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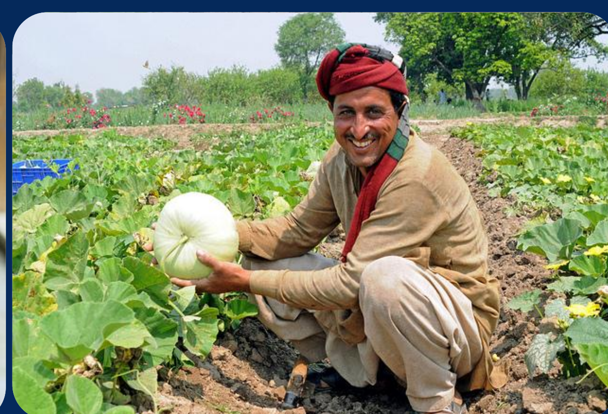


Pakistan: Country Snapshot

March 2014

THE WORLD BANK

EXECUTIVE SUMMARY

Economic Outlook

Growth was modest in fiscal 2013 at 3.6 percent but the outlook for this year is a bit brighter. Business confidence picked up following the election, which appears to have spurred manufacturing and service sector activity. Inflation stabilized below nine percent after the central bank raised interest rates, and it looks set to stay in the single digits over FY14. On the fiscal side, the picture has improved following austerity measures by the newly-elected government, which is also pursuing ambitious tax reform.

Poverty Reduction

Pakistan has made definite progress in reducing absolute poverty and improving shared prosperity, but many are still poor. An estimated 23 million people, or 13 percent of the population, live on just $1.25-$1.50 a day, and improving service delivery to those who are vulnerable is a top priority.

Education continues to face major challenges. Pakistan has the second highest out-of-school population in the world, of which two-thirds are girls. It must improve teacher quality and set national standards. Health also lags compared to other South Asia countries, with high maternal mortality and little improvement in the level of nutritional stunting of children since 1965. Total Pakistani health spending per person is extremely low. In addition, half of the women in Pakistan suffer from poverty of opportunity, compared to a third of men. Many of them work in agriculture, and providing poor women with access to services is vital to lifting farm productivity and easing rural poverty.

Widespread power shortages are a major problem obstructing development and Pakistan's energy sector is in a serious crisis, facing high costs and inefficiency that make it hard to finance investments. Roads also suffer from years of neglect, while the number of vehicles in use is growing at 10 percent annually. Weak governance, including corruption, inadequate revenue collection, and low civil service efficiency are other critical obstacles to raising economic growth and tackling poverty. In the conflict-affected border areas, the government must restore public trust. The World Bank Group's new country partnership strategy with Pakistan will aim to help improve state effectiveness in the region. On the plus side, Pakistan has made advances in terms of political governance. The judiciary is independent and a civilian government has completed its first full term in the country's history.

World Bank Group in Pakistan

The World Bank Group's program in Pakistan is over $5.5 billion. The Bank has 24 active investment lending operations with total net commitments of $4.6 billion, of which $1.61 billion has been disbursed to date. The Bank also manages a multi-donor trust fund for the conflict areas of about $160 million. International Finance Corp's portfolio in Pakistan is $809 million, invested in 38 companies. The Bank's FY15-19 country partnership strategy (CPS) envisages International Development Association lending of about $1.2 billion a year for a total of $6.0 billion, and expanded IFC investments to between $500 million and $700 million a year.

The World Bank has significant projects in energy, including hydropower, supporting the shift to lower cost, low carbon fuels essential to Pakistan's long-term needs. Over half of IFC's portfolio is committed to improving energy, ports and transportation. The Bank also provides significant backing to education to raise standards and enrollment, particularly of girls and the children of poor families. Other Bank programs target social safety nets, healthcare and water management, as well as promoting community organizations to help empower the poor.

Pakistan's performance under its country partnership strategy have been mixed, with achievements in education and social protection, but less progress in lifting revenue collection and improving energy efficiency. The new partnership strategy for FY15-19 will concentrate on these and other potentially transformational areas in order to reduce poverty and advance shared prosperity.

COUNTRY SNAPSHOT

Recent Economic and Sector Developments

Growth Performance

Pakistan's economy is weak but at a turning point. Real GDP growth, at 3.6 percent in FY13, was average but might improve this year. The modest growth reached last year was explained in part by a marked fall in private investment (8.7 percent of GDP), the lowest level in two decades. For FY14, GDP growth is recovering and projected to grow by 3.6-4.0 percent, against an official target of 4.4 percent.

Thus far, growth is being led by the industrial and service sectors, as agriculture is expected to miss its annual target. An improved industrial sector performance can be attributed to better energy availability and post-election business confidence. With this uptick in local industry, better performance by the telecom sector, and the rise in international trade volumes that directly impact wholesale and retail trade, the services sector appears to have grown.

Monetary Sector Developments

Fiscal consolidation is enabling 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 (bps) successively in September and November. The tightening aimed to deal with two concerns: a continued deterioration in the balance of payments position, and a worsening of the inflation outlook during Q1-FY14.

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, YoY, had decelerated to 13 percent by end-January 2014 from 18 percent at end-January 2013, which is explained by a substantial contraction in the Net Foreign Assets (NFA) of the SBP following the depletion of foreign exchange reserves due to bulky amortization payments.

On the other hand, this contraction in NFA is offset by an increase in the Net Domestic Assets (NDA) of the banking system. Unlike previous years, where NDA growth was mainly driven by government borrowings, during FY14 so far, the private sector also contributed to this expansion. Nonetheless, by end-January 2014, government borrowing from the central bank stood at Rs 431 billion compared to a retirement of Rs 134 billion in the comparable period of FY13. The magnitude of central bank borrowings touched Rs 842 billion by end-November 2013, as the government shifted from its previous practice of raising debt mainly from scheduled banks. It is only since the policy rate hikes in September and, especially November of 2013 that scheduled banks' investment in government paper increased, thereby allowing government to retire some of the SBP borrowing.

One positive development has been a mild revival of growth in private sector credit. This stemmed from credit uptake by businesses (textiles, energy, commerce and trade) as well as consumers. Private credit recovery is attributable to better performance in industry and services, due to improved supplies of electricity after settlement of the energy sector's circular debt by the government (see explanation of circular debt below). Meanwhile, more buoyant business sentiment after the May 2013 elections, in turn, led to a better performance of industry and services sectors.

Inflation

Average headline inflation appears to have settled in the single digits. Average headline inflation during first eight months of FY14 stood at 8.6 percent compared to 8.2 percent during the same period last year, and 7.4 percent for the full FY13. Favorable supply and demand factors explain this stability: good weather helped improve the food supply chain, and there was a sharp reduction in administered prices (mainly energy and CNG charges) in the months preceding the general elections.

Inflation rose temporarily in early FY14 due to tax and energy adjustments. The fiscal year started with the government revising the General Service Tax (GST) rate upward from 16 percent to 17 percent. Furthermore, by October, the government levied an additional two percent VAT on selected manufacturing items. More significant were the several rounds of upward adjustments in the prices of energy items. All of these have been instrumental in raising inflationary expectations and eventually leading to a broad-based increase in the headline rate. Subdued global economic trends, a restrained outlook for global commodity prices, and the international price of oil[1] have helped contain the imported content of inflation. The increase in the interest rate by 100 bps by the SBP during this period also helped manage expectations and rein in inflation. Overall, the average headline rate for FY14 is expected to be below 10 percent. Non-food, non-energy (NFNE) core inflation has also significantly declined, indicating that the risk of demand-driven inflation remains low.

Fiscal and Debt status

Fiscal consolidation is taking place. After six of years of running a high fiscal deficit, Pakistan's fiscal indicators seem to be improving. The newly-elected government appears to be more committed to fiscal discipline. The FY14 budget presented a strong revenue effort to bring down the fiscal deficit from 8.0 percent of GDP in FY13 to 6.4 percent in FY14. In addition, the government prepared an economic reform program with fiscal consolidation as its cornerstone. The program is supported by the IMF under the Extended Fund Facility (EFF), and commits the government to take actions to lower the fiscal deficit to 5.8 percent of GDP.

The government has initiated bold and far-reaching reforms of the tax system. In order to address some of the deep-seated structural problems with the revenue system, the government has moved simultaneously on many fronts. Not only has it increased the tariff rates (especially of GST) and cut down some fiscal concessions, it is also trying to expand the tax base to untaxed or lightly-taxed sectors. The Federal Board of Revenue (FBR) has prepared a new 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 of tax returns to ensure appropriate tax compliance.

These efforts towards fiscal consolidation appear to be paying off. During the first six months of the fiscal year, the fiscal deficit (2.1 percent of GDP) was significantly below (by 0.5 percent of GDP) the level achieved during the same period of last year. In the power sector, recurrent expenditure was below the level of first half of last fiscal year. Other recurrent expenditure of the federal government was 0.5 percent below the level of H1-FY13. Revenue collection also showed improvement as both tax and non-tax revenues were higher than collections for the same period of last year.

As a result, revenue collection is expected to be close to the revised target, and recurrent expenditure is expected to remain below the level achieved last year. FBR tax collection is projected to recover from the exceptionally poor performance of FY13, with a tax-to-GDP ratio exceeding the level achieved in FY12 and quite close to its annual revised target (10.3 percent of GDP). On the expenditure side, current expenditure of the federal government is projected to decline. The government's austerity measures have helped reduce the federal government "other" recurrent spending, while better financial health of state owned enterprises (SOEs) would imply smaller demand on federal grants to support these enterprises. Meanwhile, development spending of the government (inclusive of net lending to the public corporate sector) is projected to decline from 5.0 percent of GDP in FY13 to 4.1 percent in FY14, but only because of a sharp fall in net lending.

