Pakistan Country Snapshot

The World Bank Group

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COUNTRY SNAPSHOT

Recent Economic and Sector Developments

Economic Overview

Economic conditions improved during 2013/14, though they have weakened recently due in part to a succession of political events and floods. Progress last year was indeed significant, supported by a solid economic program. It included an International Monetary Fund (IMF) Extended Fund Facility (EFF) program and two World Bank Development Policy Credits to restructure the energy sector, foster private and financial sector developments and improve social protection and revenue mobilization. The risk of a balance of payment crisis was minimized with a significant strengthening of the reserve position, resulting mainly from strong remittances and significant foreign capital inflows that also brought stability in the foreign exchange market. As a result of the program, strong fiscal consolidation took place—with the fiscal deficit contained at around 5.5 percent of GDP — due to improved tax collection and high non-tax revenues, as well as restricted expenditures. Price stabilization followed with average inflation remaining in the single digits. Ensuing growth recovery went above a four percent rate for the first time in seven years—driven by dynamic manufacturing and service sectors supported by better energy availability and improved investors' expectations. As a result, performance under the IMF program remained satisfactory, with the third review concluded on June 27.

- Increased remittances, capital and financial inflows supported reserves buildup. The capital and financial account registered a sizeable surplus of $7.07 billion in 2013/14 compared to only 0.8 billion in 2012/13. Official reserves increased to about two months of imports on June 30, 2014. Foreign inflows led to a slight appreciation of the real effective exchange rate.
- A significant correction of a previously loose fiscal stance took place. The government brought the fiscal deficit down from 8.3 percent of GDP in 2012/13 to 5.5 percent of GDP in 2013/14. Tax revenue increased by almost one percent of GDP and expenditure was constrained to 1.3 percent of GDP.
- Improvement in business confidence produced a strong recovery in private sector credit after five years of muted growth. The lower demand for commercial bank credit by the government due to a lower fiscal deficit provided necessary space for the private sector to borrow from the banking system.
- Price stability at single digits was preserved. Better supply conditions, reduced external vulnerability and fiscal consolidation contributed to the softening of underlying inflationary pressures.
- Growth recovery re-emerged. GDP growth rate was 4.1 percent in 2013/14, primarily driven by the services and manufacturing sectors. Industrial sector growth was based on a sharp turnaround in construction, electricity generation and gas distribution and better performance of large scale manufacturing (LSM) with growth of about four percent. However but agricultural growth was slower compared to the previous year. In addition, services contributed to about 60 percent of growth through relatively better performance in wholesale and retail trade, as well as transport, storage and communication.

Progress on the structural reform agenda was also promising. The government reduced power subsidies with the aim of gradually phasing them out by adjusting tariffs to approach the level of cost recovery. A technical and financial audit will identify the stock and flow of payables at all levels of the energy sector, and a roadmap to limit the accumulation of new arrears and reduce their stock has been designed. The government also completed capital market transactions by selling shares of United Bank Limited and Pakistan Petroleum Limited in June 2014, and it auctioned 3G telecoms licenses. Under a three-year program phasing out

concessionary tax exemptions, the budget approved a package of revenue measures to expand the tax base, including the elimination of tax exemptions and higher income, sales and excise tax rates for special categories. The package also raises additional revenues equivalent to above one percent of GDP, initially reduces the number of statutory tariff categories, expands the scope and significantly increases the benefits of the Benazir Income Support Program (BISP) cash transfer initiative while introducing conditional cash transfers supporting school enrollment. For the first time in seven years, the government raised $2 billion by placing sovereign bonds in international debt markets – both a move to build reserves and a sign reflecting investors' confidence toward the structural reforms.

However, the political events following the mid-August long march and sit-in have affected the economy. The political volatility raised questions about how much the business-prone, investor-friendly image that Pakistan was carefully rebuilding has been tarnished, and how quickly reform momentum can be recovered. In the meantime, signs emerged of perceived deterioration of the economy. Growth may have slowed down in the first quarter due to the virtual paralysis of the government machinery. The international reserve position suffered small losses, and an accelerated rupee depreciation of 4.3 percent in less than a month forced the State Bank of Pakistan's (SBP's) intervention of about $375 million. On the expenditure side, the cost of additional security has been small – equivalent to 0.1 percent of GDP – and tax receipts grew at 25 percent despite a call for civil disobedience by the demonstrators. Investment decisions and visits by the presidents of China and Sri Lanka were postponed.

It remains to be determined how much the reform momentum of the past fiscal year will be affected by political unrest. More economic volatility and political resistance is predictable. A politically weaker government may water down certain structural reforms needed for growth acceleration and poverty reduction. In an early sign of the ongoing difficulties, and unlike the past three favorable and timely reviews of the IMF program, the fourth review initially scheduled for Board presentation by the end of September is delayed. At least three areas of reform may get delayed or modified: approval of power tariffs, the privatization agenda and reforms requiring legislative approval. Alternatively, the government may consider strengthening some areas of the program, such as inclusion and governance. Strengthening media communication efforts on the benefits of reforms may also help regain momentum.

Growth Performance

Pakistan's economy is recovering. In its first year of reforms, the economy showed clear signs of improvements thanks to decisive early actions to address its serious macro-economic imbalances and launch structural changes. The program has been supported by an IMF Extended Fund Facility (EFF) program and two Bank Development Policy Credits to restructure the energy sector, foster private and financial sector developments and improve social protection and revenue mobilization. Preliminary end-fiscal year macro indicators were all positive. GDP growth rate reached 4.1 percent.

Growth is being led by the industrial and service sectors, as agricultural growth remained stagnant. An improved industrial sector performance can be attributed to better energy availability and post-election business confidence. The growth in the industrial sector was significantly broad-based, as there was a sharp turnaround in construction, electricity generation and gas distribution, while large-scale manufacturing (LSM) grew by 3.9 percent during 2013/14. Two sub-sectors – agro-based industries (food, beverages and tobacco), and textiles – accounted for the bulk of growth in the LSM sector. The services sector grew by 4.3 percent, a drop from the sectoral growth of 4.9 percent in 2012/13.

Monetary Sector Developments

Fiscal consolidation has enabled a recovery in credit to the private sector. Monetary tightening began towards the end of 2013, with the SBP increasing the policy rate by 50 basis points successively in September and November to counter deterioration in the balance of payments and an upsurge in inflation. During 2013/14, the monetary policy rate remained at 10 percent, which prompted real lending rates to remain positive.

Growth in both reserve money (RM) and broad money (M2) have mainly been influenced by fiscal borrowing for budgetary support and changes in the external position. The monetary expansion, decelerated year-on-year to 12.5 percent from 15.9 percent in 2012/13. The lowest monetary expansion of

the last three years, it was partly a result of fiscal consolidation coupled with higher external inflows and increased reliance on non-bank sources of financing during the second half of the fiscal year.

The expansion in net foreign assets (NFA) resulted in deceleration in growth of net domestic assets (NDA) of the banking system. The growth of NDAs of the banking system decelerated sharply. However, part of the impact was offset by a considerable expansion in NFA due to higher-than-expected financial inflows. After continuously contracting for past two years, NFA increased by about $3.3 billion compared to a contraction of about $2.5 billion in 2012/13.

One positive development has been a mild revival of growth in private sector credit. The lower demand for commercial bank credit by the government provided necessary space to the private sector to borrow from the banking system. Private sector credit has increased by about $3.8 billion during 2013/14, while loans to private sector businesses have increased by about $2.9 billion – the highest in six years.

Average headline inflation appears to have settled in the single digits. For the second consecutive year, average CPI inflation remained in the single digits, but increased to 8.6 percent from 7.5 percent in the preceding year. Year-on-year inflation, on the other hand, witnessed high volatility due to adjustments in administrated prices such as electricity and fuels. Favorable supply and demand factors explain the overall stability: good weather, until recently, helped improve the food supply chain, and there was a sharp reduction in administered prices in the months preceding the general elections. The recent floods, however, pose a risk of distracting the food supply chain.

Nevertheless, core inflation declined. Despite relatively high average CPI inflation at 8.6 percent in 2013/14, both measures of core inflation exhibited gradual easing during the year. This indicates moderation of underlying inflationary pressures in the economy largely due to marginal softening of aggregate demand relative to the available productive capacity.[1] In general, the supply conditions improved in 2013/14, as reflected in higher growth of industrial goods and non-perishable food items such as sugar, rice, and wheat.

Fiscal and Public Debt Status

Fiscal consolidation is taking place. After six of years of running a high fiscal deficit, the newly-elected government appears to be more committed to fiscal discipline. The FY14 budget aimed to bring the fiscal deficit down from 8.3 percent of GDP in FY13. In addition, the government prepared an economic reform program with fiscal consolidation as its cornerstone. The program supported by the IMF under the Extended Fund Facility allowed the government to lower the fiscal deficit to 5.5 percent of GDP in FY14. Fiscal consolidation of about 2.8 percent of GDP was brought about by expenditure compression of 1.7 percent of GDP and a revenue effort of 1.1 percent. Overall revenue increased from 13.1 percent of GDP in FY13 to 14.3 percent in FY14, with tax revenue increasing by about 0.5 percent.

The government has initiated bold and far-reaching reforms of the tax system. Not only has it increased the tariff rates (especially the general sales tax) and cut down some fiscal concessions, it is also trying to expand the tax base to untaxed or lightly-taxed sectors. A special scheme has been designed to bring the retail sector into the sales tax net. Tax authorities also are taking actions to increase the number of registered income taxpayers by using consumption data to issue tax notices to 100,000 individuals every year for three years. The Federal Board of Revenue (FBR) has prepared a comprehensive tax strategy to establish a coherent basis for its tax efforts, which involves removing most of the tax exemptions over the next three-year period. In addition, the FBR is aggressively pursuing a scheme of auditing tax returns to ensure appropriate compliance.

The reduced fiscal deficit is expected to have a favorable impact on inflation and private sector credit. The lower deficit along with higher external financing implies that the need for domestic financing would be much lower than in the past three years. This could help contain inflationary pressures and free additional banking resources for private credit.

Public debt ratio to GDP reached 63.7 percent in 2013/14, an improvement of 0.6 percent over the previous year. However, it is still higher than the 60 percent limit stipulated in the Fiscal Responsibility and

[1] The small increase in GDP growth to 4.1 percent in 2013/14 is mostly a result of better utilization of spare capacity.

Debt Limitation Act of 2005**.** The substantial fiscal consolidation, marginal appreciation of local currency,[2] and relatively high growth in nominal GDP contributed to this improvement. While the overall composition of public debt remained skewed towards more expensive domestic debt, the maturity profile of domestic debt improved.

Domestic debt creation is skewed towards short-term instruments, primarily Market Related Treasury Bills (MRTBs). Domestic debt increased by almost $19 billion, from about $95 billion at the end of December 2012 to about $100 billion a year later, with floating debt accounting for more than two-third of the addition. Central bank borrowing has increased, as about $13 billion (or 89 percent of the floating debt) on aggregate has been borrowed via MRTBs during this period to finance the budget deficit. This reflects the use of fortnightly auctions to roll over the existing stock of treasury bills. Exposure to interest rate changes is a substantial risk, given the short-term nature of the domestic securities.

However, debt maturity shifted towards the longer end of the yield curve, reducing rollover and refinancing risks. More specifically, about $12 billion worth of short-maturity treasury bills were retired and replaced with the issuance of about $18 billion[3] in long-maturity Pakistan Investment Bonds (PIB). This shift in funding sources increased the share of permanent debt[4] to 37 percent[5,6] as part of developments that improved Pakistan's debt sustainability. About 67 percent of total domestic debt is exposed to interest rate refixing within one year, and a relatively large share of external debt has been contracted in variable rates. Partly as a result, a one percent increase in domestic interest rates would increase interest payments by about $630 million, while a one percent increase in interest rates on external debt would increase interest payments by about $84 million.

The debt trajectory is projected to decline in the future. Results of a World Bank Debt Sustainability Analysis (DSA) show that Pakistan's risk of debt distress on external and public debt remains low. Moreover, gross financing needs are projected to decline over the medium-term once the past IMF Stand By Agreement is fully repaid so that total interest payments average around 29 percent of total revenues (including grants) over the projection horizon.

Balance of Payments

Increasing capital and financial inflows, a modest deficit in the current account and resulting reserves accumulation minimized the risk of a balance of payment crisis. The capital and financial account registered a sizeable surplus of $7.07 billion in 2013/14 compared to only $0.8 billion in 2012/13. Notwithstanding an average current account deficit of $2.9 billion (1.2 percent of GDP), Pakistan's overall external balance improved considerably – as demonstrated by a surplus of $3.8 billion in 2013/14 against a deficit of $1.99 billion the year before. This was due to resilient growth in workers' remittances that offset a chronically negative trade balance, receipts from Spectrum auctions and a substantial increase in the capital and financial account. Also supporting the surplus were receipts under Pakistan Development Fund (PDF), $2 billion in Eurobond receipts, and higher inflows in general government loans. Foreign direct investment (FDI) remained stagnant at 0.5 percent of GDP. Official reserves increased to $9.71 billion by June 30, 2014 compared to $6 billion at end of 2012/13. This translates into 2.1 months of import coverage (reserves sufficient to import next year's projected import of goods and services). Based on a positive external outlook, improved financial indicators and a steady economic performance, Moody's changed Pakistan's external ratings from negative to stable.

Exchange rate appreciation brought an initial shift in market expectations*.* The rupee remained under stress during first five months of FY 2013/14 due to continuous pressure on official reserves from sizable payments of external debt. However, the trend shifted after November 2013 with the receipt of $1.5 billion in

[2] PKR appreciated by 0.3 percent against USD during 2013/14, a rate that was last witnessed in 2002/03.
[3] About 55 percent of this increase is in 3 years paper, followed by 23 percent and 21 percent in 5 and 10 years tenors respectively.
[4] Medium-to-long term domestic debt that primarily includes prize bonds, Pakistan Investment Bonds (PIBs) and Ijarah Sukuks.
[5] From its ten-year average of 21 percent.
[6] In line with the recommendation of the Government's Medium-Term Debt Management Strategy (MTDS), February 2014.

Pakistan Development Fund (PDF) money. The reversing trend was reinforced with the successful $2 billion Eurobond issuance in the international debt market, continuation of the IMF program and other steps. As a result, the rupee appreciated by 9.9 percent during the last seven months of 2013/14. On the flipside, the rupee appreciation also brought a mild appreciation in the Real Effective Exchange Rate (REER), suggesting a slight deterioration in export competitiveness.

The appreciation of the rupee contributed to the loss of export competitiveness and small widening of the trade deficit. Exports suffered from the sharp nominal appreciation of the rupee and registered an anemic growth of 1.4 percent. In parallel, imports grew by 3.9 percent. Further decomposition of export performance reveals that the year-on-year exports growth during the second quarter decelerated sharply to -0.17 percent compared to 3.1 percent in the first half of 2013/14. Overall, export growth was mainly driven by textile products (raw cotton, knitwear, bed wear and other textile made-ups), the petroleum group (solid fuel, naphtha) and rice exports as a result of increased quantity and unit value. Pakistani exports continued to be highly concentrated to textile exports and likely to benefit from preferential trade status from the EU[7], the largest export market with a 25 percent share. On the other hand, non-textile export, particularly other manufacturing groups (machinery and transport equipment, gems and jewelry, handicrafts, cement and cement products, etc.) witnessed a sharp decline[8] due to the power shortages together with a fall in international prices.

Poverty Reduction

Pakistan has made impressive progress in reducing absolute poverty and improving shared prosperity. The percentage of the population below the national poverty rate has fallen from 34.7 percent in FY02 to an estimated 12.4 percent in FY11. The country has already achieved the first Millennium Development Goal (MDG) by more than halving the proportion of people whose income is less than $1.25 a day between 1991 and 2011. Furthermore, growth in the real per capita consumption of the bottom 40 percent was a respectable three percent between 2006 and 2011. Poverty reduction has been strongest in the traditionally poorer provinces of Khyber Pakhtunkhwa (KP) and Sindh, where poverty rates are now indistinguishable from those in Punjab. Poverty remains much more prevalent in Balochistan, however, where a sizeable portion of residents are nomadic and live in remote and conflict-affected areas.

Despite this progress, a large portion of the population remains vulnerable to falling back into poverty. Although Pakistan's recent gains in poverty were rapid, they remain fragile, in part because many households remain clustered near the poverty line. An estimated 23 million people – 13 percent of the population – live on an amount between $1.25 and $1.50 per day, meaning that small reductions in consumption can greatly increase poverty rates.

Poverty measurement remains controversial in Pakistan. An inordinate amount of energy and attention in the poverty debate has focused on the accuracy of a single number – the Poverty Head Count – instead of on the underlying factors driving poverty and the programs that might improve the welfare of the poor. The large decline in headcount poverty has been met with considerable public skepticism, and respected economists in Pakistan are producing estimates that are at odds with the official figures. The 2007/08 poverty figures were never officially released, and estimates of the 2010/11 poverty rate were only released in January 2014. While poverty estimates are affected by several methodological imperfections, these issues likely do not alter the conclusion that poverty has fallen substantially.

Future efforts are needed to improve poverty monitoring and policy evaluation. Poverty measurement can be institutionalized, in part through more independent and regularized poverty assessments that link measurements to other human development indicator data bases. Another needed step is establishment of a constructive partnership between official authorities, donors and academics to promote high-quality and timely measurement of poverty and shared prosperity, analysis and program evaluation. Additional data collected at the mauza (similar to village) or tehsil (sub-district) level can be used to generate more detailed estimates to help policymakers better locate poor pockets within districts. Finally, there is a great need to generate more evidence on the effectiveness of different interventions in reducing poverty.

[7]Pakistan export to EU mainly comprises textile and clothing, accounted for 75 percent of total exports to EU.
[8]From growth of 5.8 percent in 2012/13 to -10.1 percent in 2013/14.

Devolution

Greater decision-making authority has been assigned to the provincial governments since 2011/12. The 18th constitutional amendment has devolved a number of federal ministries/divisions and key functions to the provinces. In total, 17 divisions of the federal government were devolved, including agriculture, education, social welfare and special education, environment and health. Other federal functions are being shared with provincial governments. In addition, a greater share of revenue (57.5 percent) was passed to the provinces as the National Finance Commission (NFC) awards.

Although the transitional process had been orderly, it is by no means complete. Insufficient coordination between the federal and provincial levels, and among the provincial governments, has been the main obstacle. Going forward, significant inter-government coordination will be required to make decentralization work for the maximum benefit of the country. The federal government has established a ministry with the sole responsibility of improving inter-government coordination, but its mandate has been eroded because other federal government institutions are also involved in managing some of the devolved functions. Also, the federal government has been hesitant to provide the guidance that provincial governments need to develop their capacity to manage the new responsibilities. The federal government needs to take a stronger and more proactive role in meeting some of the challenges posed by the devolution process, and the World Bank Group and other development partners could provide support in various ways.

Other challenges posed by decentralization include: (i) complication of fiscal and financial management; (ii) fragmentation of debt management and increased riskiness of borrowing arrangements; and (iii) a marked shift in development and service delivery focus toward the provinces.

Taxation authority in Pakistan is unevenly distributed between the national and sub-national governments. Almost all broad-based taxes, such as income taxes (except for agricultural income tax), consumption taxes (except sales tax on services), and excise and import duties are assigned to the federal government. The provincial governments have only "residual" taxation powers, and local governments even less. The provincial governments have only three broad-based and buoyant taxes – the agricultural income tax, a generalized sales tax on services, and property tax. Taxes assigned by provinces to the local governments have only marginal yields. The sales tax on services has had comparatively better collection performance.

Provinces now have a greater ability to borrow. Until 2010, provincial governments could borrow only with the consent of the federal government. Moreover, foreign borrowing by the provinces was routed through the federal government. The 18th amendment has given the provinces the right to borrow, but only to the extent set by the National Economic Council. None of the provincial governments has taken advantage of this provision to date.

There is potential for further devolution by holding local government elections and devolving some provincial powers to the local level. These powers, however, vary from province to province and are likely to be greatly curtailed in comparison to those that the federal government shifted to the provinces, with the exception of KP. It has enacted the Local Government Act (2013), which includes substantial administrative and fiscal devolution.

Governance

Pakistan still faces significant governance challenges that could hamper policies to reduce poverty and spur economic growth. Challenges range from the rule of law, security and a legacy of corruption, to resource management and the effectiveness of the civil service. Addressing these is critical to the success of policies to improve service delivery, competitiveness and the vital energy sector, as well as fostering stability in the country.

Corruption and accountability challenges significantly influence Pakistan's development objectives and service delivery. The country's high perceived risks[9] negatively affect the investment climate, while corruption undermines the quality of and access to services. For example, electricity supplies do not cover development needs, while rural services like health and education, as well as access to credit, have been undercut.

Another critical challenge is resource management, particularly revenue collection and the finances of state-owned enterprises (SOEs). Tax collection levels are relatively limited, both in a comparative sense, and in relation to the financing needs of development priorities. Meanwhile, SOEs actual and potential losses, as well as related flows of subsidies, are a fiscal risk. These two challenges will require the strengthening of tax administration, and SOE corporate governance.

Service delivery performance is also impacted by the effectiveness of public administration. The current limited civil service capacity at the federal and sub-national level could be improved by restricting the scope for discretionary decisions, enhancing merit and performance-based appointments and promotions, as well as securing adequate compensation for middle and senior managers. The need to develop administrative capacity is even more critical at the provincial and local level, especially in provinces with limited resource.

Meanwhile, progresses have been made in political governance and the judicial system. In terms of political governance, important milestones were reached with the adoption of the 18th constitutional amendment, which delegated service delivery responsibilities and resources[10] to the provinces, and the first-ever democratic transition from one civilian government to another. However, political stability remains subject to sudden changes due to a long history of military interference. Pakistan also fares relatively well on judicial independence, and the system could be further strengthened by the parallel establishment of a professional police service and independent prosecutors. There have also been efforts to strengthen investor protection.

At the provincial level, the governments of Punjab, Sindh, KP, Balochistan, and the Federally Administered Tribal Areas (FATA) are formulating and implementing good governance strategies. Their programs are comprehensive and aim to improve government performance and service delivery by strengthening public finance management, revenue mobilization, transparency, accountability and performance monitoring. In this regard, provincial governments are using innovative IT-based tools (e.g. smart phones) to monitor performance of public service delivery. These innovations take advantage of recent strides made in telecom sector and digitization by the National Database and Registration Authority.

Public Financial Management

Pakistan has a fairly well developed infrastructure for public financial management (PFM). At the policy level, the parliament has a key role in authorizing revenues, expenditures, and debts. The Ministry of Finance (MoF) plays a pivotal role in budget preparation and expenditure control. Line ministries, departments, and agencies (MDAs) have well-defined roles in implementing budgets and rendering accounts. The Controller General of Accounts (CGA), with an extensive network of offices, makes payments, maintains accounts, and prepares annual financial statements. Pakistan now has a world-class financial information system, which is the core fiscal and financial management system of government.

The Auditor General of Pakistan (AGP) conducts financial, compliance and performance audits. The promulgation of the Controller General of Accounts Ordinance and the Auditor General's Ordinance in 2001 separated accounting and auditing roles and responsibilities for the CGA and the auditor general respectively. The federal government as well as the Punjab, Sindh and Khyber Pakhtunkhwa provincial governments have established procurement regulatory authorities (PRAs), which encompass all public procurement.

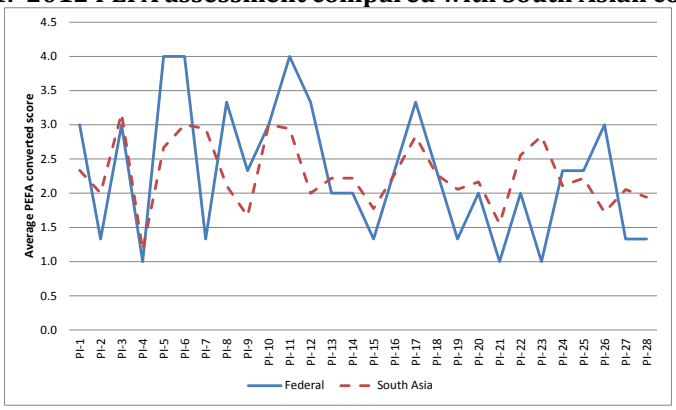
[9] On Transparency International's 2013 Corruption Perception Index (CPI), Pakistan was ranked 127th out of 177 countries.

