Figure 4

TABLE 4.8 - LEVEL AND COMPONENTS OF DONOR ASSISTANCE REQUIRED FOR THE INVESTMENT PLAN BY REGION DURING THE EIGHTH PLAN PERIOD

(Rupees in Millions)

<u>COMPONENT</u>	<u>Punj</u>	<u>Sind</u>	<u>NWFP</u>	<u>Bal'n</u>	<u>N.A.</u>	<u>AJK</u>	<u>TOTAL</u>	<u>%</u>
<u>HARDWARE</u>								
Construction of new Water Supply Schemes	187	450	69	45	91	137	979	50.6
Rehab of existing Water Supply Schemes	50	65	41	12	--	--	168	8.6
Construction of Drains	187	130			--	--		
Latrine Programme	--	2	12	6	3	8	348	17.9
Sub-Total Hardware	424	647	122	63	94	145	1595	77.1
<u>SOFTWARE</u>								
Water Resources Development	--	--	--	15	--	--	15	0.8
Human Resources Development	2	**	24	6	--	1	33	1.7
Community Participation Programme			--	--	--	11		
Hygiene Education	74	26	20	15	11	8		
Institutional Development			44	42	5	3	291	20.4
Monitoring & Evaluation		32	--	--	--	--		
Sub-Total Software	76	58	88	78	16	23	339	22.9
TOTAL DONOR	500	705	210	141	110	168	1934	

Time slicing of Donor assistance is summarised in Table 4.9. 63 percent of the software component and 24 percent of the hardware component expenditures will be incurred in the Seventh Plan Period. In contrast to this, 37 percent of the investment in software and 76 percent of the investment in hardware will take place in the Eighth Plan Period.

TABLE 4.9 -

TIME SLICING OF DONOR INVESTMENT
(Rupees in Millions)

<u>COMPONENT</u>	<u>Seventh Plan</u>		<u>Eighth Plan</u>		<u>TOTAL DONOR</u>
	<u>TOTAL</u>	<u>%</u>	<u>TOTAL</u>	<u>%</u>	
<u>HARDWARE</u>					
Construction of new Water Supply Schemes	298	23.4	979	76.6	1277
Rehabilitation of existing Water Supply Schemes	114	40.0	168	60.0	282
Sanitation & Drainage	90	20.5	348	79.5	438
Sub-Total Hardware	502	24.0	1595	76.0	2097
<u>SOFTWARE</u>					
Water Resource Development	15	50.0	15	50.0	30
Human Resources Development	163	83.2	33	16.8	196
Sustainability Components	386	58.0	291	42.0	677
Sub-Total Software	564	63.0	339	37.0	903
TOTAL DONOR ASSISTANCE	1066	35.5	1934	64.5	3000