Overall, the fiscal deficit is expected to fall from 8.0 percent of GDP in FY13 to 5.8 percent in FY14. The lower deficit along with higher external financing implies that the need for domestic financing would be much lower than in the last three years. This could help not only in containing inflationary pressures but also freeing additional banks' resources for private credit.

Public debt, however, continues to be a source of concern. Over the last two years, the public debt to GDP ratio remained well above the threshold of 60 percent limit specified by the act passed in 2005. Large fiscal deficits and their financing through domestic sources resulted in an increasing share of domestic debt over the years. During the first half of FY14, the public debt-to-GDP ratio stood at about 58.9 percent, which was about the same level as of December 2012. In line with the expectations of a lower but still large fiscal deficit for the ongoing fiscal year, the public debt-to-GDP ratio looks likely to be breached again in FY14.

Domestic debt creation has become increasingly skewed towards short-term

[1] Agricultural commodity indices declined from 161.6 in Q3-2013 to 160.3 in January 2014. Similarly, non-fuel commodities and energy indices during this period declined from 166.0 and 195.7 to 164.9 and 188.8 respectively (Source: IMF Commodities Database).

instruments, primarily Market Related Treasury Bills (MRTBs). Domestic debt increased by almost Rs 1.9 trillion, from Rs 9.5 trillion at end-December 2012 to Rs 10.2 trillion by end-December 2013, with floating debt accounting for more than two-third of this addition. Central bank borrowing has increased, as Rs 1.3 trillion (or 89 percent of the floating debt) on aggregate has been borrowed from the SBP via MRTBs during this period to finance the budgetary 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. Around 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 1 percent increase in domestic interest rates would increase interest payments by Rs 63 billion, while a 1 percent increase in interest rates on external debt would increase interest payments by Rs 8.4 billion.

The debt trajectory is projected to decline in the future. Results of a Debt Sustainability Analysis[2] (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 and total interest payments average around 29 percent of total revenues (including grants) over the projection horizon.

Balance of Payments

Lackluster growth in financial flows continues to make the external sector vulnerable The current account deficit was $ 2.0 billion, equivalent to 0.9 percent of GDP, compared to 0.2 percent of GDP during the same period last year. Strong inflows of remittances continued to keep the current account deficit in check. However, for the third consecutive year, the paucity of financial inflows was the main source of BOP stress.

The trade deficit, which widened to nearly $10 billion, contributed most to the widening of current account deficit. Imports increased by 4.2 percent during the first seven months of FY14, compared to a virtual stagnation last year, reflecting rising demand for petroleum to compensate for gas shortages in the country. Exports growth, however, remained modest at 3.3 percent. Export growth during the second half of FY14 is expected to pick up further as a result of the GSP-Plus status of Pakistani exports to the European Union[3] and increased demand from United States. The lack of export dynamism remains a fundamental challenge for sustainable improvement in the external balance, as exports remain highly concentrated in terms of commodities.

The recovery of financial inflows remains a considerable challenge. FDI and FPI are at extremely low levels; investor concerns over governance issues, energy and the prevailing security situation remain some of the key impediments. Higher debt service repayments (over disbursement inflows), coupled with net repayments to the IMF[4] during the first seven months of FY14 put considerable pressure on the financial accounts and foreign exchange reserves. Consequently, gross reserves declined from $6.0 billion at end-June 2013 to $4.0 billion at end-February 2014. However, by March 12, reserves had risen by $ 1.0 billion as a result of unexpected inflows received from bilateral sources under the Pakistan Development Fund, which helped ease pressure on reserves and the exchange rate. During the remainder of the fiscal year, the reserve position is expected to improve considerably as a result of flows of CSF monies, license fees for issuance of 3G and 4G licenses, and flotation of a Eurobond in the international market,[5] as well as upticks in multilateral and bilateral program flows.

The nominal exchange rate has been extremely volatile. The exchange rate came under substantial pressure during the first five months of

[2] World Bank Debt Sustainability Analysis, 2013/14.

[3] Pakistan is expected to gain $350 to $500 million from duty free access to exports of 75 categories items of EU. According to the SBP, Pakistan has a price advantage over its competitors (mainly India and Bangladesh) in 19 categories.

[4] During the first seven months, IMF disbursements to Pakistan stood at US$1.1 billion while repayments to the fund stood at US$1.65 billion, implying net repayment of US$544 million.

[5] Pakistan is expected to receive US$1 billion in CSF monies in FY14, of which US$322 million and US$352 million were received in October 2013 and February 2014. Eurobond issuance equivalent to US$500 million – US$ 1 billion is expected in Q4. Moreover, US$1.2-US$ 1.6 billion are expected from issuance of 3G and 4G license fee during the fourth quarter of the current fiscal year.

the fiscal year, depreciating by 8.7 percent[6] as a result of net repayments to the IMF, weak official inflows, and heavy debt repayments[7]. Since November, however, the SBP turned decisively toward rebuilding the external position and reserves, and in January, a considerable portion of oil import payments was moved out of the interbank market to FE-25,[8] further easing pressure on the exchange rate.

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 13.6 percent in FY11. The country has already achieved the first Millennium Development Goal 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 3.1 percent between 2002 and 2011. Poverty reduction has been strongest in the traditionally poorer provinces of KPK 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.

[6] As a result of large net repayments to the IMF, gross official reserves of the SBP declined from US$6 billion at end-June 2013 to US$4.2 billion by end-October (i.e., to about 1.0 months of imports).

[7] After substantial purchases of foreign exchange in August in the run-up to the IMF board meeting, the SBP returned to net dollar sales in September and October to counter the exchange rate pressures and maintain market liquidity (IMF Country Report no. 14/1), January 2014.

[8] "FE-25" refers to special foreign currency accounts under FE-Circular 25 of 1998. Almost 40 percent of total oil import payments have been moved from interbank market to FE-25. This implies that these payments will be financed by creating loans against dollar deposits in commercial banks.

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 recently validated. Poverty estimates are indeed affected by several methodological imperfections, but 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, linking poverty measurements to other human development indicator data bases, and the 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 Moaza or Tehsil 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.

Devolution

Greater decision-making authority has been assigned to provincial governments since 2011/12. The 18th Constitutional Amendment has devolved a number of key functions to the provinces. In total, functions in seventeen federal ministries were devolved, including agriculture, education, environment, and health. In addition, a greater share of revenues (57.5 percent) was passed to the provinces through the National Finance Commission Award (NFC) to enable them to perform these functions.

Although the transitional process had been quite orderly it is by no means complete. Insufficient coordination between the federal and provincial 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 subnational 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 i.e. 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 particularly in Sindh, encouraging Punjab and KP to establish provincial revenue authorities.

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. Its governance 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

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

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 completion of a full term in office of a civilian government for the first time in Pakistan's history. 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, Khyber Pakhtunkhwa (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.

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.

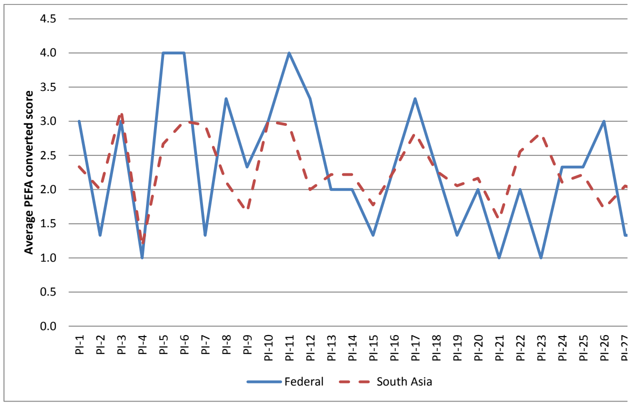
The Auditor General of Pakistan (AGP) conducts financial, compliance, and performance audits. The promulgation of the Controller General of Accounts Ordinance and the Auditor General's Ordinance in 2001 separated accounting and auditing roles and responsibilities for the CGA and the auditor general respectively.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

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.

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

Figure 1: 2012 PEFA assessment compared with South Asian countries



Financial Sector

Banking sector profitability remained steady, declining only slightly in calendar year 2013. Both return on assets (ROA) and return on equity (ROE) remained at the satisfactory levels of 1.7 percent and 18.4 percent respectively. The sector's liquidity (liquid assets 60 percent of deposits) and capital adequacy position (CAR of 14.9 percent) continues to be strong.

Credit quality remains a risk, but shows signs of mild improvement. Non-performing loans (NPLs) declined from 14.5 percent of loans in December 2012 to 13 percent in December 2013, showing signs of reducing medium-term risk to the sector. Provisioning remains strong, with net NPLs representing 3.1 percent of loans.

Government borrowing has increased and crowded out private sector credit. Net budgetary official borrowing from the banking system expanded significantly (38.1 percent growth year-over-year) in 2012/13. The government's net borrowing from the central bank amounted to Rs507 billion in flow terms, and net borrowing from scheduled banks was Rs940 billion. In contrast, the latest available data for 2012/13 indicates that the banking sector's credit to the private sector contracted by Rs19 billion compared to an increase of Rs235.2 billion last year.