[10] Resources shifted to the Provincial Government increased from 43 percent to 57 percent of Pakistan Federal Budget resources.

The federal Ministry of Finance has rolled out medium-term budgetary frameworks (MTBFs) to all line ministries and introduced a budget strategy paper which details government's policies, priorities and the strategic allocation of resources. Sector strategies for expenditure are prepared, approved and mapped with estimates of resources available. Budgetary reforms continue to make progress at provincial level. The main purpose of MTBF reforms is to transform the present input driven annual budget cycle into an output focused multi-year budgeting system, which better aligns budget resources with strategic priorities.

Pakistan's overall scores on public expenditure and financial accountability (PEFA) are comparable with other South Asian countries. Notably, there has been substantial progress on transparency by making information publicly available. This is evident in the good ratings for indicators in PEFA assessments and the marked improvement in the open budget score for Pakistan, from 38 in 2010 to 58 in 2012 (International Budget Partnership 2012). Annual financial statements and an audit report are laid before parliament within eight months of the end of the fiscal year.

Figure 1: 2012 PEFA assessment compared with South Asian countries



Financial Sector

Banking sector profitability remained strong over FY14 as monetary policy was kept tight and banks have sizeable profitable investments in government securities. Both return on assets (ROA) and return on equity (ROE) remained at consistently high levels of 2.1 percent and 23.5 percent respectively in FY14. The sector's liquidity (liquid assets 61 percent of deposits) and capital adequacy position (CAR of 15.1 percent) continues to be strong.

The banking sector remains cautious in terms of risk appetite for private sector credit, but there are initial signs of improving credit quality. Non-performing loans (NPLs) declined to 12.8 percent of the overall loan portfolio. Given adequate provisioning, net NPLs ratio was at 2.9 percent in June 2014. NPLs in Small and Medium Enterprises (SMEs) remain high, representing 33.9 percent of loans, followed by agriculture sector (14.8 percent) and consumer sector (12.4 percent). However, there has been a decrease in NPLs across corporate, SME, agriculture and consumer sectors during FY14, indicating improvements in credit quality.

Government borrowing from the banking sector has decreased in FY14, turning around the crowding out effects on private sector credit. While stocks of government securities have contributed to healthy profitability in the sector, there has been a decreased demand for bank financing from the government. The lower demand for credit by the government provided necessary space to the private sector to borrow from the banking system. Private sector credit has increased by about $3.8 billion during FY14, compared to a decline of about $190 million in FY13. Private sector credit was also driven by limited improvement in power and gas availability, higher business and consumer confidence, and relatively low real cost of borrowing.

The non-bank financial sector is weak, but microfinance is growing. Weaknesses in the government securities market impede the development of corporate bonds, housing finance, and derivatives markets. Improvements will require strengthening of the governance, independence, and technical capacity of the

Securities and Exchange Commission of Pakistan (SECP). The microfinance sector registered a 19.3 percent increase in active borrowers, 31.2 percent growth in gross loan portfolios, a 40.6 percent increase in savers, and a 26.2 percent increase in the value of savings over FY14.

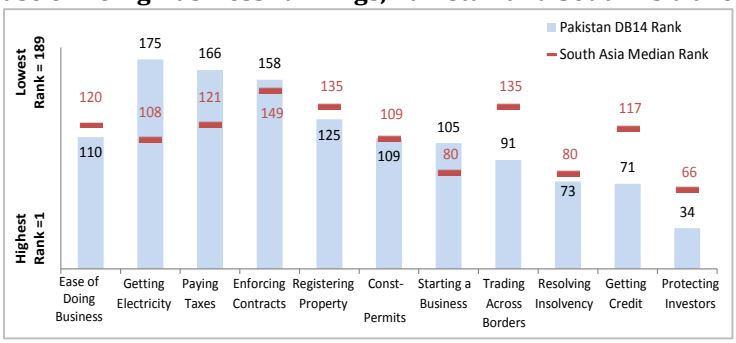
Business Environment

State-owned enterprises (SOEs) are a sizable element in Pakistan's economic landscape. More than 100 of them operate in a wide range of economic sectors, contributing around 10 percent of GDP, and representing about a third of stock market capitalization. But many are marred by weak corporate governance, cost-ineffective service delivery, and considerable financial losses.

These substantial losses in turn have a major negative fiscal impact on public finances. SOEs can also constrain private sector growth because of poor service provision. State-owned enterprises lose an estimated $4.1 billion a year, without counting the estimated $5.1 billion circular debt of the power sector.
At the other end of the scale, SMEs are drivers of Pakistan's economic fundamentals. Collectively, SMEs in Pakistan provide about 78 percent of non-agricultural employment, contribute almost 40 percent of GDP, and account for some 30 percent of manufacturing exports.

Nonetheless, the private sector in Pakistan continues to face a tough investment climate as reflected by consistent deterioration in the country's Doing Business rankings. Pakistan ranks 110 out of 189 economies in 2014; down from 76 out of 181 economies in 2008. Pakistan performs well in certain indicators, but lags behind other South Asian countries considerably in areas such as getting electricity connections, paying taxes and enforcing contracts. The nation ranks lowest on electricity, while on taxes, the total rate of 35 percent – which is lower than the South Asian average of 40 percent – remains high by international standards. Entrepreneurs have to make about 47 payments, eating up almost 560 hours a year to file, prepare and pay taxes.

Figure 2: Ease of Doing Business rankings, Pakistan and South Asia average, 2014



Source: World Bank 2014.

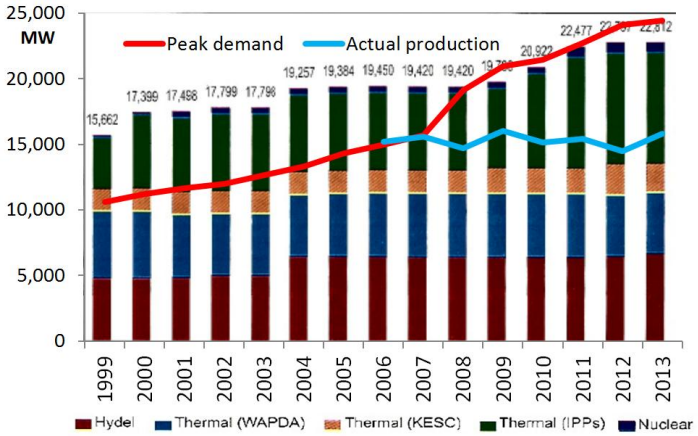
If Pakistan is to continue improving competitiveness, then it will be important to ease business regulations and procedures across a wide range of areas. While improvements are needed at the central level, they are also critical at the provincial level. Greater use of on-line registration has the potential to reduce costs and time while also reducing opportunities for rent-seeking. A one-stop shop for registering firms (one that fully integrates key institutional procedures on a single platform) would be particularly useful. Efforts needed to improve the quality of the business environment will have to take into account three critical dimensions for delivering sustainable improvements in the national and sub-national investment climate including: 1) the respective roles of federal versus provincial authorities; 2) the extent to which a suitable and structured public-private dialogue for understanding the significance of reforms exists; and 3) the mechanism for monitoring and evaluating indicator-based targeted reform actions. Ultimately, high quality conditions for doing business depend on the role of government not just as an effective "regulator" but also as a "facilitator" of privates sector.

Energy

Pakistan's energy sector is in serious crisis, resulting from constriction in the supply of upstream gas and downstream generation of electricity. These are two high-visibility challenges draining national accounts, undercutting economic growth and exacerbating poverty in the hardest hit areas. The policy, legislative and institutional reforms necessary to address these challenges are inseparably linked across the gas and power sectors, whereas administration in Pakistan is institutionally partitioned principally between the Ministry of Petroleum and Natural Resources and the Ministry of Power and Water. Key challenges include large and growing energy shortages, high energy costs and inefficiencies that prevent the sector from financing all its costs. The sector therefore relies heavily on government support through subsidies and funding for almost its entire investment program.

There is a growing mismatch between production and demand. Power generation has stagnated at about 94-98 TWh since 2006, while installed capacity has only increased slowly due to lack of investment. At the same time, a lack of maintenance has offset any increased capacity. Meanwhile, demand has increased, resulting in greater load shedding – cutting off the electric current on lines when the demand becomes greater than the supply (Figure 3). These disruptions hurt industrial, commercial, and human needs. Based on preliminary estimates, power shortages have reduced GDP growth by two percent per annum for the past several years.

Figure 3: Demand has risen faster than capacity



Source: World Bank staff computations (based on Pakistan Energy Yearbook and NEPRA State of Industry Reports).

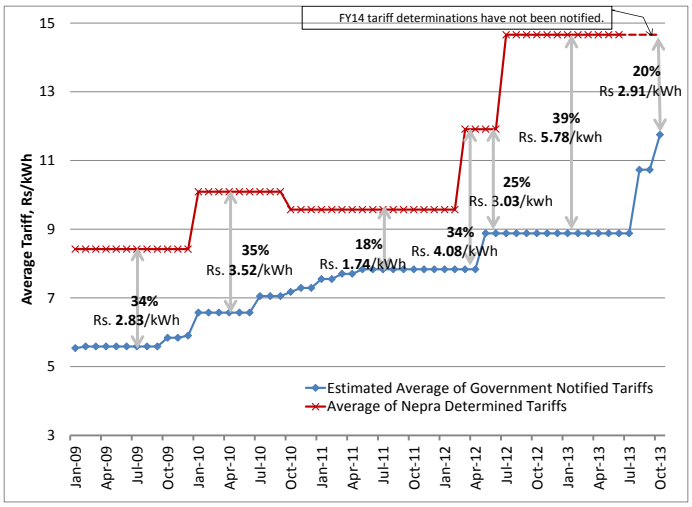
The cost of generating energy has also risen, due to changes in the supply mix. In the 1980s, energy generation was a mix of two-thirds hydro and one-third thermal. Today, the mix is only 30 percent hydro and 70 percent thermal. There has also been a shift from domestic, low-priced gas to imported, higher priced, dirtier furnace oil. This trend in rising costs has also been fueled by the rising international price of imported energy.

Costs have been further exacerbated by high losses and low collection rates. Transmission and distribution losses were 25 percent in 1996, 24 percent in 2006 and stayed at 24 percent in 2013. But the distribution companies (DISCOs) show a wide variation in losses: from 10 percent for Islamabad Electric Supply Company, to 40 percent for Sukkur Electric Power Company (SEPCO) in 2013. In addition, DISCOs do not collect all the bills issued: it is estimated that some 11 percent of bills, nearly $1 billion, were not collected.

Although power tariffs have risen, they are still far short of supply costs. The difference between the average of National Electric Power Authority (NEPRA) determined tariffs and average notified tariffs paid by consumers is shown in Figure 2. Since 2008, tariffs have increased 175 percent in nominal terms, about in line with inflation. Nevertheless, the tariffs determined by the NEPRA do not include all costs. Some of these costs should not be included in tariffs – for example excessive levels of theft and unpaid bills beyond what a prudently-managed distribution company might incur. Other costs, however, should be included and are not,

including some provision for doubtful debts. Costs not recovered from the consumer are either provided to the distribution companies as government subsidies or appear as the circular debt (explained below).

Figure 4: Progressive tariff adjustments



Source: World Bank staff estimates.

The difficult financial picture is further complicated by government policy, which maintains uniform national tariffs even though supply costs vary widely by province and DISCO. The government makes tariffs uniform by notifying the lowest determined tariff for each class of consumer to all DISCOs. Historically it has paid the difference from energy subsidies, but has recently stated its intention to introduce an equalization charge so the different Discos cross-subsidize one another.

The government is also committed to subsidizing the smaller consumers, paying the difference through energy subsidies. Yet the volume of such subsidies is unsustainable. The shortfall in DISCO revenues—which the government finances as total debt service (TDS)—has amounted to roughly $3.5 billion–$5.0 billion annually in recent years. The government plans to reduce its subsidy bill to 0.3-0.4 percent by FY16. The subsidies for FY15 fell from an expected 1.8 percent of GDP to 1.1 percent (roughly equivalent to $1.8 billion) after the tariff increases in August and October.

It is not surprising that in the absence of market forces, the operational and technical performance of energy SOEs is poor. About half the distributors in the power sector have achieved operational and technical performance standards that compare favorably with utilities elsewhere in the region, while the other half fall far short. Responsibility and accountability to boards of directors and management is weak. In 2009/10, the government signed performance contracts with all the DISCOs, but the contracts were not extended to subsequent years, and an important opportunity for strengthening governance was missed. The government has recently restarted performance contracting with DISCOs.

"Circular debt." With revenue and resource shortfalls, the DISCOs build up arrears in payments on average by about $10 million per day. This in turn delays payments to power producers, which then build up arrears to their fuel suppliers, refineries, and so on. In June/July 2013, the government cleared the entire stock of circular debt of roughly $4.8 billion, but it started piling up again because the underlying issues were not addressed; power sector payables to generators and fuel suppliers as of March 2014 are about $2.7 billion. This both reduces incentives for investment and creates shortages due to periodic liquidity issues. But it must be stressed that the circular debt is a symptom of an inefficient system that can only be addressed once the underlying causes have been resolved.

While having significant gas endowment, production is constrained through overly prescriptive gas tariffs. Oil and gas constitute 80 percent of the total primary energy supply of the country, and while Pakistan has significant in-place reserves, current domestic production supplies only 65 percent of total oil and gas demand. The balance demand is met through imports of oil, creating a significant budgetary strain that is captive to much higher prices in global commodity markets. This reliance on oil imports adversely impacts

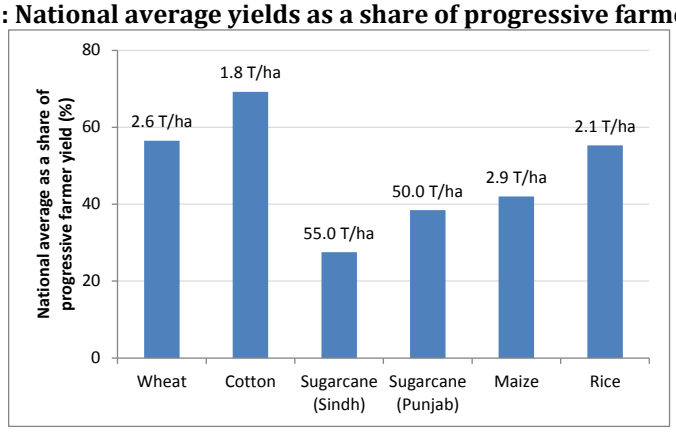
the balance of payment of the country and Ministry of Petroleum and Natural Resources seeks to accelerate exploration and production of new gas resources. This will ensure reliable and secured energy supplies, save foreign exchange and lessen a drain on national accounts.

Agriculture

Agriculture plays a critical role in Pakistan's economy. As with most developing countries, the agricultural share of GDP has declined, from 46 percent in 1960 to 26 percent in 2000, and was 21 percent in 2010. Agriculture directly accounts for more than 40 percent of employment, but the sector's contribution to overall employment is likely much higher, considering the downstream supply chains. Agriculture directly accounts for more than 11 percent of total exports, with exports of downstream industries such as textiles accounting for another 40 percent or more.

There is great variance in yields. National average yields for major crops such as rice and wheat are only about 55 percent of progressive farmer yields, the highest achievable yields in Pakistan. The yield gaps are even greater for some commercial crops, such as sugarcane in Sindh (73 percent). Despite the large potential for improvement, yield growth has slowed. For example, rice yields grew at an average annual 5.24 percent in the 1960s, but just 3.16 percent in the 1990s, and 1.68 percent in the 2000s. Narrowing the yield gap for major cereals (rice and wheat) and for high-value crops (cotton and sugarcane) would substantially boost agricultural GDP.

Figure 5: National average yields as a share of progressive farmer yields



Entrenched land ownership plays a large role in keeping yields low and the landless in poverty. Only two percent of households had holdings greater than 20 hectares, but these accounted for 30 percent of total land holdings. Past evidence suggests that land productivity may be higher on smaller than larger farms, and that small farms generate higher profits per hectare. Further, land market rigidities perpetuate inequity. Land is rarely bought and sold, so the status quo of unequal land distribution tends to hold, and land rental markets are highly inefficient. The majority of the rural poor are landless or own very small plots.

High-value agricultural products increasingly make up more of Pakistan's exports. Agricultural exports account for a quarter of annual export revenue, and their share is increasing rapidly. In 1990/91, for example, there were virtually no exports in dairy, eggs, and meat. Just over a decade later, in 2011/12, dairy and egg exports were valued at $30.1 million, while meat and livestock exports were valued at $106 million.

Public agricultural research is in a poor state. Pakistan's public investment in agricultural research has been on the decline, and in 2009 ranked at the bottom of agricultural research and development (R&D) spending as a share of agricultural GDP in the region. Beyond funding, limited human resource capacity is a key constraint: only 15 percent of agricultural research staff holds PhDs, lower than the rest of South Asia. Investment in private agricultural R&D has been curtailed for a long time. With devolution, the research agenda is moving down to the provincial level, and agricultural research may potentially be a greater support for local farmers.

Inefficient water use is a critical issue. Pakistan's irrigated land, as a proportion of cropland, is the highest in South Asia, with about 95 percent of arable land equipped for irrigation. The limitations of the water

allocation system, however, restrict the average farmer's access to water. The irrigation system is highly inefficient, with steep seepage losses in almost every component of the delivery system. Moreover, access to canal water is contingent on the location of land, and others may draw the water before it gets there. Finally, there is lack of clarity, resources and capacity for local farmer organizations to play a strong role.

There are considerable distortions in the tax and customs system for agriculture goods. Major crops such as wheat, rice, sugar, and cotton are implicitly taxed by various price distortions introduced by policies. For example, government procurement of wheat is extensive, and the government sets price and production targets. The government then absorbs the costs of storage and input financing.

At the same time, statutory regulatory orders (SROs) and new regulatory duties have been used to provide exemptions to normal customs tariffs in some cases, and to raise tariffs in others. The resulting trade regime has thus become highly discretionary, leading to severe input-price distortions and highly variable output prices.

Water and Sanitation

There is an urgent need to invest in water supply and sanitation for productivity and livability improvements. Inadequate sanitation is a major issue in Pakistan and costs the country 3.9 percent of its GDP annually; costs associated with diarrheal diseases alone are estimated at up to roughly $800 million a year. Over one-fifth of the country's disease burden is associated with poor sanitation and water quality. Despite being on track on the MDG target on water supply coverage (93 percent), 80 percent of water samples tested failed to meet WHO standards.

In terms of water availability, the country is also at risk. Over the last six decades, the amount of per capita water resources has decreased from 5,300 cubic meters to 1000m^3, the international definition of water stress. This combined with the fact that groundwater extraction is largely unregulated, that water provided by the utilities is un-metered and much water is wasted before reaching customers creates an imminent threat on a resource that is essential for livability and productivity.

Figure 6: Per capita water (m^3) availability in Pakistan dropping

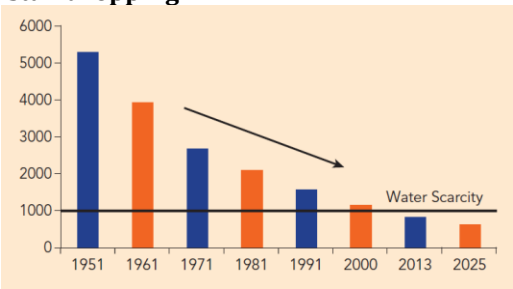
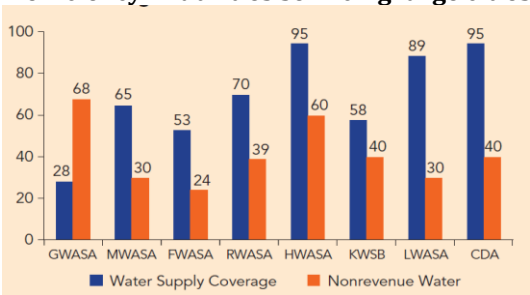


Figure 7: Non-revenue water remains a source of inefficiency in utilities servicing large cities



Coverage of water supply in urban areas is high but quality issues remain and are largely the result of inefficiencies in the system and sector governance. An estimated 96 percent of urban residents have access to water supply through individual connections as well as standpipes and pumps. However, no city in Pakistan has continuous 24-hour water supply – the intermittencies force consumers to invest in alternative arrangements at substantial coping costs. Rates of non-revenue water reported by WASAs (Water and Sewage Agencies) that operate in large cities range from 24 to 68 percent, though actual levels could be much higher given the lack of metering of production and consumption. Addressing this issue will help increase water supply, reduce energy costs and increase revenue for improving service delivery.

Lack of cost recovery undermines sustainability and governance. The financial working ratios for WASAs range from 1.13 to 2.8, whereas as a healthy ratio is 1.0 or less. This implies that no WASA currently collects sufficient operating revenue to pay for its cash operating costs. Addressing this issue is critical for the sector as it will reduce dependence on unpredictable subsidies from government, increase the focus of service providers on customers, and address the downward spiral of performance that results from inadequate

financing of operations and maintenance. Improving working ratios means paying attention to leakage, to energy efficiency and to commercial practice (which are more under the control of managers) as much as it does to tariffs (which are a more politically sensitive issue).

In smaller cities, where the Tehsil Municipal Administrations (TMAs) are responsible for service provision, the situation is worse – it is estimated that 40 percent of schemes are non-functioning, often due to lack of maintenance and nonpayment of electricity bills.

Lack of wastewater treatment threatens urban water supply. Although wastewater treatment facilities exist in about a dozen major cities, some have been built without the completion of associated sewerage networks, and the plants are often either under loaded or abandoned. Wastewater collection is estimated to below 50 percent with only about 10 percent of collected sewage treated. The total annual quantity of wastewater produced in Pakistan is 975,771 MGD including 674,009 MGD from municipal and 301,762 MGD from industrial use – augmenting capacity for domestic as well as industrial wastewater treatment is required.

Over half of rural water supply is non-functional, with incentives skewed toward asset creation rather than rehabilitation and maintenance. Pakistan's rural water supply services in 2010 were on par with India, Nepal, and Sri Lanka at 89 percent (against a 2015 target of 91 percent) and were higher than Bangladesh at 80 percent. However, rural areas only receive water for a couple of hours each day and provide around 45 liters per capita per day. One-half of all rural water supply schemes are inoperative for a variety of reasons such as mechanical breakdowns, insufficiency of water source, financial difficulties due to consumers' failure to pay user charges (collection ranges from 10-40 percent), lack of operations and maintenance capacity, and community conflict. Weak sector governance gives too much attention to asset creation and insufficient attention to asset maintenance and delivery of service to customers. The experience has been more successful in areas where community-based organizations are involved – schemes are maintained and collection efficiency ranges from 70 percent to 100 percent and in many cases, revenues from user fees are greater than their operating costs.

Rural sanitation remains an unmet need. An estimated 23 percent to 27 percent of Pakistan's rural population does not have access to any form of toilets and the country has the third largest openly defecating population in the world (40 million). The government's Vision 2025 targets the eradication of open defecation by 2020.

A broad agenda that requires commitment to sector reforms as well as investment. The government has been increasing focus on the sector, with the National Drinking Water Policy in September 2009 and the National Sanitation Policy in September 2006. Devolution of the sector from federal to province and then to the district and sub-district levels brings the promise of greater accountability and improved service delivery. However such devolution has to be accompanied by institutional autonomy and accountability, sector leadership, improved planning and regulation, implementation capacities, financing, monitoring, knowledge management and coordination. As the government targets 100 percent access to safe water and improved sanitation by 2025, sector institutional improvements will be needed as well as higher levels of financing. Between 2002 and 2005, for instance, 0.11 percent of GDP was spent on water supply and sanitation each year; by 2011 this had reached 0.16 percent of GDP. However, investment levels closer to 0.5 percent of GDP are needed to achieve targets. Any financing increases should include a combination of performance-based public financing as well as leveraging private financing.

Transportation

Transport is Pakistan's fourth-largest sector, contributing 12 percent to GDP. It accounts for more than 21 percent of gross fixed capital formation. The sector constitutes 15 to 20 percent of the annual federal Public Sector Development Program (PSDP), and provides about 2.3 million jobs (six percent of the employed labor force). It imposes huge demands on Pakistan's total energy supply, consuming about 35 percent of total energy annually.

