WORLD BANK GROUP - PAKISTAN PARTNERSHIP:

COUNTRY PROGRAM SNAPSHOT

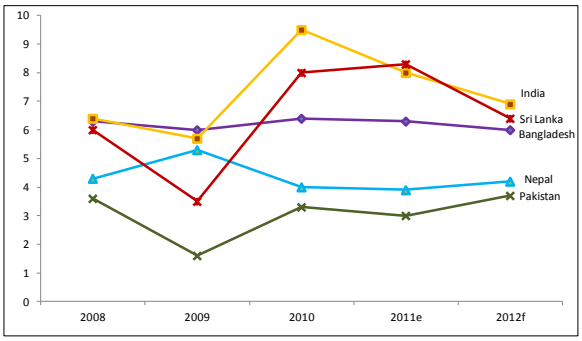
As of October 2, 2013

Recent Economic and Sector Developments

Growth Performance

Pakistan's economy is trapped in alow-growth equilibrium, lower than other South Asian countries. This is due to macroeconomic instability, low investment and savings, a business-unfriendly environment, and low productivity.

Figure 1: GDP growth in Pakistan and other South Asian countries, 2008–12
(2005 $)



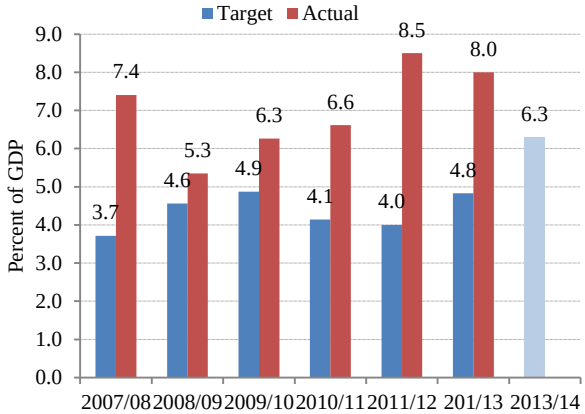
During FY13, the economy continued its low growth path. Economic growth in FY13 was 3.6 percent – lower than the budget target of 4.8 percent – the bulk of which came from the services sector. Faced with acute energy shortages, the large-scale manufacturing and agricultural sectors continue to perform poorly. Each sector contributed only 0.4 percent to the 3.6 percent GDP growth.

Growth has been led by consumption rather than investment. In terms of aggregate demand, consumption – mainly private consumption – contributed around 68 percent to economic growth during 2012/13. At the same time, total investment (as a percent of GDP) continued to decline from a high of 19.3 percent of GDP in 2005/06 to 14.2 percent in 2012/13. Some of the contributing factors are low credit to the private sector, an unfavorable investment climate, a deteriorating law and order situation, and regulatory bottlenecks. In the medium-term, this consumption-led growth, along with declining investment levels, is a worrisome trend.

Fiscal and Debt Status

The fiscal deficit reached a high of 8.0 percent in FY13. This level remained broadly in line with that of FY12, and more than 1.5 times higher than the budget target (Figure 2). As in past years, structural challenges in the energy sector, such as power subsidies and discharging circular debt from State Owned Enterprises, contributed significantly (1.4 percent of GDP) to the fiscal deficit.

Figure 2: Fiscal Deficit Targets and Actual



Source: Ministry of Finance

Revenue collection continued to be poor. The combined effect of large shortfalls in revenue and now customary overruns in expenditure also contributed to the large increase in the fiscal deficit. Revenue collection by the Federal Board of Revenue (FBR) stood at Rs 1,936 billion, which is almost 19 percent below the target set in June 2012. A large bulk of this shortfall was caused by sub-par collection of Goods and Services Taxes and direct taxes.

The public debt-to-GDP ratio has declined. At end-June 2013, the public debt-to-GDP ratio stood at 62.9 percent of GDP, about 0.8 percentage points lower than at end-June 2012. This small improvement happened because growth in nominal GDP outweighed the growth in public debt stock, given the virtual absence of foreign debt creating inflows during the year. Moreover, the shortfall in external debt receipts

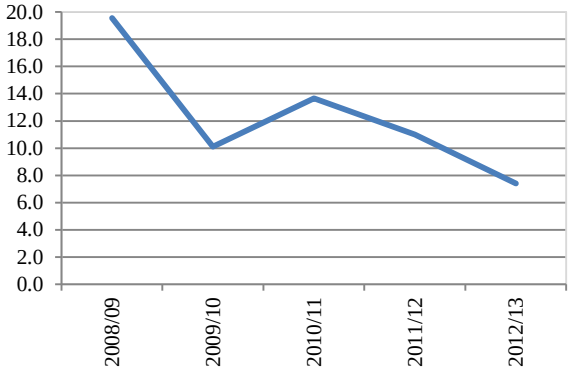
was more than offset by abundant domestic debt creation to finance the escalating fiscal deficit.

Fiscal consolidation is planned for FY14 and beyond, but the big challenge remains implementation. For 2013/14, the government plans to lower its deficit target to around 6.3 percent of GDP, with a policy to further reduce it each year down to 4.0 percent of GDP by 2015/16. The government's fiscal policy focuses on revenue generation, controlling current spending by switching to more targeted subsidies and prioritizing development spending for critical sectors. Implementing this strategy will be a test for the newly elected government's first budget.

Inflation

Inflationary pressures have temporarily eased. Headline inflation declined to an average of 7.4 percent for 2012/13, from 11 percent in 2011/12 (Figure 4), driven more by non-food pricing than food pricing. Food inflation declined from 10.3 percent in June 2012 to 7.9 percent in June 2013. Going forward, an expected upward adjustment in domestic energy prices and exchange rate depreciation may push inflation higher.

Figure 3: Average Headline Inflation



Source: Federal Bureau of Statistics

Thanks to the Government's strong intervention, the PKR/US$ exchange rate has mildly depreciated by 4.5 percent in FY13. The central bank sold US$ 3.2 billion (net) during FY13 at the cost of a draw down in reserves (see below). The paucity of inflows and large debt repayments contributed to some volatility in the exchange rate.

Balance of Payments

The overall balance of payments position is under severe stress. The reason is the sudden halt in financial inflows aggravated by high debt repayments, especially to the IMF. Capital and financial accounts experienced a net inflow of US$279 million over July-June 2012/13. Up to end-June of 2012/13, the country had repaid about US$2.54 billion of IMF debt. Throughout FY13, official net foreign exchange reserves declined by US$4.8 billion to only US$6.1 billion (equivalent to a halving decline from 2.6 months to just 1.5 months at end-June 2013).

Notwithstanding this serious situation, other elements of the external account have improved. The external current account recorded a deficit of US$ 2.3 billion (1.0 percent of GDP) during 2012/13. This improvement was largely due to the receipt of Coalition Support Fund (CSF) flows of US$1.8 billion from the USA, a marginal improvement in the trade deficit, and robust growth in workers' remittances (Table 1).

Trade

Pakistan's recent trade performance has been lagging, with a low and falling trade to GDP ratio over the past decade. Pakistan's exports are based primarily on labor-intensive light manufacturing products (textiles, footwear, leather), which account for about 65% of exports. There has been limited diversification towards non-textile manufacturing and services sectors. Pakistan is particularly under-exporting to fast growing neighboring countries, China and India, with most exports going to European and U.S. markets.

Customs and tariff levels have become more complex. A liberalization program in the 1990s and early 2000s had reduced the maximum tariff to 25%, but over time this has become more complex and non-transparent with multiple rates

and exemptions, and a structure that has an anti-export, pro-import substitution bias. More recently, there have been steps to increase trade with India through a reduction in "sensitive" lists on both sides and a lifting of restrictions on Pakistan foreign direct investment in India. Pakistan has indicated plans to extend MFN status to India.

Poverty Reduction

Although significant concerns exist about the quality of poverty data, the overall trend points to declining poverty levels. Data is unreliable, particularly in the rural areas and areas affected by conflict. Until these problems are resolved, poverty data for Punjab, the largest province, which are more reliable, can be used to provide some insight into the country as a whole. Poverty in Punjab appears to have fallen significantly over the past decade, from 33.5 percent in 2001/02 to 16.4 percent in 2007/08. This improvement was driven largely by increasing returns in the non-farming sector, in both urban and rural areas.

There is evidence that growth has been pro-poor. Over the past decade, per capita consumption for Punjab's bottom 40 percent has grown faster than GDP per capita. This observation has two policy implications. First, the poor are highly affected by growth fluctuations. Hence the need for an adequate social protection system, which ensures that the poor and vulnerable can still maintain minimum needs when shocks hit. Second, reducing poverty faster would require a renewed effort to address the problems that work against sustained growth.

There is a strong need to strengthen Pakistan's poverty statistics. The Pakistan Bureau of statistics would benefit from expert advice on ways to make poverty data more reliable, regular, and timely. It would also be helpful to make timely poverty data available to the public.

Devolution

Table 1: Balance of Payment Summary

US$ billion	2011/12	2012/13
i. Current A/c	**-4.7**	**-2.3**
Trade balance	-15.8	-15.1
Export	24.7	24.8
Import	40.5	39.8
Services net	-3.2	-1.1
Income net	-3.2	-3.7
Current transfers net	17.5	17.6
Remittances	13.2	13.9
ii. Capital and Financial A/c	**1.5**	**0.5**
Of which:		
Direct investment	0.7	1.2
Portfolio investment	-0.1	0.03
Other Investment Assets	0.0	-0.3
Other Investment Liab.	0.7	-0.7
iii. Errors and omissions	**-0.1**	**-0.2**
Overall balance	**-3.3**	**-2.0**
SBP reserves (excl CRR, sinking fund)	**10.9**	**6.1**
Memorandum Items		
CAB as percent of GDP	*-2.1*	-1.0
Export growth %	*-2.6*	0.2
Import growth %	*12.8*	-1.6
Remittance growth %	*17.7*	5.6

Source: Data from State Bank of Pakistan

Greater decision-making authority has been assigned to provincial governments since 2011/12. The Eighteenth 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.

This devolution poses new institutional challenges at the provincial level, some dispersal of retained functions at the federal level, and requisite expenditure rationalizing under tight fiscal space. Meeting these challenges requires concerted efforts to enhance sub-national capacity and modernize institutional development, which varies across provinces.

There is potential for further devolution by holding local government elections and devolving some of the provincial powers to the local level. These powers, however, can vary from province to province, and are likely to be greatly curtailed in comparison to those devolved from the federal to provincial level.

Taxation authority in Pakistan is unevenly distributed between the national and sub-national governments. Almost all broad-based taxes, such as Income taxes (except for agricultural income tax), Consumption taxes (except sales tax on services), and Excise and Import duties are assigned to the federal government. The provincial governments have only "residual" taxation powers, and local governments even less. The provincial governments have only three broad-based and buoyant taxes i.e. the agricultural income tax, Generalized Sales Tax on services, and the Property Tax. Taxes assigned (by provinces) to the local governments have only marginal yields.

Provinces now have a greater ability to borrow funds. 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.

Public Financial Management

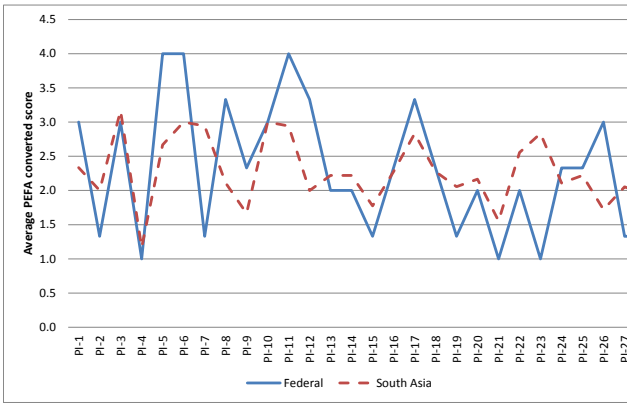
Pakistan has a fairly well developed infrastructure for public financial management (PFM). At the policy level, the parliament has a key role in authorizing revenues, expenditures, and debts. The Ministry of Finance (MoF) plays a pivotal role in budget preparation and expenditure control. Line ministries, 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 and the Punjab and Sindh 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 to all line ministries. This framework has also been piloted with some line departments in the provinces of Khyber Pakhtunkhwa, Punjab, and Sindh. Khyber Pakhtunkhwa has also piloted output-based budgeting using conditional grants in the health and education sectors, which are being scaled up in 2012/13.

