

**Shared Goals: Measuring Overall
Development Progress in Pakistan**

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ABSTRACT

The United States has one overriding goal in Pakistan. It is a more capable and prosperous, less fractious state, able to fulfill three basic functions: ensure internal security, meet the basic needs of its citizens, and maintain its own legitimacy. As clearly set out in the Obama administration's strategic planning documents, Pakistan's political, economic, and security challenges undermine not only its own security, but also the security of other countries in the region and of the United States. In the end, it only is when Pakistan is on a durable path toward transformation that American policymakers can put to rest their nightmare scenario of extremists and terrorists controlling that beleaguered country's nuclear arsenal.

A new focus on measuring development results would have far-reaching benefits for U.S. development strategy, for U.S. public diplomacy efforts, and for the strength of Pakistan's democratic institutions. In this essay, Nancy Birdsall and Wren Elhai suggest five possible indicators that illustrate the type of measurable targets that could help the United State and Pakistan meet shared goals for effective and transparent development.

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Shared Goals: Measuring *Overall* Development Progress in Pakistan

The United States has one overriding goal in Pakistan. It is a more capable and prosperous, less fractious state, able to fulfill three basic functions: ensure internal security, meet the basic needs of its citizens, and maintain its own legitimacy.¹ As clearly set out in the Obama administration's strategic planning documents, Pakistan's political, economic, and security challenges undermine not only its own security, but also the security of other countries in the region and of the United States.² In the end, it only is when Pakistan is on a durable path toward transformation that American policymakers can put to rest their nightmare scenario of extremists and terrorists controlling that beleaguered country's nuclear arsenal.

We believe the goal described above is fundamentally a development goal. Key congressional leaders agree. Speaking on the Senate floor, Senator John Kerry called an increase in development assistance the "centerpiece" of a new strategy to help Pakistan succeed. Senator Richard Lugar declared, "If Pakistan is to break its debilitating cycle of instability, it will need to achieve progress on fighting corruption, delivering government services, and promoting broad-based economic growth."³

Senators Kerry and Lugar spearheaded the passage of legislation that authorizes spending \$7.5 billion of development aid over five years to help Pakistan succeed. USAID has systems to track how that aid is spent and, in principle at least, to measure the impact of U.S.-financed projects. All well and good and necessary. But tracking and monitoring U.S. inputs says little or nothing about progress toward the overriding goal described above. We propose that the United States supplement that monitoring with a limited set of simple indicators of overall development progress. The United States and the Pakistani governments would agree on a limited set of indicators reflecting a shared view of what can be and ought to be achieved in Pakistan over the next five years. The indicators would then serve as the basis for periodically informing the Pakistani public and U.S. taxpayers about what progress is being made on central tasks of development.

This exercise would address a basic mismatch in U.S. development policy. While the default role for a donor country is to spend aid money, money alone cannot bring success. In sector after sector, the interventions most important for development in Pakistan suffer not from insufficient financing, but from poor policy and poor implementation. The power sector desperately needs a sustainable financing model. The education sector needs accountable oversight of administrators

¹ For a broader discussion of how U.S. interests are affected by poorly functioning states, see *On the Brink, Weak States and U.S. National Security* (CGD, 2004), available at www.cgdev.org/content/publications/detail/2879.

² See, for example, the Afghanistan-Pakistan Regional Stabilization Strategy, www.state.gov/documents/organization/135728.pdf.

³ Both Senators' floor speeches are available at <http://ipripak.org/factfiles/ff114.pdf>.

and teachers to improve the quality of public schools. The agricultural sector needs to reward the more efficient use of water and electricity and must eventually come to grips with Pakistan's deeply inequitable distribution of land. None of these problems can be addressed directly by aid spending alone.

In fact, the problems facing Pakistan are so vast and its population so large that the United States could spend its aid budget accountably, transparently, and even effectively and still leave millions of Pakistanis no more prosperous or better educated and their government no more responsive or accountable. Given that reality, it is worth asking the question: over the next five years will we know whether development in the broad sense is actually happening?