The backbone of Pakistan's transport sector is the road system, which carries over 90 percent of both passenger and freight traffic. The main highway arteries, which carry 75-80 percent of the traffic, are managed by the National Highway Authority (NHA), with smaller roads managed by provincial and district

departments. The total road network is about 261,000 km of which about 60 percent is paved, and primarily comprises single and two-lane roads.

Accessibility provided by the road network is limited. Road density[11] is low (0.32 km/square km) and Pakistan does not compare favorably with other countries in the region (Bangladesh-1.7 km/square km, Sri Lanka-1.5 km/square km and India-1.0 km/square km). Pakistan has about 8.8 million vehicles on the road, growing at about 10 percent annually – projected to increase to over 70 million by 2030. The road transport industry is deregulated and predominantly in the private sector.

Pakistan also has extensive port, rail and airport infrastructure. There are two major sea ports - Karachi Port Trust (KPT) and Port Qasim Authority (PQA) – that handle more than 64 million tons of cargo. A third port at Gwadar became operational in 2008. The total traffic growth at ports has been negligible in the past five years. Containers grew by four percent, while bulk decreased by 10 percent. There are 14 dry ports catering to high value external trade. There are 44 airports, including eight international airports; about 15 million air passengers arrive and depart through these airports annually, mostly by one major public sector airline and a few private airlines. Pakistan Railways (PR), administered by the Ministry of Railways, operates an extensive but dysfunctional railway system. Pakistan Railways carries 65 million passengers annually and daily operates 228 mail, express, and passenger trains.

Pakistan's transport system largely operates within the public sector, but in a manner that is unsustainable. Maintenance and investment have been inadequate for many years. Physical condition of the roads is poor – about a quarter of the federal network and two-thirds of the remaining network of provincial, district and other roads need rehabilitation. The road safety record in Pakistan is also dismal – crash data show that road deaths per kilometer are at least 10 times higher than in most developed countries. The poor state of the rail system has resulted in it carrying insignificant levels of freight traffic, and being largely abandoned by the private sector.

National Trade Corridor 'moves' Pakistan's external and internal trade. Pakistan's traffic movements are primarily concentrated along the north-south 'National Trade Corridor' (NTC) – Peshawar-Lahore-Karachi – which serves domestic needs, and also links the main industrial centers in Punjab and neighboring countries in the north-west (Afghanistan) and north (China) with international markets through the southern Karachi area ports. Together the ports, road and railways along the NTC handle 96 percent of external trade, 65 percent of total inland freight, and serve regions of the country which contribute 80 to 85 percent of GDP.

Urban Development

Pakistan has the opportunity to leverage urbanization into higher economic productivity. Pakistan is the second most urbanized country in South Asia, with the United Nations indicating that 36 percent of the total population lives in cities. Currently Pakistan's growth is concentrated around existing urban centers that are transforming into larger agglomerations, resulting in more than half of Pakistan's urban population living in only eight such urban clusters. Punjab and Sindh have the highest potential to leverage urbanization due to their high concentration of population and economic activity, which is also reinforced by observations of the growth in night time lights data in these two provinces. The government estimates that cities generate up to 78 percent of national GDP, with Karachi alone contributing approximately 20 percent of GDP, 40 percent of the manufacturing sector, and handling 95 percent of the country's foreign trade. Karachi is one of the world's 10 largest mega-cities (population over 10 million) and Lahore expects to join the ranks of the mega-cities within the next decade. However, Pakistan's per capita income has not risen at a rate commensurate with its urban growth, as experienced in other countries with similar levels of urbanization.

The spatial transformation associated with Pakistan's urban growth limits the potential of cities. Urbanization has spilled over into peri-urban areas surrounding existing cities, and the largest cities are experiencing rapid urban sprawl. Cities are growing outward beyond administrative boundaries, creating serious challenges for planning, transportation, and public services provision. Patterns of industrial

[11] Density ranges from 0.15 in Baluchistan to 0.57 in Sindh province.

relocation also show that industries are moving to the peripheries of the city due to high land prices and proximity to major highways. For example, 25 percent of employment in high-tech jobs is located in non-urban areas in Punjab. Most of Pakistan's urban areas are poorly planned, ineffectively managed and not well connected. This is due to a number of factors, including overly restrictive urban planning and land supply constraints, inefficient connectivity, inadequate and unpredictable service delivery, inadequate institutional coordination, and weak governance. Connectivity between cities and their surrounding areas is under-developed, thereby impeding access to markets. Karachi, the country's major city, is ranked among the world's ten least livable cities according to the Economist Intelligence Unit (EIU) 2012 Livability Survey.

Pakistan needs reforms and system improvements to leverage its cities as sources of economic growth. Some of the key reform areas and policy initiatives include: (i) improving local governmental coordination by addressing the fragmentation of institutional mandates and vague jurisdictional boundaries that hinder planning and management; (ii) integrating land use planning with transportation and infrastructure to proactively manage urban growth and enhance livability; (iii) modernizing land entitlements and transactions and ensuring transparency; (iv) refining land regulations, bye-laws, and land disposition to increase land supply; (v) improving connectivity between cities and as well as mobility within cities; (vi) investing in basic infrastructure services; and (vii) promoting greater local autonomy and improved governance to foster resource mobilization.

Rural Development

Pakistan is moving towards increased participation of rural communities in development programs. More than two-thirds of Pakistan's population lives in rural areas. Early programs were characterized by a top-down planning process with little input from rural communities. Over time, these programs have come to involve increased participation by rural communities and NGOs in planning and implementation. The devolution process, that begun in 2001, institutionalized efforts towards greater involvement by local governments and communities in development programs and public service delivery. Social mobilization – building institutions of the poor – along with economic empowerment and graduation should be at the heart of the rural development and livelihood development strategy.

Though the government has made efforts to increase rural development funding, overall low public spending in rural areas has created inequalities that are a major cause of sustained poverty. Spending on rural development went up from $203 million in 2008-2009 to $309 million in 2011-2012. However, owing to uneven access to land and useable water, most of the government subsidies and increased income that results from agricultural production accrues to higher income farmers who typically spend a disproportionate amount of their income on urban goods and services. This inequality seriously limits the impacts of agricultural growth on rural poverty, and is a major cause of sustained poverty and low productivity among small farmers and rural non-farm households. This also points to the importance of effectively targeting the rural poor in development interventions.

Most of the labor force in Pakistan works in rural areas where agriculture is the dominant activity and overall unemployment in rural areas shows a decline. More than two-thirds of Pakistan's rural population – 68 percent – is employed in agriculture, which accounts for about one-fifth of the national GDP. The total labor force working in the agricultural sector remained unchanged during the 2008-2011 period. However, female participation increased 1.4 percent, while male participation declined. Notwithstanding disguised unemployment in agriculture, the number of unemployed persons underwent a decline in rural areas from 1.89 million in 2009-2010 to 1.85 million in 2010-2011. Increased investment in rural development coupled with livelihood strengthening for increased productivity and incomes would provide more employment opportunities to rural population – especially youth and women – as a means to eradicating poverty in rural Pakistan.

With respect to livelihood opportunities, half of the women in Pakistan suffer "poverty of opportunity" compared to a third of men. Women's employment is limited by the same cultural restrictions that limit their access to education and health services, imposing serious constraints on their autonomy, mobility, and on the types of livelihoods that are available to them. Among those who do work, labor market participation is characterized by occupations that tend to be low wage and to keep women close to home. At the same time, women in rural areas are almost twice as likely to work as women in urban areas, and their occupations tend to be concentrated around agriculture. Providing poor women with access to

resources and services is therefore a strategic priority for increasing agricultural productivity and non-farm rural employment while reducing rural poverty.

Limited means of livelihoods for the youth in Pakistan is a serious challenge because Pakistan is one of the youngest countries in the world. With nearly 53 million active youth (under 25 years old), the challenges of inclusion and empowerment of these young people will only continue to grow as the proportion of youth in the country rises. Nearly a fifth of the 85 million Pakistanis registered to vote are between 18 and 25. Approximately two-thirds of the youth live in rural and peri-urban areas. Over the past decade, unemployment rates of youth in rural areas have been nearly 50 to 60 percent lower than their urban counter parts.

Livelihoods in disaster-prone areas are especially vulnerable and communities need to develop greater disaster resilience to sustain productivity and build disaster resilience. The country has seen a considerable increase in frequency and intensity in extreme weather events and natural disasters, causing huge losses, especially for rural areas in Pakistan. The floods in 2010, 2011 and now 2014 caused immense damage, while the earthquake in 2005 resulted in 73,000 deaths and $5 billion in losses. The National Disaster Management Authority (NDMA) of Pakistan is making efforts to make communities more disaster resilient. The government needs to scale up its disaster-related technological innovations that have been successful, and build community-level awareness and resilience to disasters in order to sustain livelihoods.

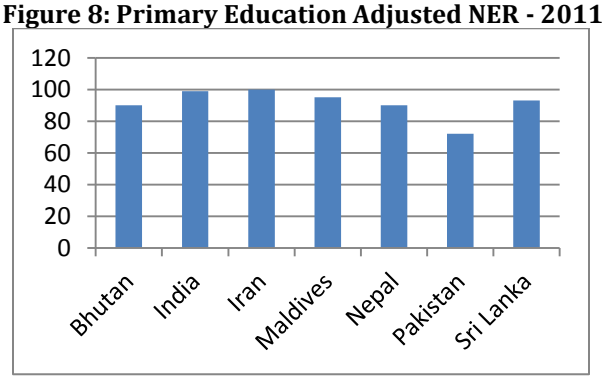
Education

Although Pakistan has made progress in education, it still faces major challenges in school participation, completion and student achievement. Pakistan has a very high out-of-school population of seven million, with two-thirds of them girls, although enrollment rates vary appreciably between and within provinces. Standardized tests suggest that student achievement is very low. A sizable share of school leavers does not achieve even minimum mastery of mathematics, reading or language, as defined by the government.

Pakistan ranks 113th out of 120 countries in the Education for All Index. It has generally performed worse than other countries in South Asia and similar developing countries. The U.N. Development Program reports that, based on current trends, Pakistan is unlikely to meet the Millennium Development Goal of universal primary education by 2015.

Both access and quality of education are also an issue at the post-secondary level. Employers complain about the lack of a skilled labor force, and less than eight percent of the workforce has received formal training. In tertiary education, Pakistan's Gross Enrollment Rate (GER) is at six percent, lagging behind that of neighboring countries such as India (13.5 percent), and significantly behind middle-income countries such as Malaysia (30 percent).

Figure 8: Primary Education Adjusted NER - 2011



Source: UNESCO Institute for Statistics 2013/14

The main contributing factors include poor teacher quality and performance, and weak governance and accountability in the public education system, the dominant provider of education services in the country. Since the 18th amendment was passed in 2010, the management and financing of education has been decentralized to the provinces. But national standards need to be set and their achievements monitored to address disparities in educational opportunities between and within provinces, with a minimum level for

quality. The federal government should play this role and coordinate and facilitate the provision of "education for all."

Education participation is inequitable, even at the primary level. Girls, children from poor families, rural children, and children from some traditionally-disadvantaged social groups have very low enrollment rates. Children from poor households appear to suffer a large participation disadvantage at all levels: only 43 percent of children aged six to 10 belonging to the poorest wealth quintiles are enrolled in school. In Punjab, female participation is 61 percent at the primary level, 10 percentage points lower than male participation, driven by gender differences in rural areas and among poor households

Pakistan's private sector has emerged as an important alternative to government schools, even for poor families. This increase in private sector schooling is potentially triggered by poor public service delivery. Studies have documented the large achievement gap between private and government schools. Today, nearly a third of primary and secondary students in Pakistan attend private schools: 31 percent of boys and 33 percent of girls aged six to 10. Evidence also confirms that private programs are increasingly reaching low-income and rural households, and that they are far more cost effective in providing education than government schools.

Recognizing the issues in education and the underlying sources, the government has undertaken multi-faceted, medium-term sector reform programs over the last decade, at both the federal and provincial levels. These reforms have been aimed at strengthening governance and accountability in order to increase the efficiency and effectiveness of government spending on education at all levels. Core activities include performance management of: (1) government schools; (2) government school teachers; (3) government education managers; and (4) contractual arrangements for public-private partnerships for strengthening service delivery. At post-secondary levels, reforms focus on promoting governance and greater collaboration with the private sector to enhance labor market relevance.

Health

Pakistan's health and nutrition outcomes lag behind those in other South Asian countries. While the infant mortality and under-five mortality rates have fallen, the decline is far slower than in other South Asian countries. High fertility puts an enormous burden on women's health, as reflected in the high maternal mortality ratio (170 deaths per 100,000 births). The prevalence of nutritional stunting among children under age five (43.7 percent) has remained virtually unchanged since 1965. By province, health coverage remains better in Punjab and Sindh, while Balochistan remains the most underserved.

Total health spending in Pakistan is extremely low. About $39 per person was spent on health in 2012, compared to an average of $55 in Southeast Asian countries. About 70 percent of this comes from private sources, mainly out of pocket by households at the point of care. Few households have protection against health-related losses, either financial or losses in income. Public funding on health was just one percent of GDP in 2012, compared to at least three to four percent in other lower middle income countries.

Table 1: Health outcomes in South Asia

	Infant mortality rate (per 1,000 live births)	Malnutrition prevalence, (% of children under age 5)	Maternal mortality ratio (per 100,000 live births)
Country/Year	**2012**	**2004–11**	**2013**
Bangladesh	33	43	170
India	43	48	190
Nepal	33	41	190
Pakistan	**69**	**43**	**170**
Sri Lanka	8	19	29

Source: **World Development Indicators.**

Provision of health services has been a provincial responsibility through a constitutional amendment. While some health oversight functions have been retained at the federal level, the federal ministries of Health and Population Welfare were abolished in July 2011. All vertical health programs have been transferred to the provinces, but will continue to be financed by the federal government until the next National Finance Commission (NFC) award, expected in 2015. The provinces have developed their own health sector strategies

outlining their reform programs. The Ministry of National Health Services Regulations and Coordination is still evolving in terms of its structure and roles and responsibilities.

Staff absenteeism is the most serious manifestation of weak governance in the health sector. According to facility-based surveys in Balochistan and Sindh, most doctors were absent from their assigned posts. The absentee rate was 58 percent in Balochistan, while in Sindh 45 percent of doctors were absent from basic health units and 56 percent from rural health centers (World Bank 2010).

There is a significant unmet need for family planning. The results from the 2012-13 Pakistan Demographic and Health Survey indicate that Pakistan's fertility has declined over time. The total fertility rate fell from 5.4 births per woman in 1986-91 to 3.8 births in the period 2010-12. Slow reduction of fertility stems from a low contraceptive prevalence rate in the country; 35 percent of currently married women are using some method of contraception with 26 percent use modern methods, and nine percent use traditional methods. Considering that unmet need for family planning among reproductive age women is above 20 percent, and that Pakistani women have 0.9 children more than their desired number of 2.9, it is critical to enhance access and utilization of family planning services.

The government has taken several initiatives to improve reproductive health. Since 2001, Pakistan has invested in expanding community-based programs, including the Lady Health Workers (LHW) program and the National Maternal Neonatal and Child Health Program. However, post devolution, provincial health departments have struggled to arrive at a cost effective model for integration of these programs in the health delivery systems.

Use of private and nongovernmental services has increased. The public sector remains the main source of preventive services, particularly in rural areas, and accounts for 90 percent of immunization coverage. However, the private sector is the main source of outpatient consultations and institutional deliveries. A significant number of districts have contracted out health services management under the People's Primary Health Initiative (PPHI). In these cases, staffing and the physical conditions of facilities improved, and greater levels of satisfaction were reported.

The government is also piloting health insurance for the poor. In 2012, the Benazir Income Support Program (BISP) launched a pilot health insurance scheme in the first government initiative aimed at protecting poor households from the costs of catastrophic illness. Coverage is limited to the beneficiaries of BISP, identified through a poverty score card. The initiative is financed directly by the federal budget. At the provincial level the government of KP, with KfW support, has approved a scheme on similar lines for implementation in three districts. The government of Punjab is designing a similar scheme to be executed through a new setup of a Social Protection Authority, legislation for which is currently being prepared.

Social Protection

Since 2008, Pakistan has made significant strides in developing social safety net systems under the institutional framework of the Benazir Income Support Program (BISP). This period has also seen a significant increase in spending on social assistance,[12] which enabled the government to increase the coverage of the poor with basic safety net cash transfers. Through BISP, the government provides 1,500 rupees (about $15) per month per family to the poor, identified through an objective targeting system. Currently, about 21 percent of the country's poorest receive this critical lifeline. BISP has also launched a top-up conditional cash transfer program linked to primary education of the beneficiaries' children to promote the welfare of the poor through investment in human capital. This is particularly important, given that in Pakistan, more than 70 percent of the poorest children do not attend primary school. So far, more than 32,000 beneficiary children have been enrolled in the program and received benefits in the five pilot districts. By January 2015 the program will expand into 27 additional districts, representing all provinces and regions.

BISP as a National Safety Net System has embraced many best practice principles of governance and accountability, which are at different stages of implementation. The BISP Act provides for the

[12] From 0.3 percent of GDP in 2008 to almost 1 percent currently

governance of the program by an independent management board, with half of its members from the private sector. In July 2011, the program made a complete shift to objective eligibility criteria that follows a transparent welfare ranking of households (the Poverty Score Card, or PSC) through a national census. This has built a credible National Poverty Registry (NPR) with a database of 27 million households (approximately 170 million people) for the first time in South Asia. The registry has been accepted as a uniform national platform to implement rationalized safety net programs through federal and provincial coordination, and the targeting of social spending. The NPR is supported through a comprehensive management information system to process and monitor program operations in the areas of enrollment, payments and grievances. In addition, technology based payment mechanisms have been adopted, and more than 90 percent of BISP beneficiaries receive payments through electronic means. Each beneficiary requires biometric verification with the national ID database before enrollment for a debit card. The program also regularly carries out third party monitoring, including spot checks, operational reviews and impact evaluations. The conditional cash transfer (CCT) implementation follows the federal-provincial partnership for education compliance monitoring.

Building on the country's safety net systems, Pakistan also implemented an innovative cash transfer program for the population affected by 2010 floods. More than 1.2 million households (approximately 8.4 million people) benefited from the program by receiving cash transfers of 40,000 rupees (about $400) per household in two equal tranches. This program was jointly financed by the government and various international development partners using a common framework of support and joint supervision. One of the outcomes of this program was approval of a Future Disaster Response Action Plan (FDRP) to guide the early recovery cash transfers in a coherent and comprehensive manner. Given Pakistan's vulnerability to various disasters, the government needs to develop capacity and institutions to systematically address the early recovery cash transfer needs of the affected population.

New social protection initiatives are being developed as part of wider application of country's safety net systems. In its efforts to target various subsidies, the federal government is analyzing the welfare effects of reforms in electricity subsidies and exploring options to compensate the poor from direct and indirect effects. The government of Punjab is contemplating setting up an autonomous Social Protection Authority as a dedicated intuitional mechanism to provide a variety of social protection services to the poor. Other provinces such as KP has launched targeted delivery of subsidized food through utility stores by using the National Poverty Registry, while Sindh province plans social protection public expenditure reviews to assess welfare spending on the poor.

Disaster Prevention

Pakistan is prone to hazard events such as earthquakes, floods, droughts, and cyclones. Combined with rapid population growth, urbanization, and environmental degradation, this hazard profile increases vulnerability in both rural and urban areas. In 2005, a major earthquake resulted in 73,000 fatalities and $5 billion in losses. Recurrent floods between 2010 and 2013 caused damage of more than $13 billion.

Lack of government readiness and poorly executed responses to natural disasters undermine its credibility. The disaster risk management sector faces three major challenges: i) weak institutional capacity; ii) limited effective coordination amongst stakeholders; iii) lack of understanding of disaster risk to inform decision-making for preparation and resilience. Pakistan has begun to institutionalize disaster risk management activities, but much work remains. The National Disaster Management Authority was created at the federal level, and Provincial Disaster Management Authorities were created sub-nationally, but their roles lack clarity. Moreover, district disaster management authorities have not yet been operationalized in many districts.

Conflict-Affected Areas

Tackling the underlying causes of conflict will require a broad effort to restore public trust and enhance the legitimacy of the state. The World Bank Group has engaged for several years with the provincial governments of KP, Balochistan, and the FATA Secretariat, dealing with the crises-affected provinces and regions under a separate pillar of its country partnership strategy (CPS) with Pakistan. The new CPS FY15-19 focuses on the special needs of the groups and regions at risk. At the government's request,

we would combine Bank and IFC expertise and deploy a range of instruments to support post-crisis recovery and reconstruction and restore state-citizen trust in the conflict-affected regions of Pakistan.

The Multi Donor Trust Fund (MDTF) was established in 2010 as a mechanism to support the provincial governments and the FATA Secretariat in implementing their post-crises development priorities. The fund is supported by 11 development partners[13]. Currently, the total funds allocated to the MDTF stand at $183.2 million, committed to 11 projects.

With Round I of the MDTF completing in June 2015 (with the exception of a few projects that will be extended), Round II is being planned. Drawing from lessons learned and other research studies, Round II will adopt a programmatic approach that is more flexible, strategic and responsive, and less fragmented.

Since 2011, the MDTF has made gains both in terms of establishing robust delivery mechanisms, as well as achieving solid results on the ground. It has moved from a funding mechanism for KP, FATA and Balochistan to a strategic instrument aimed at contributing to post crisis needs assessment (PCNA) objectives, while helping provincial governments build their own capacity to address their wider development needs.

A key issue is the responsiveness and effectiveness of the state. Governance issues have been a key driver of the conflict, perpetuating an historic experience of disenfranchisement, alienation, corruption, and poverty. This in turn has fueled a downward spiral of insecurity and extremism. The MDTF therefore focuses on improving local services and community support, providing opportunities for growth and job creation, and undertaking policy reform and governance.

The World Bank Program in Pakistan

The World Bank's program in Pakistan is governed by its Country Partnership Strategy (CPS). Total portfolio commitment increased over the CPS period (FY10-14), with slower disbursements. The Pakistan portfolio has 24 IDA/IBRD investment lending projects under implementation with a total net commitment of $5.2 billion, and a total disbursement to date of $1.54 billion (and a total undisbursed balance of $2.69 billion). Disbursements were $696 million in FY14, for a disbursement ratio of about 23 percent. In addition $1.0 billion was disbursed through two development policy credits (DPCs) on Energy and Economic Growth. Disbursement linked indicator-based operations contribute a significant portion of disbursement.

In addition, the Bank manages a Multi-Donor Trust Fund (MDTF) of about $160 million for the conflict-affected areas, providing grants to KP, FATA and Balochistan. The MDTF portfolio had 11 active projects with disbursement to date of $70.5 million. The MDTF for conflict-affected provinces has extended small operations in areas such as emergency road recovery, hospital revitalization, rural livelihoods and improving urban centers. About two-thirds of Bank operations are implemented at the provincial level. Discussions for the second round of the MDTF are ongoing.

The new Pakistan CPS for FY15-19, approved by the Board in May 2014, is structured to direct the full force of World Bank Group support to help the country tackle the most difficult but potentially transformational areas to reach the twin goals of poverty reduction and shared prosperity. The key prongs of the new country partnership strategy are organized around the following five areas: (1) transforming the energy sector; (2) increasing private sector participation; (3) breaking through the "good enough" barrier on services; (4) reaching out to the under-served, neglected and poor; and (5) leveraging regional markets. Getting the most transformational change will also require a shift in instruments and engagement as follows: (1) increase the use of policy support operations; (2) leverage large private sector funding to complement public sector reforms; (3) increase the use of results based operations; (4) share knowledge, build capacity and facilitate dialogue; and (5) reduce fragmentation in our subnational engagements.

The CPS for FY15-19 provides International Development Association (IDA) lending of about $1.2 billion per year (or $5.5 billion over the CPS period). Pakistan could also benefit from additional regional IDA allocations, particularly in trade and energy. Pakistan is an IDA/International Bank for Reconstruction

[13] Eleven development partners which financially support the MDTF include: Australia, Denmark, European Union, Finland, Germany, Italy, Netherlands, Sweden, Turkey, UK, and USA.

and Development (IBRD) blend country, and IBRD availability will depend on minimum creditworthiness criteria, characterized by reserves equal to at least three months of next year's imports of goods and services and a stable or declining government debt to GDP ratio. The IFC also will expand its efforts to bring in more private capital and will invest between $500-$700 million per year from its own sources and another $50-$100 million from other investors. Altogether this amount would represent a 20 percent increase over the last CPS period.

International Finance Corporation (IFC)

Pakistan is IFC's second largest client in the Middle East and North Africa (MENA) region. As of date, IFC has committed around $5.2 billion in cumulative investments to the country (including about $611 mobilization from other lenders). The Advisory Services program is also one of the largest in the region, and supports Pakistan in areas including enhancing access to finance for micro, small, and medium enterprises (MSMEs), capacity building of small businesses through Business Edge, improving business environment, corporate governance, mediation, and promotion of clean energy.

IFC's current committed portfolio in Pakistan is about $810 million in 43 companies, of which infrastructure (energy, ports, and transport) accounts for 55 percent, general manufacturing and services 25 percent, and financial markets 20 percent. Under a difficult security and economic environment, IFC has played a strong counter-cyclical role in Pakistan as reflected in its increased commitments, largely driven by short-term trade finance facilities and investments in infrastructure, especially power. In FY14, IFC committed $453 million including $23 million mobilized from other investors. In FY13, IFC committed $514 million for 14 power, infrastructure and financial sector projects, including $168.5 million mobilization.

In line with the new World Bank Group CPS, IFC's current strategy in Pakistan focuses on addressing constraints in infrastructure, especially in the energy sector, increasing access to finance and supporting agriculture, manufacturing, and services sectors. IFC aims to expand its efforts to bring in more private capital, investing about US$500-$700 million a year from its own sources and mobilizing additional funding from other investors. Roughly, half of IFC's investments are expected to be in trade finance, with the rest focused on infrastructure (especially power), financial sector, agribusiness, manufacturing, and services. Infrastructure will remain IFC's largest investment exposure in Pakistan, with a focus on low-cost and renewable energy. IFC will also continue to support local banks with an MSME focus, through debt and equity investments. IFC is keen to explore more public private partnership (PPP) transactions, particularly in the infrastructure and energy sectors, aimed at supporting the Government's efforts at privatization of key SOEs, subject to government inviting the PPP Advisory.

IFC is one of the largest investors in Pakistan's power sector. Since 1996, IFC has committed more than over $600 million in 12 projects to support new generation of over 3,500 MW (equivalent to more than 30 percent of the total private power generation capacity in Pakistan). In recent years, recognizing the energy crisis facing the country, IFC has ramped up its investments in this sector, especially in renewable power. IFC's current portfolio in the power sector amounts to some $450 million and includes two hydro projects – Laraib (84MW) and Star Hydro, co-financed with MIGA (147MW) – as well as one private power project based on indigenous gas - Uch-II (404MW). In addition, there are two wind projects – Zorlu (50MW) and Metro (50MW) – and a 25MW waste-to-energy project. IFC also has financed about 800MW of electricity generation for the first privatized integrated electricity utility (K-Electric). During FY15, IFC is expected to commit $125million for the China Three Gorges South Asia Investment Limited (CSAIL), an investment holding company owned by one of the largest state owned corporation in China. The objective is to leverage IFC's $125 million in equity in CSAIL and help the company raise project financing of over $6 billion for renewable power projects in Pakistan that will be developed, owned and operated by CSAIL. This will be one of the largest private sector initiatives in the power sector ever undertaken in Pakistan, and it may prove to be IFC's largest project ever in the power sector.

The World Bank Group collaboration on Pakistan power is strong. In response to the country's large energy needs, the Bank, IFC and Multilateral Investment Guarantee Agency (MIGA) have been focusing on power with a view to deliver jointly a big transformational program to support Pakistan's power sector over

the next five years. The program aims to mobilize more than $10 billion to support new generation in a mix of public and private projects that address current supply gaps and future needs. The program will also support significant reforms for enhancing the financial viability of the sector. The objectives pursued under this program include significant reductions in load-shedding and energy production costs, and improve sustainability of the energy sector.

Multilateral Investment Guarantee Agency (MIGA)

Pakistan is a focus country for MIGA, which currently supports three projects with an outstanding gross exposure of $106 million. Two are co-financed with IFC (Star-Hydro and Packages). The third project is with Habib Bank and involves parallel financing with IFC, which has its own operation with Habib.

PAKISTAN: First Fiscally Sustainable and Inclusive Growth Development Policy Credit

Key Dates:

Approved: May 1, 2014
Effective: May 5, 2014
Closing: June 30, 2015

Financing i**n million US$**

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	400	400	100
Borrower			
Total Bank Financing	400	400	100
IDA	400	400	100

* As of Sept 9, 2014

Project Background:

By mid-2013, Pakistan faced a serious economic situation. Unprecedented floods in 2010 and 2011, coupled with continuing security issues, stalling economic reform, falling investment and external financial inflows, increased devolution of responsibilities to the provinces, and fiscal disarray preceding elections in May 2013 posed critical challenges that have severely affected two major macroeconomic imbalances: by the end of the 2012/13 international reserves were below 1.5 months of imports, and the fiscal deficit (excluding grants) reached eight percent of gross domestic product (GDP), a very high level for the third year in row. As a result of weak fundamentals, the economy also featured borderline stagflation: modest growth coupled with, until recently, double-digit inflation. As soon as it took office in mid-June 2013, the new government had to articulate an ambitious emergency response so as to prevent a balance-of-payments crisis, correct fiscal imbalances and put the economy on the road to stabilization and rapid recovery.

Project Development Objective and Brief Component Description:

This is the first in a proposed series of two development policy credits to Pakistan supporting Pakistan's fiscally sustainable and inclusive growth enhancing reforms. The proposed DPC operation is central to the Bank's engagement in the country in the areas of improved economic governance and human development and inclusion as described in the 2010-2013 Country Partnership Strategy (CPS, and in the 2011 CPS Progress Note). The programmatic Development Policy Credit (DPC) is structured around two development objectives (i) increased private and financial sector development and (ii) expanded social protection and revenue mobilization. The program development objective is also supported by a parallel DPC in the power sector.

- Component 1 addresses policy actions in the following: (a) reforming state-owned enterprises with private sector participation; (b) promoting access to finance and business registration;
- Component 2 addresses policy actions in the following areas: (c) expanding social protection; and (d) mobilizing revenue.

Most measures are in fact interrelated. For instance, SOE privatization and the creation of fiscal space will contribute to fiscal consolidation and smooth the social costs of adjustment both in this operation and in a parallel power sector operation.

Results Achieved:

To measure results, the following outcome indicators will be used:

- By June 2016, at least five entities privatized through strategic or equity sale from a baseline of no privatization transactions.
- By June 2016, consumers will have 100 percent access to their credit information.
- By 2016, the simple average statutory Customs tariff rate is at or lower than 10 percent, and no special (concessionary) Statutory Regulatory Orders (SROs) granting tax exemptions are issued.
- By June 2016, the number of unconditional cash transfer (UCT) beneficiaries reaches at least 5.5 million.
- By June 2016, the overall tax collection is at least 11.5 percent of GDP.

Key Partners:

Government of Pakistan: The Ministry of Finance, the Federal Board of Revenue, the Benazir Income Support Program, the Ministry of Commerce, the Securities and Exchange Commission, the Board of Investment, the Employees' Old-Age Benefits Institution, the State Bank of Pakistan.

PAKISTAN: Punjab Public Management Reform Program

Key Dates:
Approved: November 14, 2013
Effective: January 15, 2014
Closing: December 31, 2018

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	70.22		
Borrower	20.22		
Total Bank Financing			
IDA (in USD million)	50.00	3.26	10

* As of Sept 9, 2014

Project Background:

The most critical constraint to improving service delivery in Punjab is the weak management performance of departments responsible for providing public services. Citizens face significant challenges to access government services due to the strongly entrenched position of field officials and other structural handicaps, such as distance, language, cultural practices, and a lack of information about services. Without good administrative data, it is difficult to assess whether government programs are achieving their goals, learning lessons and holding government agencies to account.

Punjab Public Management Reform Program (PPMRP) is a subset of the government's Governance Reform program that focuses on addressing the above mentioned constraints to service delivery. The program will help improve transparency and resource management of the targeted departments of Punjab and focus specifically on improving service delivery by helping Punjab strengthen performance management of the departments responsible for providing public services, procurement and collecting tax.

The instrument used for this operation is a Program for Results (PforR) credit, which by design provides financial and non-financial incentives to deliver envisaged results, and supports counterparts along the reform process through the agreed results targets linked to disbursements. Disbursement-Linked Indicators (DLIs) have been carefully selected to provide incentives on critical roadblocks to improving the program's effectiveness, efficiency, and sustainability. The PPMRP is the first Bank operation that will utilize the PforR lending instrument in the public management sector.

Project Development Objective and Brief Component Description:

The program development objective is to improve transparency and resource management of targeted departments of the province of Punjab. The project have the following three components:

- Component 1. Transparency and Access to Services: to improve citizens' access to information provided by targeted departments and facilitate access to key services.
- Component 2. Performance monitoring: to support performance monitoring and make performance information available for decision-making.
- Component 3. Resource mobilization and value for money: to improve the province's capacity to mobilize resources and better manage expenditure through better urban immovable property tax collection.

Results Achieved:

- Government websites are being developed to proactively provide public information to citizens, while Citizen Contact Center is established and operationalized to provide public service information on demand (this covers 20 services from departments of Livestock, Local Government & Community Development, Higher Education, Health, and Board of Revenue).
- Citizen feedback engagement (with the Citizen Feedback Model already functional in all of Punjab) and smart monitoring pilots are in the process of being scaled up to additional services and departments. Departments of Health, Education, Livestock and Agriculture have launched a number of smart phone and ICT based pilots to improve monitoring and data collection.
- Work is underway to use ICTs to better manage the government's procurement related activities. Latest departmental requirements have been incorporated in PPRA MIS and the beta version of the management information system is in its development phase.
- Work on digitization of property records for better tracking and management of Urban Immovable Property Tax is well underway and showing good progress.

Key Partners:

Punjab Resource Management Program, Punjab Information and Technology Board, Excise and Taxation Department, Public Procurement Regulatory Authority, UK's DFID.

PAKISTAN: Governance Support Project for Khyber Pakhtunkhwa FATA and Balochistan

Key Dates:
Approved: July 29, 2011
Effective: October 11, 2011 (Original) September 12, 2012
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	8.75		
Borrower	0.0		
Total Bank Financing			
Trust Fund (MDTF)	8.75	8.02	91.66

* As of Feb 28, 2014

Project Background:

Years of regional instability underpinned by decades of poor governance have shaped the crisis unraveling in the North West border areas of Pakistan. Militants in the Federally Administered Tribal Area (FATA) and Khyber Pakhtunkhwa (KP) have exploited frustrations, aggravating high levels of vulnerability. To help tackle this situation, the government of Pakistan (GoP) requested the Bank support preparation of a Post-Crisis Needs Assessment (PCNA) resulting in a peace building strategy for FATA and KP (2010). Recognizing the need for a harmonized approach, the government and donors also asked the Bank to administer a Multi Donor Trust Fund (MDTF) for the crisis-affected areas in KP, FATA, and Balochistan. The Governance Support Project for Khyber Pakhtunkhwa FATA and Balochistan is one of the MDTF Projects.

Project Development Objective and Brief Component Description:

The project development objective is to strengthen the capacity of government departments in Khyber Pakhtunkhwa (KP), FATA and Balochistan to help support efficient delivery of the PCNA program in KP and FATA and related development programs in Balochistan.

- Component 1: strengthening of the PCNA Implementation Support Units (ISUs), provision of technical assistance, and institutional building of government departments:
- (a) ISUs are operational and being further strengthened through hiring of the sector specialists.
- (b) FATA ISU providing technical assistance for the MDTF Roads project in FATA.
- (c) Skill and capacity building actions begun at both KP and FATA.
- (d) PCNA Newsletter has been issued to spread information about government reforms.
- Component 2: Rapid Response Facility (RRF):
- (a) FATA Tribunal operational since February 2012 and has disposed of more than 50 criminal and civil appeal cases.
- (b) Support to operationalize the KP Judicial Academy cleared for funding. The goal of the Academy is to enhance judicial competence and efficiency through education.

Results Achieved:

- The ISU conducted 200 post crisis needs assessment (PCNA) orientation sessions with line departments, donors, academics and civil society in Balochistan, FATA, and KP.
- Development Partners Forum/Steering Committee established which convened forums in KP and FATA.
- Evaluation strengthened for PCNA monitoring and results reporting in Balochistan, FATA, and KP.
- Social accountability reforms started in KP, FATA and Balochistan seeking citizen engagement in governance. In KP, the Judicial Academy conducted seven training sessions for 184 judges; the Ombudsman's office disposed of 328 complaints in 2013; a KP Charter of Good Governance was prepared that played a critical role in enacting the KP Right to Information (RTI) law; plus support for an anti-corruption law.

Key Partners:

Planning and Development Departments, the Governments of Balochistan, FATA, and KP.

PAKISTAN: Punjab Cities Governance Improvement Project

Key Dates:
Approved: September 11, 2012
Effective: February 14, 2013
Closing: June 30, 2017

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	154.0		
Borrower	4.0		
Total Bank Financing			
IDA	150.0	54.89	36.83

* As of Sept 15, 2014

Project Background:

Punjab is one of the most urbanized regions of South Asia. Institutional and systemic obstacles pose significant challenges to the governance and management of urban areas. The government of Punjab (GoPunjab) is approaching the long-term urban reform agenda in three stages. In the first stage, which is largely complete, reforms aimed at improving the operating environment for urban development were initiated. As a second step, GoPunjab is currently focusing on strengthening urban governance - the institutions and management systems. Based on these policy and governance improvements, it plans to focus on service delivery improvements in the third stage of its urban strategy.

The project builds on the policy reforms already undertaken by GoPunjab, and focuses on supporting the management and accountability improvements envisaged under the second stage of the government's urban agenda. The principal beneficiaries of the project are the five largest cities (city district governments, or CDGs, and their agencies) in Punjab.

Project Development Objective and Brief Component Description:

The project development objectives are to support Punjab's cities in strengthening systems for improved planning, resource management, and accountability, and to improve the province's capacity to respond promptly and effectively to a crisis or emergency. Project components are:

- Component 1. Performance Grant: focuses on two areas of urban governance: (a) resource planning and management, seeking to improve decision-making, consolidate revenue sources, and strengthen resource mobilization; and (b) transparency and voice in the preparation, monitoring, and evaluation of plans and programs in urban areas. This component will provide an annual grant to the project cities, based on achievement of specified annual targets against a set of Disbursement Linked Indicators (DLIs) in selected governance areas.
- Component 2. Project Implementation and Capacity Building: supports the cities and province to achieve the annual DLIs.
- Component 3. Contingent Emergency Response (with zero allocation): will support rapid response to disaster events by allowing for rapid reallocation of credit proceeds from other components under streamlined procurement and disbursement procedures, or by channeling additional funds, should they become available as a result of the emergency.

Results Achieved:

- Resource Planning: Annual Development Plans are being consolidated each year across City District Governments (CDGs) and entities. Development of processes and reporting formats for Integrated Development and Asset Management Plans (IDAMP), as well as software platform for GIS based asset inventories is underway.
- Procurement: Standard Operating Procedures (SOPs) for procurement and contract management to standardize these processes across the cities and their entities have been approved and are being operationalized.
- Intergovernmental Finance System: All transfer of funds from provincial government to city entities are being reported to CDGs, and are being updated on CDGs' and Water and Sanitation Agencies' websites.
- Revenue Enhancement: Action Plans for enhancing self-collected own-source revenues have been approved for cities and city entities, and are under implementation. Automation of Urban Immovable Property Tax including digitization of property ownership records and field validation has been completed for Sialkot, and is in various stages of implementation in the five Project cities.
- Boundary Alignment: Review and updation of city boundaries is underway; City entities will develop action plans for phased alignment of their service delivery area to updated city boundaries.
- Public Disclosure and Access to Information: Existing practices for public disclosure are being reviewed and the development of improved mechanisms for disclosure and access to information is underway.
- Accountability: Development of mechanisms for improved complaint resolution and grievance redress at CDGs and entities is underway, based on a review of existing complaint resolution systems.

Key Partners:

Planning and Development Department, Government of Punjab

PAKISTAN: Second Improvement to Financial Reporting and Auditing Project (PIFRAII)

Key Dates:
Approved: Sept 06, 2005 (original); Feb 10, 2011 (AF)
Effective: Nov 08, 2005 (original); June 27, 2011 (AF)
Closing: December 31, 2014

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	123.7	114.63	92.7
Borrower	15.2	17.0	111.84
Total Bank Financing			
IDA	84.0	81.6	94.11

* As of Sept 12, 2014

Project Background:

The development thinking underlying both PIFRA I (closed on May 31, 2005) and the ongoing PIFRA II project is that a government's financial control, reporting, and audit systems form the backbone of sound public financial management. This in turn affects better governance, and hence improves the efficiency and effectiveness of public expenditure, while increasing the potential for economic growth and poverty reduction.

Project Development Objective and Brief Component Description:

The project development objectives are to: (a) build capacity to improve the accuracy, comprehensiveness, reliability, and timeliness of intra-year and year-end financial reports at all levels of government; (b) improve public financial management, accountability, and transparency; (c) enhance the capacity of public sector managers to use credible financial information for better and more informed decision-making; and (d) facilitate oversight of the use of public monies, and increase the national and international credibility of the government's financial statements and assurance processes. Additional financing emphasized transition and ownership of IT systems to the relevant government agencies i.e., Auditor General, Ministry of Finance (MoF), and Controller General of Accounts.

- Component 1. Financial Accounting and Budgeting Systems (FABS): ensures support for FABS operations, strengthening the capacity of FABS to produce fiscal reports, integrating FABS into the Medium Term Budgetary Framework, and linking both systems to overall Public Financial Management (PFM) reforms. Aims to establish a firm relationship between budget and accounts, and allow the Ministry of Finance to use the SAP system as a platform for further PFM reforms.
- Component 2. Capacity Building and Upgrading of the Office of Auditor General: develops (a) central and field audit capacity to implement new methodologies by providing TA and training, and expanded/upgraded office space, equipment, and IT support; (b) an integrated audit management information system to improve audit control, reporting, and follow-up between the central and decentralized audit directorates; and (c) a comprehensive staff training program and upgrading of the training facility.
- Component 3. Project Management: includes financing of the PIFRA Directorate and sub-directorates at provincial headquarters, O&M costs such as hardware and software maintenance not covered under counterpart contributions, and activities under the aegis of federal and provincial finance departments to reinforce the delivery of the fiscal management capacity building part of the project through those offices.

Results Achieved:

- Effective and transparent fiscal administration: this is facilitated by the rollout of a Medium Term Budgetary Framework which is supported by FABS.
- Effective and transparent financial reporting, control, audit: annual financial statements are prepared within six months of the close of the year. AGP-certified annual accounts submitted to president & governors within eight months of end of fiscal year.
- Effective corruption reducing measures related to accounts and budget control: bill-tracking generally shows improvement in the proportion of payments made within 3 days. Pension call centers established with increasing use by retirees, and pension payment direct to bank accounts introduced.
- Use of country systems for foreign aided-projects: Currently 17 Bank-funded projects are using on-line SAP system. Efforts are being made to replicate this achievement to other donor-funded projects.

Key Partners:

Auditor General, Ministry of Finance), Controller General, Provincial Account General

PAKISTAN: Competitive Industries Project for Khyber Pakhtunkhwa

Key Dates:
Approved: August 8, 2013
Effective: September 13, 2013
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	9.0		
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	9.0	0.5	5.6

* As of Sept 9, 2014

Project Background:

Building on the initial results of the Economic Revitalization of Khyber Pakhtunkhwa and FATA Project (ERKF), the government of Khyber Pakhtunkhwa (KP) asked the Multi Donor Trust Fund (MDTF) for support to strengthen the province's critical value chains in two economic sectors: marble and horticulture (food processing). These were picked following analysis and stakeholder consultation that highlighted their potential for growth, job creation, and contributions to the provincial economy, given KP's natural endowments and climate. Despite this promise, the two sectors only operate at a basic level, relying on primitive technology that results in high degrees of waste (80 percent in marble and 40 percent in horticulture).

Project Development Objective and Brief Component Description:

The development objective is to improve the competitiveness of the marble and food processing sectors in KP by providing shared infrastructure and relevant skills along the marble sector value chain and by addressing knowledge and coordination gaps along the food processing sector value chain. There are three components:

- Component 1: Increasing productivity and employment in the marble sector. The objective of this component is to increase the economic value added of the marble sector by improving the extraction and processing stages within the value chain. The subcomponents below will take place at a common location which is Marble City in Risalpur, KP.
  - Subcomponent 1.1: Establishing a machinery pool.
  - Subcomponent 1.2: Strengthening the Common Facility and Training Center (CFTC).
  - Subcomponent 1.3: Providing access to markets.
- Component 2: Supporting the development and enhancing the impact of food processing cluster. The objective of this component is to assess the constraints and opportunities in KP's food processing sector, by undertaking the following three activities:
  - i. Value chain prioritization and analysis.
  - ii. Feasibility studies.
  - iii. Cluster development program.
- Component 3: Institutional capacity building. This will entail strengthening institutional capacity of the KP Department of Mines and Minerals, Pakistan Stone Development Company (PASDEC) and mines associations in KP to ensure effective implementation of the project, including supporting a review of KP's mining rules and regulations.

Results Achieved:

Procurement activities under component 1 commenced in February 2014. Expected results are:

- New technologies at 25 marbles mines will enhance productionby 40 percent, with 750 direct and indirect jobs created for relevant skills developed by the project in KP's marble sector.
- Improved sector knowledge by identifying two priority public sector-shared infrastructure interventions for KP's food processing sector.

Key Partners:

Industries and Technical Education Department, government of KP, Director General Mines and Minerals, Pakistan Stone Development Company

PAKISTAN: Economic Revitalization of Khyber Pakhtunkhwa and FATA Project

Key Dates:
Approved: August 22, 2011
Effective: October 11, 2011
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	20.00		
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	20.00	12.56	62.8

* As of Sept 9, 2014

Project Background:

This project was prepared to support the creation of employment opportunities and sustainable jobs in the conflict-affected Khyber Pakhtunkhwa (KP) and Federally Administered Tribal Areas (FATA) region. The region ranks considerably lower in socio-economic indicators than most parts of the country. Rates for both literacy and the participation of women in the labor force are low. Economic activity in the region is mostly dominated by small and medium enterprises (SMEs), which suffered tremendously during the militancy crises and 2010 floods: almost 9,000 enterprises were damaged, rendering 40,000 people jobless. The project therefore aims to address the core strategic objective of stimulating employment and livelihood opportunities, as highlighted in the 2010 Post Crisis Needs Assessment (PCNA) done jointly by the Bank and development partners. It also promotes the economic empowerment of women by assigning priority to eligible enterprises owned and managed by women.

Project Development Objective and Brief Component Description:

The project aims to support the creation of employment opportunities and sustainable jobs for the people of KP and FATA. It has three components:

- SME Development. This component includes a matching grants program with technical assistance (TA) to support SMEs that have been adversely affected by the ongoing crisis in order to enhance their productive capacity and restore lost employment. This component will also promote economic empowerment of women by assigning priority to eligible enterprises owned and managed by women.
- Attracting Investments from the Diaspora. The main objective of this component is to mobilize private investment to jumpstart the rehabilitation of businesses and reconstruction of infrastructure, thereby creating employment.
- Institution Building to Foster Investment and Implement Regulatory Reforms. This component will support capacity building of both KP and FATA governments to improve the business climate and attract investment to the region.

Results Achieved:

- Some $4 million disbursed in matching grants to 665 SMEs across the project area, including 14 women entrepreneurs.
- Around 3,200 direct and indirect jobs created through the rehabilitation and upgrading of SMEs.
- One investment road show in Karachi to showcase investment opportunities for the private sector in KP and FATA

Key Partners:

- Implementing Agencies: (i) Department of Industries, Government of Khyber Pakhtunkhwa; (ii) FATA Investment Facilitation Authority (FIFA), FATA; (iii) Provincial Office of SMEDA, Peshawar
- Other Agencies/Partners: (i) Habib Bank Limited; (ii) KPK Chambers of Commerce and Industry; (iii) FATA Chambers of Commerce and Industry; (iv) University of Peshawar; (v) Business Edge training providers – Certified by IFC

PAKISTAN: First Power Sector Reform Development Policy Credit (DPC-1)

Key Dates:

Approved: May 1, 2014
Effective: May 6, 2014
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	600.00	600.00	100
Borrower			
Total Bank Financing			
IDA	600.00	600.00	100

* As of Sept, 2014

Project Background:

Pakistan's energy sector is facing a serious crisis, especially in electricity. The problems and potential solutions to the recovery of the sector are well understood but until recently the political will to undertake deep structural reforms has been wanting. The new government after taking office in June 2013 agreed on a three-year Extended Fund Facility (EFF) with the IMF, a major feature of which is structural reforms of the energy sector. The coincidence of a new and empowered government, a solid IMF program and broad consensus among business, households and donors on the need for deep reform offered the best opportunity in twenty years to have a lasting impact on the power sector.

The proposed DPC series is aimed at supporting the government's Action Plan to implement the 2013 National Power Policy. The first operation reflects prior actions taken by the government to support the most pressing needs set out in the broader National Power Policy. The indicative triggers for the second operation in the series, expected to be prepared during FY15, have a bias towards longer term structural reforms. Combined, the series have the particular aim of restoring the sector's financial viability and thus reducing the burden of public financing for it.

Project Development Objective and Brief Component Description:

This is the first in a proposed series of two development policy credits (DPCs) supporting Pakistan's goal of developing an efficient and consumer oriented electric power system that meets the needs of its people and economy sustainably and affordably. The DPC focuses particularly on policy and institutional actions that will improve financial viability and thus reduce the burden of public financing for the sector. The DPC is structured around three objectives: (a) Reducing subsidies and improving tariff policy; (b) Improving sector performance and opening the market to private participation; (c) Ensuring accountability and transparency.

Results Expected to be Achieved:

The following results indicators are selected for the project:

(i) Reduced subsidies allocated in the federal budget from a baseline of 1.8 percent of GDP in FY12/13 to 0.4 percent by the end of FY15/16;
(ii) Increased bill collection in Discos from a baseline of 86 percent of bills collected in FY12/13 to 94 percent of bills collected in FY15/16;
(iii) Increased domestic gas supply from 3.8 billion standard cubic feet per day in FY12/13 to 5 billion standard cubic feet per day in FY15/16;
(iv) Separation of market operation and transmission system operation, with contracted power generated by IPPs, Gencos and WAPDA hydel traded through an independent Central Power Purchasing Agency by the end of FY 15/16;

Household consumer awareness of the extent to which the government subsidizes electricity increased from zero in FY12/13 to 25 percent in FY 15/16.

Key Partners:

Ministry of Finance, Government of Pakistan, Asian Development Bank (ADB), Japan International Cooperation Agency (JICA)

PAKISTAN: Dasu Hydropower Stage 1 Project (DHP-1)

Key Dates:
Approved: June 10, 2014
Effective: September 30, 2014 (Expected)
Closing: June 30, 2022

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	4247.7		
Borrower	680.0	-	-
Total Bank Financing			
IDA	588.4	-	-
IDA Guarantee	460.0	-	-

* Financing for the project will be undertaken to match the project implementation schedule prioritizing commercial financing supported by 2 or 3 IDA Partial Credit Guarantees of $460 million each. The first credit of $588 million will primarily be used for preparatory works.

Project Background:

Dasu Hydropower Project (DHP) is part of the Indus Cascade and is also a part of least cost solution to mitigate power shortfall and reduce cost of generation in the country. It is a run-of-river greenfield project about 240km upstream from Tarbela Dam. The total size of the project is 4,320 MW. However, it is optimal to develop the project in two stages – each stage further divided into two phases of 1,080 MW each. DHP Stage 1, including 6 generating units of 370MW each and a 350km 500kV double circuit line from Dasu to Islamabad, would cost $4,247.7 million and its ERR is 25 percent. It will reduce average generation cost and the shortfall in electricity supply. Estimated cost of generation form state 1 is less than US¢ 3/kWh compared to current average cost of US¢ 11/kWh. At present, about one-third of the demand is not being met which is thought to have reduced GDP growth by two percent per annum for the past several years.

Project Development Objective and Brief Component Description:

The overall project development objective is to facilitate the expansion of electricity supply of hydro-power in Pakistan. The project would also improve access to socio-economic services for local communities in the project area and build WAPDA's capacity to prepare future hydropower projects. This would be achieved by installing a 2,160 MW hydropower plant on the main Indus River, which can be expanded to 4,320 MW in future at very low cost. The Project is a "high-risk-high reward" operation aimed at providing low cost non-carbon renewable energy.

The project components and indicative financing plan is given below:

Project Components	Total	IDA Credit (1)	WAPDA	Commercial Financing (2)	Export Credits (2)	Additional IDA Credit	NTDC
A. Main Structure	1,479.7	10.0	55.0	1,257.8	-	157.0	-
B. Power Generation Facilities	1,397.8	-	109.3	642.1	546.0	100.4	-
C. Preparatory Works	344.8	183.9	160.9	-	-	-	-
D. Transmission Line (NTDC)	350.0	15.0	-	-	-	255.0	80.0
E. SAP, EMP & Dam Monitoring	503.9	266.5	237.4	-	-	-	-
F. Consultancies for Supervision	99.1	53.0	25.0	-	-	21.1	-
G. Project Mgmt & Capacity Building	72.4	60.0	12.4	-	-	0.0	-
Total	4,247.7	588.4	600.0	1,899.9	546.0	533.4	80.0

- (1) First IDA credit approved in June 2014.
- (2) To be supported by IDA partial credit guarantees 2x$460 million.

Results Expected to be Achieved:

DHP-I will supply 12,225 GWh annually (~12 percent of total existing supply) at a very low cost. It will improve socio-economic services in the project area directly benefiting more than 20,000 people. The project will also strengthen WAPDA to develop other large hydropower projects.

Key Partners:

Water and Power Development Authority (WAPDA), National Transmission and Despatch Company (NTDC)

PAKISTAN: Tarbela Fourth Extension Hydropower Project (T4HP)

Key Dates:
Approved: March 20, 2012
Effective: April 27, 2012
Closing: December 31, 2018

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	914.0	116.8	12.8
Borrower	74.0	-	
Total Bank Financing			
IBRD	400.0	34.2	8.6
IDA	440.0	82.6	18.8

* As of Sept 12, 2014

Project Background:

Pakistan's electricity sector faces a large gap between supply and demand. Widespread load shedding – disconnecting the electric current when demand is greater than supply – is prevalent, affecting economic growth. A shift over the past decade towards expensive fuel oil has also increased the cost of electricity generation. Expanding hydropower generation is therefore fundamental to address Pakistan's long-term energy issues. The project is an important element of the Bank's energy sector strategy of supporting strategic investment projects in generation and transmission infrastructure that contribute to the structural shift to a low-cost, low carbon fuel mix. The project involves constructing a power house, modifying a tunnel, and installing three 470 MW power units (1410 MW) on an existing dam located 60km north-west of Islamabad on the River Indus. It will add 3,840 GWh of low-cost renewable energy by June 2018, during peak summer months when shortages are at their worst.

Project Development Objective and Brief Component Description:

The project development objective is to facilitate a sustainable expansion in Pakistan's electricity generation capacity. The project would also strengthen the Water and Power Development Authority (WAPDA)'s capacity to develop the country's hydropower resources. The project has five components:

- Component 1. Construction of Power House: covers civil works, including a power house, a penstock, and modification of intake tunnels (Number 3 and 4).
- Component 2. Power Units: covers cost and installation of turbines, generators, transformers, ancillary electro-mechanical equipment, and a short transmission line.
- Component 3. Social Action & Environmental Management Plan: covers implementation of SAP, EMP, Dam safety and monitoring, and glaciers monitoring.
- Components 4 & 5 are for construction supervision monitoring and evaluation and for project management support & capacity building respectively.

Results Expected to be Achieved:

- Electricity supply of 3,840 GWh of renewable energy annually to the central grid.
- Availability of 1,410 MW of additional power generation capacity during peak summer demand period.
- Reduction in the overall production cost of energy due to low-cost, low carbon energy by 2.3 percent.
- Preparation of a large hydropower project on the Indus River and successful completion of an agreed capacity building program for WAPDA.

Key Partners:

Water and Power Development Authority (WAPDA)

PAKISTAN: Natural Gas Efficiency Project

Key Dates:
Approved: April 26, 2012
Effective: October 21, 2012
Closing: December 31, 2017

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost - Original	272.0	0.25	
Total Project Cost - Revised	172.0	0.25	
Borrower	72.0	0.0	
Total Bank Financing			
IBRD	100.0	0.25	0.25

As of Sept 9, 2014

Project Background:

Natural gas is a vital source of energy in Pakistan, representing 49 percent of the country's total primary energy supply. Natural gas is transmitted and distributed by two companies, Sui Southern Gas Company Ltd. (SSGC) and Sui Northern Gas Pipelines Ltd. (SNGPL), in the southern and northern parts of the country. Pakistan has high levels of unaccounted for gas (UFG – the difference between metered gas received by a gas utility and volume of gas delivered to its consumers). UFG is a major contributor to the gas supply crisis. It is typically 1-2 percent in OECD countries, compared to around 11 percent in Pakistan. UFG is mainly a result of the dilapidated gas distribution network, inaccurate metering, and theft. Most recent FY14 data records the UFG number is about 127 BCF in volumetric terms, for both the northern (SNGPL) and Southern (SSGC) networks put together, which comes to about 11.7 percent. For the SSGC system, the UFG for FY14 stood at 11.47 percent. The value of country wide UFG at the estimated weighted average well-head price in FY14 is about $425 million nationwide. The value of furnace oil import that could be avoided if all UFG was available for power generation in FY14 about $2.8 billion (based on heat rates of Pakistan's IPPs for gas-fired and FO-fired generation). Additionally, the UFG problem is becoming increasingly intolerable in view of the growing gas and power shortages.

Project Development Objective and Brief Component Description:

The project objective is to enhance the supply of natural gas in Pakistan by reducing the physical and commercial losses of gas in the pipeline system.

- Component 1: UFG Reduction: This component will finance Goods and Works that will help reduce unaccounted-for gas (UFG) in the gas distribution system, including system segmentation and pressure management, pipe replacement and repair, cathodic protection, and advanced metering systems.
- Component 2: Appliance Efficiency Pilot Project: This component will finance modern, energy efficient gas appliances and/or retrofit appliance components for residential consumers in a pilot project.
- Component 3: Technical Assistance: This component will finance assistance to the implementation agency for improving its organizational capacity and customer orientation and for managing the Project.

Key Partners:

Sui Southern Gas Company (SSGC)

PAKISTAN: FATA Rural Livelihoods and Community Infrastructure Project

Key Dates:
Approved: April 6, 2012
Effective: April 12, 2012
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	12		
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	12	6.88	57.3

* As of Sept 9, 2014

Project Background:

The project aims to improve the well-being of unserved and underserved low income communities. Starting with two agencies (Mohmand and Bajaur), it is now operational in South Waziristan Agency as well, following military operations to reestablish access, and as the government helps displaced families to return. The selection of these agencies in FATA was based on: (i) lack of visible progress and the perceived lack of interest from the authorities to redressing disparities, which undermined public trust in the ability of government institutions to meet the needs of the population; (ii) the region lags other provinces in social and economic indicators; (iii) the region is the most underdeveloped in Pakistan with over 60 percent of its population living below national poverty line; (iv) High unemployment due to militancy crises in 2009/10; (v) Military operations in 2009 did significant damage to physical infrastructure and services, while displacing three million people, (iv) The ongoing military operation the militants in North Waziristan Agency has once again pushed the region in deeper crises leading to economic, social and infrastructure destruction. The operation has caused more than one million tribesmen/tribeswomen becoming IDPs, taking refuge in neighboring settled districts and adjoining Agencies, migration to Afghanistan, and (vi) the restructuring of project will lead to opening up of the menu of livelihood to context based interventions.

Project Development Objective and Brief Component Description:

The project objective is to improve livelihoods and access to basic service infrastructure in selected Agencies in FATA. The project components include:

- Community Development and Social Capital Building: includes social mobilization of local communities through locally-based indigenous organizations.
- Community Infrastructure and Services: includes rehabilitation of existing infrastructure, construction of new infrastructure, and operation and maintenance (O&M), with priorities to be established in consultation with community groups.
- Livelihoods Support: includes sub-projects for generating livelihood opportunities within the agriculture and livestock sectors.
- Institutional Strengthening, Monitoring and Evaluation, and Project Management: finances project management; technical assistance; impact assessments; third party monitoring; communications strategy; and a complaints handling system.

Results Achieved:

Project implementation progress to date:

- 184 (male) community/farmers groups established/and or revitalized
- 117 (male) community/farmers groups using participatory planning and implementation for site and beneficiary selection
- 70 (male) community/farmers organization trained for and utilizing technical and managerial skills
- 100 infrastructure schemes (99 male CO; 1 female CO) completed and O&M transferred to local communities
- 985 farmers received livelihood and support for agriculture
- 5,689 (large and small livestock) vaccinated/ dewormed
- 8 staff members trained on-job and class room training
- As independent monitoring report, 5 TPMAs and 5 QPRs generated

Key Partners:

FATA Secretariat

PAKISTAN: Khyber Pakhtunkhwa Southern Area Development Project

Key Dates:
Approved: December 3, 2012
Effective: February 6, 2013
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	18		
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	18	4.81	26.7

* As of Sept 9, 2014

Project Background:

This project aims to reach unserved and underserved low-income communities in Southern KP. Implementation will be focused on three districts (D I Khan, Tank and Lakki Marwat) in order to concentrate project coverage, effectively monitor the process and its impact, and demonstrate the potential of the approach. The selection of these districts is based on several factors, including: (i) prevailing low human development indices, even before the onset of the militancy crisis (all three districts are amongst the poorest 25 districts in the country); (ii) proximity to the Tribal Agencies of FATA (in particular the South Waziristan Agency, which is under ongoing military operation); and (iii) all three districts were recipients of the largest number of Internally Displaced People (IDPs) who left the Tribal Agencies during the military operation in 2009.(iv) The ongoing military operation has resulted in influx of more than one million IDPS to Districts D.I Khan (64,966 individuals), Tank (779 individuals), Lakki Marwat (24,919 individuals) and Bannu (857,776 individuals). District Bannu remains host to the largest influx of these IDPs resulting in enormous pressure on the already fragile and weak economy as well as the infrastructure. (v) Restructuring of the project is near completion. It will open up the livelihood menu leading to context based interventions, adding District Bannu to its area of operations

Project Development Objective and Brief Component Description:

The project development objective is to strengthen the capacity of the poor to improve their livelihood options through access to social and productive infrastructure, using participatory approaches in the selected southern districts of Khyber Pakhtunkhwa province.
The project components include:

- Community Development Support: includes community mobilization and formation of economic interest groups (EIGs) at village and district levels; capacity building; advisory services and input support; and communications and a knowledge program.
- Community Driven Investment Program: Includes: (i) social infrastructure; (ii) on-farm and off-farm productive infrastructure for agriculture and its subsectors; and (iii) asset building support for poorest groups.
- Project Implementation Support: finances capital and incremental operating costs for implementing the project; technical assistance for quality delivery and impact assessments, including functional reviews and third party monitoring; and a functional and well-communicated complaints handling system.

Results Achieved:

- 399 CBOs formed with total membership of 11,379 (male 8,732, female 2,647)
- 24 community trainings conducted with total participation of 650 (male 510, female 140)
- 115 individuals trained in five trades
- 84 infrastructure schemes (completed 54, ongoing 30) with the cost of about $1.6 million
- 48 schemes approved by the District Review Committee and ready for the Sub-Projects/Activity Review and Approval Committee (SAAC)

Key Partners:

Department of Local Government and Rural Development (LG&RD), Government of Khyber Pakhtunkhwa (KPK)

PAKISTAN: Third Pakistan Poverty Alleviation Fund Project

Key Dates:

Effective: July 9, 2009
Closing: 31 January 2015
Revised Closing Date: 30 September 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	250	222.76*	86.49
Borrower			
Total Bank Financing	250	222.76*	86.49

* As of April 2014

Project Background:

The Third Pakistan Poverty Alleviation Fund Project (PPAF III) is a continuation of the World Bank's 13 years of engagement with the Pakistan Poverty Alleviation Fund that was formed by the government in 1999 with WB funding and support. PPAF has worked through the creation of strong outreach mechanisms, and is currently present in 121 districts out of a total of 135 in Pakistan, spanning all provinces.

While the focus was on outreach under PPAF I and II, PPAF III brought recognition of the need for integration, saturation and consolidation within the poorest districts and Union Councils of Pakistan. The project design of PPAF III adopted a holistic approach to local development with a strong focus on the livelihoods strengthening of the most vulnerable and poorest households, especially women. PPAF has built partnerships with 126 partner organizations that in turn have organized 475,000 community organizations that serve as a platform for the rural poor to access markets, the private sector, financial services, skills, infrastructure, health, education, and participation in the development of their own communities and interaction with the government.

Project Development Objective and Brief Component Description:

Project Objective: Targeted poor are empowered with increased incomes, improved productive capacity and access to services to achieve sustainable livelihoods.
Project Components:

- Social Mobilization and Institution Building: To target and empower the poor by supporting their organization into Community Organizations (COs) and clustering into higher levels of institutions at village and Union Council area levels.
- Livelihood enhancement and protection: To develop the capacity, opportunities, assets and productivity of community members to reduce their vulnerability to shocks, improve their livelihoods initiatives and strengthen their business operations
- Micro-credit Access: To improve access of the poor to micro-finance to enhance their capacities, productivity and returns from livelihood initiatives
- Basic Services & Infrastructure: To establish and upgrade basic services and infrastructure to serve the poor, including basic infrastructure, integrated community infrastructure projects, and improved health and education facilities
- Project Implementation Support: To facilitate governance, implementation, coordination, monitoring & evaluation, learning and quality enhancement efforts in the project.

Results Achieved:

- Approximately 10 million vulnerable and marginalized people have benefitted from the program interventions, with over half of them being women.
- 315,000 micro-loans with an 83 percent return on investment (ROI) have been given to the poor.
- 125,000 children (45 percent girls) were enrolled in 896 PPAF supported schools and 6.5 million patients (55 percent women) were treated under various ailments in 482 PPAF supported health facilities.
- A total of 407,700 individuals of which 61 percent are women, were trained in different employable skills.
- Productive assets have been transferred to 47,400 ultra and vulnerable poor (50 percent women).
- More than 4,600 community infrastructure sub-projects have been initiated in program areas benefiting approximately 2 million people.
- Moe than 372,800 people have access to improved sanitation facilities and 1,099,284 water users have new/improved irrigation and drainage services including 551,533 women.

Key Partners:

PPAF has forged partnerships with over 19 international commercial/business organizations including Unilever, Shell, Citigroup, Deloitte, and Responsible Business Initiatives; 23 national commercial/business organizations; and multiple strategic alliances with public departments. PPAF is also the recipient of development funds/assistance from KfW, IFAD, and the Italian Development Cooperation to address poverty at the grassroots.

PAKISTAN: Sindh Agricultural Growth Project

Key Dates:
Approved: July 7, 2014
Effective: --
Closing: June 30, 2019
Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	88.7		
Other (farmer's contribution)	12.3		
Total Bank Financing			
IDA	76.4	0.0	0

* As of Sept 9, 2014

Project Background:

The project will focus on horticulture—particularly chilies (92 percent of national production), onions (33 percent), and dates (about 50 percent)—as well as milk production because they have a small farmer focus, significant involvement of women in production and processing, and, from a national perspective, Sindh enjoys the greatest competitive advantage in these pro-poor production value chains. Investing in horticulture is seen to offer the best potential for increased small producer incomes, new employment opportunities in production and processing, improved resource productivity, and enhanced micronutrient availability in the market. The project would reach to approximately 112,000 farmers covering over 66,000 ha. The project will use a value chain approach to provide direct investment support to the farmers and producers groups for: (i) development of more effective and efficient farming systems; (ii) introduction of technology packages for increased productivity and value addition, and; (iii) improved market access.

Project Development Objective and Brief Component Description:

The project's objective is to improve the productivity and market access of small and medium producers in important commodity value chains. This will be achieved by: (i) investing in knowledge and technology for producers, sub-sectors of crops and livestock; and (ii) strengthening public sector institutions to enhance the enabling environment for sustained sectoral growth. The project would contribute to more inclusive growth by prioritizing support for small and medium sized producers who are trying to compete in horticulture markets. The projects includes following components:

- Component A: Capacity Building and Institutional Development. The project will finance capacity building of producers through technology development, technology dissemination, training and exposure. The project would also provide institutional development for the implementing agencies and support strategic planning for Sindh's agricultural sector.
- Component B: Investment for Agricultural Growth. This component finances specific investments in the horticulture and dairy value chains and a targeted investment to reduce post-harvest loss among small-holder rice growers. The component would also finance a demand driven innovation fund to support farmers and producers with technology innovations in the selected value chains.
- Component C: Project Management and Monitoring and Evaluation. This component would finance costs for: (i) Project Management Units (PMUs), Project Coordinator's office and Project Implementation Units (PIUs); (ii) third party monitoring; (iii) implementation of Environment and Social Management Framework (ESMF) and Pest Management Plan (PMP) and development of Social Assessment; and (iv) rigorous impact evaluation to attribute causality to project interventions. The operational costs would also include costs financing of communications strategy and awareness campaigns through print and electronic media; grievance redressal mechanism (GRM) including interactive voice response and complaint tracking system; and management information system (MIS).

Results Achieved:
The project was approved by the Board on July 7, 2014 following which the legal agreements were signed on August 25, 2014. The project is yet to be declared effective.

Key Partners:
The Department of Agriculture, Government of Sindh and the Department of Livestock and Fisheries, Government of Sindh

PAKISTAN: Punjab Irrigated-Agriculture Productivity Improvement Project

Key Dates:
Approved: March 20, 2012
Effective: April 26, 2012
Closing: December 31, 2018
Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	423.5		
Other (farmer's contribution)	173.5		
Total Bank Financing			
IDA	250.0	96.1	39.82

* As of Sept 9, 2014

Project Background:

The direct beneficiaries are about 580,000 farm families (four million people across Punjab). About 17,500 families would be direct beneficiaries of high efficiency irrigation systems (HEIS), about 90,000 families would benefit from the laser leveling system, and about 475,000 families from the watercourse improvement program. A very large population would be indirect beneficiaries of the project, with about 13 million additional person days of employment as farm labor for agricultural operations. More women farmers are likely to opt for the HEIS as it does not require night irrigation, as well as other field work generally not considered culturally appropriate for women e.g., diversion of water from channels, tilling etc. HEIS can easily be operated by one person and require just a few hours of water during the day. In contrast, water supply according to the traditional warabandi method of irrigation goes over a 24-hour rotation period, and about half of the shareholders get water at night.

Project Development Objective and Brief Component Description:

The project's main objective is to improve the productivity of water use in irrigated agriculture. This will be achieved through improved physical delivery efficiency and irrigation practices, crop diversification and effective application of inputs, which will translate into greater agricultural output per unit of water used. The project contributes to increased agricultural production, employment and incomes, higher living standards and positive environmental outcomes.

- Component 1: Installation of High Efficiency Irrigation Systems. Financing construction of high efficiency irrigation systems such as drip, bubbler, sprinkler, over an area of about 120,000 acres. Also provide precision land leveling equipment for improving land leveling for higher productivity of water.
- Component 2: Improvement of Community Irrigation Systems. Financing improvement of watercourses in canal irrigated areas, as well as in the rain fed areas. The watercourse level water users associations are established to receive support for improving about 9,000 watercourses.
- Component 3: Improved Agriculture Technology/Practices and Monitoring and Evaluation. Financing improvement of irrigation agronomy, demonstration of and assistance in improved and modern technologies and methods to increase agriculture production. Assistance in crop diversification and training, covering training of service providers and farmers, training of trainers, and establishment of farmers' information desk. Monitoring of project impact, and of the environmental and social action plans.
- Component 4: Project Management, Supervision, Technical Assistance, Training and Strategic Studies. Financing project management, construction supervision, checking delivery of works, quality and certification of payments, strategic studies, technical assistance and training to staff, etc.