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 nine months of the end of the fiscal year. Some of the provincial finance departments are uploading in-year reports to their websites.

Figure 4: 2012 PEFA assessment compared with South Asian countries



Financial Sector

The banking system has maintained profitability. Pre-tax profit increased 10 percent in 2012 compared to the previous year. Both return on assets (ROA) and return on equity (ROE) remained at satisfactory levels of 2.1 percent and 22.9 percent respectively, and the sector's liquidity position improved.

Credit quality remains a risk, but shows signs of mild improvement. Non-performing loans (NPLs) remain high, at 14.5 percent of loans in December 2012, and present a medium-term risk to the sector, but have declined over the past year (15.7 percent in December 2011). The microfinance sector registered a 13.6 percent increase in active borrowers between December 2011 and December 2012.

Government borrowings have increased and crowded out private sector credit. Net budgetary official borrowing from the banking system expanded significantly (39.7 percent growth year-over-year) in 2012/13. The Government's net borrowing from the central bank amounted to Rs 578 billion in flow terms, and net borrowing from the scheduled banks was Rs 1,013 billion. In contrast, the latest available data for 2012/13 indicates that the banking sector's credit to the private sector contracted by Rs18 billion compared to Rs 235.2 billion for the same period last year.

The non-bank financial sector is weak. 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).

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.

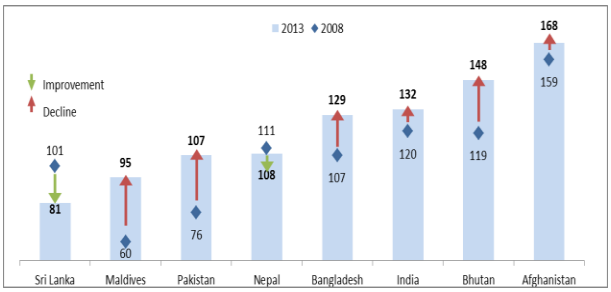
These substantial losses in turn have a major negative fiscal impact on public finances. SOEs can also constrain private sector growth because of poor service provision. For 2011/12, the major losses of some key SOEs were estimated at PRs 28 billion for Pakistan International Airlines Corporation, PRs 36 billion for Pakistan Railways, PRs 22 billion for Pakistan Steel, and PRs 300 billion for the power sector.

On the other end of the scale, SMEs are key elements of Pakistan's economic landscape. Collectively, SMEs in Pakistan provide about 78 percent of nonagricultural 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 107 out of 185 economies over the past five years. The most serious concerns are in getting electricity, paying taxes, enforcing contracts, and registering property. Getting 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, which require almost 560 hours annually on filing, preparing, and paying taxes.

Figure 5 Ease of Doing Business rankings, South Asia, 2008 and 2013



Source: World Bank 2013.

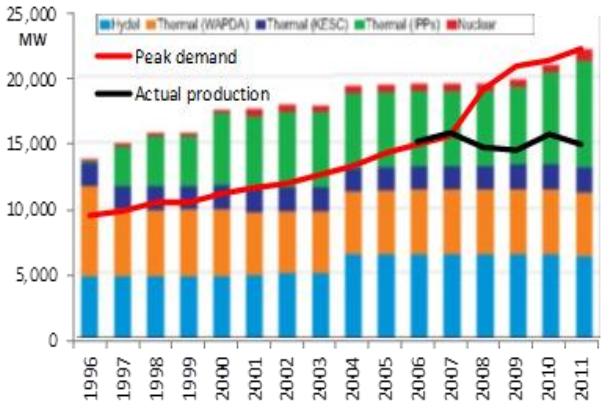
If Pakistan is to continue improving competitiveness, then it will be important to ease business regulations and procedures across a wide range of areas. While improvements are needed at the central level, they are also critical at the provincial level. Greater use of on-line registration has the potential 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 billion kWh 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 6). These disruptions are hurting industrial, commercial, and human needs. Their impact is estimated at around 2 percent of GDP.

Figure 6 Demand has risen faster than capacity



Source: World Bank staff computations.

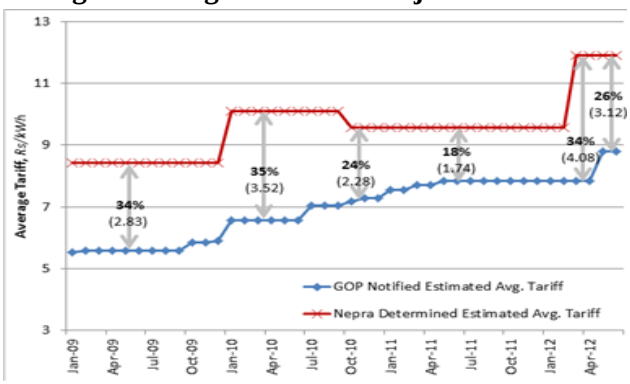
The cost of generating energy has also risen, due to changes in the supply mix. In the 1980s, energy generation was a mix of two-thirds hydro and one-third thermal. Today, the mix is only 30 percent hydro and 70 percent thermal. There has also been a shift from domestic low-priced gas to imported, higher 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, was not collected.

Although power tariffs have risen, they are still far short of supply costs. The aggregation of tariffs determined by the National Electric Power Regulatory Authority (NEPRA) can be taken as a proxy for full cost recovery. The tariffs notified by the government represent the

reduced cost to consumers. The difference represents a steep financial shortfall (Figure 7).

Figure 7 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.

The Government has committed to pay 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 PRs 250 billion–400 billion (roughly $3 billion–4.5 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. While a few utilities in the power sector have achieved operational and technical performance standards that compare favorably with utilities elsewhere, most 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.

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. It is estimated that the circular sector debt, as of June 30, 2012, was at PRs 461 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% to the GDP. It provides about 2.3 million jobs and consumes about 35% of total energy annually. The backbone of Pakistan's transport sector is the **road system**, which carries over 92% of passenger traffic. The main highway arteries which carry 75-80% of the traffic are managed by the National Highway Authority (NHA), with smaller roads managed by Provincial and District departments. There are currently 8.8 million vehicles on the roads, but this has been growing by about 10% annually and is expected to increase to over 70 million by 2030.

Pakistan also has extensive port, rail and airport infrastructure. There are two major sea ports – Karachi and Port Qasim - which handle over 60 million tons of cargo. A third port at Gwadar became operational this year. The total traffic growth at ports has averaged 8% per annum over the last five years. There are 44 airports, including five international airports; about 5.4 million domestic air passengers are carried annually by one major public sector airline and a few private airlines. Pakistan Railways, 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 is largely operated within a public sector system in an unsustainable manner. Maintenance and

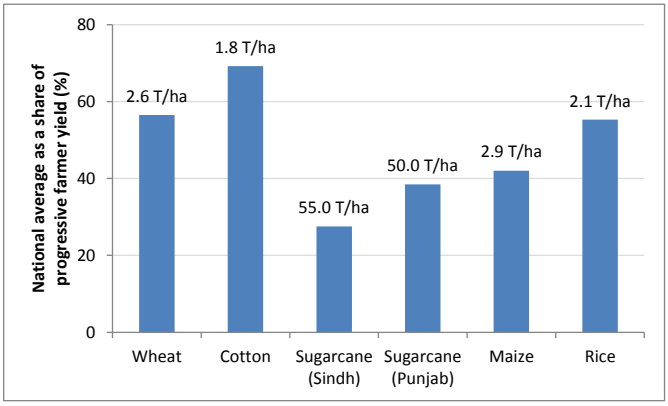
investment have been inadequately funded for many years. Physical condition of the roads are poor – about one quarter of the federal network and two third of the remaining network of provincial, district and other roads are in need of rehabilitation. The road safety record in Pakistan is also dismal – 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 has been largely abandoned by the private sector.

Agricultural Development

Agriculture plays a critical role in Pakistan's economy. As with most developing countries, the agricultural share of GDP declined from 46 percent in 1960 to 26 percent in 2000, and 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 8 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 2 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 the 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 is the second most urbanized country in South Asia. The UN indicates that 36 percent of the total population lives in cities (which may be an underestimate, since WDR 2009 estimated that half the population was already urban). Growth is concentrated in and around existing urban centers, creating larger agglomerations: more than half of Pakistan's urban population lives in eight urban agglomerations. The Government estimates that cities generate up to 78% of national GDP. By 2015, Karachi's population is anticipated to exceed 15 million, Lahore 8 million, and Faisalabad 3 million. Karachi, Pakistan's largest city, alone contributes approximately 20 percent of the country's GDP, 30 percent of the manufacturing sector, and handles 95 percent of Pakistan's foreign trade.

However, Pakistan's cities face significant challenges. Lahore receives water supply 17 hours a day, Peshawar 9, and Karachi 4. Only about 10 percent of collected sewage is being treated. Water, sanitation, and hygiene-related diseases cost the Pakistani economy about Rs. 112 billion ($1.3 billion) per year. An estimated 35-50 percent of urban dwellers live in *katchi abadis* (informal settlements), most below the poverty line. Nationally, over 7 million people are living below the poverty line, and there are an estimated 1.2 million street children in Pakistan's major cities. To compound matters, the relative youth of Pakistan's urban population, a potential demographic dividend, is making the transformation of Pakistan's urban economy ever more urgent in terms of job creation. Karachi is ranked among the world's ten least livable cities in the Economist Intelligence Unit (EIU) 2010 Livability Survey.

Pakistan needs reforms and system improvements to tap its cities as sources of economic growth. Some of the key reform areas include: (i) the fragmentation of institutional mandates and vague jurisdictional boundaries that hinder planning and management; (ii) weak systems for resource, spatial, and investment planning and execution; (iii) non-predictable capital investment funding and low own source revenues; (iv) weak accountability to citizens; (v) unsustainable utilities that provide urban services; and (vi) constraints in land and housing markets.

Education

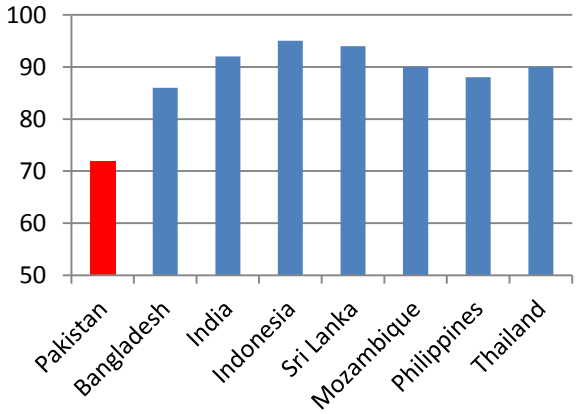
Although Pakistan has made progress in education, it still faces major challenges in school participation, completion, and student achievement. Pakistan has the world's second highest out-of-school population (7 million)—two-thirds of them girls (though enrollment rates vary appreciably between and within provinces). Standardized tests suggest that student

achievement is very low. A sizable share of school leavers does not achieve even minimum mastery of mathematics, reading, and 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 Programme 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 8 percent of the workforce has received formal training. In tertiary education, Pakistan's Gross Enrollment Rate (GER) is at 6 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 9 Primary net enrollment rate, 2009 (%)



Source: UNESCO Institute for Statistics

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 6–10 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 6–10. 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 initiated are focused 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 5 (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 $22 per person was spent on health in 2009 (against an average of $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 income losses. Public funding on health was less than 0.86 percent of GDP in 2010, compared to at least 3–4 percent in other low-income countries.