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 20.0 percent increase in active borrowers, 36 percent growth in gross loan portfolios, a 27 percent increase in savers, and a 40 percent increase in the value of savings over calendar year 2013.

Business Environment

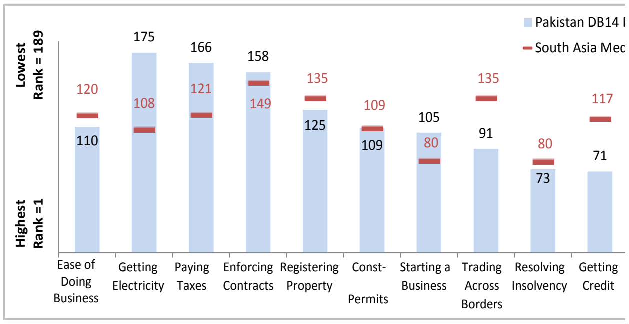
State-owned enterprises (SOEs) are a sizable element in Pakistan's economic landscape. More than 100 of them operate in a wide range of economic sectors, contributing around 10 percent of GDP, and representing about a third of stock market capitalization. But many are marred by weak corporate governance, 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 (see explanation in energy section below).

At the other end of the scale, SMEs are key features of Pakistan's economic landscape. 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.

Pakistan's ranking in Doing Business has declined from 76 to 110 out of 185 economies over the past five years. The most serious concerns are the reliability of electricity supplies, paying taxes, enforcing contracts, and registering property. Electricity is the most serious issue and is discussed in the energy section. Although Pakistan's total tax rate of 35 percent is lower than the South Asian average of 40 percent, it is high by international standards, and the administrative burden is large and riddled with exceptions. 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.

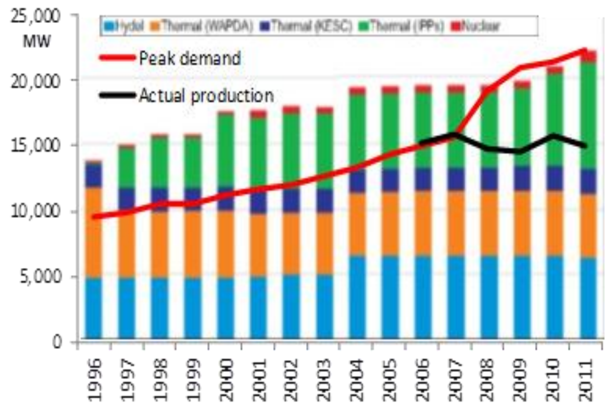
If Pakistan is to continue improving competitiveness, then it will be important to ease business regulations and procedures across a wide range of areas. While improvements are needed at the central level, they are also critical at the provincial level. Greater use of on-line registration has the potential 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.

Energy

Pakistan's energy sector is in serious crisis. 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 XX). 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



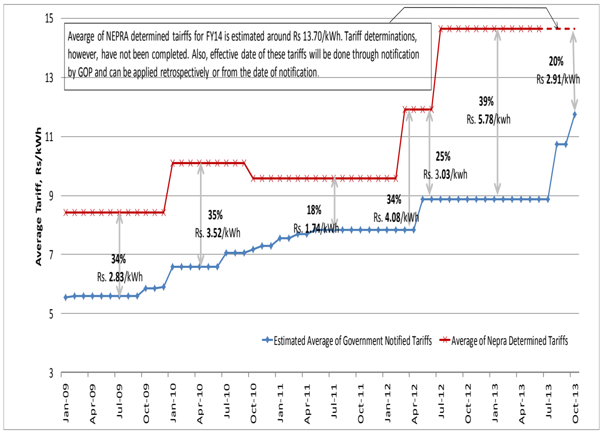
Source: World Bank staff computations.

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 2011. But the distribution companies (DISCOs) show a wide variation in losses: from 10 percent for Islamabad Electric Supply Company, to 35 percent for Peshawar Electric Supply Company (PESCO) in 2011. In addition, DISCOs do not collect all the bills issued: it is estimated that some 12 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 XX. Since 2008, tariffs have increased 160 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 subsidize 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 TDS—has amounted to Rs.350 billion–450 billion (roughly $3.5 billion–$5.0 billion) annually in recent years.

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. The other half fall far short of these standards. 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.

Finally, there is the issue of "circular debt." With revenue and resource shortfalls, the DISCOs build up arrears in payments. 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, government cleared the entire stock of circular debt of Rs.480 billion, but it started piling up again because the underlying issues were not addressed; power sector payables to generators and fuel suppliers as of December 2013 are about Rs.210 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—otherwise it would just reemerge.

Transportation

Pakistan's transport sector is the fourth largest sector contributing 12 percent to GDP. It accounts for over 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 92 percent and 96 percent of passenger and freight traffic respectively. 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

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

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) - which handle over 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 are poor – about one quarter of the federal network and two third of the remaining network of provincial, district and other roads are in need of rehabilitation. The road safety record in Pakistan is also dismal – crash data show that road deaths per kilometer are at least ten 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.

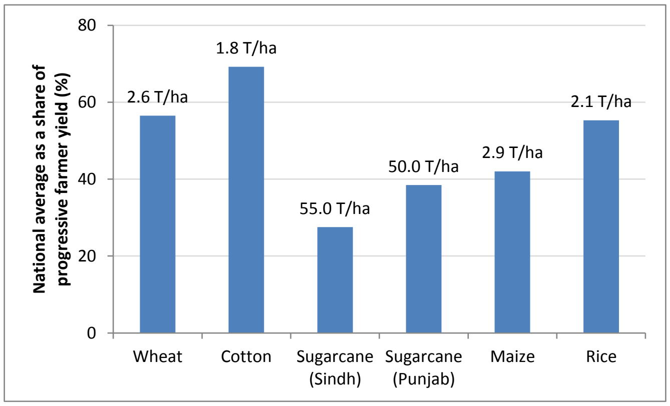
National Trade Corridor 'moves' Pakistan's external and internal trade. Pakistan's traffic movements are primarily concentrated along the north-south 'National Trade Corridor' (NTC) – Peshawar-Lahore-Karachi – which serves domestic needs, and also links the main industrial centers in Punjab and neighboring 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.

Agricultural Development

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. But 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 hold 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.

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 UN 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 ten 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 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 and Livelihoods

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, which began in 2001, institutionalized efforts towards greater involvement by local governments and communities in development programs and public service delivery. Social mobilization – building institutions for the poor – along with economic empowerment and graduation, should be at the heart of the rural and livelihood development strategy.

Although the government has tried 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, uneven access to land and useable water means that most of the government subsidies and increased earnings from agricultural production accrues to higher income farmers, who typically spend a greater share of their earnings on urban goods and services. This inequality seriously limits the impact of agricultural growth on rural poverty, and is a major cause of sustained poverty and low productivity amongst 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 has declined. Sixty eight percent of Pakistan's rural population 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 has shown an increase of 1.4 percent during this period. On the other hand, male participation has declined. Notwithstanding disguised unemployment in agriculture, the number of unemployed persons fell 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 the rural population, especially youth and women, as a means to eradicating poverty in rural Pakistan.

With respect to livelihood opportunities, one half of the women in Pakistan suffer from "poverty of opportunity" compared to one-third of men. Women's employment is limited by the same cultural restrictions that limit their access to education and health services, and these impose serious constraints on their autonomy, mobility, and on the types of livelihoods that are available to them. Among those who do work, their jobs tend to be ones that pay low wages and keep them close to home. At the same time, women in rural areas are almost twice as likely to work as women in urban areas, with employment concentrated around agriculture. Therefore, securing the access of poor women to resources and services is a strategic priority to increase agricultural productivity, non-farm rural employment, and to reducing rural poverty.

With regards to financial inclusion, Pakistan's institutional environment has become increasingly conducive to microfinance. Pakistan has a vibrant microfinance market rated as third best in the world by the Economist Intelligence Unit. The country simultaneously has a huge unbanked population. The microfinance market now stands at 2.8 million loan clients, 5.1 million savers and 3.2 million insurance policy holders. It is estimated that there are 25-30 million poor households still lacking access to financial services. The challenge now facing the sector is to seek out efficiencies and scale.

Rural areas are still characterized by strong inequality in the distribution of assets, particularly land and water. About two percent of households control more than 45 percent of the land area. Large farmers have also captured the subsidies in water and agriculture, as well as the benefits of agricultural growth.

Pakistan strives to strengthen its focus on rural service delivery. Following the 18th amendment to the constitution, local government in Pakistan is in transition. In the absence of elected local government representation, and with delays setting up a new local government system at the provincial level, service delivery in rural areas and small towns has suffered major setbacks. Large parts of the rural population remain unserved and the quality of local and municipal infrastructure has deteriorated considerably. Provincial governments understand that strengthening service delivery and enhancing citizen participation is critical for rural development and economic growth, especially in finding jobs for large numbers of rural youth.

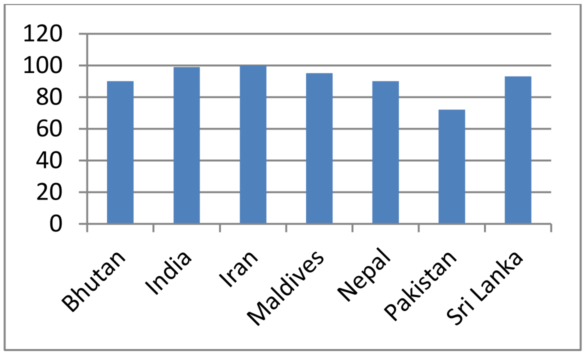
Education

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 (seven million) —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 do not achieve even minimum mastery of mathematics, reading or language, as defined by the government.