We believe that a new focus on measuring development *results* would have far-reaching benefits for U.S. development strategy, for U.S. public diplomacy efforts, and for the strength of Pakistan's democratic institutions.

On the development side of the ledger, such a list of indicators would help focus attention on the ultimate *outcomes* of development programs as a whole—more jobs, more educated children, steady access to electricity—not just the *inputs* created by aid projects (power plants, school buildings, etc.). In so doing, it would capture information not only on the success or failure of the American aid program, or even the broader international development program, but also the impact of actions taken by the Pakistan government itself. Countless U.S. officials, from President Obama to Senators Kerry and Lugar to Secretary Clinton and Administrator Shah, have spoken of the desire for an “effective partnership” with Pakistan on the challenge of development. If tracking the outputs of U.S.-funded projects is a way to take credit for successes directly attributable to U.S. actions, this proposal would seek to measure the broader successes of that U.S.-Pakistani partnership.

When it comes to public diplomacy, we recognize that the United States hopes for its development program in Pakistan to shift public perceptions in that country, where under 20 percent of citizens have a positive impression of the United States. However, we believe it is unlikely that aid will have an impact unless the United States can present a much more compelling narrative for its role in Pakistan. Partnering with the Pakistani government, an untrusted and unpopular institution itself, is not necessarily a way to convince the Pakistani people of the United States' good intentions. Without clarity on what the U.S.-Pakistan partnership is hoping to achieve, coupled with a concrete plan for evaluating progress, even a well-run aid program is likely to be seen through the lens of the unsteady deal-making that has characterized the United States' relationship with Pakistan in the past.

Regularly collecting and sharing information on development progress — as measured by the sort of indicators we propose—would be a way to show the Pakistani public that the United

States' pledge to long-term development goes beyond mere rhetoric. It could allow the United States position itself not as a patron of the Pakistani government, but as a champion of effective government *for the Pakistani people*. By emphasizing the need for steady progress on service delivery, and by helping to voice the concerns of ordinary Pakistanis, the United States might very well begin to shift the tide of public sentiment.

Finally, sharing data on public services can be a powerful tool for public accountability, which in turn could be a means to strengthen Pakistan's fragile democracy. Putting information in the hands of the beneficiaries of government services—the parents who send their kids to school, the businesses that rely on the faltering power grid—allows them to identify whether the services they are receiving match what they have been promised. It provides ammunition to those who would seek to hold government officials at all levels accountable for their performance.

To succeed as a vehicle for both diplomacy and public accountability, and to represent development in ways that resonate with ordinary Pakistani citizens, these indicators should be easy to explain, easy to measure, and relatively easy to verify. In this essay, we suggest five indicators, though not necessarily the right ones. The indicators below are meant to be illustrative of the *sorts* of metrics that could be appropriate—not a blueprint for action. We do not know enough about the ease with which they can be periodically measured, let alone the views of the government of Pakistan or of the broader Pakistani public on their salience. The potential unintended consequences of any potential indicators should be thought through with great care.

1. *Primary School Assessed Completers*: the number of children completing primary education and sitting for a standardized examination
2. *Electricity Delivered and Paid For*: adjusted for tariff subsidies and non-payment. Measured in megawatts, and compared year-over-year
3. *Adjusted Agricultural Yield*: the yield per acre under cultivation of Pakistan's main crops, adjusted for water use
4. *DTP3 Vaccination Rate*: the percentage of infants receiving three doses of the Diphtheria-Tetanus-Pertussis vaccine (DTP3).
5. *Domestic Revenue Spent on Development*: funds raised through domestic taxation and directed toward development projects

As we envision the idea, the Pakistani government would report each of these indicators annually, ideally with verification by a third party agreed to by the Pakistani and American governments. USAID would then work with provincial governments to publicize each year's indicators as widely as possible, through provincial and district scorecards and through other means.

Putting this information in the hands of millions of ordinary citizens would engage Pakistanis in the process of development. When results are bad, citizens will know about it, and will be able to demand better from their government. When results are good, they will have specific accomplishments to credit to the government and to the U.S.-Pakistani partnership. And most important, progress on these indicators can be taken as progress on the fundamental task of development in Pakistan.