Table 2: 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. More recently, a new Ministry of National Health Services Regulations and Coordination was established with its terms of reference still evolving. 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 are developing their own health sector strategies outlining their reform programs.

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. Pakistan is the world's sixth most populous country, with a population of 180 million that is likely to double in about 39 years if current growth rates persist. The fertility decline from 5.6 children per woman in 1990/91 to 4.1 in 2006/07 was much slower (and later) than that in any of its neighbors. The contraceptive prevalence rate has stagnated over the last decade at half the rate of other South Asian countries.

The Government has taken several initiatives to improve reproductive health. The Government has noted its concern about population growth and made a substantial investment over 2001–10 in expanding community-based programs, including the Lady Health Workers (LHW) Program and the National Maternal Neonatal and Child Health Program. This expansion supports family planning, basic primary health care, community midwifery, and emergency obstetrical services.

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.

Social Protection

Since 2008, Pakistan has significantly increased its spending on social assistance 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 Rupees 1,000 (revised as 1,200 in the current FY) per month per family to the poor, identified through an objective targeting system. BISP also includes a conditional cash transfer linked to primary education of poor children to break the cycle of intergenerational poverty. Currently, about 21 percent of the country's poorest receive this critical lifeline.

BISP 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 Independent Management Board, with half its members from the private sector. Beginning in July 2011, it will use objective eligibility criteria following a transparent welfare ranking of households (the Poverty Score Card or PSC) through a national census that will also create a National Poverty Registry (NPR) – a first in South Asia. The PSC covers most of the country's population (160 million people), and a Management Information System (MIS) has been established for processing and monitoring program operations, covering enrollments, payments, and grievances. It also regularly carries out third party monitoring mechanisms such as Spot Checks, Operational Reviews, and Impact Evaluations.

In addition to basic income support, Pakistan is testing two innovative approaches to social protection. First, in partnership with provinces, BISP initiated a Conditional Cash Transfer (CCT) program *'Waseela-e-Taleem'* to encourage primary education. The program provides an additional Rupees 200 per month per child to the targeted poor families for sending their youngest three children to primary school. This is particularly important, given that more than 70 percent of the poorest children do not attend school. More than 60,000 beneficiary children have so far been enrolled into the program in the 5 pilot districts. A second noteworthy innovation is the health insurance initiative *'Waseela-e-Sehat'*, which has enrolled 56,000 families in a pilot district to provide health care to the poor. This program also has the potential for partnering with provinces to achieve financial protection of the poor from health shocks.

Building on the country's experience with the safety net system, Pakistan also launched an innovative cash transfer program for those affected by the 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 benefitted from the program by receiving cash transfers of Rupees 40,000 per household in two equal tranches. This program was jointly financed by the Government and various International Development Partners using the common framework of support and joint supervision.

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. Huge floods in 2010 and 2011 caused damages amounting to about $10 billion.

The Government's lack of preparedness and poorly executed responses to disasters undermined its credibility. Pakistan has begun to institutionalize and mainstream disaster risk management (DRM) activities, but much work remains. The National Disaster Management Authority (NDMA) was created at the federal level, and Provincial Disaster Management Authorities (PDMAs) were created sub-nationally, but roles lack clarity. Global experience has proven that devolving too much responsibility for disaster management is inefficient and PDMAs often lack the capacity and capability to implement adequate DRM practices.

Conflict-Affected Areas

Addressing the causes and consequences of conflict-affected border areas is an important priority. Conflict in these areas has caused significant loss of life and degraded investor confidence. At the request of the Government, the World Bank, in collaboration with the ADB, EU, and UN, prepared a Post-Crisis Needs Assessment (PCNA) for KP and FATA in 2011. This was followed by a Balochistan Needs Assessment in 2013.

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 Program (CPS) for FY10-14. Pakistan is an IDA/IBRD blend country. It receives an allocation of about $1.2 billion per year in lending via IDA. In light of the deteriorating macroeconomic situation, Pakistan cannot currently access IBRD lending. IFC targets investments of about $500 million per year. The Bank also administers a $160 million Multi-donor Trust Fund (MDTF) providing grant support to the provinces bordering Afghanistan that are affected by conflict. A new CPS is under preparation beginning in FY15.

The program is organized under four broad pillars: (i) economic governance; (ii) human development and social protection; (iii) infrastructure (with substantial engagement in the power sector); and (iv) reducing the risk of conflict. 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.

The Bank is exploring policy support for key areas such as tax revenues and power sector reform. In advance of elections, the Bank invested considerable effort in preparing policy notes in 16 areas to facilitate the new Government moving forward on key policy reforms. The Government is currently working to establish a sustainable macro-framework in discussion with the IMF. Building on this, the Bank will explore ways to deepen reforms in

power and revenue management, as well as ensuring reforms are growth-oriented and provide adequate protection for the poorest. This could be through development policy lending as well as results-based investment lending. We are also ready to support several energy investments, including the Dhasu hydro project, the regional CASA-1000 project, and an electricity transmission connection to India.

The Bank is also reinforcing its focus on governance and gender throughout its portfolio. The Bank has placed a governance advisor in Islamabad to help project teams better understand governance constraints and identify ways to strengthen institutional accountability. For example, under the Citizens Cash Transfer Program all enrollment centers have a dedicated complaints desk with clear grievance procedures. Gender disparities remain pronounced in Pakistan, particularly in education and health. Thus gender issues continue to be integrated across the Bank's portfolio, including in IDA, MDTF, and IFC projects.

Portfolio performance is moderate. There are currently 25 active IDA/IBRD investment operations, with a total commitment of US$ 4.8 billion and an undisbursed amount of US $3 billion, and 10 active projects under the MDTF with a commitment of $121 million. Disbursements were $554 million in FY13, for a disbursement ratio of about 20 percent.

International Finance Corporation

Pakistan is IFC's second largest client in the Middle East and North Africa (MENA) region. To date, IFC has committed around US$4.5 billion in cumulative investments to the country (including about US$520 million in B-loan participations). The Advisory Services program is also one of the largest in the region, and is supporting 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 exposure in Pakistan is about $827 million in 41 companies, of which infrastructure (energy, ports, transport) accounts for 57 percent, general manufacturing and services 25 percent, and financial markets 18 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. IFC committed US$555 million in FY12 and around US$514 million in FY13 in 14 projects (including US$168.5 million mobilized for power and infrastructure projects).

For the next few years, IFC is expected to invest about $500 million a year. Half of this will be in trade finance, and half will focus on infrastructure, financial markets, agribusiness, manufacturing, and services. Infrastructure will remain IFC's largest investment exposure in Pakistan, with a focus on renewable energy. IFC will also support local banks through equity stakes and risk sharing facilities with an MSME focus. IFC is keen to explore more public private partnership (PPP) transactions, particularly in the infrastructure sectors, and it has recently signed an MOU with the Privatization Commission to support privatization of SOEs.

IFC has played a significant role in Pakistan's power sector, contributing to over 3,000 MW of new generation and reaching approximately 12 million people through its power generation and distribution projects. Recognizing the energy crisis facing the country, IFC has ramped up its investments in the energy sector, especially in renewable power. Since FY10, IFC has committed some US$230 million to five power projects, including the first private hydro power project, Laraib, and the first internationally financed wind power project, Zorlu Energy. In addition, IFC has financed the first privatized power utility in the country, KESC. More recently, IFC has co-financed with MIGA a second hydro power project, the Star Hydro.

Collaboration between IFC and other members of the Bank Group is growing. In FY12, IBRD and IFC co-financed the Karachi Port Trust Project, and partnered on an MDTF project in the conflict-affected areas of KP-FATA for economic revitalization of SMEs. IFC and MIGA have also collaborated recently on a power project and a joint venture in the area of pulp and paper manufacturing. IFC and IDA are working on collaborating on commercialization of power utilities and enhancing the potential of women entrepreneurs.

Multilateral Investment Guarantee Agency (MIGA)

Pakistan is a focus country for MIGA, where it has already provided guarantees in hydropower and microfinance, with an outstanding gross exposure at US$106 million. MIGA is currently supporting 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: Balochistan Education Support Project (BESP)

Key Dates:
Approved: Jun 22, 2006
Effective: Aug 9, 2006
Closing: July 31, 2014

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA	22.00	16.49	6.60
Govt of Balochistan	0	0	0
Other (trust fund)	1.33	1.32	0
Total Project Cost	23.33	17.81	6.60

*As of June 30, 2013

Project Background:
Balochistan has always ranked lowest in the country in education and other key social indicators. Challenges in the education sector are numerous, including: 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 and 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 differs from traditional investment projects, since the GoB provides the proceeds of the Credit directly to the semi-autonomous Balochistan Education Foundation (BEF), an apex financing body with a mandate to support public-private partnerships and community partnerships in education. Building upon the success of community-supported schools in Balochistan, the Project supports education delivery through partnerships with non-government and low-cost private sector providers, with strong community partnership and oversight.

Project Development Objective and brief component description:
The objective of the project is to promote public-private and community partnerships as a way 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:

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.
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).
3. **Capacity Building.** To build the capacity of the BEF and its partners under the two components mentioned above.

Results:

- 633 community schools have completed 5 years of successful operation in remote areas of Balochistan.
- These schools enroll over 26,000 students, 44% of whom are girls.
- In 2009/10, enrollment in BESP-supported schools contributed to 6% of primary school enrolment in Balochistan.
- Average student and teacher attendance, as well as the student grade completion rate, have all surpassed targets.
- There has been considerable progress in building the first batch of 100 community schools (a total of 225 schools are expected to be constructed using project financing). However, serious challenges related to the security situation in the province remain, which may impact building progress.
- The government bears the cost of teacher salaries, ensuring sustainability of schools beyond the project period. Operational (non-salary) costs, however, are still under negotiation with the government. If these funds are unavailable, it will have serious implications on maintaining the quality of the learning environment.

Key Partners:
Secondary Education Department (SED), Government of Balochistan, and Balochistan Education Foundation (BEF).

PAKISTAN: Second Punjab Education Sector Project

Key Dates:
Approved: April 26, 2012
Effective: June 6, 2012
Closing: Dec 31, 2015
Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA	350	89	261
Govt. of Pakistan (approx. fig.)	3837		3837
Other	200		200
Total Project Cost	4387.7	89	4298.7

*As of June 30, 2013

Project Background:
Pakistan's performance in education has generally been poor in absolute terms, 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. From 2010-11, net enrollment rates (NERs) at the primary, middle, and high school levels were 70% , 37%, and 25%, respectively. The main concern is for children who never go to school: in 2010/11, 27% of 6-10 year olds, and 19% of 11-15 year olds, had never been in school. The story for educational attainment is mixed. Students tend to complete primary education (grade 5), but are less successful in transitioning to and completing secondary education (grade 10): from 2010–11, 92% of 15–19 year old school-goers completed primary school, whereas only 50% of 20–24 year old school-goers completed secondary school.
In 2010, through the 18th amendment to the Constitution of Pakistan, the federal government transferred all responsibilities for education policy formulation, sector financing, program design, and implementation guidance and support to the provinces. Since 2003, Punjab has had a multifaceted sectoral reform program called the Punjab Education Sector Reform Program (PESRP) 2004-2011, which has mainly supported public education at the primary and secondary levels (up to grade 10). Building on these institutional, administrative, and program foundations, the provincial government developed its next medium-term reform program, the Second Punjab Education Sector Reform Program (PESRP II).

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) and student achievement. The project includes:

1. **A Results-Based Component:** Will promote student outcomes, as well as teacher quality and performance, through a mixture of 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.

2. **A Technical Assistance (TA) Component:** Finances essential advisory, technical, and capacity-building support.

Results:
Since this is the first year of implementation, outcome indicators – in terms of increases in primary school attendance and improvements in student attendance – are not yet available. Implementation progress has been steady and positive so far, however, suggesting good results.