Pakistan ranks 113 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 United Nations 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 6: 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 (260 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 US$22 per person was spent on health in 2009 (against an average of US$41 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 less than 0.86 percent of GDP in 2010, compared to at least three to four percent in other low-income countries.

Figure 7: Health expenditure - public (% of GDP) in Pakistan:

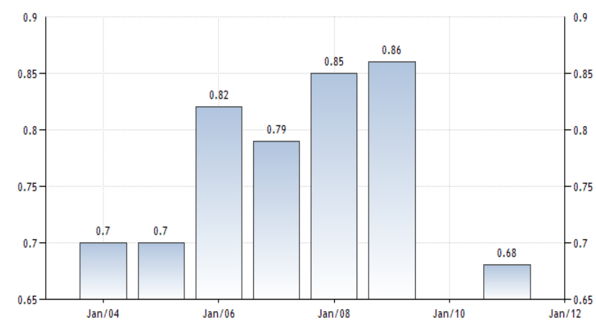


Table 1: Health outcomes in South Asia

	Infant mortality rate (per 1,000 live births)	Malnutrition prevalence, (% of children under age 5)	Maternal mortality ratio (per 100,000 live births)
Country	**2011**	**2004–11**	**2010**
Bangladesh	37	43	240
India	47	48	200
Nepal	39	41	170
Pakistan	**59**	**43**	**260**
Sri Lanka	11	19	35

Source: World Development Indicators database.

Health services are provided under newly devolved provincial autonomy. 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 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 also a significant unmet need for family planning. A Pakistani woman who is at the beginning of her childbearing years will give birth to 3.8 children by the end of her reproductive period (if fertility levels remain constant at the level observed in the three-year period before the 2012-12 Pakistan Demographic and Health Survey (PDHS)). The results indicate that Pakistan's fertility has declined over time; the total fertility rate (TFR) fell from 5.4 births per woman in 1986-91 to 3.8 births in the period 2010-12, a decline of 1.6 births per woman in two decades. However, Pakistan has a long way to go to meet the Millennium Development Goals target of 2.1 births per woman.

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 implement the integrated model approach.

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 significantly increased its spending on social assistance[12] while at the same time transitioning to a new institutional framework – the Benazir Income Support Program (BISP). The program provides a minimum income support package of Rs1,000 (revised as Rs1,200 in the current financial year) 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 (Rs200 per month per child) 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. To date, more than 75,000 beneficiary children have been enrolled into the program in the five pilot districts, and by September 2014 the program will expand into 20 additional districts, representing all provinces and regions.

BISP as a National Safety Net System has embraced many best practice principles of governance and accountability. Under an act unanimously approved by the country's parliament, the program is governed by an independ-

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

ent 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 ever 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 78 percent of BISP beneficiaries receive payments through electronic means. Each beneficiary requires biometric verification with the national ID database before enrolment 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 launched an innovative cash transfer program for the population affected by 2010 floods. The program was co-financed by the federal and provincial governments, and used biometric verification with the National ID database for beneficiary enrolment, payments through debit cards, and technology-based systems for redress of grievances. More than 1.2 million households (approximately 8.4 million people) benefitted from the program by receiving cash transfers of Rs40,000 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.

New social protection initiatives, especially at the provincial level, are being developed as part of wider application of country's safety net systems. The government of Punjab recently decided to set up an autonomous Social Protection Authority as a dedicated intuitional mechanism to provide a variety of social protection services to the poor. For instance, a reform in Punjab's wheat subsidy program has been approved to make it a top-up targeted cash transfer to the poor (Rs500 per family per month) identified by BISP through the NPR. In addition, the Punjab is also considering a health insurance and immunization-linked CCT program for the poor, in order to provide complementary support. Other provinces such as Sindh plan social protection public expenditure reviews to assess welfare spending on the poor.

Disaster Prevention

Pakistan is prone to hazard events — 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 subnationally, 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, FATA and Balochistan, 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 will focus 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 help restore peace and public trust in the conflict-affected regions of Pakistan.

This engagement can expand with the **Multi Donor Trust Fund (MDTF) that was established in 2010** as a mechanism to support the provincial governments in implementing their post-crises development priorities. The fund is supported by 11 development partners[13]. Currently, the total funds allocated to MDTF stand at $157.15 million, committed to 11 projects.

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 PCNA (Post Crisis Needs Assessment) 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. Strengthening local government to provide services can greatly enhance the legitimacy of the state. Equally important is to build an environment in which businesses can develop and provide jobs to the growing youth population.

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 active investment lending operations with a total net commitment of $4.60 billion, and a total disbursement to date of $1.61 billion (and a total undisbursed balance of $2.78 billion). In addition, the Bank manages a Multi-Donor Trust Fund (MDTF) for the conflict affected areas of about $160 million, which provides grants to KP, FATA and Balochistan. The MDTF portfolio had 11 active projects with disbursement to date of $42 million. Disbursements were $554 million in FY13, for a disbursement ratio of about 20 percent. Disbursement performance has lagged in the past couple of years, partially due to lack of quick disbursing or budget support operations in the portfolio. At the same time, disbursement linked indicator-based operations contribute a significant portion of disbursement.

Pakistan's overall performance toward CPS outcomes has been mixed, with considerable achievements in education and social protection, but less progress on the transformational outcomes of increasing revenue mobilization and improving energy efficiency. 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.

A new democratically elected government came to power in May 2013 with a broad mandate for change. They have taken on this agenda with strong commitment and leadership, including adopting a new energy plan, a new revenue mobilization plan, and an IMF Program.

The new Pakistan CPS for FY15-19, to be discussed at the Board in May, is therefore structured to direct the full force of 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: [14] (1) transforming the energy sector; (2) increasing private sector participation; (3) breaking through the "good enough" barrier on services; (4) reaching out to the undeserved, 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 new CPS for FY15-19, which is under preparation, is expected to provide International Development Association lending of about $1.2 billion per year (or $5.5 billion over the CPS peri-

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

[14] As of March 31, 2014, the new CPS is still under preparation and will be approved by the World Bank Board in May 2014.

od). Pakistan could also benefit from additional regional IDA allocations, particularly in trade and energy. Pakistan is an IDA/IBRD blend country. 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 would also 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.

At the end of IDA-16, the Bank supports structural reforms in the following critical areas: macroeconomic instability, weak investment climate, low tax revenue, and energy crisis. Two specific projects in the areas of growth/investment climate and energy are currently being prepared, working closely with the IMF and development partners including ADB. The Bank plans to help ease energy shortages through investments, including the first phase of the Dasu hydropower project and the regional CASA-1000 project, bringing central Asian power to Pakistan through Afghanistan. IFC is engaged with domestic and international sponsors to finance private power projects.

International Finance Corporation (IFC)

Pakistan is IFC's second largest client in the Middle East and North Africa (MENA) region. Since 1999, IFC has committed around $5.2 billion in cumulative investments to the country (including about $611 million in B-loan participations). 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 for small businesses, improving corporate governance, business environment, and mediation.

IFC's current committed portfolio in Pakistan is about $809 million in 38 companies, of which infrastructure (energy, ports, and transport) accounts for 56 percent, general manufacturing and services 25 percent, and financial markets 19 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 FY13, IFC committed $514 million for 14 power and infrastructure projects, including $168.5 million that was mobilized, versus $555 million committed to 18 projects in FY12.

For the next few years, IFC is expected to invest about $500-$700 million annually. Half will be in trade finance, and the remainder focused on infrastructure, financial markets, 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, equity, and risk sharing facilities. 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.

IFC is one of the largest investors in Pakistan's power sector. Since 1996, IFC has committed over $600m 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 comprises investments of some $430m in: two private sector hydro projects - Laraib (84MW) and Star Hydro, co-financed with MIGA (147MW); one private power project based on indigenous gas - Uch-II (404MW); and two wind projects - Zorlu (50MW) and Metro (50MW). In addition, IFC has financed about 800MW of electricity generation for the first privatized integrated electricity utility (K-Electric). IFC is currently engaged with local and international (Chinese and Korean) sponsors to finance mega private energy projects, aimed at adding 10,000MW of electricity in the next five years, including hydro, thermal, and renewables, as well as LNG imports. IFC is at an advanced stage of preparation with ***China Three Gorges*** to mobilize substantial equity investment for a platform company that will develop hydro, thermal, and wind power.

IFC-World Bank collaboration on Pakistan power is strong. In response to the country's large energy needs and the new government's reform agenda, Bank and IFC teams are now working on a big, transformational program to support Pakistan's power sector over the next five years. The program includes large private and public sector investments in generation, as well as policy reforms, including privatization of the distribution sector. MIGA will support these investments with political risk insurance.

The World Bank Group (Bank, IFC and MIGA) is preparing a new joint Country Partnership Strategy (CPS) for Pakistan for FY15-19. The CPS will be built around the new World Bank Group framework for addressing the twin goals of reducing extreme poverty and promoting shared prosperity. Consultations with the government, private sector and other stakeholders have been held, and the following themes emerged as CPS priorities: *Energy, Private Sector Development, Inclusion, and Service Delivery.* The CPS is scheduled for Board discussion in April 2014.