Indicator #1: Primary School Assessed Completers

Improving Pakistan's education system is vitally important if the large proportion of young people in the country's population is to have the opportunity for employment. Currently, the Pakistani education system struggles to provide all children a basic level of education. Only 66 percent of primary school-aged children are enrolled, compared to 88 percent in Bangladesh. The quality of education in many public schools is very poor—the result of patronage-based teacher hiring, poor teacher attendance, and a lack of materials. A growing number of secular private schools have opened their doors, providing parents with an often attractive alternative to public education. However, these schools are not available in all parts of the country and rarely extend to secondary education.

There are certainly many measures of educational progress, which vary in their emphasis on educational access and quality. Of course, both dimensions must be addressed. One approach is an indicator that reflects expansion of access while *measuring quality*. An assessed completer is defined as a student who finishes primary school (grade 5) and sits for a nationally standardized assessment of learning.⁴ The results of an annual report on this metric would provide valuable information to parents and local governments about whether learning is improving or declining over time and which schools or districts are doing a better job of teaching children. In areas where there is already competition among schools to attract students, it would allow parents to make more informed decisions.

Unfortunately, Pakistan has no national primary school assessment. A World Bank funded project (approved in 2003 and closed in 2009) sought to establish the institutional capacity to carry out this sort of assessment. Under that program, the National Educational Assessment System administered four sample-based assessments to a total of 50,000 grade 4 and grade 8 students.⁵ Expanding this relatively small program to a universal assessment will take time and effort.

⁴ This indicator is explored at much greater length in *Cash on Delivery: A New Approach to Foreign Aid* (CGD, 2010) by Nancy Birdsall and William Savedoff. The book is available at www.cgdev.org/content/publications/detail/1423949/.

⁵ More information on the NEAS is available on the World Bank site, <http://web.worldbank.org/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=40941&menuPK=28424&Projectid=P077288>.

Indicator #2: Megawatts of Electricity Delivered and Paid For (Year-Over-Year)

The energy crisis in Pakistan has become a political flash point, as protests have erupted over both the load shedding necessitated by power-generation shortfalls and the tariff increases that are a part of the solution to those shortfalls. The economic toll is severe—the government of Pakistan cites estimates that Pakistan’s industrial sectors lose over \$2.5 billion per year because of load shedding, costing 400,000 jobs.⁶ The crisis stems from a number of causes, including high losses during transmission (in part due to theft), and a pricing policy that does not bring in enough revenue to pay for power generation costs.

It is necessary to strike a balance between reducing the amount of load shedding required and keeping tariffs affordable. The Asian Development Bank has indicated that the sorts of generation options that could close the supply-demand gap entirely are unfeasible from a cost standpoint.⁷ Over the medium term, however, investments in cost-effective generation capacity and in transmission and distribution infrastructure could eliminate load shedding while keeping tariff increases manageable.

What could make sense is an indicator that incorporates the effectiveness of the Pakistani power sector at producing and delivering power and its ability to collect revenue to cover the costs of doing so. The amount of power delivered to end-users and paid for would cover both ends of the problem. Certain adjustments would have to be taken into account—if the government chooses to continue to subsidize power tariffs, those subsidies should be tracked and reported (and perhaps counted against the total measure of paid-for power). It might be wise also to incorporate a bonus for pursuing energy conservation and efficiency measures. As an important side benefit, increasing the transparency of the energy sector to consumers, especially by making load shedding more predictable, might make politically sensitive power tariff increases easier to deliver.⁸

Indicator #3: Adjusted Agricultural Yield

Improving agricultural yields will have a profound effect on Pakistan’s economy—expanding its export potential and accelerating economic growth. However, doing so will require numerous fixes. Improved seed varieties, better use of water resources, and the introduction of modern farm equipment are all potential avenues to increase yields.

Given Pakistan’s dependence on a sole source of water (the Indus river system) and the strain Pakistan’s growing population is placing on that system, making the agricultural sector more

⁶ Private Power & Infrastructure Board, “Government of Pakistan Response on ADB Observations” (2010), www.ppib.gov.pk/ADB/GOP%20Response%20to%20ADB%20Report%2029-01-10.pdf.

