

Why Most Development Projects Fail in Pakistan? A Plausible Explanation

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INTRODUCTION

The need for effective project planning in the farmework of macro planning has always been very strong in Pakistan as projects form the basis of development. Without the successful execution of projects, it is unlikely that development plans could be implemented effectively.

In Pakistan an elaborate machinery for the planning of development projects exists but its prformance has been far from satisfactory. If one has to write the project history of Pakistan, one will come across numerous examples of projects that have failed due to the ineffecient functioning of this machinery. Needless to say these failures have cost the economy billions of rupees, which in a capital-scarce economy like Pakistan, would have made a substantial difference towards economic development had this machinery operated efficiently.

The objective of this paper is two fold: first to indentify shortcomings and weak links in the project planning system which are responsible for the failure of most projects. Failure here refers to the lack of implementation in time and within the project's planned budget estimates. And second, to suggest appropriate remedial policy measures.

Experience has shown that the process of project planning and implementation in the country has suffered from inherent problems ranging from conceptual differences about the projects, hurriedly prepared feasibility studies deficient in proper technical and economic underpinnings and the lack of basic information obtained through insufficient investigation and surveys to inadequate project monitoring and almost non-existent in-depth evaluation studies. In the following para-

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Authors' Note: The information in this paper has come from various sources. These include unpublished reports of the Federal and Provincial Development Departments, Project Monitoring and Review Reports, PCI's of various projects and discussions with officials of the controlling ministries and line departments. Finally, several reports prepared by foreign consultants on the planning process have also been tapped for information purposes.

graphs, a brief assessment of the existing shortcomings and weak links in the project planning system are given. To conclude the discussion, policy prescriptions are suggested at the end of the paper.

WEAK LINKS

All development projects run through a cycle which consist of five stages. These are:

(1) Project identification, (2) Project Preparation and Formulation, (3) Project Authorisation, (4) Project Implementation and (5) Project Evaluation.

All five stages are interconnected and each stage has to be successfully completed before one can move on to the next one. Thus, the project planning process in the country is comprised of a series of chain events. Since the strength of the system depends on the weakest links it is important that such links be identified and the necessary corrective policy action be taken. Three weak links have been identified.

The first weak link exists between sector planning and project identification. for example, agriculture, education and industries are a provincial responsibility, but due to the centralised administrative system of the planning process in the country, the involvement of the provinces in the planning of these sectors is of a limited nature. The input of the provinces in the preparation of the five-year plan consists of only providing statistical information and making proposals regarding provincial priorities and production targets. However, these proposals are usually not formulated on the basis of a comprehensive sectoral analyses and an internally consistent macro-framework.

Project identification is largely based on political decisions, proposals advanced by external donors and local interests. The involvement of elected representatives in the administrative aspects of the planning process is increasing day by day. The provision of lock allocation in the ADPs as well as in the PC-1 proformas make political factors, which lie behind the identification of many development schemes, a fact of life which cannot be avoided. But the choice of projects could be much improved if their compatibility with plan objectives, the development potential of local areas, market prospects, investment priorities, etc., were verified in a consistent macro-economic framework in the provinces. At present this is not done.

Macro-analysis, the verification of consistency, the choice of priorities and the allocation of resources, are tasks performed at the federal level and made known to the provincial government. The provinces have a comparatively greater role in the preparation of the Annual Development Programmes (ADPs) which, however, is

little more than the breaking-down of the five-year plan figures and a collection of projects. The projects listed in the ADPs are only loosely related to the macro-economic framework.

The second weak link is between project identification/feasibility and formulation. Project preparation, which is based on the filling up of the PC-1 form, has become, largely, a matter of routine. The preparation of the PC-1 would require an analysis of the feasibility and social profitability of projects and of their contribution to the development objectives of the sector. However, such analysis is usually not carried out, or is carried out in a less than satisfactory manner. The time given for the preparation of the PC-1 is very short. Thus, projects prepared in a hurry lack not only technical competence but also overlook many crucial and important factors. The main motive behind such hurriedly prepared schemes, most often, is that of political consideration. The exceptions are large-scale projects in which external donors are directly involved. In general, the preparation of the PC-1 is seen as a bureaucratic obligation and does not shed light on the suitability of the proposed projects to development needs, nor does it help in understanding the shortcomings of the project identification process.