Multilateral Investment Guarantee Agency (MIGA)

Pakistan is a focus country for MIGA. It has already provided guarantees in hydropower and microfinance, with an outstanding gross exposure of $106 million. MIGA currently supports three projects. 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: Second Improvement to Financial Reporting and Auditing Project (PIFRA II)

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	Undisbursed
Total Project Cost	123.7	111.2	14.9
Borrower	15.2	15.7	-0.5 **
Total Bank Financing			
IDA (original)	84.0	81.6	5.2
IDA (AF)	24.5	13.9	10.2

* As of Feb 25, 2014
** The negative undisbursed against GOP is because revised PC-1 is not yet approved and GOP has overspent about US$0.5 million.

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.
- Implementation of critical activity of SAP upgrade and award of contract for Procurement of Audit Management Information System will ensure achievement of target results and long term sustainability.
- 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:

(1) Implementing agency: Auditor General, Ministry of Finance (federal, provincial), Controller General, Provincial Account General, (2) NGO, academia: none, (3) Donor partners: none.

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	Undisbursed
Total Project Cost	154.0	27.72	127.73
Borrower	4.0	1.0	3.0
Total Bank Financing			
IDA	150.0	26.72	124.73

* As of Feb 25, 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:

- CDGs and their service delivery entities have adopted the entire urban area as their planning boundaries.
- Annual development budgets have been consolidated.
- Financial transfers from the province to all city entities are being reported to CDGs.
- Development of business procedures in procurement, public disclosure, and grievance redressal is underway.
- Action Plans for enhancing self-collected own-source revenues have been developed by CDGs and Water and Sanitation Agency (WASAs).
- Urban Immoveable Property Tax (UIPT) Automation 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.
- A capacity building and training plan, and a training manual on operationalizing the Environmental and Social Management Framework (ESMF)have been developed. This is to ensure building requisite capacity for application of ESMF in 10% of all civil works contracts of CDGs and WASAs. Trainings of city officials are now underway.
- Development of the Financial Management Information System (FMIS) for DAs and WASAs has commenced.

Key Partners:

(1) Implementing agency: Planning and Development Department, Government of Punjab, (2) NGO, academia: none, (3) Donor partners: none.

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	Undisbursed
Total Project Cost	7.0	2.0	5.0
Borrower	0.0		
Total Bank Financing			
MDTF	7.0	2.0	5.0

* As of Jan 30, 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.

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:

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;

- An urban management framework (institutional structures, business processes, and financial management guidelines), and implementation plan developed for FATA.
- 450 solar powered street lights have been operationalized in Khar.
- 900 piped water supply connections provided/restored in Khar.
- 2.3 Km of all-season road access provided within 500 meters of places of residence to beneficiaries in Khar.

Key Partners:

(1) Implementing agency: FATA Secretariat, (2) NGO, academia: none, (3) Donor partners: none.

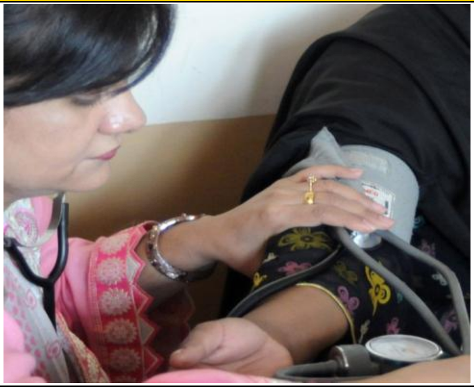
PAKISTAN: Punjab Health Sector Reform Project

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

Financing in million US$

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

* As of Feb 27, 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 US$20.0 million from the Health Results Innovation Trust Fund (HRITF) and US$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:

(1) Implementing agency: Department of Health, the government of Pakistan, (2) NGO, academia: Punjab Rural Support Program (PRSP), (3) Donor partners: DFID.

PAKISTAN: Third Partnership for Polio Eradication Project

Key Dates:
Approved: June 18, 2009 (original), April 21, 2011 (1st AF), Oct 2, 2012 (2nd AF)
Effective: Aug. 19, 2009 (original), Sep. 2, 2011 (1st AF), Mar. 14, 2013 (2nd AF)
Closing: June 30, 2014

Financing in million US$

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost			
Borrower	0.00		
Total Bank Financing			
IDA (original)	79.83	78.36	0.0
IDA (1st AF)	40.48	41.00	0.0
IDA (2nd AF)	23.65	23.69	0.0

* As of Feb 24, 2014

Project Background:

Pakistan is one of three countries currently battling polio (Afghanistan and Nigeria are the other two) and it continues to face virus transmission across the country. There were 198 confirmed cases in 2011, up from 144 in 2010. The number of cases declined in 2012 to 47 for the first nine months of the year. But there were 93 cases in 2013, and have been 15 so far in 2014, as of late February. Therefore, there is a serious need to revisit the country's polio eradication strategy, because it is not delivering.

The project is the third in a series of partnership operations since 2003 providing financial resources to the government of Pakistan to help it fight polio. All operations have been supported by the Bill and Melinda Gates Foundation and the United Nations Fund (UNF), which have committed to 'buy down' Bank financed credits, on achievement of agreed performance measures, verified by third parties. With the availability of other funding sources to fight polio, the Bank is supporting the strengthening of routine immunization, which will contribute towards eradication.

Project Development Objective and Brief Component Description:

The project development objective is to assist Pakistan's efforts to eradicate polio through supply of the Oral Polio Vaccine (OPV) for the country's Supplementary Immunization Activities (SIAs).The project has assisted the government of Pakistan's Polio Eradication Initiative by decreasing the number of polio cases and ultimately eradicating the disease in Pakistan. Bank funds only financed procurement of OPVs through UNICEF. The operational cost is met through other partners, and implementation is supported by technical partners (WHO and UNICEF).

Results Achieved:

As of October 2013, 844,110,830 children immunized with OPV during SIAs in the project period (86,888,501 in 2013, and 146,700,000 in 2012).

Key Partners:

(1) Implementing agency: Federal and Provincial EPI (Expanded Program on Immunization) Cells, the Government of Pakistan, (2) NGO, academia: none, (3) Donor partners: WHO, UNICEF, JICA, Bill and Melinda Gates Foundation, GAVI.

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	Undisbursed
Total Project Cost	61.0		
Borrower	45.0		
Total Bank Financing			
MDTF	16.0	3.0	13.0

* As of Feb 27, 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:

(1) Implementing agency: Department of Health, Government of Khyber Pakhtunkhwa, (2) NGO, academia: contracting out NGOs, (3) Donor partners DFAT (Department of Foreign Affairs and Trade-Australia) for broader nutrition engagement.

PAKISTAN: Tarbela Fourth Extension Hydropower Project

Key Dates:
Approved: February 26, 2008
Effective: September 12, 2008
Closing: December 30, 2014

Financing in million US$

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	914.0	68.8	57.4
Borrower	74.0	0.0	74.0
Total Bank Financing			
IBRD	400.0	1.0	399.0
IDA	440.0	67.8	372.2

* As of Feb 26, 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.

Results 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:

(1) Implementing agency: Water and Power Development Authority, (2) NGO, academia: none, (3) Donor partners: none.

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	Undisbursed
Total Project Cost	25.0	21.5	3.5
Borrower	0.0		
Total Bank Financing			
IDA	25.0	21.5	3.5

* As of Feb 25, 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:

(1) Implementing agency: Department of Irrigation, Government of Balochistan, (2) NGO, academia: none, (3) Donor partners: Synergies with USAID funds managed by FAO

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	Undisbursed
Total Project Cost	272.0	0.25	271.75
Borrower	72.0	0.0	72.0
Total Bank Financing			
IBRD	100.0	0.0	100.0
IDA	100.0	0.25	99.75

* As of Feb 25, 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 FY12 data records the UFG number is 10.4 percent for both the northern (SNGPL) and Southern (SSGC) networks put together. The value of this UFG at the estimated weighted average well-head price in FY12 is US$325 million nationwide. The value of furnace oil import that could be avoided if all UFG was available for power generation in FY12 is US$2.2 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.

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:

(1) Implementing agency: Department of Irrigation, Government of Balochistan, (2) NGO, academia: none, (3) Donor partners: Synergies with USAID funds managed by FAO

PAKISTAN: Flood Emergency Cash Transfer Project

Key Dates:
Approved: March 29, 2011
Effective: June 28, 2011
Closing: March 31, 2014

Financing in million US$

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	580	512.55	67.45
Borrower	100	70	30
Total Bank Financing			
IDA	125	124.80	0.20

* As of Feb 25, 2014

Project Background:

In August 2010, Pakistan experienced terrible floods - a body of water the size of Britain travelled across the country. The flooding had a catastrophic effect on households all over the country. More than 20 million people were affected. In response, a two-phased unconditional cash transfer program, the Citizen's Damage Compensation Program (CDCP), was designed to support flood-affected families. Phase-I was co-financed by the federal and provincial governments and Phase-II by the World Bank, DFID, USAID, and the government of Italy (US$580 million, of which US$125 million provided by IDA). Phase II provides two payments of PKR20,000 (US$213) to flood-affected households, identified through provincial housing damage data (subject to third party verification) followed by biometric verification with the national ID database for enrolment in the program, through more than 95 registration centers that were set up in all flood affected districts. Each enrolled household received a debit card issued by commercial banks at the registration center, where they could also withdraw payments. Beneficiaries could also access any ATM in the country to make withdrawals. Registration centers had a counter to record grievances over eligibility, updates to national identity cards, and payments.