⁷ Asian Development Bank, “Islamic Republic of Pakistan: Rental Power Review” (2010), www.pepco.gov.pk/ABD_Report.pdf.

⁸ An alternative measure of success in the power sector could be total load shedding per month, measured in megawatts, and assessed year-over-year to account for regular seasonal variation. However, since load shedding

water-efficient is of paramount importance. Current estimates are that agriculture consumes over 90 percent of Pakistan’s water resources. Of that, 60 percent may be wasted.⁹ Tube wells used to irrigate crops also use a significant amount of electricity—projects funded by USAID and by the World Bank seek to improve the energy efficiency of existing tube wells or to replace them with solar-powered models.

A potential indicator might blend the average yields (measured in kilograms per hectare under cultivation) of Pakistan’s top five crops—wheat, rice, sugarcane, cotton, and maize (if more were included, oilseeds and gram would make the cut).¹⁰ It would be normalized in such a way to adjust for year-to-year changes in the distribution of crops under cultivation and could include an adjustment for average water use per hectare.

Given the amount of Pakistan’s water that goes toward often-inefficient crop irrigation, we believe that improvements in this indicator would also signal improved health in the water sector overall. However, no simple indicator of crop yields is ideal. Yields alone might improve without a more efficient use of water, for example through the introduction of expensive nitrogen-based fertilizers, which carry environmental costs. This is why sectoral experts should consider how to feasibly measure yields on the basis of water usage as well as land usage. Alternatively, an indicator could be chosen that is more directly linked to the water sector. The number of households with access to an improved water source (or receiving at least a threshold amount of clean drinking water), or the amount of water delivered and paid for (as with electricity) are potential examples.

Sharing information on crop yields with farmers could prove to be a powerful incentive in convincing them to adopt the sorts of innovations necessary to conserve power and water (especially if the capacity existed to compare a farmer’s personal yield with district and provincial averages). It might also allow farmers to make better-informed decisions about which crops to plant.

Indicator #4: Percentage of Infants Receiving Third Dose of Diphtheria-Tetanus-Pertussis Vaccine (DTP3)

Though Pakistan, in theory, guarantees necessary medical care to all of its citizens, health outcomes are poor in practice. There are significant disparities in access to care between urban

⁹ Simi Kamal, “Pakistan’s Water Challenges: Entitlement, Access, Efficiency, and Equity,” In *Running on Empty: Pakistan’s Water Crisis*, Michael Kugelman and Robert Hathaway, eds. (Woodrow Wilson International Center for Scholars, 2009).

¹⁰ Omer Farooq, “Chapter 2: Agriculture” in *Economic Survey 2009–2010* (Ministry of Finance of Pakistan, 2010), www.finance.gov.pk/survey_0910.html.

and rural residents, and high-quality care is often only available to those able to pay for it. Estimates suggest that 75 percent of health costs are financed out-of-pocket.¹¹

The long-term development challenge is in strengthening the health system (including both public and private providers) to deliver the complete range of necessary services. Finding indicators that measure the strength of overall health systems can be a real challenge. Donors have sometimes focused narrowly on treating individual diseases, without sufficient regard for the damage that strategy can have on the overall health of local populations. The indicator listed here, while perhaps obscure to majorities of Americans and Pakistanis, is recognized as an indication of the health system's capacity to provide basic, cost-effective interventions.¹²

Administering this vaccination successfully requires adequate post-natal care and a system that can track and follow up with the same patients over the course of several months (it is recommended that the vaccination be administered at two, four, and six months of age). At latest estimate (2008 data), 73 percent of one-year-olds in Pakistan had received the full course of DTP vaccination. It is worth noting that in the past, estimates based on survey data have been significantly lower than official government estimates.