Results Achieved:

- The project became effective on April 26, 2012 and due to thorough preparation and planning by the Government, the project is off to an extremely good start. Progress on implementation is as following:
- 1. For installation of High Efficiency Irrigation Systems (HEIS), works are currently ongoing on about 1,653 acres and HEIS have been commissioned on an area of about 9,500 acres.
- 2. For laser land leveling, about 1,190 laser units have been provided to the beneficiaries. Laser leveling units are highly demanded and all 3,000 targeted units would be delivered before June 30, 2014. It has been agreed that given the high demand by farmers, the number of units to be provided under the project would be increased and an additional 4,000 units will be provided under the project. In addition, the remaining GoPunjab owned laser units (about 122) have been dis-invested as of March 31, 2014.
- 3. About 1,594 watercourses have been improved, and works are at various stages on about 996 watercourses.
- 4. Rehabilitation and improvement of 762 schemes have been completed and work is in progress on about 163 schemes non-canal commanded areas.

Key Partners:

Department of Agriculture, Government of Punjab.

PAKISTAN: Balochistan Small Scale Irrigation Project

Key Dates:
Approved: June 17, 2008
Effective: December 5, 2008
Closing: February 28, 2014

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	25.0		
Borrower	0.0		
Total Bank Financing			
IDA	25.0	22.8	96.6

* As of Sept 9, 2014

Project Background:

Balochistan is the largest of Pakistan's four provinces, covering 44 percent of the country, but with the lowest population density. It is Pakistan's least developed province, with 47 percent of the population estimated to live below the official poverty line. Agriculture is the mainstay of Balochistan's economy, accounting for some 60 percent of its GDP and employing around two thirds of the labor force. Balochistan is unique in terms of the different types of irrigated agriculture practiced and issues related to sustainable use of scare water resources (annual average rainfall is less than 200 mm). The irrigated area in Balochistan is about 1.7 million hectares, of which 0.83 million ha are watered by perennial irrigation and the rest by either flood diversion, spate irrigation, or water harvesting systems. Climate change has impacted water availability, and Balochistan is subject to periodic drought and floods. Better management of these scarce resources remains critical for rural development and reducing poverty. The Pishin Lora Basin is a major river basin in Balochistan spread over five districts with a population of about 1.2 million.

Project Development Objective and Brief Component Description:

The project development objective is to support efforts by the government of Balochistan to improve the management of scarce water resources in the Pishin Lora Basin (PLB) by reducing the overall impact of the present water crisis. Key indicators are: (i) increased surface water availability and reduced groundwater depletion; (ii) increased water productivity; and (iii) expanded local capacity and participation of farmers to implement schemes and formulate plans for sustainable water resources development and watershed management. The project has three components:

- Component 1. Partial Restoration of Water Storage Capacity to the Bund Khushdil Khan (BKK) Reservoir: to help restore the hydrological balance in the basin by partially restoring the BKK reservoir's storage capacity, facilitating the recharge of the aquifer, and improving conveyance and water management efficiency at the farm level in the BKK command area. Alternatives to improving conveyance and on-farm introduction of new technologies will be offered to the BKK watershed, and rangeland will be rehabilitated.
- Component 2. Small-scale Irrigation Schemes: to improve operation of approx. 15 small-scale irrigation schemes (SSIS) in the Pishin Lora Basin. Activities will include: improving existing karezes, providing flood protection, lining irrigation channels, and building associated structures such as flow division and small storage tanks. Will also provide greater focus on farmer participation through on-the-job training to develop skills for operation and maintenance.
- Component 3. Institutional Capacity Building, Further Studies, and Preparation of the Next Phase: to enhance technical, administrative, and managerial capacity of the Irrigation and Power Department and other water management-affiliated departments through training, technical advisory services, and study tours on water management. Will also support formation and capacity building of farmers organizations and community organizations.

Results Achieved:

The project has overcome numerous obstacles, ranging from security and conflict to land acquisition, as well as deteriorating capacity since 2011. Most project activities are complete.

- Around an 84 percent average increase in conveyance efficiency in small scale irrigation.
- Over 30 percent increase in crop yields.
- 50 percent increase in crop intensity.
- 54 percent increase in cropped area.
- Quality of works completed is very good, and certain capacity has been built in engineering.

Key Partners:

Department of Irrigation, government of Balochistan, USAID, U.N. Food and Agriculture Organization (FAO)

PAKISTAN: Water Sector Capacity Building and Advisory Services Project

Key Dates:
Approved: June 26, 2008
Effective: September 22, 2008
Closing: February 28, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	38		
Borrower			
Total Bank Financing			
IDA	38	31.98	91.1

* As of Sept 9, 2014

Project Background:

Pakistan is one of the world's most arid countries, with an extensive system of canals and hydraulic structures which are its lifeline and the backbone of its economy. Pakistan faces many challenges, however, regarding the availability and management of its surface and groundwater resources, including: (a) low water productivity in the agricultural sector; (b) low water storage capability; (c) acute power shortage requiring further development of hydropower resources; and (d) increased vulnerability to drought and floods, the economic, social, and ecological impacts of which are expected to be amplified by climate change; and (d) water pollution.

Project Development Objective and Brief Component Description:

The project aims to improve the management and investment planning of water resources in the Indus River Basin. It has three components:

- Component 1. Capacity Building of, and Support to, Federal Institutions in Water Resources Planning and Management: will support capacity building for federal institutions involved in water resources planning, management, and development.
- Component 2. Improvement in Water Resources Management and Development: support the Water and Power Development Authority (WAPDA) to undertake the following activities: upgrading existing tools, databases, models, and water resources management systems; undertake sediment management studies for the Indus river system, and prepare a power investment plan for the upper Indus.
- Component 3. Project Management and Additional Studies.

Results Achieved:

The project has already met most of its expected development outcomes, enhancing the capacity of the relevant institutions to use modern water resources management tools. Specific outcomes include:

- Installation and operationalization of a dam safety system at Tarbela dam.
- Design of the Tarbela 4th Extension HydeI Power Project (1410 MW).
- Design of Dasu, run-of-the-river HydeI power project (4,200 MW).
- Indus Basin Model Revised (IBMR).
- Database and Strengthening of Flow Forecasting System for WAPDA and Indus River System Authority (IRSA).
- Strengthening of WAPDA's Central Material Testing Laboratories for implementing large dams projects.
- Multi-Purpose Water Reservoir Financing (MPWRF) Cell at the Infrastructure Project Development Facility (IPDF) of the Ministry of Finance.

Key Partners:

Ministry of Water & Power (MoWP), Water and Power Development Authority (WAPDA), Indus River System Authority (IRSA), the Planning Commission (PC), and Infrastructure Projects Development Facility (IPDF).

PAKISTAN: Sindh Water Sector Improvement Project Phase I

Key Dates:
Approved: September 18, 2007
Effective: December 26, 2007
Closing: February 28, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	175		
Borrower	24.8		
Total Bank Financing			
IDA	150.2	128.1	85

* As of Sept 9, 2014

Project Background:

A major part of Sindh's population lives in rural areas, where poverty is pervasive. The rural poor tend to be employed mostly as agriculture wage workers. Irrigation and drainage are crucial to Pakistan's irrigated agriculture, without which the countryside would be desert or salt fields. The Indus Basin Irrigation System is now the largest integrated irrigation network in the world. Returns to irrigation are high in Pakistan but investment for the last 30 years has been weak. Despite the large need to expand water supplies, improve water management and control, and to upgrade and modernize the century old irrigation system, investment has not been forthcoming and the network has deteriorated. The government must maintain a minimum level of spending on the sector to avoid total collapse of its irrigation and drainage systems, which would return the countryside to desert that would be hard, if not impossible, to ever reclaim. The Water Sector Improvement Phase-I Project would make a start through a mix of institutional strengthening, capacity building and investments in the irrigation sector. This project consolidates the irrigation reforms program and makes it sustainable through participatory irrigation management practices.

Project Development Objective and Brief Component Description:

The project development objective is to improve the efficiency and effectiveness of irrigation water distribution, particularly with respect to reliability, equity and user satisfaction in three Area Water Boards namely: Ghotki Canal, Left Bank Canals and Nara Canal. The project covers about 1.8 million hectares, or more than 30 percent of the irrigated area in Sindh, one of the poorest regions of the country.

- Component 1. Community Development and Capacity Building: finances capacity building for the Sindh Irrigation and Drainage Authority (SIDA), Area Water Boards, and Farmer Organizations, enabling them to perform their responsibilities according to the Sind Water Management Ordinance of 2002.
- Component 2. Rehabilitation and Improvement of Irrigation and Drainage System: finances rehabilitation of main and branch canals, distributaries/minors (secondary level canals) and drainage system. Improved and modern water measurement and accounting system installed throughout the canal systems in Ghotki, Nara, and Left Bank canals.
- Component 3. Management Plans for Major Irrigation & Drainage infrastructure: finances a feasibility study for rehabilitation of the Gudu Barrage, and assistance to prepare studies for rehabilitation of Sukkur and Kotri barrages; preparing a regional master plan to deal with floods and drainage issues on the left bank of the Indus river; and designing a measure to improve the Indus delta and the coastal zone.
- Component 4. Monitoring and Evaluation of the Project Impact and Environmental Management Plan: finances monitoring, evaluation and supervision of the environment management plan and social action plan.
- Component 5. Project Coordination, Monitoring, Technical Assistance and Training: finances project coordination, monitoring of implementation activities, management and supervision of procurement by an independent project management consultant/procurement agent, and technical assistance and training.

Results Achieved:

- As a result of improved availability, reliability and equity of irrigation water deliveries agricultural productivity has increased on a total of 1.17 million hectares, benefiting over 380,000 farm-families
- Works on the largest ICB civil works contract are completed. All major hydraulic structures have been commissioned. The overall quality of structures and mechanical works seen during the recent supervision mission are commendable, the earthworks on embankments are satisfactory, and the quality of construction is high.
- Progress on the second ICB civil work contract is 81 percent.
- Farmer organization training in operational areas.
- Many farmer organizations have held elections, exposure visits and participated in farmer festivals.
- Women's participation in farmers organizations enhanced;

Key Partners:

Government of Sindh. The Sindh Irrigation and Drainage Authority (SIDA). Irrigation Department.

PAKISTAN: Punjab Barrages Improvement Project Phase II

Key Dates:
Approved: July 1, 2010
Effective: January 21, 2011
Closing: June 30, 2016
Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	155.0		
Borrower	9.4		
Total Bank Financing			
IBRD	145.6	89.6	61.6

* As of Sept 9, 2014

Project Background:

The project is designed to support the rehabilitation and modernization of the Jinnah Barrage on the Indus river system, while reinforcing ongoing reform to the water, irrigation and drainage sector through support and the monitoring of progress. Jinnah Barrage is one of the most important structures in Pakistan's irrigation system, handling all the Indus River's water. It provides water to the Thal Canal, which covers an area of 2.1 million acres in a zone of arid desert, where crop production is only feasible with irrigation. About five million people in five districts live in the area and their livelihoods, directly or indirectly, depend on irrigation from canal. Underground water is saline in some places, and the local population depends exclusively on the canal for drinking water.

Project Development Objective and Brief Component Description:

The overarching project objectives are to assist the borrower in: (i) rehabilitating and modernizing Jinnah Barrage and carrying out affiliated works to enable reliable and uninterrupted supply of water for over 2.1 million acres of farmland, benefitting about 600,000 farm families for irrigation and domestic water users; and (ii) build capacity to improve water resources and irrigation system management.

- Component 1: Rehabilitation and Modernization of Jinnah Barrage. Financing of rehabilitation and modernization of Jinnah Barrage, implementation of social and environmental management plans, and construction supervision and support for the project's preparation and implementation.
- Component 2: Improvement and Modernization of the Irrigation and Water Management System. Financing of improvements in irrigation and water management systems, including development of management information system; monitoring and decision support system; modernization of water management equipment and facilities; and preparation of future irrigation and water distribution improvement projects.
- Component 3: Monitoring and Evaluation (M&E) of the Project Impact and Social and Environmental Management Plans. Financing of M&E activities to provide continuous feedback to the government Project Steering Committee (PSC), the World Bank and implementing agencies on the project's performance and impact.

Results Achieved:

- The project implementation progress is on track and the project has completed some targets ahead of schedule. The experience and lessons learnt from the Taunsa Barrage Rehabilitation and Modernization project, which ended in 2009, has informed the design of this operation. In particular, the Social Action Development Program and the environmental and social safeguards implementation and monitoring arrangements are incorporated as an integral part of the project implementation.
- Following are the key highlights of the implementation progress achieved to date:
- 1. The construction of the subsidiary weir is nearly complete. With the ongoing level of works, it is expected that the construction work, planned for 2nd year working season, would be completed ahead of schedule and Coffer dams will be removed well before the coming flood season.
- 2. Works on the main barrage structure is progressing as per schedule. Replacement of the Barrage gates with new gates is also progressing as planned. As of May 27, the overall physical progress was 75 percent. All remaining works are on track for completion as per schedule.
- 3. Rehabilitation of the Kalabagh Railway Bridge is now completed. The bridge is now open for public use. Proper sign boards, markings and traffic control barriers are being added to facilitate public use of the bridge.
- 4. A total of 54 water supply schemes have been identified for rehabilitation to ensure uninterrupted water supply in the command area of Mohajir Branch Canal during the closure period for construction on the main barrage. However, the contractors' activities have not resulted in canal closure to date. Nevertheless the identified water supply schemes are being rehabilitated for longer term benefits to the local communities. Of the 54 schemes, 42 are being rehabilitated by PMO and remaining 12 by the PHED department. To date 21 schemes have been completed and 10 of these have been handed over to the respective CBOs for operation and maintenance. Another 7 schemes are substantially completed and these are under the process of handing over to the concerned CBOs.
- 5. The Punjab Rural Support Program (PRSP) has carried out wheat and canola seed distribution in five districts Mianwali, Khushab, Bhakkar, Layyah and Muzafargarh. To date the seed packages have been distributed in 1,110 villages, benefiting 68,511 farmers.

Key Partners:

Department of Irrigation, Government of Punjab

PAKISTAN: Khyber-Pakhtunkhwa Emergency Roads Recovery Project

Key Dates:
Approved: July 16, 2011
Effective: October 17, 2011
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost			
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	26.1	17.1	66
* As of Sept 9, 2014			

Project Background:

The project carries out emergency rebuilding of priority roads damaged during the conflict in the Province of Khyber-Pakhtunkhwa (KP). It focuses on early recovery priorities agreed between the government of Khyber-Pakhtunkhwa and the World Bank, as administrator of the Multi-Donor Trust Fund (MDTF).
Given the deep crisis, exacerbated by devastating 2010 floods, the project's first priority was the restoration and improvement of pedestrian and vehicle access to some of the province's poorest areas in the Swat Valley. The project aims to rehabilitate priority damaged roads and bridges to make them fully operational, guaranteeing access 24 hours a day, seven days a week, to improve access and mobility. The project would benefit about 300,000 people. The expected outcome is improved traffic flow, resulting in reduced vehicle operating costs and travel time for road users. (The project supports Pillar1: Restoration of Damaged Infrastructure and Disrupted Services of the MDTF Financing Strategy).

Project Development Objective and Brief Component Description:

The project development objective is to enable the population along the project corridor to benefit from year-round improved access and mobility through reconstruction of priority damaged roads and bridges in the conflict hit areas.

- Component 1 – Infrastructure rebuilding involving reconstruction and/or improvement of strategic roads and bridges; and
- Component 2 – Project management providing support for contract administration, construction supervision and safeguards-related consultant services and incremental operating costs.

Results Achieved:

- 30.0 km (71 percent of total road length) of the provincial highway S-3B reconstructed.
- Due to the reconstruction of 30 km of road, several social and commercial activities have been established, including: three schools; three medical and health care centers; eight grocery stores; two auto workshops; one restaurant; and three farms.
- Improved traffic flow resulting in reduced vehicle operating costs and travel time for road users.

Key Partners:

Pakhtunkhwa Highways Authority (PkHA).

PAKISTAN: Federally Administered Tribal Areas Emergency Rural Roads Project

Key Dates:
Approved: August 26, 2012
Effective: December 10, 2012
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost			
Borrower			
Total Bank Financing			
MDTF	16	8.964	56

* As of Sept 9, 2014

Project Background:

The Federally Administered Tribal Areas (FATA) is the most underdeveloped region in Pakistan with over 60 percent of its population living below national poverty line. Most people depend on subsistence agriculture and livestock, and the visible lack of progress means that even small shocks translate into large increases in destitution that deepen poverty.

Transport in the crisis area of FATA depends solely on roads. The total network is about 6,578 km, of which about 66 percent is paved and primarily comprises single lane roads. Accessibility provided by the network is limited – road density is low (0.24 km/square km) and FATA does not compare favorably with rest of Pakistan (0.32 km/square km). The project aims to improve connectivity in the Bajaur and Orakzai Agencies of FATA by building all weather-paved rural roads on existing non-motor accessible earthen tracks.
The project focuses on early recovery priorities agreed between the FATA authorities and the World Bank as the administrator of the Multi-Donor Trust Fund (MDTF). (The project supports Pillar1: Restoration of Damaged Infrastructure and Disrupted Services of the MDTF Financing Strategy).

Project Development Objective and Brief Component Description:

The project development objective is to increase year-round access for the rural population in conflict hit areas.

- Component 1. Infrastructure building: construction of rural roads and related structures.
- Component 2. Project management: supporting engineering design; contract administration and construction supervision; as well as safeguards related to consultant services and other project management activities, through the financing of incremental operating costs.

Results Achieved:

The project aims to improve connectivity through construction of about 50 km of all-weather paved rural roads. The expected outcome is an increase in the share of population with all season access and increase in number of motorized trips taken by beneficiaries living along the rural roads. The anticipated results will support governmental efforts to help maintain economic activity and improve social and political stability in FATA.

Key Partners:

Works & Services Department (W&SD), Government of FATA.

PAKISTAN: Karachi Port Improvement Project

Key Dates:
Approved: September 9, 2010
Effective: July 15, 2011
Closing: December 31, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	115.8		
Borrower			
Total Bank Financing			
IBRD	115.8	81.8	71

* As of Sept 9, 2014

Project Background:

Karachi Port's Eastern Wharf is extremely restricted in its operational capacity. Vessels carrying heavier bulk like cement and rice have to be lightened at deep-water berths outside the port (berths one to five) in order to reduce draught and proceed to resume operations at berths located inside the port with lesser draft (berths 22 and 23 with draughts of 7.3 meters). Given that the waterfront berths 15 to 17A are out of service, there is increasing congestion and delays to vessel operations. The rehabilitation of berths 15 to 17A will make it possible to dredge to a depth of 16 meters, create a larger apron area with new bollards and a wide paved area, as well as a uniform quay wall. The new facility will also provide an ample backyard area, permitting flexible management of the new port infrastructure.

Project Development Objective and Brief Component Description:

The project development objective is to replace the lost port capacity and reduce shipping costs to the Pakistan economy through the reconstruction of the failed berths at Karachi port, and increase the effectiveness and efficiency of port operations, while enhancing environmental sustainability. The project has two components:

- Component 1. Financing reconstruction of berths 15 to 17A on the East Wharf at Karachi Port.
- Component 2. Institutional strengthening, addressing three main areas:
  - ✓ Sub-component 1: preparing a five-year business plan and vision document that covers capital investments, operations, human resource development, land management, information technology and port user representation.
  - ✓ Sub-component 2: strengthening port environmental management to eventually comply with ISO international standards.
  - ✓ **Sub-component 3: improving financial management and planning to meet IFRS accounting standards and effectively utilize port revenues.**

Results Achieved:

- Reduction in the ship-waiting-to-service time ratio for the project berths. This will be measured after the project births become operational. The civil work for reconstruction is progressing well, with the contractor achieving nearly 72 percent progress by the end of August 2014. Three berths expected to be handed over for operations by end October 2014.
- Improvement in occupancy and rate of cargo handling at the project berths. To be measured after they become operational.
- Increase in through-put of the project berths. This will be measured after they become operational.
- Consultant firm has been hired to prepare the Karachi Port Trust's (KPT) Strategic/Business Development Plan and commenced work in April 2014.
- Development and implementation of an environmental management system. Consultant firm has done a gap analysis. Documentation is completed, master trainers have been identified and the training of trainers is underway.
- KPT's financial audits fully compliant with International Financial Reporting Standards (IFRS). KPT has fulfilled the requirement to move towards IFRS-compliant accounts well before the target date. KPT's fiscal 2010 and fiscal 2011 financial statements were IFRS compliant. The subsequent statements are also being prepared to comply with IFRS.

Key Partners:

The Karachi Port Trust (KPT) and the Ministry of Ports and Shipping (MOPS).

PAKISTAN: Punjab Land Records Management and Information Systems Project

Key Dates:
Approved: January 25, 2007
Effective: March 28, 2007
Closing: December 31, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	126.9		
Borrower	11.2		
Total Bank Financing			
IDA	115.65	69.73	60

* As of Sept 16, 2014

Project Background:

The government of Punjab views the project as a flagship in its efforts to improve the quality of government services provided to the population. The traditional land records system had changed little for hundreds of years. Under that system, land records were in the possession of the patwari (village accountant) with little to no transparency or quality control. The land records were maintained in sacks and moved from place to place as the patwari carried out his functions. The result was long delays to obtain copies of land records by land owners, and lengthy periods to carry out land transactions. Further, the traditional land records system was a major source of bribes and corruption, and rated very poorly in customer satisfaction surveys. The weaknesses of the traditional system increasingly hampered the development of modern markets for land and real estate. The first half of the project focused on: (i) development, testing and proving the land records software; (ii) introduction of relevant legal and regulatory reforms; and (iii) introduction of institutional changes including creation of a Land Records Cadre.

Project Development Objective and Brief Component Description:

The project development objective is to improve the land records service delivery of the Province of Punjab, contributing to long-lasting tenure security and more efficient operation of land markets. The project upgrades the land records management system for the province by revising current business processes and associated laws and regulations, establishing Service Centers where land records are maintained and available to the public in digital form, and establishes linkages between the land records system and the system for registration of deeds. The project has four components:

- Component 1. Business Process Improvement and Capacity Enhancement.
- Component 2. Development and Deployment of the New Land Records management information system focusing on development, testing and implementation of the land records software, data entry and verification of existing paper-based land records, and construction and equipping of new Land Records Service Centers (LRSCs);
- Component 3. Service Delivery and Information Campaigns focusing on operation of the new LRSCs and stakeholder outreach.
- Component 4. Project Management

For more information on the project, please see http://www.punjab-zameen.gov.pk/.

Results Achieved:

- Records of rights (fards) provided to customers within a 30 minute target.
- Time required for land transactions reduced from two to three months to generally less than one week for cases other than inheritance or splitting of a land parcel.
- High level of customer satisfaction with the new system, in excess of the 95 percent target.
- A greater sense of tenure security coming from use of the new automated system.

The automated land records system has been developed, tested, and proven in practice. As of August 31, 2014, data entry was completed in 96 percent of all mauzas, data verification completed in 73 percent, and over 60 percent of all mauzas were online in the new automated land records system. The Project is on track to complete system implementation within the remaining implementation time frame.

Key Partners:

Board of Revenue, Government of Punjab

PAKISTAN: FATA Urban Centers Project

Key Dates:
Approved: April 03, 2012
Effective: April 12, 2012
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	8.0		
Borrower	0.0		
Total Bank Financing			
MDTF	8.0	3.17	39.6

* As of Sept 9, 2014

Project Background:

The Federally Administered Tribal Areas (FATA) lag behind other regions of Pakistan across a wide range of social and economic indicators, and have the lowest level of urbanization. Moreover, post-9/11 events have severely impacted FATA and led to acute destabilization of the region. Based on the recognition that existing rural-tribal society in FATA and its scattered settlement pattern is not conducive to the provision of facilities and civic amenities in an efficient and cost-effective manner, the government has launched its flagship Tribal Areas' Rural-to-Urban Centres Conversion Initiative (TARUCCI) program. It envisions setting the stage for an overall socio-economic transformation by providing a range of basic services to improve the quality of life in the fourteen urban centers across FATA. The project aims to develop the implementation framework for TARUCCI, and pilot the approach in Khar town, Bajaur Agency. Additional financing in an amount of USD 1 million has been approved – bringing the total allocation to USD 8 million – to scale up priority infrastructure investments in Khar, and develop Structure Plans for additional towns in FATA.

Project Development Objective and Brief Component Description:

The project development objective is to improve urban services and management in Khar, Bajaur Agency, and develop a framework for urban management in FATA. The project is envisaged as an urban community driven development (CDD) operation, where investment needs are being identified and prioritized by the citizens of Khar town.

- Component 1. Priority Infrastructure Investment Projects: supports priority infrastructure investments in Khar town in Bajaur Agency. Sub-projects to be supported under this component will include rehabilitation, reconstruction, expansion, and upgrading of urban municipal infrastructure and services, including water supply, sanitation, solid waste management, streetlights, drains, roads, firefighting, and a general bus terminal.
- Component 2. Technical Assistance and Implementation Support: to a) design and develop an overall urban management framework to be implemented under the TARUCCI program in all 14 towns in FATA; and b) detail the implementation plan for the pilot center (Khar, Bajaur Agency) being supported under this project. It will also support strengthening of the already established TARUCCI Project Management Unit (TPMU), and building key competencies within it for the effective oversight of project activities, and the FATA Secretariat's Directorate of Local Government & Rural Development (LG&RD) for efficient implementation of investments. Reinforce the delivery of the fiscal management capacity building part of the project through those offices.

Results Expected and Achieved:

The Structure Plan for Khar developed, including: (i) priority service delivery needs based on feedback received from the local community through focus group discussions and a household survey; (ii) vital baseline information on service delivery coverage and quality; (iii) Geographic Information System maps with spatial representation of population distribution, growth trends, and existing services; (iv) urban structure plan analyzing likely growth and development scenarios; and (v) scope and targets for service delivery improvements to be achieved through infrastructure sub-projects carried out under the Project;

- 450 solar street lights are operational and providing intended benefits to residents of Khar;
- Subprojects for rehabilitation of roads, water supply, and street pavements and drains are underway and will make key contributions towards the intended outcomes;
- Development of Structure Plans for additional towns in FATA are to commence shortly, which will further contribute to the development of an urban management framework for FATA; Renovation of office space for MC Khar is underway; Development of engineering designs is underway for additional investments with the AF including development of a public park, construction of public restrooms, rehabilitation of additional roads, installation of additional solar powered street lights, and construction of additional street pavements and drains.

Key Partners:

FATA Secretariat

PAKISTAN: Promoting Girls Education in Balochistan

Key Dates:
Approved: August 21, 2012
Effective: September 12, 2012
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	14.46		
Borrower	4.46		
Total Bank Financing			
Trust Fund (MDTF)	10	5.33	53.3

* As of Sept 9, 2014

Project Background:

Balochistan is geographically the largest province of Pakistan, comprising roughly 48 percent of its land but with the lowest share of population, at around five percent. The province has been severely affected for many years by security and political conflict, harming economic growth. The situation is exacerbated by poor communication and road infrastructure, as well as weak governance structures. Floods in 2010 and 2011 have added to the economic difficulties of the province. Balochistan has always ranked the lowest in the country in education, with access to schools limited to only 60 percent of its settlements. Existing schools lack basic facilities and learning materials. Education indictors for girls are the lowest in the country, with girls' Net Enrollment Rate (NER) only 40 percent, and in some parts of the province as low as seven percent.

In response to a request by the government of Pakistan, a Multi-Donor Trust Fund (MDTF) was established to finance critical investments in support of reconstruction and peace building in crisis-affected areas of Pakistan, which included Balochistan province. A Balochistan Development Needs Assessment (BDNA) was conducted by the Bank in 2012 and the government requested funds to support access to girls' education under the MDTF.

Project Development Objective and Brief Component Description:

The project development objective is to improve access to education and retention of children in schools, with a special emphasis on girls, in the province of Balochistan. The main components of the project are:

- Component 1 – Construction of building facilities for 130 shelterless girls' schools: the aim is to improve provision of school infrastructure and help the government to: a) confirm functionality of schools through third party assessment; b) establish criteria to prioritize schools on a needs basis; and 3) involve communities in school management.
- Component 2 – Provision of missing facilities for 200 girls' schools: provide missing facilities including toilets; boundary walls; additional rooms; blackboards; furniture and drinking water in girls' primary and middle schools identified for rehabilitation.
- Component 3 – Establishment of 150 new government primary schools with community participation: this component supports government policy to establish new gender free schools on a demand basis, with active community participation in the management of schools to ensure local support and protection for the facility, children and teachers.
- Component 4 – Technical Assistance (TA) to the Education Department for implementation and monitoring at the district level: support the establishment of systems and procedures for effective planning and implementation of construction and rehabilitation activities; introduce new or innovative approaches for community-government partnerships; establish robust monitoring systems, including by third parties; technical assistance; and the development of a communications strategy.

Results Achieved:

- Construction has started on 49 out of 130 shelterless schools, with 26 completed.
- 107 out of 200 schools are undergoing rehabilitation.
- School sites have been selected for approximately 65 out of 150 new schools to be started with community partnership. Teacher recruitment completed.
- Approximately 44,000 children enrolled in the improved facilities.

Key Partners:

PGEB, and the Secondary Education Department (SED), government of Balochistan.

PAKISTAN: Second Sindh Education Project

Key Dates:
Approved: March 14, 2013
Effective: Not effective
Closing: June 30, 2017

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	2600		
Borrower	2200		
Total Bank Financing			
IDA	400	77.5	19.9

* As of Sept 9, 2014

Project Background:

Pakistan's performance in school participation has been poor in absolute terms, relative to other countries in the region, and relative to developing countries at its level of per capita income. Based on existing trends, Pakistan is unlikely to meet the Millennium Development Goals of universal primary education by 2015. Sindh is one of the four provinces of Pakistan where the education indicators remain low. In 2010/11, net enrollment rates (NERs) at the primary (ages 6–10, grades 1–5), middle (ages 11–13, grades 6–8), and high school (ages 14–15, grades 9–10) levels in the province were 62 percent, 36 percent, and 23 percent, respectively. Evidence suggests that children from poor households and girls in rural areas experience the largest participation shortfalls. There are also significant differences in school participation rates across the province's 23 districts. In FY2007/08, the Sindh government initiated a multifaceted, medium-term sector reform program for primary and secondary education called the Sindh Education Sector Reform Program (SERP). The Bank provided financial support to SERP through the Sindh Education Sector Development Policy Credit (SEDPC) in FY2007/08 and the Sindh Education Sector Project (SESP) between FY2008/09–FY2011/12.
SERP II is an evolutionary next step by the government, shaped by the lessons learnt in the delivery of the previous programs. One of the key lessons was that to raise government school performance, additional and potentially more powerful actions to strengthen administration systems, governance and accountability, are required. Under SERP II, the government plans to maximize school reform efforts by simultaneously improving governance and management of service delivery.

Project Development Objective and Brief Component Description:

The project development objective is to raise school participation by improving sector governance and accountability, strengthening administrative systems and measuring student achievement. It is a results-based financing project with 10 disbursement linked indicators (DLIs) priced equally. A specific investment credit supports SERP II over the four-year period FY2011/12–FY2015/16. The project will reflect the general design features of SESP and has two components:

- Component 1. Results-based financing of the Sindh government's SERP II: under the results-based component, which is expected to constitute at least 95 percent of the total credit, the project will disburse against Disbursement Linked Indicators, agreed with the government and with yearly targets.
- Component 2. Technical Assistance: it is expected to finance selected, well-defined implementation support and capacity-building activities, as well as efforts to strengthen fiduciary, safeguard, monitoring and evaluation systems. It will also finance independent inspections, audits and evaluations of selected reforms and activities under SERP II.

Results Achieved:

The Pakistan Social and Living Measurement Survey (PSLM) 2012 results indicate a positive trend in improvement of enrollment targets for girls and boys in the Sindh province. The assessment of program activities in May/June 2014 indicated that seven out of the 10 disbursement-linked indicators (DLIs) have been fully met; three have been partially met. However, the government has been able to complete the activities in the lagging DLIs and has submitted evidence of completion for the activities.

Key Partners:

Education and Literacy Department, Government of Sindh.

PAKISTAN: Sindh Skills Development Project

Key Dates:
Approved: May 31, 2011
Effective: January 27, 2012
Closing: December 31, 2014

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	26.00		
Borrower	5.00		
Total Bank Financing			
IDA	21.00	7.02	34.9

* As of Sept 9, 2014

Project Background:

This project recognizes the government of Sindh's strong interest in strengthening technical and vocational education and training (TVET); that the labor force's lack of skills poses significant constraints; and that the TVET sector faces substantial challenges. Project design takes into account the need for both structural reforms to strengthen the quality and relevance of TVET (components 2 and 3), and short-term improvements in the provision of training (component 1).

Project Development Objective and Brief Component Description:

The project development objective is to support the government of Sindh in strengthening its training programs to improve the skills and employability of trainees. The project includes three components:

- Component 1. Supporting the provision and relevance of short-term vocational training to 45,000 targeted trainees: through private and public training providers selected through a competitive process.
- Component 2. Results-based support for competitively selected programs and training providers: to develop market-driven training with a focus on curriculum development and equipment provision. (19 percent of funding)
- Component 3. Technical assistance to strengthen capacity of the Sindh Technical Education and Vocational Training Authority (STEVTA) to implement component two activities.

Results Achieved:

- Over 30,000 youth are currently enrolled in short term vocational training programs financed by the project. The next round of training is expected to be launched in May 2014.
- 70 training programs competitively selected. Institute Management Committees (IMCS) with private sector representation have been established in each of the selected training institutes. One of the four Disbursement Linked Indicators has been achieved, and disbursements have been made accordingly.
- A technical assistance firm is in the process of developing demand-responsive curricula and equipment lists for the training programs selected under component two of the project.

Key Partners:

Planning and Development Department, government of Sindh, Benazir Bhutto Shaheed Youth Development Program (BBSYDP), and Sindh Technical Education and Vocational Training Authority (STEVTA).

PAKISTAN: Second Punjab Education Sector Project

Key Dates:
Approved: April 26, 2012
Effective: June 6, 2012
Closing: December 31, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	4287.7		
Borrower	3837		
Total Bank Financing			
IDA	350	188.3	55.8

* As of Sept 9, 2014

Project Background:

Pakistan's performance in education has generally been poor relative to other countries in South Asia, and relative to other developing countries at its level of per capita income. Shortfalls persist in school participation, attainment, and student achievement in Punjab province. In 2010/11, net enrollment rates (NERs) at the primary, middle, and high school levels were 70 percent, 37 percent, and 25 percent, respectively. The main concern is for children who never go to school: in 2010/11, 27 percent of 6-10 year olds, and 19 percent of 11-15 year olds, had never been to school. The story for educational attainment is mixed. Students tend to complete primary education (up to grade 5), but are less successful in transitioning to and completing secondary education (grades 6-10): from 2010–11, 92 percent of 15–19 year old school-goers completed primary school, whereas only 50 percent of 20–24 year old school-goers completed secondary school.
The Punjab Education Sector Reform Program (PESRP) has been underway since 2003. Building on the institutional, administrative, and program foundations of PESRP, the provincial government developed its next medium-term reform program, the Second Punjab Education Sector Reform Program (PESRP II) to accelerate the pace of progress towards its education sector goals.

Project Development Objective and Brief Component Description:

The project development objective of PESRP II is to support the education sector reform program of the government of Punjab to increase child school participation at multiple levels, as well as student achievement. The project includes:

- Component 1. Results-Based: promoting student outcomes, as well as teacher quality and performance, through initiatives that include (i) introducing test-based teacher recruitment; (ii) strengthening the system of field-based advisory support to teachers in the classroom in poor schools with low achievement; (iii) fixing and reallocating teaching posts and teachers at the school level; and (iv) offering supplemental cash transfers tied to attendance in rural districts where there has been poor secondary school attendance for girls.
- Component 2. Technical Assistance (TA): finances essential advisory, technical, and capacity-building support.

Results Achieved:

- Some $34 million has been provided to schools in eight districts to meet non-salary related spending (e.g., teaching and learning materials and school maintenance) in the first phase of implementation.
- 200,000 tuition-replacement vouchers given to poor children in urban slum areas to access private schools.
- District and school performance report cards distributed to all schools in the province for better accountability.
- A test-based teacher recruitment system has been established. (About 130,000 candidates have been tested to qualify for a teaching post in the province; in the first round more than 16,000 teachers have been recruited based on merit.)
- Helped to establish a student assessment system to test about five million students in grades 5 and 8 annually.
- More than 393,000 girls are receiving cash stipends for attending middle and high schools in the worst performing districts of the province.

Key Partners:

School Education Department, government of Punjab, UK's DFID.

PAKISTAN: Tertiary Education Support Project

Key Dates:
Approved: March 24, 2011
Effective: November 30, 2011
Closing: December 31, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	1939.35		
Borrower	1715		
Total Bank Financing			
IDA	224.35	145.18	64.7

* As of Sept 9, 2014

Project Background:

The tertiary education sector in Pakistan has suffered from many years of neglect, resulting in poor performance and results compared to countries with similar development and income levels. This is one of the factors affecting Pakistan's competitiveness, economic growth, and poverty reduction objectives. To address challenges in higher education, the government has developed a higher education development program (outlined in the second Medium Term Development Framework for Higher Education for 2011-2015 (MDTF-HE II)). This reflects accomplishments from the first MTDF and adjustments to its priorities, providing a vision for the sector's medium-term development. The project is a response to the government's request for continued financial support by the Bank to implement its tertiary education reform program, building on the experience of the Bank-financed Higher Education Support Project (HESP). It supports the implementation of the first phase of the government's higher education development program outlined in the MTDF-HE II and uses results-based financing.

The project was restructured in January 2014. The objective of the restructuring was to improve implementation performance, which had suffered from the start of the project due to uncertainty regarding the proposed devolution of the Higher Education Commission following the 18th amendment and changes in the HEC senior management. The restructuring included the cancellation of $77.82 million and the revision of selected disbursement linked indicator (DLI) targets to allow the HEC to accelerate implementation and focus on the remaining, unmet DLIs.

Project Development Objective and Brief Component Description:

The project objective is to improve teaching, learning and research conditions to enhance access to, quality and the relevance of tertiary education. It supports government reform in tertiary education under two components:

- Component 1 - Program Financing. This consists of four sub-components, aligned with the government's overall program: (i) improved fiscal sustainability and expenditure effectiveness; (ii) enhanced quality and relevance of teaching and research; (iii) improved equitable access; and (iv) stronger governance and management. Payments are made against 10 key agreed results, according to disbursement linked indicators (DLIs). Each of the above four sub-components is supported by at least one DLI.
- Component 2 - Capacity Building, Policy Design, and Monitoring and Evaluation (M&E): aims to strengthen capacities for program implementation and M&E systems. It finances essential technical assistance (TA) and capacity building activities, carefully selected and sequenced with Component 1.

Results Achieved:

- 1,500 additional faculty members recruited on the Tenure Track System.
- Over 177,000 additional students in public and private Higher Education Institutions (HEIs).
- 54 Quality Enhancement Cells (QECs) performing satisfactorily in HEIs. QECs are a focal point to improve academic, teaching and learning standards.
- 18 additional Offices of Research, Innovation, and Commercialization (ORICs) performing satisfactorily in HEIs. The main objective of the ORICs is to promote public-private partnerships in research, including commercializing the products of university research.

Key Partners:

Higher Education Commission (HEC).

PAKISTAN: Punjab Health Sector Reform Project

Key Dates:
Approved: May 31, 2013
Effective: January 17, 2014
Closing: December 31, 2017

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	1115.0		
Borrower	830.0		
DFID	165.0		
Total Bank Financing			
IDA	100.0	0.0	0.0
Other (HRITF)	20.0	0.0	0.0

* As of Sept 9, 2014

Project Background:

Punjab, with 60 percent of the total population, holds the key to Pakistan's progress towards attaining the Millennium Development Goals. Punjab's overall health outcomes are comparable to the national average or slightly better than other provinces, but the pace of change remains slow and uneven with significant disparities among regions, rural and urban areas, and by economic status. The quality of care in government facilities is sub-optimal, resulting in low use of health services provided by the public sector. The government of Punjab has prepared the Punjab Health Sector Strategy (HSS) 2012-2020, based on the health system framework, outlining a clear strategic direction focused on results. The project envisages supporting implementation of the reforms and strengthening the health system to undertake stewardship functions devolved under the 18th Amendment to the Constitution.

Project Development Objective and Brief Component Description:

The project development objective is to support implementation of the Punjab Health Sector Strategy by focusing on improving coverage and use of quality essential health services, particularly in low performing districts of Punjab. The project focuses on building the capacity and systems to strengthen accountability and stewardship in the Department of Health (DoH), and uses a results-based approach (Disbursement Linked Indicators). The project is also supported by $20 million from the Health Results Innovation Trust Fund (HRITF) and $1.5 million for impact evaluation of the pilots. The project has four components:

- Component 1. Improving Health Service Delivery: the objective is to enhance coverage, quality and access to an essential package of health care services including outreach and community level interventions for primary health care (PHC). The Bank's technical engagement and monitoring will focus on the following thematic areas: integrated management of maternal, neonatal and child health and lady health worker programs, nutrition services, and HIV/AIDS preventive services.
- Component 2. Enhancing Efficiency and Effectiveness of the Health System: the objective is to enhance efficiency and effectiveness of the health system by strengthening ongoing initiatives with a focus on management and accountability and improving quality of care through regulations and standardization of services (PHC contracting out, results-based district management contract, governance and accountability mechanisms).
- Component 3. Strengthening Provincial Department of Health management capacity: the objective is to strengthen and reorganize the current DoH management system to improve stewardship, fiduciary, and monitoring functions.
- Component 4. Improving the Capacities in Technical Areas for Equitable Health Services: this component supports innovative pilots to guide policy development in results-based financing and alternate financing approaches, besides strengthening existing analytical capacities in technical areas (results-based financing pilots in two districts, piloting of alternative financing models, impact evaluation for results based financing pilots).

Results Expected:

The success of the project in meeting its objectives will be measured by the following outcome indicators disaggregated by income quintile and district, where appropriate, and in line with the project's strong pro-poor focus, particularly in low performing districts of Punjab: (1) fully immunized children 12-23 months of age; (2) births attended by skilled health personnel; (3) modern contraceptive prevalence rate; (4) children 0-24 months of age receiving basic package of nutrition services; (5) issuance of a certificate of registration for public and private health facilities; and (6) community satisfaction.

Key Partners:

Department of Health, government of Pakistan, Punjab Rural Support Program (PRSP), DFID

PAKISTAN: Revitalizing Health Services in Khyber Pakhtunkhwa Project

Key Dates:
Approved: April 12, 2012
Effective: April 12, 2012
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	61.0		
Borrower	45.0		
Total Bank Financing			
MDTF	10.2	3.0	29.4

* As of Sept 9, 2014

Project Background:

Health indicators for Khyber Pakhtunkhwa (KP) have been improving but remain poor in comparison to countries in the region. Health facilities in KP lack equipment, medicines and other essential supplies. The frequent and continuous emergencies and crises faced by the province have had a severe impact on health care provision. Militants have attacked facilities, carried out vandalism (theft of expensive equipment), and there is coercion, killing and kidnappings of health personnel. Provision of health services is also hampered by lack of qualified personnel, vacant posts and high levels of absenteeism. People in the province are not satisfied with the quality of health services delivered in the public sector institutions.

The project was implemented in six crisis-affected (security compromised and floods) districts of KP for a period of three years. It is expected that by the end of the project there will be: a) increased use and coverage of primary and secondary health care services in the districts; b) an adequately equipped and functional health infrastructure; c) improved supervision and timely use of allocated resources through key management decisions based on evidence; and d) increased community satisfaction with publicly provided health services.

Project Development Objective and Brief Component Description:

The project development objective is to improve the availability, accessibility, and delivery of primary and secondary health care services at the district level. The project consists of three components:

- Component 1. Revitalizing health care services: the primary health care centers will be reorganized into hubs, and support will be provided to enable delivery of a comprehensive package of health care services. Management of all facilities in the hubs will be outsourced through a competitive process to a private firm/non-governmental organization, which will be responsible for a comprehensive package of care to the communities. The secondary (District Head Quarters - DHQ) hospitals in the project districts will also be improved.
- Component 2. Rehabilitation of Health Infrastructure in the Districts: some health facilities damaged during the crisis will be rehabilitated to enable service delivery. No new facilities will be constructed, and only existing infrastructure will be rehabilitated.
- Component 3. Establish and operationalize a robust monitoring and evaluation system at district and provincial levels: This component will support operationalizing the monitoring and evaluation systems to guide project implementation at the district level, and dissemination of the results through province-wide analysis. It will also support operationalization of the District Health Information System (DHIS), and periodic evaluations.

Results Expected:

The project implementation has not yielded measurable results to date as there have been considerable delays in implementation. The project still has serious internal issues compounded by factors outside of the control of Department of Health. However, the key performance indicators include: access to a defined basic package of health, nutrition, and reproductive health services, births attended by skilled health personnel, modern contraceptive prevalence rate, children with severe acute malnutrition provided adequate nutrition services, community satisfaction.

Key Partners:

Department of Health, Government of Khyber Pakhtunkhwa, DFAT (Department of Foreign Affairs and Trade-Australia)

PAKISTAN: Enhanced Nutrition for Mothers and Children Project

Key Dates:
Approved: August 29, 2014
Effective:
Closing:
Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	55.01		
Borrower	7.06		
Total Bank Financing			
IDA	36.24	0.00	0.00
Other (PPIN TF)	11.71	0.00	0.00

* As of Sept 9, 2014

Project Background:

Pakistan's maternal and child health indicators have improved, but significant challenges remain. It has made minimal progress in improving nutritional outcomes of children and mothers over the last four decades and has high rates of child malnutrition, with 44 percent of children being stunted and 22 percent severely stunted. One in five children is born with low birth weight (less than 2.5kg). In addition, micronutrient deficiencies are widespread, with high rates of iron-deficiency anemia, zinc, iodine folic acid and vitamin A deficiencies having a particularly damaging impact on the survival, growth, development and productivity of pre-school children and pregnant women. All provinces of Pakistan are affected by malnutrition, but the nutritional status of children under five years is worse than the national average in Sindh and Balochistan. Half of the children under five in two provinces are stunted and these rates have worsened since 2001. Reasons hindering in making progress in addressing malnutrition are mainly due to lack of: investment in nutrition activities from government and development partners; sustained political commitment and strong leadership; and a clear, focused, and practical strategy.

Project Development Objective and Brief Component Description:

The project development objective is to increase the coverage of interventions that are known to improve the nutritional status of children under two years of age, and of pregnant and lactating women. IDA credit of $36.24 million will finance Sindh, co-financed by a grant provided through the programmatic trust fund for the Pakistan Partnership for Improved Nutrition (PPIN), administered by the Bank, for Balochistan in an amount of $11.71 million. PPIN also has a commitment of 39 million Australian dollars from the Department of Foreign Affairs and Trade (DFAT) of the Australian Government. The PPIN Trust Fund also will finance nutrition interventions in the province of Khyber Pakhtunkhwa.

The project has four components:

- Component 1. Addressing general malnutrition in women and children - This component will support key nutrition interventions that address general malnutrition, mainly in pregnant and lactating women and children less than two years of age. This component addresses: Infant and young child feeding (IYCF); Community management of acute malnutrition (CMAM); Maternal malnutrition.
- Component 2: Addressing micronutrient malnutrition - This component will support vitamin and mineral interventions for women and young children. The focus is on delivery of key micronutrient supplementation (vitamin A, iron, iodine, folic acid and zinc) and, in Balochistan, in developing the legislative/enforcement mechanisms for food fortification.
- Component 3: Communication for development - This component includes three types of cross-cutting communications activities that will support all the other project interventions: Advocacy; Mass media campaigns for behavior change; Inter-personal communications.
- Component 4: Strengthening institutional capacity - The project will strengthen existing institutional capacity for nutrition at the provincial and district levels. Specifically, this component will address the following areas: staff complement; accountability for results; capacity building; technical assistance for service delivery; monitoring and evaluation; social accountability, and multi-sectoral coordination.

Results Expected:

Results will be tracked by the following indicators: a) overall access to basic nutrition services in project areas for target beneficiaries; b) percentage of children 6-23 months fed in accordance with all three IYCF practices; c) percentage of pregnant women and of lactating women receiving iron and folic acid (IFA) supplements; d) percentage of children 0-59 months treated for severe acute malnutrition; e) percentage of children 6-59 months receiving vitamin A supplementation; e) percentage of children 6-59 months with diarrhea treated with zinc and ORS; and g) knowledge and attitude score of households, relating to nutrition. The improvements in the nutritional status of women and children will become measurable after this project is completed, while some of the behaviors that the project aims to change are expected to have measurable biological impacts in the short term.

Key Partners:

Departments of Health, Balochistan and Sindh Provinces, Peoples' Primary Health Initiative (PPHI) , DFAT (Australia).

PAKISTAN: Social Safety Net Project

Key Dates:
Approved: June 18, 2008
Effective: August 4, 2009
Closing: June 30, 2016

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	4570		
Borrower			
Total Bank Financing			
IDA	210.0	111.21	53.0

* As of Sept 9, 2014

Project Background:

The government of Pakistan established the Benazir Income Support Program (BISP) in 2008 to help the poor cope with income shocks by providing them with monthly cash transfers and other complementary programs to enhance human development and income-generating opportunities. BISP was set up as an autonomous institution, unanimously approved by parliament in August 2012. Over the last six years, the program has evolved into a modern social safety net system. In 2009, capitalizing on analytical and operational work in the country, the Bank supported strengthening BISP through a Social Protection Development Policy Credit ($150 million) together with a Social Safety Net Technical Assistance Project ($60 million). This support enabled the government to establish appropriate institutional, governance, and accountability arrangements for providing targeted safety nets to the poor. The TA project, among others, supported the national roll-out of a targeting system using the Proxy Means Test (PMT)-based Poverty Scorecard (PSC) via a door-to-door census. The project also helped the government create a National Poverty Registry comprising information on more than 27 million households (approximately 170 million people), identifying 7.2 million eligible families (approximately 35 million people), and providing payments to more than 4.6 million families using modern payments technology. To expand coverage of safety net cash transfers and support setting up conditional cash transfers linked to primary education, the project was restructured with additional financing in March 2012.

Project Development Objective and Brief Component Description:

The project aims to support expansion and strengthening of the country's safety net, with particular focus on the BISP. The project components are:

- **Component 1. Establish a National Targeting System and Expand Coverage of the Basic Safety Net System: to develop and strengthen the national targeting system to support nationwide coverage of safety net beneficiaries.**
- **Component 2. Strengthen Safety Net Operation: supports institutional development and implementation of the communication strategy; grievance redressal for cash transfers; strengthening payment and reconciliation mechanisms; and the design and roll-out of Co-responsibility Cash Transfers (CCT) linked to primary education of beneficiaries' children.**
- **Component 3. Enhance Safety Net Program Management, Accountability, and Evaluation: supports setting up program control and accountability mechanisms through a management information system (MIS); third party monitoring and evaluations; and use of technology for program administration, especially for payments and grievance redressal.**
- **Component 4. Develop the Social Protection and Strategy Monitoring: supports the design of the institutional and legal framework for executing the National Social Protection Policy (NSPP), and design and implementation of monitoring mechanisms for federal and provincial social protection programs.**

Results Achieved:

- 65 percent of cash transfers received by beneficiaries in bottom quintiles 1 and 2 (against 46 percent baseline, 70 percent target)
- Poverty scorecard applied to 27 million households (target achieved)
- 87 percent of beneficiaries satisfied with program implementation (target of 70 percent achieved).

Key Partners:

Benazir Income Support Program, Government of Pakistan, DFID, USAID, ADB.

PAKISTAN: Balochistan Disaster Management Project

Key Dates:
Approved: June 27, 2012
Effective: July 19, 2012
Closing: June 30, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Disbursed (%)
Total Project Cost	5.0		
Borrower	0.0		
Total Bank Financing			
Trust Fund (MDTF)	5.0	2.97	59.5

* As of Sept 9, 2014

Project Background:

The province of Balochistan has experienced several significant natural disasters over the past ten years. Annual recurring floods between 2010 and 2013, as well as earthquakes, have had a major impact with damages and losses exceeding $620 million, or 6 percent of provincial GDP. Following the enactment in April 2010 of the 18th constitutional amendment and the resulting devolution of a number of federal functions to the provincial governments, the provinces have been given disaster management responsibilities within the overall national framework. This translates into increased responsibility for Provincial Disaster Management Authority (PDMA) Balochistan to urgently address the various disaster risk management (DRM) challenges in the disaster-prone province. Through the Balochistan Disaster Management Project (BDMP), the Bank is supporting the government of Balochistan to address the various institutional and capacity issues at PDMA.

Project Development Objective and Brief Component Description:

The project development objective is to strengthen the capacity of PDMA Balochistan to prepare for and respond to natural disasters. The project comprises four components:

- Institutional Strengthening of PDMA Balochistan ($2.5 million): This component will support PDMA Balochistan in strengthening institutional disaster risk management capacity and emergency response systems.
- Hazard and Risk Assessment ($1 million): This component will support hazard and risk assessment in the provincial capital, Quetta.
- Development and Piloting of Community Based Disaster Risk Management (CBDRM) Program ($1.5 million): This component will support PDMA Balochistan in establishing and piloting a CBDRM program to engage local communities on risk management activities and guide initiatives to improve DRM awareness.
- Contingent Emergency Response Component: In the event of a natural disaster in Balochistan, critical emergency response and recovery costs in the province may be supported through this component upon activation.

Results Achieved:

- Improved disaster response mechanism at PDMA Balochistan:
- Provision of critical human and technical resources, along with office automation and improved connectivity, has been achieved in the initial phase which has led to better coordination with stakeholders, reduction in time for issuance of alerts and dedicated skilled manpower for Provincial Emergency Operations Center (PEOC).
- Updating of Provincial Disaster Management Plan and drafting of Emergency Standard Operating Procedures (SOPs) is underway.
- **Increased awareness of the hazard and risk environment in Quetta:**
- Baseline data for risk assessment comprised of information on physical infrastructure and social indicators is being collected.
- **Enhanced capacity at PDMA Balochistan for implementing CBDRM initiatives:**
- Over 1000 flood and earthquake awareness information packages have been disseminated to local communities and district governments with particular emphasis on reaching out to schools.
- The project is also collaborating with Promoting Girls Education in Balochistan Project to create disaster awareness in public schools in 12 other districts of the province.

Key Partners:

Provincial Disaster Management Authority Balochistan.

PAKISTAN: Habib Bank Limited

Key Dates:
Approved: April 27, 2006
Signed: June 26, 2006
Invested: October 24, 2007
Financing in million US$

Financing source	Committed	Outstanding	
Loan *	12.5	12.5	
Equity			
Guarantee **	0.2	0.2	

* Original committed and disbursed amount $50 million. The loan is now on repayment.
** Total GTFP facility amount is $100 million.

* As of September 16, 2014

Project Background:

Habib Bank Limited (HBL) is the largest bank in Pakistan in terms of assets, with a market share of approximately 16 percent. It had around $17.6 billion in assets and $1.5 billion in shareholder's equity as of June 30, 2014. IFC's relationship with HBL started in 2006 through a $50 million, eight-year, tier 2 sub debt. The purpose of the project was to strengthen the capital base and support HBL's turnaround and expansion post privatization. This engagement paved the way for IFC Advisory Services to help HBL improve its training infrastructure and processes. A trade finance facility (GTFP) was initiated with HBL in 2007 with a $20 million line, which has been enhanced over time to $100 million. IFC entered into an Advisory Services agreement with HBL in June 2011 to provide capacity building in small and medium enterprise (SME) banking, which concluded in June 2013. IFC helped the bank: a) develop a value proposition for SMEs; b) re-engineer its credit and risk process; c) strengthen staff skill levels; and d) pilot its SME banking services. Subsequently, IFC launched a Rural Banking Advisory project with HBL in July 2013 to help develop new agri/rural products aimed at farmers and rural SMEs. This will improve access to finance in the rural finance market. IFC has also recently launched another advisory project with HBL to help it position itself as a champion for women in the marketplace n Pakistan, both as an employer and as a bank for women.
IFC and HBL have signed a mandate letter for a senior loan of $150 million to help fund HBL's expansion outside Pakistan as well as growth in critical areas such as agriculture, women-targeted lending, SMEs and sustainability finance.

Project Development Objective and Brief Component Description:

The financing was expected to: (i) support the ongoing turnaround and restructuring of HBL with impacts on financial stability, banking sector strengthening and institutional capacity; (ii) enhance risk management capabilities; (iii) strengthen the bank's capital base and expansion of lending, thus contributing to economic growth, employment and private sector development. Development impact indicators to be monitored included: (i) overall financial condition of the bank; and (ii) healthy loan portfolio growth.

Results Achieved:

- Improved financial stability of a systemic bank, benefiting the sector as a whole. HBL has become the largest bank in the country in terms of total assets and deposits, bigger than the state-run National Bank of Pakistan. HBL's loan portfolio grew at a compounded annual rate of around four percent since 2008 and it generated a return on equity of 20.1 percent in the second quarter of 2014 that ended June 30 despite macroeconomic challenges confronted by the nation.
- HBL has disbursed 43,456 new SME loans amounting to $1.7 billion and has opened 149,540 new SME deposit accounts since September 2011 with helo from IFC SME Advisory Services that was completed in June 2013.
- IFC Agri Advisory expected to complete by December 2015 has helped HBL disburse 12,601 new agri loans amounting to $1.02 billion.
- The GTFP facility helped HBL finance trade commitments of more than $525 million since inception, supporting trade of essential commodities such as oil and gas, agricultural products, chemicals and others.

Key Partners:
Habib Bank Limited, Aga Khan Fund for Economic Development (AKFED).

PAKISTAN: Packages

Key Dates:
Approved: March 5, 2009
Effective: March 25, 2009
Invested: July 14, 2009

IFC Financing in million US$

Financing source	Committed	Outstanding	
Loan			
Equity	44.1	44.1*	
Guarantee			

* As of June 30, 2014

Project Background:

Packages is Pakistan's premier integrated pulp and paper mill and packaging materials manufacturer with a paper and board capacity of 208,000 tpa (tons per annum), converting capacity of 124,000 tpa and plastics capacity of 13,000 tpa as of December 2013. It is widely acknowledged as a market leader in the local market and known for its sophisticated and high quality packaging. Packages' main clients include major multinationals operating in Pakistan such as Unilever, Nestle, P&G, Colgate and Tetrapak. Packages procures its principal raw materials (wheat straw and waste paper) from the local market. In 2014, it proceeded to set up a bio-mass boiler, an industry first, for power generation purposes for its plant. The plant will go into operation in 2015.

Project Development Objective and Brief Component Description:

IFC's equity financing enabled Packages, an IFC client since 1964, to strengthen its balance sheet by reducing reliance on debt taken for the expansion project that had exposed it to interest rate volatility and significant rollover risk. IFC financing helped provide the necessary stability to endure the global financial crisis of 2008.

Results Achieved:

- With IFC's support, Packages was able to undertake programs designed to have a positive impact on climate change (waste paper collection, closed loop system for water and waste heat recovery systems at the plants). It helped reduce carbon emissions from burning of wheat and eliminate approximately 450,000 cubic meters of landfills annually to avoid typical hazards such as contamination of groundwater, residual soil contamination after landfill close, inefficient use of land space and creation of methane, a potent greenhouse gas generated by decaying organic wastes.
- The relocation of the new mill has generated significant economic activity in what was previously an agrarian-based and under-developed part of the country. The increased procurement of wheat straw has positively impacted the incomes of farmers, who used to burn wheat straw for disposal.
- IFC provided advisory services to Packages to increase waste paper collection from the local market, helping the client reduce reliance on imported waste paper. This advisory project was successfully completed in FY13.

Key Partners:

Packages

PAKISTAN: Lariab Energy

Key Dates:
Approved: January 30, 2009
Effective: November 5, 2009
Closing: December 29, 2009

Financing in million US$

Financing source	Committed	Outstanding	
Loan	33.48	33.48	
Equity			
Guarantee			

* As of January 31, 2014

Project Background:

Laraib Energy Limited (LEL) is a special purpose company dedicated to develop, construct, operate and maintain the 84 MW run-of-the-river New Bong Energy (NBE) hydro power plant in Azad Jammu and Kashmir state (AJ&K), 120 kilometers from Islamabad. The project is Pakistan's first private hydro independent power producer (IPP). It sells electricity to the National Transmission and Despatch Company Limited (NTDC), Pakistan's state-owned transmission company, under a 25-year power purchase agreement. The total project cost was $233.6 million funded, with Hub Power Company Limited (Hubco) holding a 75.54 percent stake in it. The project started operating on March 23, 2013.In November 2009, IFC committed a $35 million loan that had a grace period of four years and final maturity in November 2024. The full commitment has been disbursed.

Project Development Objective and Brief Component Description:

- Create a framework for hydro IPPs and have a strong demonstration effect (standards, procedures and contractual documents established in this project are expected to be replicated in other hydro projects in Pakistan).
- Support economic growth through lower cost of generation and meeting incremental demand for power.
- Contribute to energy security of supply by increasing the installed capacity using a domestic renewable resource.
- Lower the average economic cost of power generation in Pakistan.
- Provide significant environmental benefits compared to alternative thermal power options in terms of displacing greenhouse gas emissions of up to 220, 000 tons of CO_2 equivalent.
- Create jobs during the construction and operation phase.
- Reduce reliance on imported fuel oil, thereby improving the country's trade and current account deficits.

Results Achieved:

- Creation of 470 temporary jobs in2011 (target was 400)
- Creation of 34 direct jobs (target was 60)
- Target Power Generation: 470 GWh per annum.

Key Partners:

Islamic Development Bank, Asia Development Bank, Proparco

PAKISTAN: K-ELECTRIC

Key Dates:
Approved: March 15, 2007
Effective: March 22, 2007
Invested: July 24, 2007

IFC Financing in million US$

Financing source	Committed	Outstanding	
Loan	125.0	69.97	
Equity		23.28 *	
Guarantee			

* IFC converted $25 million loan into equity in December 2012.

* As of January 31, 2014

Project Background:

K-Electric (KESC, formerly Karachi Electric Supply Company), which has more than 11,000 employees and 2.3 million customers with $2.8 billion in assets, was privatized in 2005 when Al-Jomaih and National Industries Group (the original sponsors) acquired a 71.5 percent stake. In order to co-finance a $937 million investment plan by KESC, which included development of new 800MW gas fired power generation plants and the rehabilitation of existing facilities, IFC committed a $125 million 10-year loan with the right to convert $25 million into equity. The Asian Development Bank (ADB) also participated in the project with a parallel loan of $150 million. In September 2008, the original sponsors invited the largest private equity firm in the Middle East - Abraaj Capital - to partner through an equity investment of $361 million, taking management control of KESC. IFC and ADB facilitated the ownership transition and supported the Abraaj-led turnaround plan by re-profiling the existing loans. Subsequently, IFC also exercised its conversion right in December 2012 and subscribed to $25 million common shares of KESC for a 2.5 percent equity stake. Since IFC's investment, Abraaj-led management has successfully implemented the turnaround plan and achieved significant operational and financial improvements, despite challenging circumstances.

Project Development Objective and Brief Component Description:

The development objectives include: i) eliminating load shedding and meeting incremental demand for electricity in and around Karachi, the nation's largest city; ii) enabling new residential and business customers to be connected to the grid, thus reducing their cost of obtaining power; iii) significant reduction in technical and commercial losses of electricity; iv) improved quality of service to consumers; v)reducing carbon emissions through development of more efficient and cleaner gas-fired generation; and vi) demonstrating the benefits of privatization in the country and region.

Results Achieved:

- KESC's turnaround has facilitated economic growth through sustainable and reliable supply of power to the largest city in Pakistan, which is also the nation's industrial and financial hub.
- Significant reduction in electricity load shedding to about five hours a day with uninterrupted supply to low-loss and industrial customers. Blackouts of 12 to 18 hours a day continue in other parts of the country.
- Meeting incremental demand for electricity through an addition of around 1,000 MW in generation, increasing access to electricity for residential, commercial and industrial customers.
- Steady reduction in electricity losses to approximately 26.5 percent from 38 percent at the time of privatization.
- Improved quality and reliability of customer service with significant reduction in complaints and response time.
- Reduction in carbon emissions through cleaner natural gas-fired generation.
- Demonstrating the benefits of private sector investment in state-owned utilities in the country and region.

Key Partners:

Asian Development Bank (ADB)

PAKISTAN: Star Hydro Power Ltd

Key Dates:
Approved: September 8, 2011
Signed: December 13, 2011

IFC investment in million US$

	Amount	Fiscal Year	
A- Loan	60	2011	
MIGA Key Dates: Approved: June 29, 2012 Signed: June 29, 2012		*	
MIGA Guarantee in million US$			
Equity	149	2012	

* As of January 31, 2014

Project Background:

Star Hydro Power Limited (SHPL) is a special purpose company for construction, operation and maintenance of a 147 MW run-of-the-river hydro power plant situated 120 km north of Islamabad, near the village of Patrind in the city of Muzaffarabad. SHPL will be the second hydropower independent power producer (IPP) in Pakistan. It has an off-take agreement to sell electricity to the state-owned National Transmission and Despatch Company under a 30-year power purchase agreement. SHPL is 80 percent owned by Korea Water Resources Corporation (K-Water) and 20 percent by Daewoo Engineering and Construction Company Limited. The total project cost is approximately $436 million, including contingencies. In December 2011, IFC committed a $60 million 'A' loan that has a grace period of up to 66 months and final maturity of up to 17 years. In 2012, MIGA issued a guarantee for $148.5 million to cover an equity investment in SHPL by K-water, acting on behalf of itself and Daewoo, incorporated in Pakistan through KDS Hydro Private Limited of Singapore.

Project Development Objective and Brief Component Description:

The project will: i) help increase much needed generation capacity using a domestic renewable resource, thereby increasing security of energy supply; ii) ease the severe energy demand-supply deficit in the country and the resulting drag of power shortages on economic growth; iii) help diversify the generation mix away from thermal power and contribute to lowering the average economic cost of power generation in Pakistan; iv) provide significant climate change and environmental benefits compared to alternative thermal power options in terms of displacing greenhouse gas emissions; v) create jobs during the project construction and operating phase; vi) reduce reliance on imported fuel oil and help to offset trade and current account deficits. Further, by providing long term guarantees to a much needed infrastructure project, MIGA will play an important role in the overall project financing at a time when international commercial insurers are not open to long term guarantees in Pakistan.

Expected Results:

- Provision of clean power for 310,000 customers by 2017
- Economic rate of return of 17 percent
- Generation of 100 permanent jobs
- Reduction in greenhouse gas emissions of about 280,000 tons of CO_2 a year

Key Partners:

K-Water; K-Exim, ADB and IDB

PAKISTAN: Improving the Performance of SMEs

Key Dates:

Phase 1: December 2008 – July 30, 2013
Phase 2: July 31, 2013 – June 30, 2016

IFC Advisory Service **IFC Business Edge**			

Project Background:

IFC has been implementing the Business Edge program in Pakistan since December 2008. IFC selects local training providers, builds their training delivery capacity and accredits them to deliver Business Edge business management skills training workshops. It also makes available its range of Business Edge training materials (trainer manuals and workbooks) in the local language with local case studies and examples. The Business Edge program also ensures quality through trainers' assessments and their certification. In order to increase the outreach of the Business Edge training products and services to more Pakistani micro, small and medium enterprises and aspiring entrepreneurs around the country, IFC plans to increase the number of training providers and trainers in Pakistan.

Project Development Objective and Brief Component Description:

The overall goal of the project is to enhance the business performance and increase the revenues of micro, small and medium enterprises (MSMEs) by developing their managerial capacities using IFC's Business Edge (BE) product and services.

Results Achieved:

- BE-accredited training providers have trained a total of 9,224 individuals, of whom 2,144 (23 percent) were women, from 1,883 MSMEs, government and development organizations.
- The project is working with 12 BE-accredited local training providers.
- The project has trained 260 trainers including 62 women (24 percent) in Pakistan.
- The project has localized/translated 41 training manuals/workbooks into Urdu.

Results under MDTF (WB/IFC) Project:

- Business Edge has trained 15 Pashto speaking trainers to conduct training for the SMEs.
- 23 training modules are available in Pashto.
- Recently, ERKF (the Economic Revitalization of Khyber Pakhtunkhwa and FATA Project) has contracted three BE accredited training providers to train project supported SMEs in business skills. BE partners conducted eight Business Edge and five non Business Edge training exercises in KPK, in which 214 individuals were trained (110 on non-BE courses and 104 on BE courses).

Key Partners:

Training House Consulting, Empowerment Thru Creative Integration (ECI), Management Development Institute, Fulcrum, Aga Khan Rural Support Program (AKRSP), National Productivity Organization (NPO), Pakistan Poverty Alleviation Fund (PPAF), Pakistan Institute of Management (PIM), New World Concepts, Institute of Business Administration (IBA) Karachi, Agribusiness Support Fund and Community Research and Development Organization (CRDO) .

PAKISTAN: Bulleh Shah Packaging (Private) Limited in Pakistan

Key Dates:
Fiscal year: 2013
Guarantee holder: Stora Enso South Asia Holdings AB
Investor country: Sweden
Sector: Manufacturing
Project Board date: February 26, 2013
Gross exposure: $72.0 million

Project Background:

On May 31, 2013, MIGA issued a guarantee of $72 million covering an investment by Stora Enso South Asia Holdings AB of Sweden in Bulleh Shah Packaging (Private) Limited in Pakistan. The coverage is for up to 15 years against the risks of transfer restriction, expropriation and war and civil disturbance.

The project entails the investment in a newly formed joint venture limited liability company, Bulleh Shah Packaging (Private) Limited. The investment will be made by Stora Enso Oyj, Finland, via its wholly owned subsidiary, Stora Enso South Asia Holdings AB, Sweden and Packages Limited of Pakistan. The joint venture will own and operate Packages Limited's paper, paperboard, and corrugated carton mills in Kasur and Karachi.

Project Development Objective and Brief Component Description:

The joint venture sponsors intend to undertake an investment program to rebuild and increase the capacity of the existing facilities and set up a bio-energy plant to create a sustainable source of energy for their operations. The project will ensure the continued sustainability of assets that currently provide direct employment to nearly one thousand people. The sponsors' investments will expand capacity, introduce greater efficiencies, widen product application, and enhance product quality. This will create the potential for the project to grow its customer base.

Expected Results:

The planned investment program is expected to create 840 jobs for local hires during the construction period in addition to the staff currently employed by the mills. Most of these jobs are expected to be created around the Kasur region, which is relatively underdeveloped. The project will train key local personnel to ensure transfer of technical skills.

Key Partners:

Stora Enso South Asia Holdings AB of Sweden in Bulleh Shah Packaging (Private) Limited in Pakistan

PAKISTAN: Habib Metropolitan Bank Limited

Key Dates:
Fiscal year: 2011
Guarantee holder: Habib Bank AG Zurich
Investor country: Switzerland
Sector: Banking
Project Board date: June 21, 2011
Gross exposure: $95.1 million
Project type: Non-SIP
Strategic priority area: IDA

Project Background:

On June 24, 2011 MIGA issued a guarantee to Habib Bank AG Zurich (HBZ) of Switzerland covering its investment in its subsidiary, Habib Metropolitan Bank (HMB) in Pakistan. The coverage is for 80 million Swiss Francs (CHF) for a period of up to 20 years against the risks of transfer restriction and expropriation. This is a new guarantee, which involves consolidation of existing coverage into one contract of guarantee, extended risk coverage, and an additional amount of coverage of CHF 14.6 million.

Project Development Objective and Brief Component Description:

This project involves the continued operation and expansion of HMB in Pakistan. MIGA's ongoing support is considered critical to this investor, and this project will contribute to strengthening Pakistan's banking sector, one of the top reform priorities of the government. HMB's expansion and modernization continues to contribute to the strengthening of the local banking sector through the transfer of know-how, expertise and technology as its policies, directives and business practices are aligned with those of its parent company, HBZ, which is subject to the supervision by the Financial Markets Supervisory Authority (FINMA), the Swiss banking regulator.

Expected Results:

HMB plays a major role in offering financial services to Pakistan's population. It operates more than 135 branches in 20 cities throughout the country, including four full-service Islamic banking branches. Moreover, the bank's network connectivity has been substantially upgraded, including a 17 percent increase in ATM rollout across the country and various internal control process enhancements. HMB's growing branch network also facilitates deposit taking by HMB, thereby contributing to formal savings by the population. Investment in human capital has also continued, bringing the total number of staff to nearly 2,400.

Key Partners:

Habib Metropolitan Bank in Pakistan