The CDCP program is a worldwide success story and has become a flagship program for the government of Pakistan. It was the basis for a Future Disaster Response Action Plan (FDRAP), approved by Pakistani prime minister, which builds on lessons learned from CDCP and other international best practices to provide cash assistance for early disaster recovery. The design of CDCP was also used as a blueprint for provincial responses to floods in 2011 and 2012.

Project Development Objective and Brief Component Description:

To support the recovery of flood-affected households by assisting the government of Pakistan in strengthening the implementation of its Citizen's Damage Compensation Program. The project has two components:

- Component 1. Effective Delivery of the Cash Grants to Flood-Affected Families: provides cash grants to eligible households in two installments through the commercial banking system.
- Component 2. Strengthen Program Management, Monitoring, and Evaluation: provides technical assistance to enhance program management, transparency, and accountability at the federal, provincial, and local levels through capacity building, communication and public information, and monitoring and evaluation, as well as accessible advisory services for beneficiaries.

Results Achieved:

- Payments (PKR 40,000) to an estimated 1.2 million households (against the target of 1 million).
- 77 percent of beneficiaries express satisfaction with program delivery (against the target of 70 percent).
- 99.3 percent of beneficiaries pick up their benefit within 72 hours of delivery (against a target of 85 percent)
- Management Information System, grievance, and evaluation systems are in place and functioning.

Key Partners:

(1) Implementing agency: Cabinet Division and National Database and Registration Authority (NADRA), government of Pakistan, (2) NGOs and academia: none, (3) DFID, USAID, and government of Italy.

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	Undisbursed
Total Project Cost	4570	1978.2	2591.8
Borrower	0.0	0.0	0.0
Total Bank Financing			
IBRD	0.0	0.0	0.0
IDA	210.0	110.2	99.8

* As of Feb 25, 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 6 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 (US$150 million) together with a Social Safety Net Technical Assistance Project (US$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 assisted the government to create a National Poverty Registry comprising information on more than 27 million households (approx. 170 million people), identifying 7.2 million eligible families (approx. 35 million people), and providing payments to more than 4.8 million families using modern payments technology. To expand coverage of safety net cash transfers and to support operationalization of conditional cash transfers linked to primary education, the project was restructured with additional financing in March 2012, following a results-based financing approach.

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 (above target of 70 percent).

Key Partners:

(1) Implementing agency: Benazir Income Support Program, Government of Pakistan; (2) NGOs and academia: none, (3) Donor partners: DFID, USAID, ADB.

PAKISTAN: Balochistan Education Support Project

Key Dates:
Approved: June 22, 2006
Effective: August 9, 2006
Closing: July 31, 2014

Financing in million US$

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	23.33	19.91	4.58
Borrower	0.0	0.0	0.0
Total Bank Financing			
IBRD	0.0	0.0	0.0
IDA	22.0	18.59	4.58

* As of February 28, 2014

Project Background:

Balochistan has always ranked bottom in the country in education and other key social indicators. Challenges in the education sector are numerous. They include low access, in a geographically widespread area with small, sparsely populated communities; large gender disparities; quality; limited private sector participation; and poor institutional capacity of the public sector. Recognizing the numerous, complex issues facing the sector, the government of Balochistan (GoB) committed to testing different small-scale models of public-private partnerships in the delivery of primary education under the Balochistan Education Support Project (BESP). The project is implemented by the semi-autonomous Balochistan Education Foundation (BEF), an apex financing body with a mandate to support public-private partnerships and community partnerships in education. The project tests a community-led education delivery model in the province.

Project Development Objective and Brief Component Description:

The objective of the project is to promote public-private and community partnerships to improve access to quality primary education, in particular for girls. The project consists of three components to be implemented under partnership arrangements between BEF and three distinct types of implementation partners: community schools, private schools, and technical assistance partners:

- Component 1. Establishing New Community Schools in Rural Areas. To provide school-aged children with access to quality primary education by establishing new schools in rural areas where the community is able to enroll at least 20 students and there is no girls' school within a 2 km radius.
- Component 2. Supporting New Private Schools. To promote access to low-fee quality private primary education in semi-urban and urban areas, by supporting the establishment of new private schools along the "fellowship" model tested successfully under the Bank-supported Balochistan Primary Education Project (BPEP).
- Component 3. Capacity Building. To build the capacity of the BEF and its partners to support implementation of the two components mentioned above.

Results Achieved:

- 633 community schools have completed five years of successful operation in remote areas of Balochistan.
- These schools enroll over 26,000 students, 44 percent of whom are girls.
- In 2009/10, enrollment in BESP-supported schools contributed to six percent of primary school enrolment in Balochistan.
- Average student and teacher attendance, as well as the student grade completion rate, have all surpassed targets.
- Construction of school buildings for 110 community schools has been completed (a total of 225 schools are expected to be constructed using project financing).

Key Partners:

(1) Secondary Education Department (SED), government of Balochistan, and Balochistan Education Foundation, (2) none, (3) none.

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	Undisbursed
Total Project Cost	14.46	6.11	8.35
Borrower	4.46	1.70	2.76
Total Bank Financing			
Trust Fund (MDTF)	10	4.41	5.59

* As of Feb 25, 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, 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	Undisbursed
Total Project Cost	2600		
Borrower	2200		
Total Bank Financing			
IDA	400	0.00	400.00

* As of February 28, 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 is proposed to support SERP II over the four-year period FY2011/12–FY2015/16. The project will reflect the general design features of SESP and is expected to have 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:

Results of the first year of implementation will be available in June/July 2014. The project is still waiting for a legal opinion from the province. Implementing entities – the Education and Literacy Department of Sindh (ELD), and the Reform Support Unit (RSU) - are working to catch up on delays caused by late signing.

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	Undisbursed
Total Project Cost	26.00	3.75	21.98
Borrower	5.00	0.00	5.00
Total Bank Financing			
IDA	21.00	3.75	16.98

* As of February 28, 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	Undisbursed
Total Project Cost	4287.7	94.95	4190.17
Borrower	3837	0.0	3837
Total Bank Financing			
IBRD	0.0	0.0	0.0
IDA	350	94.95	253.17

* As of February 28, 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:

- PKR 3.4 billion has been provided to schools in eight districts to meet non-salary related spending in the first phase of implementation.
- 150,000 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.
- 130,000 candidates have been tested to qualify for a teaching post in the province.
- Close to five million students in grades 5 and 8 of public and private schools are being tested 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: 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	Undisbursed
Total Project Cost	16	7.2	8.8
Borrower	0.0	0.0	0.0
Total Bank Financing			
MDTF	16	7.2	8.8

* As of February 28, 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: 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	Undisbursed
Total Project Cost	17.1	8.0	9.1
Borrower	0.0	0.0	0.0
Total Bank Financing			
Trust Fund (MDTF)	17.1	8.0	9.1
* As of February 28, 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:

- Highly satisfactorily implementation progress.
- 15.5 km of the provincial highway S-3B reconstructed.
- Due to the reconstruction of 15.5 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: 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	Undisbursed
Total Project Cost	116.4	61.8	54.0
Borrower	0.6	0.0	0.6
Total Bank Financing			
IBRD	115.8	61.8	54.6

* As of Feb 25, 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:
- (i) 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.
- (ii) Sub-component 2: strengthening port environmental management to eventually comply with ISO international standards.
- (iii) 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 55 percent progress by end January 2014. Two berths expected to be handed over for operations by July 2014, while the remainder will be ready by December 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 hired to prepare the Karachi Port Trust's (KPT) Strategic/Business Development Plan and is expected to commence work by end March 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 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	Undisbursed
Total Project Cost	155.0		
Borrower	9.4		
Total Bank Financing			
IBRD	145.6	67.45	78.15

* As of Feb 28, 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:

- Main contract for civil and electro-mechanical infrastructure is under implementation. The subsidiary weir on the left half of the barrage was completed last year. The contractor started work on the right side of the barrages in October 2013 and is on track for in-time completion.
- Variation orders to replace all barrage gates with new gates have been issued. The contractor is manufacturing the gates and replacement of the gates started at beginning of 2014.
- Total of 54 water supply schemes are identified of which 42 would be constructed under the project and about 4 are constructed by the Public Health Engineering Department (PHED).
- The Punjab Rural Support Program (PRSP) has been contracted to carry out wheat seed distribution. This year PRSP carried out seed distribution in two districts, Layyah and Muzafargarh. The seed packages were distributed during October 7 to November 7, 2013 in 706 villages. In total, 35,637 farmers were provided about 96,263 bags of wheat seed and 4,750 bags of Canola seed.

Key Partners:

Department of Irrigation, Government of Punjab.

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	Undisbursed
Total Project Cost	423.5		
Other (farmer's contribution)	173.5		
Total Bank Financing			
IDA	250.0	65.07	198.4

* As of Feb 25, 2014

Project Background:

The direct beneficiaries are about 580,000 farm families (4.0 million 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: 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 *wara-bandi* 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:

- 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.
- 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. The remaining government of Punjab-owned laser units (about 122) would be dis-invested.
- About 1,594 watercourses have been improved, and work is at various stages on about 996 watercourses.
- Rehabilitation and improvement of 762 schemes have been completed and work is in progress on about 163 schemes in non-canal commanded areas.

Key Partners:

Department of Agriculture, government of Punjab.