One example to consider in devising this indicator is the approach of the GAVI Alliance. Under its Immunization Support Services facility,¹³ GAVI provides countries with a small bonus over and above its core funding for immunization programs, per child immunized.¹⁴

As in any case where special attention is paid to a single disease or a single intervention, it will be important to consider the spillover effects this might have on care for other conditions. In this case, we believe these spillover effects will be positive (infants who receive their DTP3 vaccine will also be checked for other diseases, as would, potentially, their mothers). However, careful examination of how this indicator would function in Pakistan's specific context is warranted.

Indicator #5: Domestic Revenue Spent on Development.

All the economic aid given to Pakistan is outweighed by the development spending contained in Pakistan's own budget. The 2010–11 budget contains a total of \$7.7 billion (PKR663 billion) in development spending. The more effectively domestic resources can be directed to development, the less foreign donor financing will be needed to sustain it. Though the current government has

¹¹ Sania Nishtar, "The Health Budget 2006: The Policy Context," *The News* (June 4, 2006), www.heartfile.org/pdf/8_money_VP.pdf.

¹² Loren Becker, Jessica Pickett, and Ruth Levine, *Measuring Commitment to Health: Global Health Indicators Working Group Report*, (CGD, 2006), www.cgdev.org/content/publications/detail/10016.

¹³ Described in detail at www.gavialliance.org/support/what/iss/index.php.

¹⁴ Country performance is independently audited. There have been issues with inadequate auditing, but this issue is now being addressed.

attempted to increase development spending, the large sums being spent on defense have led to cutbacks. The 2009–10 budget originally contained \$7.5 billion in development spending, which was trimmed by 20 percent to under \$6 billion by the end of the fiscal year.

A key hurdle to any increase in development spending is reform of the domestic tax system. Pakistan has one of the lowest tax-to-GDP ratios of its peers. If the government were able to collect all of the taxes owed under current law, it would easily collect enough to cover the development spending in the budget and would reduce the federal budget deficit. If it were able to raise the tax-to-GDP ratio from its current estimated level of 9.8 percent to the 15.5 percent listed in the 2009 Budget Strategy Paper as a 10 year target,¹⁵ it would generate additional billions of dollars a year (certainly greater than all foreign aid receipts).

Moreover, the current tax regime in Pakistan is inequitable both vertically and horizontally. A recent study found that the poor pay approximately 16 percent of their incomes in sales tax and other indirect taxes, while the top 10 percent of earners pay less than 10 percent in indirect taxes and a paltry 0.3 percent in income tax.¹⁶ Only two million Pakistanis pay income tax, approximately 1.1 percent of the total population. Compared to their shares of GDP, the agricultural and service sectors contribute very little in taxes, leaving manufacturers and other industries to carry a heavier burden.

Collecting and sharing data on how the tax burden affects Pakistani citizens of different classes and professions might help to create the political will necessary to carry reform programs (notably the reform of the sales tax) to completion. However, we suggest an indicator that takes into account what the government is *doing* with its revenues as opposed to an indicator that measures how much it is able to collect. This seems much more politically palatable, given the enormous sensitivities in Pakistan over the tax system. If a tax indicator were to be chosen, it would probably have to incorporate a measure of equity (perhaps the taxes paid by each income quartile) in addition to measuring overall tax rolls and the amount collected.

¹⁵ As estimated in the 2010–2011 budget address, http://finance.gov.pk/budget/fb_speech_2010_11.pdf.

¹⁶ Social Policy and Development Centre, *Combating Poverty: Is Growth Sufficient?* Annual Review 7— Social Development in Pakistan (SPDC, 2004), www.spdc.org.pk/Publications.aspx...

The Role of the United States and Future Steps

Simply establishing a list of central indicators for development success would be an important step for the U.S. strategy in Pakistan. The ongoing Strategic Dialogue is an ideal forum for this sort of discussion to take place with the proper representatives of the Government of Pakistan. The United States might decide, as part of that dialogue, to offer technical assistance or financial resources (or both) to assist in collecting data on the indicators that are chosen.

Could USAID Administrator Raj Shah Deliver This Speech in Islamabad? Would it Work?