The third weak link is between project preparation/project appraisal and project implementation. The phasing of expenditure laid out in the PC-1 form of the project does not have any relevance to the amounts provided in the ADP and the actual releases made by the finance department for executing the project. This creates a serious problem during the implementation stage by causing further delays and cost overruns.

Moreover, the PC-1 phasing is also used in the derivation of the cash flow statement on the basis of which the project's economic viability is determined, while the phasing in the ADP is done on the basis of available funds. Since the measures of project worth may be very sensitive to the phasing, the crucial exercise of project appraisal becomes altogether futile.

WEAK AREAS

Project Identification

Project identification is greatly dependent on both the qualitative and quantitative assessment of development needs of an area or a region. This calls for enormous efforts at collection, collation as well as coordination of data on the part of functionaries in the process which require highly technical studies. It becomes, therefore, imperative to take into account the development needs as well as certain preconditions to translate the project idea into operational reality. In this context,

developmental priorities and policies highlighted in the national/provincial/local plans should serve as guidelines. But in Pakistan, the very initial phase of identification in the project cycle suffers from many inherent problems. The foremost among these, common to projects of practically all sectors, is that projects are started without undertaking a detailed investigation. This leads, most often, to the identification of wrong projects, which cause problems at the implementation and operation stages. In many cases, projects which were misconceived when put into operation, faced serious difficulties in realising their indicated objectives. Consequently huge losses are occurring as many of these concerns cannot even meet their operational expenses. In the Water Sector the Chashma Right Bank Canal project, the South Rohri Fresh Ground Water development scheme and installation of 110 tubewells in the Federally Administered Tribal Areas (FATA) (Bajour Agency), are pertinent examples.

Again, in the Transport Sector, an important activity such as capital dredging was overlooked in the case of the Mohammad Bin Qasim Port Project. The Darya Khan-D. I. Khan Bridge scheme was revised several times due the lack of appropriate data, and the Third Highway Project has faced serious conceptual problems with respect to construction scheduling, bridges and bye-passes etc.

In the Industry Sector, the Pasror and Larkana Sugar Mills were constructed in areas where sugarcane is not cultivated. The Swat Elutriation plant produces China Clay which is not suitable for use in sanitary-ware and wall-tile products even though the feasibility study for the scheme had approved the quality of the clay.

PROJECT PREPARATION

Projects are prepared by the sponsoring ministries at the federal level and by the line departments at the provincial level. Due to the lack of trained staff the preparation of projects leaves much to be desired. A study by the Planning Commission has found that on average 50 percent of projects submitted for authorisation are sent back as a result of the preliminary scrutiny mainly due to inadequate technical and economic preparation and the lack of other vital information. Crucial departments like Agriculture, Irrigation and Power, Transport, Communications and Works, Industries and Minerals severely lack project preparation capability due to the non-availability of experienced staff. On account of this, many projects go by default and suffer delays. For instance in the case of the agriculture sector, in particular, the fields covered are diverse which require a multidimensional input from several disciplines for their preparation. These projects which are deficient in providing detailed information thus cannot be prepared accordingly.

The inadequate preparation of the Kotri and Guddu Barrages by the West

Pakistan Agricultural Development Corporation (WPADC) led to the revision of the scheme by the Government of Sindh. This revision took 8 years as the regular technical staff could not be spared for this work. Furthermore, the additional staff which was required for project preparation was not sanctioned by the Finance Department. Consequently the project preparation work suffered a great deal.

Changing consultants frequently divides the responsibility for project preparation and has adverse effects. The Gwadar Fish Harbour Project is a case in point which has passed through the hands of four consultants.

Another example is that of the Greater Quetta Water Supply scheme. This project was sent for approval without any project preparation. During the course of discussion in the Central Development Working Party (CDWP), it became known that the scheme as presented in the PC-1 was highly tentative and needed more time for preparation on the basis of its feasibility study – a study yet to be carried out by the National Engineering Services of Pakistan (NESPAK). The agency which was sponsoring this project did not have the relevant manpower with expertise in project planning methods. Again the PC-1 of 50 small irrigation schemes suffered from inadequacy both in terms of detailed scope of work as well as technical and economic analyses. The cases of Bolan Textile Mills and Bolan Medical College can be cited here too in terms of inadequate preparation of their PC-1s.