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	Undisbursed
Total Project Cost	175	61.8	54.0
Borrower	24.8		
Total Bank Financing			
IDA	150.2	119	31.2

* As of Feb 28, 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:

- A large number of distributaries and minor canals in the Ghotki and Left Bank Canal Area Water Boards areas have been improved.
- 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;
- 2,259 women land owners in selected minors and distributaries have been identified.
- 41 percent of these women have been successfully mobilized in their local farmer organizations.
- Eight women have been elected to organization managers, including one chairperson.

Key Partners:

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

PAKISTAN: Third Pakistan Poverty Alleviation Fund

Key Dates:
Approved: June 9, 2009
Effective: July 9, 2009
Closing: January 31, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	250.00	222.76	34.92
Borrower	0.0		
Total Bank Financing			
IDA	250.00	222.76	34.92

* As of Feb 25, 2014

Project Background:

The Pakistan Poverty Alleviation Fund (PPAF) was formed in 1999 with World Bank funding and support, and has successfully financed PPAF-I and PPAF-2, which includes three tranches of additional financing. PPAF has worked through the creation of strong outreach mechanisms in 119 (of 134) districts of Pakistan. These have built partnerships with over 70 Partner Organizations (PO) that have, in turn, organized over 80,000 Community Organizations (COs), which serve as a platform for the rural poor to access finances, skills, infrastructure, health, and education. PPAF-III contributes to the following Millennium Development Goals (MDGs): (i) improving incomes for the poorest and reducing the proportion of people living on less than $1/day (Goal 1, Target 1); (ii) reducing the proportion of people who suffer from hunger (Goal 1, target 2); (iii) ensuring that boys and girls alike are able to complete primary school (Goal 2, Target 3); (iv) promoting gender equality and empowering women (Goal 3, Target 4); and (v) reducing the proportion of people without sustainable access to safe drinking water and sanitation (Goal 7, target 10).

Project Development Objective and Brief Component Description:

The project development objective is to empower the targeted poor with increased incomes, improved productive capacity, and access to services to achieve sustainable livelihoods. As part of the lessons learned under PPAF-I and II, this program built in a stronger focus on the most vulnerable and poorest households.

- Component 1. Social Mobilization and Institution Building: the objective of this component is to target and empower the poor by supporting their organization into three tiers: community organizations; village organizations; and union councils at the area level, to build voice and scale to deal more effectively with local government bodies, other development programs and markets.
- Component 2. Livelihood enhancement and protection: the objective of this component is to develop the capacity, opportunities, assets and productivity of community members to reduce their vulnerability to shocks, strengthen their businesses and improve livelihoods.
- Component 3. Micro-credit access: improve availability and access of the poor to micro-finance to enhance their capacities, productivity and returns from livelihood initiatives. In most areas, the intention will be to improve access to existing microfinance (both PPAF financed and other sources).

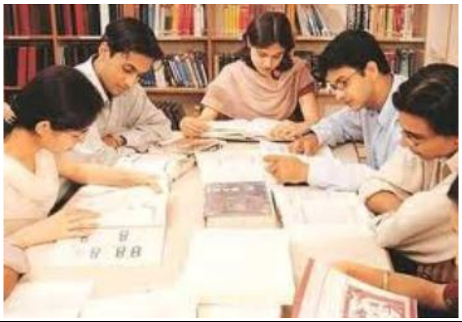
Results Achieved:

- Approximately 10 million vulnerable and marginalized people have benefitted from the program interventions, over half of them women.
- 315,000 micro-loans were provided with an 83 percent return on investment (ROI).
- 125,000 children (45 percent girls) were enrolled in 896 project-supported schools and 6.5 million patients (55 percent women) were treated for various ailments in 482 project-supported health facilities.
- A total of 407,700 individuals, of which 61 percent were women, were trained in different skills.
- Productive assets have been transferred to 47,400 ultra and vulnerable poor (50 percent women).
- Moreover, 4,600 community infrastructure sub-projects have been initiated in program areas benefiting approximately 2 million people.

Key Partners:

(1) Implementing agency: Pakistan Poverty Alleviation Fund (PPAF).

PAKISTAN: Tertiary Education Support Project



Key Dates:

Approved: March 24, 2011

Effective: November 30, 2011, 2009

Closing: December 31, 2015

Financing in million US$

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	1939.35	1222.33	712.84
Borrower	1715	1101	614
Total Bank Financing			
IDA	220.17	121.33	98.84

* As of Feb 28, 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.

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 1,700 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: 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	Undisbursed
Total Project Cost	38	28.852	7.299
Borrower			
Total Bank Financing			
IDA	38	28.852	7.299

* As of Feb 28, 2014

An Overview of Tarbela Dam

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: Punjab Land Records Management and Information Systems Project

Key Dates:
Approved: January 25, 2007
Effective: March 28, 2007
Closing: June 30, 2014

Financing in million US$

Financing source	Total amount	Disbursed	Undisbursed
Total Project Cost	126.9		
Borrower	11.2		
Total Bank Financing			
IDA Original	45.7	44.9	0.8
IDA AF	70.0	5.6	64.4

* As of Feb 28, 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.
- 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 January 2014, 98 Service Centers were operational. Data entry is now being completed in the last cohort of 12 districts. The work of data verification and quality control is proceeding apace and is now complete in over half of all revenue estates in the province. The number of revenue estates that are now online is 9,123 or 35 percent of the total.

Key Partners:

Board of Revenue, government of Punjab.

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	Undisbursed
Total Project Cost	8.75	4.39	4.36
Borrower	0.0		
Total Bank Financing			
Trust Fund (MDTF)	8.75	4.39	4.36

* 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 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	Undisbursed
Total Project Cost	70.22	0.00	0.00
Borrower	20.22	0.00	0.00
Total Bank Financing			
IDA	50.00	0.00	0.00

* As of Feb 28, 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:

- The Steering Committee headed by chairperson of the Planning and Development Board has been formed with the function of overseeing program implementation. The first steering committee meeting was held on Dec 17th, 2013 and decisions taken on key activities as per PPMRP's aims and objectives.
- 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: 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	Undisbursed
Total Project Cost	20.00	9.03	10.96
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	20.00	9.03	10.96

* As of Feb 28, 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 development objective is 'to support the Government of Pakistan in the economic recovery and revitalization of the crisis affected areas of Khyber Pakhtunkhwa (KP) province and Federally Administered Tribal Areas (FATA), by creating sustainable employment opportunities through rehabilitation of Small and Medium Enterprises (SMEs), investment mobilization, and institutional capacity building'.

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

- Component 1. 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.
- Component 2. 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.
- Component 3. 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.

The SME development component is being implemented by the KP office of Small and Medium Enterprise Development Authority (SMEDA), and the implementation of the second and third components are being done by the dedicated cells of the KP and FATA authorities.

Results Achieved:

- US$4 million disbursed in matching grants to 665 SMEs across KP and FATA, 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
- Donor Partners: None

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	Undisbursed
Total Project Cost	9.0	0.5	8.5
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	9.0	0.5	8.5

* As of Feb 28, 2014

Project Background:

Building on the initial results of the Economic Revitalization of Khyber Pakhtunkhwa and FATA Project (ERKF), the government of Khyber Pakhtunkhwa (GoKP) 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 proposed development objective of this project 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. CIPK has 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 KP-PMU, Department of Mines and Minerals (GoKP), 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:

Results of the first year of implementation are not yet available. The implementation progress has been so far good, including staffing at PMU, completion of the procurement plan and operations manual, etc. Procurement activities under component 1 commenced during February 2014. Expected results are as follows:

- 25 marble mines will enhance production by 40 percent through the use of new technologies. 750 direct and indirect jobs will be 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:

1. Implementing Agency: Industries and Technical Education Department, Government of KP (GoKP)
2. Other implementing agencies/partners: (i) Director General Mines and Minerals; (ii) GoKP; (iii) Pakistan Stone Development Company

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	Undisbursed
Total Project Cost	12		
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	12	6.8	5.2

* As of Feb 28, 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.

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:

- 133 community organizations (COs) formed.
- 47 COs provided financial and leadership trainings
- 20,000 benefited from backyard-poultry farms, sewing machines, fuel efficient stoves, solar lamps and agri-inputs.
- Solar Home System (SHS) for 304 off-grid households, commissioned in three model villages, with procurement of 210 SHS is in progress.
- 40 physical infrastructure schemes completed through community contracting and handed over to the community, seven schemes are under construction.

Key Partners:

Government of FATA

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	Undisbursed
Total Project Cost	18		
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	18	2.10	15.9

* As of Feb 28, 2014

Project Background:

This project aims to reach unserved and underserved low-income communities in Southern KP. Implementation will be focused on three districts (DIKhan, 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.

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:

- Selection of 25 Union Councils finalized for project interventions and baseline completed.
- 377 Community Based Organizations (CBOs) formed (306 male, with membership of 9,972 and 71 female with membership 2,799) and 345 Economic interest Groups (EIGs) formed (144 male-EIGs with membership of 1,415 and 201 Women-EIGs with membership of 896). 500 office bearers trained.
- 78 Community Action Plans developed.
- 33 infrastructure sub-projects targeting social infrastructure undertaken with direct beneficiaries of 11,640 (25 completed, 8 ongoing) and 53 infrastructure sub-projects in process for approval.
- 115 youth enrolled for skill development training in five different trades.