“I want to make clear that the U.S. aid program in Pakistan is intended, above all else, to help the government of Pakistan finance and deliver the key services that Pakistanis want. We will know our mutual goals are being met when more children are completing primary school, when power outages are no longer a daily occurrence, when all children are vaccinated against preventable diseases, and when households and small farmers have reasonable access to water.

“Starting now, we will work with federal and provincial governments to measure these things, the things that matter most for ordinary citizens. We will report progress against them periodically to the government of Pakistan finance and deliver the key services that Pakistanis want. We will know our mutual goals are being met when more children are completing primary school, when power outages are no longer a daily occurrence, when all children are vaccinated against preventable diseases, and when households and small farmers have reasonable access to water.

“Starting now, we will work with federal and provincial governments to measure these things, the things that matter most for ordinary citizens. We will report progress against them periodically to the peoples of Pakistan and of the United States, and will support initiatives of your own government to better measure progress, to learn from what works and what does not, and to report on those outcomes to Pakistani citizens.

“Ultimately, we believe that parents should know if schools in their village are doing better or worse than those in other villages. Businesses, workers, and households should know exactly how planned power outages will affect them, and should be informed when the situation improves. Farmers should know how their yields compare to others in their area, and what they could do to produce more. And all citizens should know if the government is doing its part to collect tax revenues—from everyone in a fair and progressive way—and spend them on vitally needed development projects.

“In the spirit of transparency, we will ourselves report every three months the amount of money we disburse to help your government in these areas, though I reiterate that the focus should be not on how much money is being spent by the United States or by your government, but on the results that investment is producing.

“The United States shares your interest in a more prosperous Pakistan. That is what our economic

Going forward, the United States could also fund efforts of the Pakistani government and civil society organizations to share data on progress against these indicators with the general public. Finding new ways, such as district maps or radio and television campaigns, to disseminate this sort of information as widely as possible could leverage the indicators to promote transparent, accountable governance and contribute to U.S. public diplomacy objectives.

Should the U.S. perhaps go even further by linking some portion of one or more sectoral aid budgets to a specific indicator of progress? Paying for development results could address at least two immediate concerns for U.S. aid policies.

First, it might allow for an additional stream of aid to be directed to Pakistani institutions, while decreasing the pressure to aggressively monitor and audit how that money is spent. In essence, by paying for confirmed delivery of services, this approach to aid allows for a greater degree of confidence that aid money is going to institutions that can use it well. If progress is not made on an indicator, any aid money tied to that indicator would not be disbursed.

Meanwhile, spending a small percentage of aid budgets based on performance indicators could be an additional way to position the United States as an advocate for effective, transparent, and accountable service delivery in Pakistan. By and large, Pakistani citizens do not trust their own government to spend money well, especially when it is intended to provide services to the poor. In such an environment, it is unclear that direct payments to the government will be perceived by ordinary Pakistanis as money well spent. However, an initiative that puts pressure on the Pakistani government to deliver on its own commitments to its people—explicitly untied from any security cooperation—might be different. We imagine that a speech delivered in Pakistan by a high-profile U.S. official that included the sort of language on development indicators contained in the box above would be very well received by the Pakistani public.

Conclusion

The exercise of defining and assessing *its own* development progress in Pakistan would improve the development impact of donor budgets and Pakistani government budgets alike by promoting transparency and accountability at all levels of government. It could change the perception that the United States' goals in Pakistan are only short-term and only about military strategy. And it could be a powerful tool for clarifying what the U.S. aid program is helping the Government of Pakistan to accomplish—learning from what is working and what is not.

By its nature, the transformational process of development happens slowly and is hard to observe. As a result, it is often the case that short-term priorities absorb the lion's share of attention and resources. The many rationales for why the United States should give economic aid to Pakistan create competing and confusing objectives for the aid program: to win hearts and minds, to strengthen the U.S. relationship with the civilian government, to provide peaceful and

productive economic opportunities to young men at risk of radicalization. A focus on development results is a way of putting the most important single objective of the U.S. development strategy front and center. That is the creation, over the long term, of a more capable, more prosperous, and more democratic Pakistani state. In doing so, the United States might just find the best way to achieve its other objectives.