PROJECT AUTHORISATION

Project authorisation refers to the appraisal and approval of projects by the competent authority such as the Provincial Development Working Party (PDWP), the Central Development Working Party (CDWP) and the Executive Committee of the National Economic Council (ECNEC). All schemes costing up to and including Rs 100 million have to be approved by the PDWP initially and the CDWP finally. Development schemes costing more than Rs 100 million have to be approved by the Executive Committee of the National Economic Council (ECNEC). Small projects, amounting upto Rs 20 million, may be approved by the secretary of the concerned department or by the departmental sub-committee. This phase sometimes becomes too long due to the lengthy sanctioning procedures. The first delay usually takes place during this phase. Due to this, data used initially in the original PC-1 may become irrelevant and out-dated, thus leading to the revision of the PC-1 which further delays the execution of the project thus causing cost overruns.

To get around any possible delays in the sanctioning of projects, an important mechanism exists in the form of “anticipatory” approval by the Chairman. The grant of such an approval is restricted to only those cases whose formal submission

is likely to be delayed due to the delays in the meetings of the ECNEC. In some cases such as the Malaria Control Programme, anticipatory approval seemed a genuine approach but there are projects such as the Mass Production of Roti and the Mohammad Bin Qasim Port in which the procedure was misused.

These projects ran into serious difficulties later. Ultimately the only option available was to approve the projects with all its shortcomings. An extraordinary use of the anticipatory approval was made in the case of the Augmentation of Rawalpindi-Islamabad Distribution System where work on the project had commenced much before the approval was granted.

Once approval has been given by the competent authority, the allocation of funds has to be made. This is done by the Priorities Committee meeting towards the tail-end of the financial year and before the Annual Development Plan (ADP) is given its final concrete shape. This Committee makes its allocations keeping in view the resource constraints faced by the country. However, the allocations by this committee do not reflect the financial phasing of the approved projects as given in the PC1's. Consequently a number of projects do not receive their due amounts at the beginning. To make matters worse, projects which have not been approved get included in the ADP.

PROJECT IMPLEMENTATION

Project implementation which is the crucial stage in the project planning cycle is widely recognised to be the weakest area in the development process. The construction of civil works and the installation of equipment of various kinds are the two major component activities in implementation. The timely release of funds and the ready availability of equipment and materials are essential for implementing projects in time and within the budget allocated. Delays in implementation causing cost overruns have emerged as major problems since the early Seventies. These are mainly due to the lack of timely releases of funds, materials and equipment, the poor level of project preparation by the time the project is incorporated in the ADP and inadequate monitoring and on-going evaluation of projects. In addition and most importantly, however, is the fact that the phasing of expenditure given in the PC-1 form of the project does not have any relevance to the amounts provided in the ADP and the actual releases made by the finance department. This is a serious problem which further aggravates the situation by causing further delays and cost overruns thus adversely affecting the economics of the concerned project completely.

Project implementation is weak because in addition to other reasons no effective mechanism exists for progress monitoring of project implementation.

Progress monitoring basically rests on the compilation and collation of progress reports (largely financial disbursements) and does not provide an insight into the causes of good or poor performance, the problems encountered and possible remedies. The PC-III proforma does not generate enough feedback for decision-makers and planners. The new progress monitoring (PM) proformas I, II and III introduced at the federal level are not being used in the provinces. These are also not of the ideal type. The PM I is completed when the project is approved. This form merely informs the Project Wing (Implementation) of the Planning Commission that the project has been approved. The information contained in the PC-1 is incorporated in the PM I. This form does not specify the activities that need to be monitored but asks one question about the effectiveness of the use of PERT/CPM/Bar Charts in progress monitoring. Moreover, the phasing shown is from the PC-1, and not from the ADP which really controls the rate of implementation. These limitations render this form quite unsuitable for the effective monitoring of projects. The PM II is designed to monitor financial spending and physical progress on a quarterly basis. This form is also not suited to the real task of monitoring. The PM III is completed annually. This form comprises of fifteen questions. Out of these fifteen questions, eight ask purely administrative information regarding the financial status of the project. The rest inquire about the physical progress, bottlenecks and causes of delay, if any.

Recently it has been noted that delays in implementation have raised the cost of development projects from Rs 104 billion to Rs 126 billion.² Projects whose costs have increased due to delays in implementation include the following: Kotri Drainage project (cost doubled); Aeronautical Communication and Control System Project (cost more than doubled). Other projects affected include the Family Health Project in Sindh, small irrigation schemes in Balochistan and the establishment of a university in Azad Jammu and Kashmir. Thus, delays in project implementation play a crucial role in the failure of development projects.

PROJECT EVALUATION

Ex-post evaluations are useful as they indicate deficiencies in the earlier stages of the project cycle which is very significant for drawing lessons for the future. A good evaluation can suggest ways to improve project design and formulation and help the decision-makers to reduce implementation lags. But unfortunately such evaluations are rarely done even at the federal level on a regular and continuing basis. At the provincial level, it is a concept which is not even widely known in the

²DAWN, *Economic and Business Review*, Nov. 30-Dec. 6, 1991.

real sense. The Provincial Planning and Development Departments except that of the Punjab, do not have sections to carry out evaluative studies. Foreign donors have their own machinery to undertake *ex-post* and impact evaluation of their projects in the country.

Projects such as Pak-Iran Textiles Ltd., Tarbela Cotton and Spinning Mills, Bannu Sugar Mills, Harnai Woollen Mills, Larkana Sugar Mills and General Refractories Ltd. have suffered substantial losses at one stage or another throughout the cycle. Evaluating them could be beneficial in not repeating the mistakes of the past.

POLICY PRESCRIPTIONS

In order to create a conducive environment for the successful execution of development projects, it is necessary to launch a three-pronged attack in the following areas.

Systems

System improvement in all stages of the project cycle is the first requirement. The existing project planning system comprises of a series of chain events. Since the strength of the system depends on the weakest link, it is important that weak links are identified for corrective policy actions. The weak links have, earlier, been identified. There is need now to suggest remedial action.

The project planning process suffers from a lack of coordination between different components of the system. All projects need to be identified before they are formulated. Before the capital budget is finalised each year, one of the requirements is that each sector should have a large number of projects prepared and appraised for consideration to be included in the ADP. This large number of projects in each sector should be selected from information gathered through sectoral surveys which should be regularly carried out at divisional and/or district level. Only then can it be ensured that projects which are included in the ADPs are actually based on people's needs.

The approval procedures should be based on the information included in the preparation and appraisal documents. Implementation and monitoring of projects should similarly be based on information in the PC-I. The revised monitoring proformas PM I, II and III (even though not of an ideal type) should replace the now old PC III proforma which is very deficient. As the PC-III and PC-IV proformas usually form the basis for the informal evaluation of projects, there is a need for separating the monitoring function from that of the evaluation function. The proformas should also include information on income distribution effects and the

use of bar charts and network analysis. There is also a need to establish a separate section for evaluation in the Planning and Development Departments of Sindh, Balochistan and the NWFP. Punjab has already set up such a section. Like the Punjab, a rule should also be made saying that a project cannot be passed to the Normal Budget unless the PC-IV which serves as a project completion report is submitted.

Institutions

There is a real need to create research and training institutions dealing with sector and project analysis. The existing institutions like the National Institutes of Public Administration (NIPAs), Pakistan Academy for Rural Development (PARAD), National Centre for Rural Development (NCRD), Pakistan Administrative Staff College (PASC), National Defence College (NDC), Pakistan Management Institute (PMI), Pakistan Institute of Development Economics (PIDE), etc. at the federal level and their counterparts at the provincial level need to be strengthened. They are in need of assistance to redirect their research and training efforts to the requirements of the development administration in the country. They need to update their training curricula and adopt more appropriate methods and materials for training in project planning and evaluation. They need to intensify their research efforts in evaluative studies of projects and programmes. Moreover, the Pakistan Institute of Planning and Management which has been approved long ago requires activation. The Project Training Institute (PTI) of the Planning and Development Department (P and DD) Punjab needs also to be strengthened. There is a special need for the setting up of training cells in the Planning and Development Departments of Sindh, Balochistan and N.W.F.P which can impart training in project planning, appraisal and evaluation not only to its own staff but also to the planning staff of the line departments in the provinces.

Individual Capacities

Individual skills need to be upgraded. First, many of the federal, provincial, divisional and district level officials, who deal with the various aspects of the project cycle have never been trained. Second, many of those who have been trained need refresher courses and upgrading of the knowledge they have acquired in short training programmes usually a long time ago. Third, because of the high staff turnover, a permanent programme of in-service training for the new recruits needs to be established. There is also a requirement for basic and advance training in computers for the planning staff in the country. Fourth, the provision of some

incentive like an annual increment for those who successfully complete training in project planning and evaluation should be made in the qualification and experience required for working against technical posts in the planning and development organisations at the federal and provincial levels. Thus a strong need exists for the formulation of a consistent training policy for planners. This has become all the more important because the size of the ADP has increased manifold over time but the number of staff who evaluate these projects has barely increased. For this, an active recruitment policy needs to be implemented for which the Ministry of Finance has to shed its restrictive practices by releasing more funds.

Throughout the process of sector and project planning, the underlying theme is the need to improve individual skills and strengthen institutional capacity. Unsound projects as a result of badly prepared PC1s are seen to be a principal problem in development planning in the country. The low quality of the PC-III reports which are filled in as a matter of necessary routine, is seen as a bottleneck to effective project management. Through training programmes as well as workshops organised by the Planning and Development Division/Departments with the help of national and international institutions, the quality of project preparation, scrutiny and monitoring can be improved. Also, the gradual computerisation of various aspects of the planning process is required for improving the quality of project preparation, appraisal and monitoring.

Last, but not the least, is the involvement of the elected representatives in the project planning processes. There is need for institutionalising their involvement in the identification and formulation of projects financed from the block allocations. In monitoring and on-going evaluation of these projects, their participation in the periodically held district-wise development briefings in the Provincial Planning and Development Departments can be very beneficial for effective implementation. In order to make their involvement more effective the elected representatives should be provided with appropriate training in the concepts of the planning process and their roles and responsibilities therein.

Comments on
“Why Most Development Projects Fail in Pakistan?”
A Plausible Explanation”

Shamim A. Sahibzada and Mir Annice Mahmood have done an excellent job of identifying the factors that account for the failure of development projects in Pakistan. The policy proposals relating to the training of analysts to conduct appraisals and implement projects using scientific techniques and the strengthening of the institutional decision-making machinery flow naturally from the analysis of the existing situation.

Since I am in full agreement with the main message and the findings of the paper, my comments attempt to suggest directions to make its analysis more comprehensive. First, it would be useful to agree on a definition of ‘failure’ of a development project and to have some idea of the number and type of failed projects in the past. The alternative definitions that come to mind in this regard are cost over-runs, time over-runs or the shortfall in the realised rates of return for the development projects. In Pakistan, like many developing countries, while the investment rate, especially in the public sector, had increased historically in the aftermath of economic planning, the contribution to growth made by development projects has been less than expected. Research on the extent of cost and time over-runs for projects executed in the past classified by sectors, levels of government or type of projects, i.e., aided or non-aided, may be useful as a starting point to highlight the magnitude and the broad anatomy of the problem of projects’ failure. Careful research on factors accounting for discrepancies between the appraised rates of return and the realised rates of return is especially needed to determine the type of corrective action required. Faulty selection and/or poor implementation of the projects may be the obvious explanations for the poor results obtained from projects in the public sector. Nevertheless, hard research can strengthen the hands of the policy-makers to put in place effective corrective policies, procedures and institutions in different phases of the project cycle.

Second, the authors’ analytical and prescriptive perspective is limited to the various stages of the projects cycle. The narrow perspective ignores the relevance of the macro-economic framework and policies in the ultimate outcome of the development projects. A project may score well at each stage of the project cycle but it may still fail if the linkages between the macroeconomic framework and the public sector investment programme or between both and the budgetary process in

a country are weak and the economy is confronted by a substantial internal or external shock that upsets the assumptions made for the values of various economic parameters.

Third, the authors' plea to involve politicians in different stages of the project cycle after suitable training is well taken. The importance of matching fairly sophisticated techniques and institutions of economic policy-making with appropriate methods of democratic governance is brought home by the recent dramatic events in Eastern Europe and the former USSR. In this context, it needs to be ensured that politicians are guided by considerations of national welfare and not by their sectional interest.

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