Key Partners:

Department of Local Government and Rural Development, government of Khyber Pakhtunkhwa,

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	Undisbursed
Total Project Cost	5.0	1.9	3.1
Borrower			
Total Bank Financing			
Trust Fund (MDTF)	5.0	1.9	3.1

* As of Feb 28, 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 US$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 (US$2.5 million): This component will support PDMA Balochistan in strengthening institutional disaster risk management capacity and emergency response systems.
- Hazard and Risk Assessment (US$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 (US$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: 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 incorporated in Islamabad, under the laws of Pakistan, dedicated to develop, construct, operate and maintain the 84 MW run-of-the-river New Bong Energy (NBE) hydro power plant, in Azad Jammu & Kashmir (AJ&K), 120 km 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 (PPA). NTDC's payment obligations under the PPA are guaranteed by the government of Pakistan ("GOP"). The total project cost was US$233.6 million funded with a 75:25 debt to equity ratio. The project sponsor is the Hub Power Company Limited (Hubco), with a 75.54 percent stake in the company. Hubco owns and operates a 1,292 MW thermal plant in southern Pakistan which was the first IPP in the country. Laraib entered into a turnkey EPC contract with SAMBU Construction Co. Limited, a Korean EPC contractor, for the construction and delivery of the power plant. Sambu subcontracted Hyundai Engineering Co. Ltd. for the design and Andritz Hydro for the supply of electromechanical equipment. The project was completed on time and within budget and the commercial operation date was achieved on March 23, 2013. In November 2009, IFC committed a US$35 million 'A' loan which had a grace period of 4 years and final maturity in November 2024. The full commitment has been disbursed and is earning an interest rate of 6-month Libor plus 4.75 percent.

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:

The key expected results and targets are provided below. As the power plant has not yet completed one full year of commercial operations, most of the targets are expected to be achieved later in the year:

- Target Power Generation (p.a.): 470 GWh per annum.
- Target Total Employment/ Temporary: 400 jobs (achieved 470 temporary jobs in 2011).
- Target Total Employment/Direct (#): 60 direct employees (achieved 34 in 2011).

Key Partners:

Islamic Development Bank, Asia Development Bank, Proparco.

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 *	25.0	25.0	
Equity			
Guarantee **	1.2	1.2	

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

* As of February 26, 2014

Project Background:

Habib Bank Limited ("HBL" or "bank") is the largest bank in Pakistan in terms of assets, with a market share of approximately 16 percent. It had around US$14.5 billion in assets and US$1.2 billion in shareholder's equity as of September 30, 2013. IFC's relationship with HBL started in 2006 through a US$50 million, eight year, tier 2 sub debt. The purpose of the project was to strengthen the capital base and support the bank'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 US$20 million line, which has been enhanced over time to US$100 million. IFC entered into an Advisory Services agreement with HBL in June 2011 to provide capacity building in SME banking, which concluded in June 2013. The objective was to build HBL's capacity to adopt best practices in SME banking and then test and refine its "small business banking" by piloting some activities. IFC helped the bank to: a) develop a value proposition for SMEs; b) reengineer 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 is also in the process of signing an advisory agreement with HBL to help develop women-targeted products. The project is expected to launch in April 2014 with an objective to help position HBL as a women market champion in Pakistan, both as an employer and as bank for women in Pakistan. HBL is committed to capturing the full spectrum of the female market and become the bank where women want to bank, work and invest.

On the investment front, IFC is discussing a potential loan with HBL of around US$150 million to help fund the bank'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 sub debt 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:

IFC engagement with HBL has resulted in:

- 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 loan portfolio grew at a compounded annual growth rate of around five percent since 2007 and the bank generated a return on equity of 16.4 percent in third quarter FY13, despite macroeconomic challenges being confronted by the nation.
- IFC SME Advisory Services was completed in June 2013 which has helped HBL develop its SME business. As a result, HBL has disbursed 29,427 new SME loans amounting to US$1,118 million and has opened 115,308 new SME deposit accounts since Sept 2011. There has already had a demonstration effect; another large bank has engaged IFC to improve its SME banking, while discussions with other medium to large commercial banks are underway.
- GTFP facility helped the bank to finance trade commitments of over US$518 million since inception, supporting trade of essential commodities such as oil and gas, agricultural products, chemicals, among others.
- HBL has developed an environmental and social management system screening against host country laws and IFC exclusion list which is likely to have a strong demonstration effect in the country given HBL's size and outreach.

Key Partners:

Aga Khan Fund for Economic Development (AKFED)

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**			

* As of January 31, 2014

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 project development objective: 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 7,166 individuals, of whom 1,553 (22 percent) were women, from 1,673 MSMEs, government and development organizations.
- The project is working with 12 BE accredited local training providers.
- The project has trained 219 trainers including 54 women (25 percent) in Pakistan.
- The project has localized/translated 41 Trainer Manuals/Workbooks into Urdu.

Results under MDTF (WB/IFC) Project:

- Business Edge has trained 15 Pashto speaking trainers to conduct training for the SMEs.
- 11 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 Institute of Management (PIM), National University of Science and technology (NUST), Institute of Bankers Pakistan (IBP), New World Concepts, and Community Research and Development Organization (CRDO) .

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 US$25 million loan into equity in December 2012.			

* As of January 31, 2014

Project Background:

K-Electric (formerly: Karachi Electric Supply Company) is the only private integrated power utility in Pakistan that is the exclusive supplier of electricity to the city of Karachi - the largest city in Pakistan with a population of some 20 million. KESC is large (over 11,000 employees, 2.3 million customers and US$2.8 billion in assets), operationally complex (vertically integrated with an extensive transmission and distribution network and around 2,000 MW generation capacity), and operates in a charged and challenging political environment. KESC was privatized in 2005 when a 71.5 percent stake was acquired by Al-Jomaih and National Industries Group (the original sponsors). In order to co-finance a US$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 US$125 million 10 year 'A' loan with the right to convert US$25 million into equity. Asian Development Bank (ADB) also participated in the project with a parallel loan of US$150 million. IFC's investment supported one of the largest private investments in the power sector in Pakistan, without the customary backstop by sovereign guarantees. 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 US$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 US$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. For its part, IFC supported KESC by providing swift and targeted support for its often groundbreaking initiatives, and also by maintaining close coordination with key stakeholders to help them understand and address key challenges faced by KESC. In further IFC support, advisory and investment teams are currently working together to develop KESC's renewable energy initiatives.

Project Development Objective and Brief Component Description:

The targeted development objectives of IFC included: i) eliminating load shedding and meeting incremental demand for electricity in the Karachi area; ii) enabling new residential and business customers to be connected to the grid thus reducing their cost of obtaining power; iii) significant reduction and 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:

IFC's investment achieved a number of targeted development objectives, including:

- Significant reduction in electricity load shedding to four to five hours a day with uninterrupted supply to low loss and industrial customers, whereas 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.
- Improved efficiencies both by way of low cost and efficient generation through new plants, and reduction of electricity losses.
- 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.
- 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.

Key Partners:

Asia 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 National Transmission and Dispatch Company, the state-owned transmission 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 US$436 million, including contingencies. In December 2011, IFC committed a US$60 million 'A' loan which has a grace period of up to 66 months and final maturity of up to 17 years, including grace period. In 2012 MIGA issued a guarantee for US$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. The coverage is for a period of up to 20 years against the risk of breach of contract.

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. MIGA's substantial experience in guaranteeing power sector projects in challenging environments provides a significant source of comfort to the sponsor.

Results Achieved:

It is expected that the company will achieve the following results with the help of IFC and MIGA investment:

- Provision of clean power for 310,000 customers by 2017.
- 17.0 percent in economic rate of return.
- Generation of 100 permanent jobs.
- Reduction in greenhouse gas emissions (GHG) of about 280,000 tons of CO_2 per annum.

Key Partners:

K-Water; K-Exim, ADB and IDB

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, 2013

Project Background:

Packages is Pakistan's premier integrated pulp and paper mill and packaging materials manufacturer with a paper and board capacity of 271,400 tpa (tons per annum), converting capacity of 158,069 tpa and plastics capacity of 20,000 tpa as of December 2012. It is widely acknowledged as a market leader in the local market and known for its sophisticated and high quality packaging. Its principal raw material for paper and board production is wheat straw and waste paper. Packages' main clients include major multinationals operating in Pakistan such as Unilever, Nestle, P&G, Colgate and Tetrapak. Along with the equity investment, IFC has provided advisory services to Packages to increase waste paper collection from the local market, and help the client reduce reliance on imported waste paper. This advisory project was completed in FY13.

Project Development Objective and Brief Component Description:

IFC's equity financing enabled Packages, a long standing IFC client, 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.

Results Achieved:

- Environmental Improvements and Climate Change Benefits: 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 related to burning of wheat straw; transportation saving on shipping of waste paper from other countries; and elimination of approximately 450,000 cubic meters of landfills annually, thus avoiding typical hazards from land filling such as contamination of ground waters, residual soil contamination after landfill close, contribution to inefficient use of land space and off-gassing of methane, a potent greenhouse gas generated by decaying organic wastes.
- Private Sector Development: the new mill, located away from the key centers of commercial activity, 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 farmers' incomes, who used to burn wheat straw for disposal.
- Stamp of Approval: a key development, not anticipated at time of IFC investment, has been the creation of a 2013 joint venture between Packages and Stora Enso Oyj, one of the world's largest pulp and paper manufacturer in the world. IFC facilitated the provision of a $90 million guarantee by MIGA to Stora Enso for investment in Packages' paper and board subsidiary, BSPL.
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Key Partners: