

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.:AB3652

Operation Name	Higher Education Support Program Loan
Region	SOUTH ASIA
Sector	Higher education sector (100%)
Project ID	P102607
Borrower(s)	GOVERNMENT OF PAKISTAN
Implementing Agency	Higher Education Commission
Date PID Prepared	February 8, 2008
Estimated Date of Appraisal Authorization	To be determined
Estimated Date of Board Approval	To be determined

1. Key development issues and rationale for Bank involvement

The higher education sector in Pakistan (public and private universities and Degree Awarding Institutes) has suffered from neglect for many years. Thus, the sector lacks the capacity to leverage the knowledge economy that the country aspires to become.

Most higher education institutions (HEIs) are characterized by poor quality teaching and learning, and a lack of focus on quality assurance and quality improvement. There is both a dearth of qualified staff and a lack of incentive/accountability mechanisms to optimize the time and competences of existing staff. The situation is no better at the post-graduate level, a fact which is reflected in the higher education sector's weak research outputs. The sector's output of graduates is not aligned with the needs of the economy --whether in quantitative or qualitative terms. It is also out of sync with the requirements of a modern, tolerant and open society.

Regardless of the indicator used, participation in higher education in Pakistan is low. In 2004/05, enrollments in universities totaled 534,000, representing 2.5% of the corresponding age group. If enrollments in colleges are included, the participation rate in higher education sector still hardly reaches 4%. Admission to universities is very selective, with less than 10% of those taking the main entrance examination making it into universities. On the demand side, student aid mechanisms have not adapted to the rapid expansion of enrollments.

Sector-wide governance issues are a pervasive impediment to the optimal functioning of universities. The administrative structure of public universities is not well defined, responsibilities are not clearly defined. Performance is not rewarded, let alone measured. Accountability is non-existent. The playing field of higher education is far from being even: public institutions are privileged and despite its growing quantitative importance, private provision of higher education services is not optimal.

Until the early 2000s, the university sector had been blatantly under-funded. The huge and unprecedented increase in the sector budget since 2002 has been accompanied by parallel growth in student enrollments. Therefore, in real per-student terms, the surge has been more modest, and with less than one-half of one percent of GDP spent on its universities, Pakistan continues to lag behind other comparable countries.

Created in 2002, the Higher Education Commission (HEC) has launched a series of measures to rehabilitate HEIs and to address the issues mentioned above. These measures are encapsulated in the Medium Term Development Framework (MTDF-HE), which covers the 2005-2015 period. They encompass all critical areas in urgent need of improvement: faculty development, access, learning and research, relevance, governance and management, quality enhancement and technological development.

The measures launched – and those planned – by the HEC have the potential to redress the effects of the long period of neglect of Pakistani HEIs and transform them into one of the engines of economic growth and progress. These measures can be categorized into four pillars: (i) improving the quality and relevance of teaching and research; (ii) broadening access to, and equity of, higher education; (iii) strengthening the governance and management; and (iv) increasing the fiscal sustainability and effectiveness of expenditure.

The set of reforms undertaken in higher education is part of a comprehensive plan to overhaul the entire education system, starting from primary education all the way to tertiary education, encompassing both general and vocational streams, and involving both federal authorities at the center and provincial and district authorities at the decentralized level. In particular, reforms are underway in Punjab, Sindh, and NWFP to increase access and improve quality at basic and secondary education levels, and are supported by IDA. The MTDF-HE is consistent with the *National Education Policy 1998-2010* and the proposed HESP is the natural complement to, and continuation of, these reforms and operations at the federal level.

The HEC's track record and its capacity to continue reforming higher education constitute a good omen for the success of the implementation of the MTDF-HE. The Bank's technical assessment of the MTDF-HE, published in a 2006 Policy Note, is largely positive. The Policy Note found that the Framework was a sound and articulate response to the sclerosis that characterized the sector until the creation of the HEC in 2002. By attacking up-front the factors underlying the poor quality of HEIs – including the lack of qualifications, accountability and motivation of faculty staff – the HEC has addressed the root of the problems facing the sector.

The proposed HESP is aligned with the country's macro-economic strategy. Both share the diagnosis, the objectives, and the strategy. The alignment and complementarities between the MTDF-HE and the macro-economic strategy is clearly discernable in the Planning Commission's "Vision 2030" document, which posits that "the economics of knowledge must underpin policies for growth". The HESP is also consistent with the Poverty Reduction Support Credit (PRSC).

2. Proposed objective(s)

The proposed Higher Education Support Program Loan would be the first of a programmatic series of three development policy loans designed to support the Government's Higher Education Medium Term Development Framework. The overarching objective of the Framework is to increase and improve the stock of skilled Pakistanis who will contribute to an economy increasingly based on knowledge, innovation and technology. The HESP is a central piece in a set of interventions that aim to strengthen and modernize the Pakistani economy. The HESP will support the Government's initiatives to increase participation, enhance quality and relevance and strengthen the efficiency and financial sustainability of HEIs.

The proposed operation is expected to yield several distinct, but complementary and closely intertwined benefits:

- *Knowledge Society*: Of all the “Efficiency Enhancers” ranked by the Global Competitiveness Report (2006/07), education and training are the ones where Pakistan fare the worse (104th). The proposed operation will contribute to address this situation and to increase the supply of a sufficient pool of youngsters with employable skills. By increasing access, boosting quality and improving relevance, the project will be a direct input to the government’s strategy aimed to harness the potential of the younger generation, so as to improve labor productivity.
- *Sustainability of the higher education sector*: The long neglect into which higher education has been kept in Pakistan has cost the country to lag behind. The small cohorts of students and the reduced faculty staff had lost ideals and practice of academic deontology and excellence. The proposed HESP will revigorate the whole sector, instill new morale amongst users, and restore academic discipline propitious to quality teaching and research. It will contribute to ensure the long-term financial sustainability of HEIs.
- *Science and technology*: Without investing in science and technology, Pakistan will be condemned to trail behind and to miss the train of globalization. Universities remain the most important forum where research will take place. By supporting measures to encourage academic research, and to link it with industry, the HESP will contribute to the renewal of research with higher quality standards, to build the chain linking research and innovation and ultimately, to promote the development of research-based industries.
- *Lower levels of education*: Despite recent progress, the Gross Enrollment in Secondary Education is still hovering at 44%. In addition, quality of education is poor, and this constitutes the core challenge at this level. The quality of teachers is a key ingredient to change this situation, and higher education has a critical role to play. By focusing on the quality of education at the tertiary level, the proposed operation will also contribute in the long run to enhance quality at lower levels of education.
- *Poverty reduction*: The increased participation in higher education is expected to have a direct impact on growth and on the general level of poverty. The government forecasts an increase of the GDP per capita from its current \$900 level to \$1250 by 2010. Improving the general level of education and especially of those who will be working in the sectors driving growth is a prerequisite to achieve these results.
- *Contribution to fiscal stability*: Growth cannot take place without macroeconomic stability. Reliable projections of expenditures is a critical factor to achieve predictability of budget outlays and therefore to reduce fiscal turbulences. The preparation of a well documented medium term financial framework with the support of this operation, and the agreement reached between the Commission and the Ministry of Finance on the basis of the MTFD-HE is introducing more rationality in budgetary discussions.
- *Signaling effect*: By supporting the government’s reforms to introduce transparent management, accountability and performance and to promote good governance in universities, the HESP is expected to have spill over effects outside of the higher education sector, thanks to the emergence of a new cohort of leaders trained in an improved governance environment. Similarly, the efforts to bring closer together the public and private sectors in providing quality teaching and research are expected to have long term positive externalities. Finally, as highly educated citizens tend to be less prone to violence, increasing participation in universities may contribute to improve security.

The first HESP supports the completion of upfront reforms in the areas where it is critical to signal a strong political will and to establish credibility both *vis à vis* the academic community, students, the Ministry of Finance, and the private sector (both as employer and provider).

3. Preliminary description

To address the deeply rooted weaknesses in the higher education system, and to give HEIs an opportunity to play the role expected from them in the development of a knowledge-based, globalized economy, the HEC devised a strategy outlined in its MTDF- HE. Since the publication of MTDF-HE, the HEC has also expanded its program beyond the MTDF-HE while sticking to the vision, strategy and approach of the original MTDF-HE. One of the major developments is related to the planned establishment of new Universities of Engineering, Science and Technology of Pakistan (UESTP).

HEC's ambition is to "facilitate institutions of higher learning to serve as engines for the socio-economic development of Pakistan". To serve this ambition, HEC has identified four core strategic aims (faculty development, access and learning, research and relevance) and three cross-cutting supporting aims (governance, quality assurance, infrastructure development).

The proposed reform Program has translated these aims into four pillars. These pillars are highly complementary and closely interrelated. The four pillars are: (i) quality and relevance of teaching and research, (ii) access and equity, (iii) governance and management, and (iv) financial sustainability. Aims of policy actions under each pillar are as follow:

- Pillar 1: Improving the Quality and Relevance of Teaching and Research: (a) further the supply, quality and performance of faculty staff; (b) enhance the quality of courses and programs delivered by HEIs; (c) align teaching and research outputs with national development objectives; and (d) improve the quality of research undertaken in HEIs
- Pillar 2: Expanding Access to and Enhancing Equity of Higher Education: (a) increase equitable access to higher education; (b) promote participation of the private sector; (c) prop up enrollments in priority fields
- Pillar 3: Strengthening the Governance and Management of Higher Education: (a) strengthen internal governance, management performance and accountability of HEIs; (b) reinforce quality assurance mechanisms for academic programs; (c) bolster capacity of HEC; (d) upscale communication strategy; (e) generalize a reliable, timely, and user friendly Higher Education Management Information System (HEMIS); (f) rationalize the financial planning and management in the higher education sector; and (g) upgrade procurement performance in the higher education sector
- Pillar 4: Ensuring Fiscal Sustainability and Effectiveness of Expenditure in Higher Education: (a) secure adequate funding for higher education within a sustainable overall fiscal framework; (b) adjust mechanism of resource allocation by HEC to HEIs; (c) diversify sources of funds for HEIs; and (d) optimize resource management in HEIs

4. Environmental aspects

The reforms and policies supported by the proposed loan to strengthen Pakistan's higher education sector do not entail significant negative effects on Pakistan's environment, forests, or

other natural resources. The government's reform program includes the rehabilitation of university buildings and minor extension of existing infrastructures, as well as possible new buildings for the UESTPs. These civil works could be associated with minor negative environmental effects. The operation could entail positive environmental effects to the extent that policies are associated with increased numbers of highly skilled Pakistanis that can develop environmental friendly technologies, conduct environmental research, and are prepared for strategic positions in the environmental sector. Pakistan's environmental institutional framework, coupled with the adoption of environmental safeguard standards for the expected civil works, constitutes an adequate framework to address the potential environmental effects of the operation.

The Pakistan Environmental Protection Act (PEPA) of 1997 is the cornerstone of the country's environmental legislation. PEPA establishes the general conditions, tools, and organizational responsibilities for pollution prevention and control. Agencies with responsibilities for implementing and enforcing the Act's provisions include the Pakistan Environmental Protection Council (PEPC), the Pakistan Environmental Protection Agency (Pakistan EPA), the provincial Environmental Protection Agencies, and Environmental Tribunals. Within this framework, federal authorities are mainly responsible for policy formulation and provision of resources and oversight to the provinces, while provincial authorities play the prominent role in implementing such policies and monitoring compliance with them.

The National Environmental Policy (NEP) of 2005 constitutes an overarching framework for achieving the goals of sustainable development through protection, conservation, and restoration of Pakistan's environment. Among the key instruments identified by NEP for its implementation is the integration of environment into development planning, including the diligent enforcement of PEPA's Environmental Impact Assessment (EIA) provisions. NEP also recognizes the need to strengthen the capacity of federal, provincial, and district governments as a necessary condition for NEP implementation.

5. Tentative financing

Source:	(\$m.)
Borrower	TBD
International Bank for Reconstruction and Development	TBD
Total	TBD

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