Key Partners: School Education Department, Government of Punjab, and DFID.

PAKISTAN: Promoting Girls' Education in Balochistan

Key Dates:
Approved: Aug 21, 2012
Effective: Sep 12, 2012
Closing: June 30, 2015

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
Govt. of Balochistan	4.46	1.70	2.76
KP/FATA/Balochistan Multi Donor Trust Fund	10	1.74	8.26
Total Project Cost	14.46	3.44	11.02

*As of June 30, 2013

Project Background:
Balochistan is geographically the largest province of Pakistan, comprising approximately 48% of the total land mass, but with the lowest share of the population (about 5%). The province has been severely affected by internal and external security and political conflict for many years, resulting in poor economic growth. The situation is further exacerbated by a poor communication and road infrastructure, as well as weak governance structures. A series of floods in 2010 and 2011 have added to the economic difficulties. Balochistan has always ranked the lowest in the country in education, with access to schools limited to only 60% of settlements. Existing schools lack basic facilities and learning materials. The education indicators for girls are the lowest in the country, with girls' Net Enrollment Rate (NER) only 40%, and as low as 7 and 11% in some districts.

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 the Balochistan province. A Balochistan Development Needs Assessment (BDNA) was conducted by the Bank in 2012, and the Government requested funds for supporting 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.
Implementation of all Project activities is based on active community participation at all levels of Project design and implementation. The main components of the Project are:

1. **Construct building facilities for 130 shelterless girls' schools:** Aim is to improve provision of school infrastructure, and help the government to: a) confirm functionality of schools through a third party assessment; b) establish criteria to prioritize schools on a needs basis; and 3) involve communities in school management.
2. **Provide missing facilities for 200 girls' schools:** Includes facilities such as toilets, boundary walls, additional rooms, blackboards, furniture, and drinking water in girls' primary and middle schools identified for rehabilitation based on established criteria.
3. **Establish 150 new government primary schools with community participation:** Supports the Government of Balochistan's policy to establish new gender-free schools on a demand basis, with active community participation in the school management to ensure local support and protection for the facility, children, and teachers.
4. **Technical Assistance (TA) to the Education Department for implementation and monitoring at the district level:** Supports establishing systems and procedures for effective planning and implementation of construction and rehabilitation activities, introducing new/innovative approaches for community-government partnerships, establishing robust monitoring systems including third party monitoring, technical assistance, and developing a communications strategy.

Results:
Key results to date include government notification of criteria for school site selection, recruiting female teachers, and establishing a process for communities without schools to apply to the Secondary Education Department for a gender-free school. 12 schools under Components A and B are being processed for construction and rehabilitation.

Key Partners: PGEB, and the Secondary Education Department (SED), Government of Balochistan.

PAKISTAN: Second Sindh Education Sector Project (SESP II)

Key Dates:
Approved: March 14, 2013
Effective: Pending
Closing: June 30, 2017

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA	400	-	-
Government of Sindh	2200	-	-
Total Project Cost	2600	-	-

*As of June 30, 2013

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 Goal for 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%, 36%, and 23%, 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) from FY2008/09 to FY2011/12. The Sindh government complied with all credit covenants and satisfactorily met all of the agreed Disbursement Link Indicators (ten DLIs per year in FY2008/09, FY2009/10, and FY2010/11).

SERP II is an evolutionary next step by the government, shaped by the lessons learned from previous programs. One key lesson was that dislodging the government school system from its low-performance equilibrium requires additional and potentially more powerful actions to strengthen administration systems and governance and accountability. Under SERP II, the government plans to maximize the reform efforts at the school level, 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, and by strengthening administrative systems, and to measure student achievement.

The project would replicate the general instrument design features of SESP. The project includes:

1. **A Results-Based Component:** Expected to constitute at least 95% of the total credit amount the project will disburse against DLIs agreed with the government and with yearly targets.
2. **A Technical Assistance (TA) Component:** Expected to finance selected and well-defined implementation support and capacity-building activities; efforts to strengthen fiduciary, safeguard, and monitoring and evaluation systems and activities; and independent, rigorous validations, audits, and operational and impact evaluations of selected reforms and activities under SERP II.

Results:
Results of the first year of implementation will be available in June/July 2014. Due to delays on the Government side, signing of the Financial Agreement is pending since approval in March 2013. Increased delays in project effectiveness pose a risk to achieving agreed results.

Key Partners:
Education and Literacy Department, Government of Sindh.
Reform Support Unit, Education and Literacy Department, Government of Sindh.

PAKISTAN: Sindh Skills Development Project

Key Dates:
Approved: May 31, 2011
Effective: Jan 27, 2012
Closing: Dec 31, 2014

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA	21	3.72	16.49
Govt. of Sindh	5		5
Total Project Cost	26	3.72	21.49

*As of June 30, 2013

Project Background:
This project recognizes (1) the Government of Sindh's strong interest in strengthening Technical and Vocational Education and Training (TVET); (2) the fact that the labor force's lack of skills poses significant constraints; and (3) the substantial challenges faced by the TVET sector. Project design takes into account the need for both structural reforms to strengthen the quality and relevance of TVET (Components 2 and 3), and quantitative and qualitative improvements in training provision in the short-term (Component 1).

Project implementation faced start-up delays, mostly due to limited leadership from the Sindh Department of Planning and Development, which was to chair the Skills Leadership Team and which includes representatives of the two implementing entities. While these issues were eventually resolved, the delays in opening of Designated Accounts, designation of signatories, and transfer of counterpart funding have impeded the pace of implementation. The Mid-Term Review (MTR) scheduled to take place in August 2013 will focus on resolving any remaining implementation bottlenecks, and reviewing whether a revision of project design – including the Results Framework and Disbursement Linked Indicators – is required to ensure satisfactory project completion by the closing date of December 31, 2014.

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 set and employability of trainees.
The project includes three components:

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. (75% of funding)
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% of funding)
3. **Technical assistance** to implement 2. (5% of funding)

Results:

- The competitive process to select training programs/providers for the first round of project-funded training has been completed, and training is scheduled to start within two months (as soon as contracts with the training providers are concluded).
- 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.
- Negotiations under way with the technical assistance firm that will support the implementing entity in developing demand-responsive curricula and equipment lists for the selected training programs.

Key Partners:
Economic Affairs Division, Government of Pakistan; Planning and Development Department, Government of Sindh; Benazir Bhutto Shaheed Youth Development Program (BBSYDP) - Implementing entity for component 1; Sindh Technical Education and Vocational Training Authority (STEVTA) - Implementing entity for components 2 and 3.

PAKISTAN: Tertiary Education Support Project (TESP)

Key Dates:
Approved: Mar 24, 2011
Effective: Nov 30, 2011
Closing: Dec 31, 2015

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA	300	78.06	221.94
Govt. of Pakistan	1715	888	827
Total Project Cost	2015	966.06	1048.94

*As of June 30, 2013

Project Background:
The tertiary education sector in Pakistan has suffered from neglect for many years, resulting in poor sector performance and outcomes 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 as outlined in the second Medium Term Development Framework for Higher Education for 2011-2015 (MDTF-HE II) which 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 as outlined in the MTDF-HE II, using a Results Based Financing (RBF) modality.

Project Development Objective and brief component description:
The Project objective is to improve teaching, learning, and research conditions so as to enhance access to, and quality and relevance of tertiary education. It supports Government reform in tertiary education under two components:

1. **Program Financing:** 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) strengthened governance and management. Disbursements are made against ten (10) key agreed results, Disbursement Linked Indicators (DLIs). Each of the above four sub-components is supported by at least one DLI.
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:
Progress is currently rated as moderately unsatisfactory due to unavailability of data to assess implementation of both the Project and the overall Program, delayed achievement of several cycles of DLI targets, and limited use of technical assistance since project effectiveness. While a complete assessment on overall progress cannot be made, information available to date shows that some results supported under the Project include:

- 900 faculty members recruited on the Tenure Track System;
- 1750 indigenous postgraduate scholarships awarded;
- Over 2000 students awarded needs-based scholarships.

The Implementing Agency, the Higher Education Commission (HEC), has gone through turbulent times since the beginning of the Project, starting with a significant delay in Project effectiveness due to uncertainty regarding the HEC's status after the proposed devolution of higher education to the provinces. Also, earlier this year, HEC experienced major changes in key staff, including the replacement of the Executive Director, and several advisers and director generals who were involved in the design and implementation of the Program. This has resulted in a quasi-stalemate in the implementation of project activities.

Key Partners: Higher Education Commission (HEC).

PAKISTAN: Punjab Health Sector Reform

Key Dates:
Board Approval: May 31, 2013
Effective: Not yet
Closing: Dec 31, 2017

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA	100		
Govt. of Punjab	830		
DFID	165		
Health Results –Based Financing	21.50		
Total Project Cost	1116.50		

*As of June 30, 2013

Project Background:
Home to about 60% of the total population, Punjab holds the key to Pakistan's progress towards attaining the MDGs. 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. Despite gains, the health sector performance in Punjab remains low. In addition, there is a need to strengthen health systems in the context of the 18th Amendment to the Constitution passed by Parliament in April 2010, which enhances provincial autonomy through devolving federal powers and responsibilities to the provinces. The Government of Punjab has approved a sectoral strategy based on the health system framework. The Punjab Health Sector Strategy (HSS) 2012-2020 outlines a clear strategic direction focused on results. The proposed Punjab Health Sector Reform Project will support implementation of the reforms and strengthen the health system to undertake stewardship functions devolved under the 18th Amendment.

Project Development Objective and brief component description:
The Project aims 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 will focus on building the capacity and systems to strengthen accountability and stewardship in the Department of Health, and will use a results-based approach. The project hasfour components:

1. **Improving Health Service Delivery.** Results-based approach using Disbursement Linked Indicators (DLIs).
2. **Enhancing Efficiency and Effectiveness of the Health System:** Results-based approach using DLIs.
3. **Strengthening Provincial Department of Health management capacity:** Results-based approach using DLIs.
4. **Improving the Capacities in Technical Areas for Equitable Health Services:** Will finance input for piloting and technical assistance.

Results:
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:

- Percentage of fully immunized children 12-23 months of age;
- Percentage of births attended by skilled health personnel;
- Contraceptive prevalence rate (any modern method);
- Proportion of children 0-24 months of age receiving the basic package of nutrition services;
- Number of Category-1 Health Care Establishments issued with a certificate of registration by the Punjab Health Commission; and
- Community satisfaction with government health care services.

In addition, a full set of intermediate outcome indicators will be used to track improvements in service delivery, performance, governance, and accountability.

Key Partners: Bank assistance to the proposed project will be supported by DFID, which is expected to contribute about GBP90 million in parallel financing using the same DLIs, except for HIV/AIDS. In addition, DFID will provide TA amounting to GBP25 million for Khyber Pakhtunkhwa and Punjab.

PAKISTAN: Revitalizing Health Services in Khyber Pakhtunkhwa (P126426)

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

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
Government of Khyber Pakhtunkhwa	45		
IDA	16	3.00	13.00
Total Project Cost	61	3.00	13.00

*As of June 30, 2013

Project Background:
The project will be implemented in six crisis-affected (security compromised and floods) districts of Khyber Pakhtunkhwa Province (KP) for 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:

1. **Revitalizing health care services.** (IDA US$11 million and GoKP US$45 million): 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. From the first year, 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.

2. **Rehabilitation of Health Infrastructure in the Districts.** (IDA US$1 million): 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.

3. **Establish and operationalize a robust monitoring and evaluation system at district and provincial levels.** (IDA US$4 million): 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:
The project implementation has not yielded measurable results. However, the key performance indicators include:

- People with access to a defined basic package of health, nutrition, and reproductive health services;
- Births (deliveries) attended by skilled health personnel;
- Contraceptive prevalence rate for any modern methods;
- Percent of children with severe acute malnutrition provided adequate nutrition services; and
- Community satisfaction with health care services delivery by public sector.

Key Partners:
The project currently does not have any bilateral or multilateral partners directly involved, although the Government of KP is seeking support from other partners. The project will develop partnerships during implementation with AusAID for broader nutrition engagement.

PAKISTAN – Flood Emergency Cash Transfer Project

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

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA	125	122.60	0.37
Gov't of Pakistan	100		
USAID, DFID, GOIR	355	312.75	37.25
Total Project Cost	580	435.35	37.62
*As of June 30, 2013			

Project Background:
In August 2010, Pakistan experienced terrible floods - a body of water the size of the UK 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 PKR 20,000 (US$213) to flood-affected households, identified through provincial housing damage data using biometric verification. (Housing damage surveys were subject to third party verification). Payments are made through an ATM/Debit Card issued to beneficiaries at registration. Partner banks set up point-of-sale and ATM machines at payment centers, create virtual accounts for payment, and activate debit cards. Counters exist at every program center to address grievances related to eligibility, updates to national identity card information, and payments.
The CDCP program is a worldwide success story, and has become a flagship program for the Government of Pakistan. It became the basis for a Future Disaster Response Action Plan (FDRAP), approved by the Prime Minister of Pakistan, which builds on lessons learned from CDCP and international best practice. When institutionalized, the plan will form the basis for any future disaster recovery through cash transfer in the country. The design of CDCP was also used as a blueprint for provincial responses to floods in 2011 and 2012. Given the program's success and the clear preference for providing early recovery support through cash transfers, it is now time to institutionalize that plan and build the necessary systems to support faster, more effective and transparent disaster recovery systems in Pakistan. The Government of Pakistan has requested Additional Financing (AF) from the Bank to institutionalize this plan and cover a minor cost overrun related to the field activities supported by component 2 of the Bank's project. The AF will be prepared during FY14.

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:

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.
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:

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

Key Partners: Cabinet Division, and National Database and Registration Authority (NADRA).
Donors: DFID, USAID, Government of the Italian Republic.

PAKISTAN: Social Safety Net Project

Key Dates:
Approved: June 18, 2008
Effective: August 4, 2009
Approval of Restructuring & Additional Financing: March 6, 2012
Closing: June 30, 2016

Financing in Million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA	210	110.2	99.8
Govt.	3850	1400	2450
DFID	450	58	392
Total Project Cost	4510	1568.2	2941.8
*As of June 30, 2013			

Shabana, a resident of Rawalpindi District, has been receiving regular income support of Pak Rs. 1000 – a small amount that has made a big difference to her life! She says, ***"having some cash in hand means a lot to me…there were times when my children used to starve. I can now at least offer them food or buy medicines when they fall sick."***

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 access human development and income-generating opportunities. BISP was set up as an autonomous institution, unanimously approved by parliament in August 2012. Over the last 5 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 the 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 an objective targeting system using the Proxy Means Test (PMT)-based Poverty Scorecard (PSC) through a door-to-door census. The project also assisted the Government in creating a National Poverty Registry comprising information on more than 27 million households (approx. 165 million people), identifying 7.2 million eligible families (approx. 35 million people), and providing payments to more than 4.8 million families through modern technology-based payments. To expand coverage of the safety net cash transfers, the project was restructured with Additional Financing in March 2012 by following the Results Based Financing approach.

Project Development Objective and brief component description:
The Project aims to support expanding and strengthening the administration and performance of the country's safety net, with particular focus on the BISP as the national safety net platform. The project components are:

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.
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.
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 & evaluations; and use of technology for program administration, especially for payments and grievance redressal.
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:

- 64% of cash transfers received by beneficiaries in bottom quintiles 1 and 2 (against 46% baseline, 70% target);
- Poverty scorecard applied to 27 million households (target achieved);
- 80% of beneficiaries satisfied with program implementation (above target of 70%).

Key Development Partners: Government of Pakistan (approved $750M for FY13-14 budget); DFID (£300M in co-financing for 2012-20, to support BISP by following WB's SSN framework); USAID ($160M to support BISP for 2010-12, ensuring complementarity with WB operations; ADB ($150M in budget support for 2009, complementary to WB operations, and preparing another 4 year project (US$430M) to support BISP, scheduled for September 2013).

PAKISTAN: Punjab Irrigated-Agriculture Productivity Improvement Project (P125999)

Key Dates:
Approved: 3/20/2012
Effective: 4/26/2012
Closing: 12/31/2018
Financing in million US Dollars*: US$205.0

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA	$250.0	$45.7	$198.4
Govt. of Punjab			
Other	$173.5		
Total Project Cost	$423.5		

*As of June 30, 2013

Project Background:
About 580,000 farm families (4 million across Punjab) will directly benefit from this project – about 17,500 families from the High Efficiency Irrigation Systems (HEIS), about 90,000 families from the laser leveling system, and about 475,000 families from the watercourse improvement program. A very large population will also benefit indirectly, in the form of about 13 million additional work days 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 requires just a few hours of water during the day. In contrast, water supply according to the *warabandi* goes over 24-hour rotation 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 productivity of water use in irrigated agriculture 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.

1. **Installation of High Efficiency Irrigation Systems (US$234 million):** Finances construction of HEIS such as drip, bubbler, and sprinkler systems over an area of about 120,000 acres. Also provides precision land leveling equipment for higher productivity of water.
2. **Improvement of Community Irrigation Systems (US$160 million):** Finances 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.
3. **Improved Agriculture Technology/Practices and Monitoring and Evaluation (US$9 million):** Finances improvement of irrigation agronomy, and demonstration of and assistance in improved and modern technologies and methods to increase agriculture production. Includes assistance in crop diversification and training, covering training of service providers and farmers, training of trainers, and establishment of a farmers' information desk; and monitoring of project impact and of environmental and social action plans.
4. **Project Management, Supervision, Technical Assistance, Training and Strategic Studies (US$20.5 million):** Finances project management, construction supervision, checking delivery of works, quality and certification of payments, strategic studies, technical assistance, and staff training, etc.

Results:

- 8,549 HEIS installed to date.
- Work orders issued for 930 laser land leveling units, of which 706 laser units delivered to the beneficiaries.
- 356 previously unimproved watercourses completed, and work is in progress on a further 1,375.
- Another 300 partially improved watercourses completed, and work is in progress on a further 466 watercourses.
- Training organized to build capacity building for project stakeholders and awareness for farmers: 61 road shows/farmers' days to demonstrate drip and sprinkler irrigation; 8 professional training courses on drip and sprinkler irrigation system design; 6 seminars and workshops on awareness of HEIS; 38 technical courses on LASER operation and maintenance; 15 refresher courses on surveying and leveling, flow measurement, etc.

Key Partners: Government of Punjab, Department of Agriculture through the Directorate of On Farm Water Management.

PAKISTAN - Balochistan Small Scale Irrigation Project (P089378)

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

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD	0	0	0
IDA	25.0	18.35	5.7
Govt. of Balochistan	0	0	0
Other			
Total Project Cost	25.0	18.35	5.7

*As of June 30, 2013

Project Background: Balochistan is the largest of Pakistan's four provinces, covering 44% of the country, but with the lowest population density (9 million). It is Pakistan's least developed province, with 47% of the population estimated to live below the official poverty line. The security situation has deteriorated considerably since 2009, which has further eroded limited capacity. Agriculture is the mainstay of Balochistan's economy, accounting for some 60% of its GDP and employing around 67% 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 ha, 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: 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 similar schemes and formulate plans for sustainable water resources development and watershed management. The project has three components:

1. **Partial Restoration of Water Storage Capacity to the Bund Khushdil Khan (BKK) Reservoir (US$10.8 million):** 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.
2. **Small-scale Irrigation Schemes (US$9.66 million):** 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; watershed and rangeland activities; and will introduce on-farm water management (OFWM) in the project areas and beyond.
3. **Institutional Capacity Building, Further Studies, and Preparation of the Next Phase (US$4.54 million):** To enhance technical, administrative, and managerial capacity of the Irrigation and Power Department (IPD) 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 to ensure they are participatory, inclusive, and well-governed; and examine the potential for similar activities to be undertaken in other basins, such as the Nari, Porali, and Rakshan river basins, and prepare a feasibility report.

Results: 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. Depreciation of the Pakistani Rupee against the USD generated 53% savings to augment current activities and prepare two feasibility studies for two other river basins. Noteworthy impacts of the small scale irrigation are: around an 84% average increase in conveyance efficiency; over 30% increase in crop yields; 50% increase in crop intensity; 54% increase in cropped area (all above target). Quality of works completed is very good, and certain capacity has been built in engineering survey and design, construction supervision, construction, resettlement, environment, monitoring and evaluation, and project management which will help implement future investment projects.

Key Partners: Department of Irrigation, Balochistan. Synergies with USAID funds managed by FAO.

PAKISTAN: Third Partnership for Polio Eradication Project (P114508)

Key Dates:
Approved: June 18, 2009
Effectiveness: August 19, 2009 (original)
First Additional Financing: April 21, 2011 (effective) Sep. 2, 2011
Second Additional Financing: Oct 2, 2012 (effective) March 14, 2013
Closing: June 30, 2014

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA 46160	79.83	78.36	0.01
IDA 49270	40.48	41.00	0.10
IDA 51690	23.65	23.60	0.05

*As of June 30, 2013

Project Background:
Financing for the Third Partnership for Polio Eradication Project (TPPEP) was estimated for the period of 2009-11. The original TPPEP (US$74.68 million), the Additional Financing (AF) credit (US$41 million), and the Second Additional Financing have disbursed 100% of their funds. The Project's implementation agency was the Ministry of Inter-Provincial Coordination (MoIPC) after the 18th Amendment and now is under the new Ministry for Health Services Regulation and Coordination. The project has met its development objective targets under the original credit. The first Additional Financing has also progressed satisfactorily, and we anticipate that it will also meet the agreed conditions for buy-down of the IDA Credit. The funds from the second AF will support polio campaigns from July to October 2013.

The Project has a buy-down arrangement with the Bill & Melinda Gates Foundation, whereby the credit is paid by the foundation at Net Present Value on successful achievement of the target indicators. For the Second AF, the buy-down will be partial in that the Gates Foundation will pay the service and commitment charges and part of the principle on achievement of targets.

A level-2 restructuring was done for the project. The proposed change was to extend the Closing Date by one year. Another restructuring will add the buy-down clauses to the Financing Agreement, since arrangements have now been finalized between the Bank and the Gates Foundation. Due to changes in implementation and the recent violence against polio workers, the number of planned polio campaigns decreased and fewer costs were incurred than anticipated. Since the disbursement is based on a UN-type advance, there is a balance available with UNICEF for the project. The credit will now be used for financing the procurement of vaccine from July to October 2013 and to finance supplementary immunization activities in the next financial year.

Pakistan continues to face virus transmission across the country with 198 confirmed cases of polio in 2011 (increasing from 144 in 2010). In 2012, 47 cases have been confirmed as of end of September 2012. In 2013, as of July there are 21 confirmed cases of Polio (12 cases from FATA, 2 from KP, 2 from Sindh and 2 from Punjab). There is a serious need to revisit the overall polio eradication strategy as it is not delivering. With other funding sources being available for polio eradication financing the Bank is supporting strengthening of routine immunization which will contribute towards polio eradication.

Project Development Objective and brief component description:
The project will assist the Government of Pakistan's Polio Eradication Initiative by decreasing the number of polio cases and ultimately eradicating the disease in Pakistan. The 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) during 2009-11.
Bank funds currently finance only procurement of OPVs through UNICEF for the campaigns. The operational cost is met through other partners, and implementation is supported by Technical partners (WHO and UNICEF).

Results:
As of May, 2013, 233,588,501 children immunized with OPV during SIAs in the project period (86,888,501 in 2013, and 146,700,000 in 2012).

Key Partners: The Government of Pakistan, WHO, JICA, BMGF, GAVI, and UNICEF.

PAKISTAN: Punjab Barrages Improvement Project Phase II (P096745)

Key Dates:
Approved: 7/1/2010
Effective: 1/21/2011
Closing: 6/30/2016
Financing in million US Dollars*: US$ 145.6

Financier	Financing	Disbursed	Undisbursed
IBRD	$145.6	$50.9	$94.7
IDA			
Govt. of Punjab	$9.4		
Other			
Total Project Cost	$155.0		

*As of June 30, 2013

Project Background:
The Project is designed to support the rehabilitation/modernization of Jinnah Barrage on the Indus System, and reinforces the ongoing reform program in the water/irrigation and drainage sectors by supporting and monitoring the program's implementation progress. Jinnah Barrage is one of the most important structures in Pakistan's irrigation system, handling all the Indus River water. It provides water to the Thal Canal, which covers an area of 2.1 million acres in the arid/desert zone where crop production is only feasible with irrigation. About 5 million people in 5 districts inhabit the command area, and their livelihoods depend directly or indirectly on the irrigation supplies of the canal. In some of the command areas, the underground water is saline and the local population depends exclusively on the canal waters for drinking water.

Project Development Objective and brief component description:
The overarching project objectives are to assist the Government of Punjab in: (i) rehabilitating and modernizing Jinnah Barrage and carrying out affiliated works to enable a reliable and uninterrupted water supply for over 2.1 million acres of farmland, benefitting about 600,000 farm families for irrigation and domestic water users; and (ii) build IPD's capacity in improved water resources and irrigation system management.

1. **Rehabilitation and Modernization of Jinnah Barrage (US$111 million):** Finances 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.
2. **Improvement and Modernization of the Irrigation and Water Management System (US$15 million):** Finances 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.
3. **Monitoring and Evaluation of the Project Impact and Social and Environmental Management Plans (US$3 million):** 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:
The experience and lessons learned from the Taunsa Barrage Rehabilitation and Modernization project, which ended in 2009, have informed the design of this operation. In particular, the Social Action Development Program and the environmental and social safeguards implementation and monitoring arrangements are incorporated as an integral part of the project implementation. Progress to date:

- Main contract for civil and electro-mechanical infrastructure is under implementation. Excavation for subsidiary weir and its ancillary structures completed. Precision trimming is done prior to placement of actual structure.
- Dumping of stone downstream of the Barrage to protect against flood damages is completed.
- Geo-physical survey of floor of existing is completed.
- 54 water supply schemes are being rehabilitated to ensure water availability to local communities.

Key Partners: Government of Punjab, Department of Irrigation.

PAKISTAN: Sindh On-Farm Water Management Project (P078997)

Key Dates:
Approved: June 30, 2009
Effective: October 21, 2009
Closing: January 31, 2014

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD	0	0	0
IDA	50.0	27.11	7.82
Govt. of Sindh	2.7	0	0
Other (farmers)	9.0	0	0
Total Project Cost	61.7	27.11	7.82

*As of June 30, 2013

Project Background: The Indus Basin Irrigation System (IBIS) is the largest integrated irrigation network in the world, consisting of the Indus River and its tributaries, three major storage reservoirs, 19 barrages, 12 inter-river link canals, 43 irrigation canal commands, and over 110,000 watercourses. There are about 42, 000 watercourses (tertiary channels) in Sindh. Irrigated agriculture has contributed enormously to economic growth and poverty reduction in the country, where more than 30% of the population lives below the poverty line. The irrigation system suffers from: low efficiency (only about 35-40% of canal water reaches the crop root zone); (ii) inequities; (iii) wasteful on-farm water use; (iv) waterlogging and salinity; and (v) poor operation and maintenance (O&M) and low-cost recovery. The Government of Sindh has developed a strategy with 3 elements: (1) fostering an institutional, policy, and operational framework conducive to efficient and self-sustaining operation and management of the irrigation system; (2) supporting Farmer Organizations (FOs) and watercourse associations (WCAs) to implement high-payoff infrastructure improvements at an accelerated pace; and (3) enhancing agricultural productivity by introducing improved technology, agronomic practices, and information systems. The Bank's ongoing projects have been an important vehicle to implement this strategy.

Project Development Objective and Brief Component Description:
The objective is to enable farmers to better manage irrigation water and increase agricultural productivity, by: (a) lining watercourses, promoting laser-guided land leveling technology, and establishing WCAs; and (b) training farmers in good agriculture practices. The project is an additional financing to the Sindh On-Farm Water Resources Management Project (SOFWMP), which closed successfully in December 31, 2009. Components include:

1. **Improvement of Tertiary-level Irrigation system:** To improve about 4,000 watercourses and construct approximately 200 water storage tanks in the rain-fed areas.
2. **Productivity Enhancement Program:** Includes precise leveling of 100,000 acres using laser-guided equipment; establishing about 100 demonstration centers to disseminate a full range of agronomy practices/techniques; a pilot for volumetric delivery of irrigation water; and training farmer organizations. It will introduce an information system within the Sindh Irrigation and Drainage Authority (SIDA) for farmers (starting with 3 pilot information kiosks), which will disseminate timely information on expected and actual water availability.
3. **Monitoring and Evaluation:** To design and implement a monitoring and evaluation system, and establish a spatial GIS database. It will provide continuous feedback to the implementing agencies on the project performance, and assess its physical, agricultural, social, financial/fiscal, environmental, and economic impact, so that corrective actions can be undertaken in a timely manner.
4. **Project Management Support.** Includes administrative, technical, and financial management support provided by the office of the Director General of Agricultural Engineering and Water Management (DGAEWM), SIDA, the Project Coordination Unit (PCU), the internal audit teams, and the implementation assistance consultants team. This team will provide support for, *inter alia*: the project launch, supervision (quality assurance), mid-term review, development of a project management information system, productivity enhancement, a training and capacity building program for project staff, FOs and WCAs.

Results: The project supports community/demand-driven activities with investment cost-sharing by the farmers in most project activities to conserve water, improve the environment, increase agricultural productivity, and therefore increase farmers' incomes. Project interventions are popular, since there is a high degree of ownership by the farmers, and they are of short duration with a large impact. Interventions have increased conveyance efficiency, cropping intensity, and crop yields. Given the popularity of the activity, a Long term Program for agriculture productivity enhancement is being prepared.

Key Partners: Agriculture Engg /Water Management Department, Government of Sindh.

PAKISTAN: Sindh Water Sector Improvement Project Phase I (P084302)

Key Dates:
Approved: 9/18/2007
Effective: 12/26/2007
Closing: 2/28/2015
Financing in million US Dollars*: US$ 150.2

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA	$150.2	$94.5	$58.7
Govt. of Sindh	$24.8		
Other			
Total Project Cost	$175.0		
*As of June 30, 2013			

Project Background:
The project incorporates several lessons from the National Drainage Program and the Inspection Panel recommendations. This operation consolidates the irrigation reforms program and making it sustainable through participatory irrigation management practices.

Project Development Objective and brief component description:
The overarching project objective is to improve the efficiency and effectiveness of irrigation water distribution in three Area Water Boards (Ghotki, Nara, and Left Bank), particularly with respect to measures of reliability, equity, and user satisfaction. This is achieved by: (a) deepening and broadening the institutional reforms in Sindh; (b) improving the irrigation system in a systematic way, covering key hydraulic infrastructure, main and branch canals, and distributaries and minors; and (c) enhancing long-term sustainability through participatory irrigation management and developing institutions to improve operation and maintenance of the system and cost recovery. The project covers about 1.8 million ha, or more than 30% of the irrigated area in Sindh, and one of the poorest regions of the country.

1. **Community Development and Capacity Building (US$10 million):** 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.
2. **Rehabilitation and Improvement of Irrigation and Drainage System (US$139.8 million):** 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.
3. **Management Plans for Major Irrigation & Drainage (I&D) infrastructure (US$12 million):** Finances a feasibility study for rehabilitation of the Gudu Barrage prepared, and assistance provided to prepare studies for rehabilitation of Sukkur and Kotri barrages; preparing a regional master plan to deal with floods and drainage issues on the left bank of the Indus river; and, designing a measure to improve the Indus delta and the coastal zone.
4. **Monitoring and Evaluation of the Project Impact and Environmental Management Plan (US$.2 million):** Finances monitoring and evaluation and supervision of the environment management plan and social action plan.
5. **Project Coordination, Monitoring, Technical Assistance and Training (US$9 million):** 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:
The rehabilitation of irrigation system has adopted a systematic approach, whereby all tiers of the system are covered starting from the barrage main canals, branch canals, and up to the minors and distributaries to remove all bottlenecks in water delivery and achieve maximum investment impact. This systematic approach also reflects the Government's enhanced understanding of watercourses, and commitment to improve all watercourses under a national program financed by the Government.

Key Partners: Government of Sindh, Department of Irrigation, through the Sindh Irrigation and Drainage Authority (SIDA).

PAKISTAN: FATA Emergency Rural Roads Project (P128966)

Key Dates:
Approved: August 16, 2012
Effective:
Closing: June 30, 2015
Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
Multi Donor Trust Fund	16	6.7	9.3
Total Project Cost	16		

*As of June 30, 2013

Project Background: The Federally Administered Tribal Areas (FATA) is the most underdeveloped region in Pakistan, with over 60% of its population living below the national poverty line. Most people depend on subsistence agriculture and livestock, and even small shocks can lead to a large poverty increase. The ongoing security crisis has only exacerbated the prevalence of poverty.

The transport sector in the crisis area of FATA solely depends on the road network. The total road network is about 6,578 km, about 66% of which is paved, and primarily comprises single lane roads. Accessibility provided by the road network is limited – road density is low (0.24 km/square km), and does not compare favorably with the rest of Pakistan (0.32 km/square km). The project aims to improve connectivity in the Bajaur and Orakzai Agencies of FATA through construction of all-weather paved rural roads on existing non-motorable earthen tracks.

Project Development Objective and brief component description: The Project aims to increase year round access to economic opportunities and social services for the poor rural population in the conflict-hit areas covered by the Project. The Project has the following two components:

1. **Infrastructure Building:** covering rural road construction. The major expected activities are: a) construction of about 50-60 km of rural roads, including related structures, and b) associated relocation of utilities, land acquisition, and resettlement.
2. **Project Management:** Includes providing support for detailed engineering design, contract administration/construction supervision and safeguards-related consultant services, and incremental operating costs.

Results: The expected outcome is an increase in the share of population with access to all-season roads, and an increase in the number of motorized trips taken by beneficiaries living along rural roads.

Key Partners: The Bank's key partner is the Works and Services Department (W&SD) and FATA. In addition, there is collaboration with other donors (Australia, Denmark, European Union, Finland, Germany, Italy, Sweden, Turkey, UK, and USA) because of the MTDF project funding.

PAKISTAN: Karachi Port Improvement Project (P112902)

Key Dates:
Approved: September 9, 2010
Effective: July 15, 2011
Closing: December 31, 2015
Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA	115.8	42.1	73.7
Govt. of Islamic Republic of Pakistan	0.6		
Total Project Cost	116.4		

*As of June 30, 2013

Project Background: The East Wharf of the Port of Karachi is currently extremely restricted in its operational capacity. Vessels carrying heavier bulk, such as cement and rice, have to be lightened at berths 1 to 5 in order to reduce draft, and then proceed to resume operations at berths located inside the port with lesser draft (berths 22 and 23 with draft of 7.3m). Given that waterfront berths 10 to 17A are out of service, together with the contiguous areas of backyard operation, there is increasing congestion and delays to vessel operations. The rehabilitation of berths 10 to 17A will offer the possibility of dredging to 16m depth, create a larger apron area with new bollards and a wide clean paved area, and provide a uniform quay wall of around 1.55 meters length. The new facility will provide an ample backyard area permitting versatile management of the new port infrastructure.

Project Development Objective and brief component description: The Project will replace the lost port capacity and reduce shipping costs to the Pakistan economy by reconstructing the failed berths at Karachi Port, increasing the effectiveness and efficiency of port operations, and enhancing environmental sustainability.
The project has two components:

1. **Reconstruction of Berths 15 – 17A on the East Wharf at Karachi Port**.
2. **Institutional strengthening:** Will three main areas:
   (i) Preparing a 5-year business plan and vision document that covers capital investments, operations, human resource development, land management, IT, and port user representation.
   (ii) Strengthening environmental management at the port to eventually comply with ISO international standards.
   (iii) Improving financial management and financial planning to meet IFRS accounting standards and effectively utilize port revenues.

Expected results:
- Reduction in the waiting-to-service time ratio for the project berths.
- Improvement in occupancy and rate of cargo handling at the project berths.
- Increase in throughput of the project berths.
- To develop, and start implementing, strategic development and business plans.
- Development and implementation of an environmental management system.

Key Partners: The Ministry of Ports and Shipping (MOPS), Karachi Port Trust (KPT) is the key partner. In addition, the Planning and Development Division (P&DD), and the Marine Pollution Control Department (MPCD) are going to be engaged because of their critical role.

PAKISTAN: Second Trade & Transport Facilitation (P101684)

Key Dates:
Approved: May 12, 2009
Effective: August 24, 2009
Closing: December 31, 2013

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA	25	4.9	20.3
Total Project Cost	25		
*As of June 30, 2013			

Project Background:
The proposed Second Trade and Transport Facilitation Project (TTFP-2) was designed to support the National Trade Corridor Improvement Program (NTCIP), designed by the government to address transport and logistics issues. It aims to provide the analytical underpinning necessary to implement the reform agenda and prepare for the investments which are part of the NTCIP.

Project Development Objective and brief component description:
The Project aims to improve performance of trade and transport logistics, by facilitating: (a) the implementation of the NTCIP; and (b) the simplification and modernization of Pakistan's international trade procedures and practices.
The project has two components:

1. **National Trade Corridor (NTC):** Includes studies and technical assistance for analytical work to underpin key reforms, help assess and design prospective investments, and build capacity to implement the Government's NTCIP in the following subsectors: ports, railways, road freight industry, highways, air transport, energy logistics, and other transport logistics.
2. **Trade and Transport Facilitation (TTF):** Builds on the results achieved by the first Trade and Transport Facilitation Project, closed in 2006, extending efforts to streamline and integrate trade data exchange and official controls, sustain public and private sector collaborative institutional frameworks, and strengthen the domestic logistic industry.
3.

Key issues and Challenges:

- Lack of progress, especially in the transport component under the Planning Commission.
- Actual disbursements remain far behind projections, at 19% as of end of June, 2013.
- The World Bank proposes restructuring the project along the following lines: (i) All studies under the transport component to be closed immediately; (ii) corresponding funds to be reallocated; and (iii) selected studies under the trade facilitation component to be allowed to continue up to June 30, 2015.

Results:
At the end of project implementation, the businesses and households along the National Trade Corridor are expected to enjoy significant reduction in the overall cost and time of exporting/importing goods. The specific results expected are :

- Reduced export time by 17 days by end of project from 24 days (2009 baseline).
- Reduced import time by 15 days by end of project from 18 days (2009 baseline).
- 10% reduction in export cost: US$611 per TEU (2009 baseline) by end of project.
- 10% reduction in Import cost: US$680 per TEU (2009 baseline) by end of project.

Key Partners:
The Bank's key partners are the Planning Commission (PC) and Ministry of Commerce (MoC). Other partners include: the Ministries of Railways, Communications, Ports & Shipping, Defence (Aviation), Industries & Production, Food Agriculture and Livestock, and Petroleum and Natural Resources (Energy Logistics); the Federal Board of Revenue; National Highway Authority (NHA); Civil Aviation Authority (CAA); Ministry of Finance; and development partners - the Asian Development Bank (ADB), and the Japan International Cooperation Agency (JICA).

PAKISTAN: FATA Urban Centers Project (P125414)

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

PAKISTAN: Punjab Municipal Services Improvement Project (P083780)

Financing in million US Dollars:

Financier	Financing	Disbursed*	Undisbursed
Other	5.0	0.5	4.5
Total Project Cost	5.0	0.5	4.5

*As of June 30, 2013

Project Background:
The Federally Administered Tribal Areas (FATA) lags behind other provinces in the country across a wide range of social and economic indicators, and has 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 CDD operation, where investment needs are being identified and prioritized by the citizens of Khar town.

1. **Priority Infrastructure Investment Projects:** Supports priority infrastructure investments in Khar town in Bajaur Agency. The universe of infrastructure sub-projects to be supported under this component will include rehabilitation, reconstruction, expansion, and upgradation of urban municipal infrastructure and services including water supply, sanitation, solid waste management, streetlights, drains, roads, firefighting, and a general bus terminal for the existing population of the urban center.

- **Technical Assistance and Implementation Support**: to a) design and development of 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.

Results Achieved and Expected:

- Structure Plan for Khar developed, including: (i) priority service delivery needs based on feedback received from the local community through focus group discussions and a household survey; (ii) vital baseline information on service delivery coverage and quality; (iii) Geographic Information System maps with spatial representation of population distribution, growth trends, and existing services; (iv) urban structure plan analyzing likely growth and development scenarios; and (v) scope and targets for service delivery improvements to be achieved through infrastructure sub-projects carried out under the Project;
- An urban management framework (institutional structures, business processes, and financial management guidelines), and implementation plan developed for FATA;
- 450 solar powered street lights installed 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: None

PAKISTAN: Punjab Municipal Services Improvement Project (P083780)

Key Dates:
Approved: June 01, 2006
Effective: June 13, 2006
Closing: November 30, 2013
Financing in million US Dollars:

Financier	Financing	Disbursed*	Undisbursed
IBRD	50.00	48.14	1.86
Govt. of Pakistan	9.00	8.00	1.00
Total Project Cost	59.00	56.14	2.86

*As of June 30, 2013

Project Background:
In 2001, fundamental reforms by the Government of Pakistan created a new level of local government, the Tehsil Municipal Administrations (TMAs), with the mandate of delivering municipal services. These TMAs, however, remained under-resourced and under-equipped to deliver on their mandate, which included: future investments planning; provision of municipal infrastructure; operations and management of services; municipal finance; urban management; and responding to citizens. Moreover, the provincial government's capacity to oversee and coordinate local governments remained weak, as, post-devolution, it struggled to adjust to its revised role of providing oversight rather than direct service delivery. The project includes a variety of customized capacity building interventions to enhance the TMAs' abilities to deliver on their mandates, and the provincial government's capacity to monitor TMA performance. These include: participatory planning for prioritizing investments, including Geographic Information System (GIS)-based land-use planning; computerizing management systems; an operations and maintenance (O&M) framework for infrastructure assets; citizen complaint tracking and redressal systems; and a centralized province-wide performance tracking system. High performing TMAs are given the incentive of receiving investment grants for sub-projects in municipal sectors, prioritized through the planning process.

Project Development Objective and Brief Component Description:
The project aims to improve the viability and effectiveness of urban services provided by TMAs, and make such improvements sustainable and replicable in other TMAs by creating a performance-based management framework at both TMA and provincial levels. Project components are:

1. **Capacity Grants** (to TMAs)**:** for performance management through urban and investment planning, financial management, improved O&M, M&E, complaint tracking, etc.;
2. **Development Grants** (to TMAs)**:** for financing priority infrastructure investments;
3. **Capacity Building of the provincial Local Government Department:** for monitoring performance;
4. **Cultural Heritage Component:** to build the province's capacity to plan for and implement Cultural Heritage initiatives.

Results Achieved:

- Performance management systems successfully operational across 105 TMAs in Punjab for: physical, spatial, and demand-based investment planning; performance management and reporting; efficient tracking and resolution of citizens' complaints; computerized financial management;
- Integrated, real-time, province-wide data available at TMA level that is centrally tracked for performance oversight by provincial Local Government Department;
- 105 TMAs with updated Structure Plans, GIS-based municipal service maps, and list of priority investments - up from 30 by mid-2010 and none at project inception;
- 45 TMAs generating monthly Performance Management System (PMS) reports, using a province-wide integrated and standardized system for tracking indicators related to municipal services (up from 12 TMAs in mid-2010);
- 80 TMAs with more than 90% citizen complaint resolution efficiency (up from 20 TMAs in mid-2010);
- 2,881 TMA staff trained since 2006 in areas such as IT (basic and intermediate), planning (including the use of GIS for land-use planning), and O&M of infrastructure assets;
- An average of 45% of households connected to water supply systems in 11 TMAs with Project-funded subprojects (up from 40% in mid-2006);
- An average of 68% of solid waste generated disposed at landfill sites in 105 TMAs (up from 58% in 2011);
- The Walled City of Lahore Act has been promulgated; the Walled City of Lahore Authority (WCLA) is being operationalized; and implementation of the pilot project is substantially complete.

Key Partners: Aga Khan Trust for Culture.

PAKISTAN: Punjab Cities Governance Improvement Project (P112901)

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

Financing in million US Dollars:

Financier	Financing	Disbursed*	Undisbursed
IDA	150.00	26.72	124.73
Govt. of Punjab	4.00	0	4.00
Total Project Cost	154.00	26.72	128.73

*As of June 30, 2013

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 an Eligible Crisis or Emergency. Project components are:

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.
2. **Project Implementation and Capacity Building**: Supports the cities and province to achieve the annual DLIs.
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 Expected and Achieved: The project is a five-year results-based Specific Investment Credit where disbursements are contingent on achieving pre-specified DLIs, to be individually assessed for each city every year. The initial set of DLI targets was met by all cities before project effectiveness. Thereafter, a city will need to meet the entire set of annual targets specified against the DLIs for that particular year in order to be eligible for disbursement for that year.
Expected results include adopting: (i) integrated multi-year development and asset management planning procedures; (ii) provincial rules for transparent procurements; (iii) consolidated funding pipelines for transfers to the CDGs and their service delivery entities; (iv) improved own source revenue collection systems ; (v) consistent institutional boundaries for municipal planning and service delivery; (vi) public disclosure and access to information systems; and (vii) effective and transparent feedback and grievance redress mechanisms.
Results achieved include:

- CDGs and their service delivery entities have adopted the entire urban area as their planning boundaries;
- Annual development budgets are being consolidated;
- Financial transfers from the province to all city entities are being reported to CDGs; and
- Development of business procedures in procurement, public disclosure, and grievance redressal is underway.

Key Partners: None

PAKISTAN: Balochistan Disaster Management Project

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

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA			
Govt. of ---			
Other	5.0	1.0	4.0
Total Project Cost	5.0	1.0	4.0

*As of June 30, 2013

Project Background:
The Province of Balochistan has experienced several significant natural disasters over the past ten years. Most recently, the 2010, 2011, and 2012 floods have had a major impact, with damages and losses of US$620 million, or 6 % 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 the Provincial Disaster Management Authority (PDMA) Balochistan to urgently address the various Disaster Risk Management (DRM) challenges in the disaster-prone province. The Bank is supporting the Government of Balochistan under the Multi-Donor Trust Fund (MDTF) for KP, FATA, and Balochistan to address the various institutional and capacity issues at PDMA.

Project Development Objective and brief component description:
The Project aims to strengthen the capacity of PDMA Balochistan to prepare for and respond to natural disasters. The project comprises four components:

1. **Institutional Strengthening of PDMA Balochistan (US$2.5 million):** Will support PDMA Balochistan in strengthening institutional disaster risk management capacity and emergency response systems.
2. **Hazard and Risk Assessment (US$1 million):** Will support hazard and risk assessment in the provincial capital, Quetta.
3. **Development and Piloting of a Community Based Disaster Risk Management (CBDRM) Program (US$1.5 million):** 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.
4. **Contingent Emergency Response Component (US$0):** 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:
The project expects to achieve the following results:

- Improved disaster response mechanism at PDMA Balochistan.
- Increased awareness of the hazard and risk environment in Quetta.
- Enhanced capacity at PDMA Balochistan for implementing CBDRM initiatives.

Key Partners: Provincial Disaster Management Authority Balochistan (Implementing Agency)

PAKISTAN: Electricity Distribution and Transmission Improvement Project (P095982)

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

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD	135.8	77.4	58.4
IDA	61	48.5	7.2
Govt. of ---			
Other	53.2		
Total Project Cost	250		
*As of June 30, 2013			

Project Background:
Following years of neglect, Pakistan's power supply started falling short of demand by mid-2008. Inadequate investment in distribution systems (including expansion and maintenance of those assets) has contributed to this shortfall. In 2006, the Government requested that the Bank finance part of the investments required to expand and rehabilitate the distribution system. The Project was the Bank's first investment in Pakistan's power sector for around 15 years. As a result, there was a steep learning curve both for the Bank and its counterparts, since the Distribution Companies (DISCOs) had not dealt with Bank procedures, Guidelines, Standard Bidding Documents, safeguard requirements, and so on, for more than a decade. Appraisal of the Project was therefore not completed till early 2008; the Project was presented to the Board in June 2008.

Project Development Objective and brief component description:
The objectives of the Project are to: (i) strengthen the capacity of the distribution and transmission networks to meet increasing electricity demand in the selected areas more efficiently and with better reliability and quality; and (ii) strengthen the institutional capacity of the selected DISCOs and support other priority areas of the power sector reform.

1. **Distribution systems:** Supports the Secondary Transmission and Energy Loss Reduction programs of four DISCOs (Hyderabad, Islamabad, Lahore, and Multan). Key activities include: new 132 kV grid stations and transmission lines, extensions of existing grids and lines, and rehabilitation of distribution lines and feeders.
2. **Transmission system:** This component is financing a new 220 kV grid station at Kassowal (in South-Central Punjab), and transmission lines to connect this grid station to the main High Voltage network.
3. **Institutional strengthening and capacity building:** The Project also supports the Government and DISCOs to enhance their policy formulation and implementation capacities

Results:
The Project will upgrade some key distribution assets to serve higher consumer loads to help avoid breakdowns during peak demand periods. The number of customers served is projected to increase, while quality of power supply will improve at the same time, and the executing agencies' finances will be on a more sustainable footing. Avoiding damages to assets (from overloading and burnouts) should also be considered a key success factor.

Progress in enhancing network capacity is satisfactory. End-of-Project targets for the quality of power supply, quantum of power handled by the networks, and financial sustainability of the DISCOs are not likely to be achieved. These issues are beyond the executing agencies' control – e.g. the quality of supply and quantum of power handled by the networks is not improving due to shortages in generation capacity; and the DISCOs' financial situation did not improve because the Government has continued to maintain tariffs at levels that are below cost recovery.

The Project was restructured in mid-2012, and about US$60 million cancelled from the Loan and Credits. Further cancellations are anticipated. The Bank has conveyed no objections to supporting new contracts of around US$30 million, but they have not yet been awarded: the contracts require 12 months for completion. The delay means those contracts will not be completed by the Closing Date. The DISCOs have requested that the Bank allow these contracts to be awarded, and that the portion of supplies or works that are completed by the Closing Date be funded from the Loan/Credits.

Key Partners:
None formally. The Asian Development Bank (ADB) and USAID are financing projects – in parallel, which support essentially the same activities as the Bank's Project. ADB support is through a Multi-Tranche Financing Facility (MFF) comprising four tranches, for a total of US$810 million. USAID is supporting a Power Distribution Project with grant financing of US$200 million.

PAKISTAN: TARBELA FOURTH EXTENSION (T4HP) (P115893)

Key Dates:
Approved: Mar 20, 2012
Effective: Apr 27, 2012
Closing: Dec 31, 2018

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD	400.0	1.0	399.0
IDA	440.0	20.2	409.6
Government of Pakistan	-	-	-
Other – WAPDA	74.0	-	74.0
Total Project Cost	914.0	21.2	882.6

*As of June 30, 2013

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. T4HP 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 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:

1. **Construction of Power House (US$ 309.6 million):** Covers civil works, including a power house, a penstock, and modification of intake tunnels (Number 3 and 4). *Status:* Bids for civil work contract have been received and are being evaluated.
2. **Power Units (US$ 431.5 million):** Covers cost and installation of turbines, generators, transformers, ancillary electro-mechanical equipment, and a short transmission line. *Status:* Pre-qualified firms are being invited to submit bids.
3. **Social Action & Environmental Management Plan (US$ 29 million):** Covers implementation of SAP, EMP, Dam safety and monitoring, and Glaciers monitoring. *Status:* Work is on-going for several activities. A re-settlement claims commission was established to address pending court cases under the Tarbela and Ghazi Barotha projects, and has completed the first round.
4. **Construction Supervision, Monitoring & Evaluation (US$ 26.4 million):** Project supervision consultants are on board. An Independent Panel of Experts has also been engaged by WAPDA.
5. **Project Management Support Capacity Building, TA, and Training (US$ 34 million).**

Results:

- 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%
- Preparation of a large hydropower project on the Indus River and successful completion of an agreed capacity building program for WAPDA.

Key Partners: WAPDA is the implementing agency. WAPDA is in charge of development of hydropower resources in Pakistan and is a long-term partner of the Bank.

PAKISTAN: Natural Gas Efficiency Project (NGEP) (P120589)

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

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD	100	0	100
IDA	100	0.25	99.75
Govt. of Pakistan	72	0	72
Other			
Total Project Cost	272	0.25	271.75

*As of June 30, 2013

Project Background:
Natural gas is a vital source of energy in Pakistan, representing 49% 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% in OECD countries, compared to over 12% in Pakistan. UFG is mainly a result of the dilapidated gas distribution network, inaccurate metering, and theft. In FY11, the production value of gas lost as UFG was estimated at $323 million in the network of SSGC, our sub-borrower. For the whole country, however, and measured by cost of petroleum imported to make up for lack of gas, UFG accounts for $2 billion annually. The UFG problem is becoming increasingly intolerable in view of the growing gas and power shortages. This Project aims to achieve significant results over the medium term (3-5 years).

The key to success is to "split" the "black-box" distribution network into several hundred segments where gas in/out can be measured and UFG eradicated in merit order. This will also add massively to operational transparency, and thus substantially impact company governance.

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.

Results:
The primary indicator will be the amount UFG is reduced as a result of Project interventions. A secondary indicator will be the length of pipeline provided with cathodic protection, which is a proxy indicator for the difficult-to-measure prevention of the increase in UFG that would occur without such cathodic protection. Consumer satisfaction will be gauged based on survey data from areas where there are Project-financed network improvements.

The project will aim at: segmentation and pressure management; pipeline rehabilitation; cathodic protection; improving gas measurement by installing advanced metering systems; a pilot project to improve efficiency of domestic gas appliances; and technical assistance.

Intermediate results indicators will be: the length of pipelines rehabilitated; the number of consumer meters and pressure management systems installed; and, notably, the amount of UFG reduced in individual segments as work progresses.

Despite the project becoming effective on October 31, 2012, implementation of field activities has not yet started. Various reasons account for this, such as lack of adequate top management engagement in the Project, and the inability of the company's Project Management Office to integrate well with its ongoing operations. In a positive development, SSGC's Project management was replaced in June 2013.

Key Partners:
Sui Southern Gas Company Limited (SSGC).

Pakistan: Water Sector Capacity Building and Advisory Services Project (WCAP) (P110099)

Key Dates:
Approved: June 26, 2008
Effective: September 28, 2008
Closing: February 28, 2014
Financing in million US Dollars*: 38.00

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA	38.00	26.92	11.08
Govt. of Pakistan			
Other			
Total Project Cost	38.00	26.92	11.08

*As of June 30, 2013

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; (d) and 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:

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

Results:
The Project has already met most of its expected development outcomes of enhancing the capacity of the relevant institutions to use modern water resources management tools, practices, and planning, and financing investments in water and the hydropower sector. 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.

The Project is expected to use the full credit amount, except for $3 million allocated to implement three studies. The Government plans to request Additional Financing from the Bank of US$20-30 million by September 2013. These studies could be undertaken during the extension period should the Bank approve the request.

Key Partners: The project is coordinated by a Project Management and Policy Implementation Unit (PMPIU) set up at the Ministry of Water & Power (MoWP).I Besides PMPIU, implementation agencies include: Water and Power Development Authority (WAPDA), Indus River System Authority (IRSA), the Planning Commission (PC), and Infrastructure Projects Development Facility (IPDF).

Pakistan Governance Support Project for Khyber Pakhtunkhwa FATA and Balochistan

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

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA			
Govt. of ---			
Other- (MDTF)			
Total Project Cost	8.75	3.5	5.25

*As of June 30, 2013

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. Underdevelopment has sustained marginalization and inequity in Khyber-Pakhtunkhwa Province (KP). Moreover, militants in the Federally Administered Tribal Area (FATA) and KP have exploited frustrations, resulting in critically high levels of vulnerability. To assist in tackling this situation, the Government of Pakistan requested Bank support in preparing a Post-Crisis Needs Assessment (PCNA), leading to a peace-building strategy for FATA and KP.
Recognizing the need for a harmonized approach to respond to the crisis, the Government of Pakistan and Donors asked the Bank to administer a Multi Donor Trust Fund (MDTF) for the recovery and rehabilitation of the crisis-affected areas in Khyber Pakhtunkhwa, FATA, and Balochistan. It has been operational since August 2010, and currently represents commitments of US $160 million plus. The Fund is one mechanism for financing the PCNA program, and is expected to support the government's efforts in aid management and donor harmonization. The Governance Support Project for Khyber Pakhtunkhwa FATA and Balochistan is one of the MDTF Projects.

Project Development Objective and brief component description:
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.
The Governance Support Project (GSP) has two components:

1. **Strengthening the PCNA Implementation Support Units, providing Technical Assistance, and Institutional Building of government departments:** Total estimated cost – US$3.25 million.
2. **Rapid Response Facility (RRF):** Total estimated cost – US$5.75 million.

Results:

- Khyber Pakhtunkhwa Judicial Academy trains 100 judicial officers (including 23 women).
- Digital Library provides on-line access to 24 (of 25) district courts.
- Khyber Pakhtunkhwa Ombudsman disposed of 461 (of 696) complaints, incl. from 58 women,7 children.
- FATA Tribunal disposed of 283 (of 377) cases.
- Khyber Pakhtunkhwa and FATA donor coordination measures have drawn high responses.
- High demand for governance reforms from the GSP in KP (46 days lead time) and FATA (49 days).
- The ISUs are providing internal audit services to all MDTF projects in addition to cross support to MDTF projects, development partners, and PCNA-related projects, both in Khyber Pakhtunkhwa and FATA.
- The country systems in KP, Balochistan and FATA (M&E Directorates) are piloting M&E.
- The Anti-Corruption Establishment celebrated International Anti-Corruption Week for civil society & youth.
- The ISUs have organized trainings for 363 (27 female) Government officials.

Key Partners:
Secretary Planning and Development, FATA; Secretary Planning and Development, Khyber Pakhtunkhwa; Secretary Planning and Development (Implementation), Balochistan.

PAKISTAN: Khyber-Phaktunkhwa Emergency Roads Recovery Project (KP ERRP – P125584)

Key Dates:
Approved: July 16, 2011
Effective: October 17, 2011
Closing: June 30, 2014

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA			
Govt. of ---			
Other (Multi-Donor Trust Fund)	8.0	8.0	0.0
Total Project Cost	8.0	8.0	0.0

*As of June 30, 2013

Project Background:
The Project is carrying out emergency rebuilding of priority roads infrastructure damaged during the conflict in the Province of Khyber-Pakhtunkhwa (KP). The Project focuses on early recovery priorities agreed between the Government of Khyber-Pakhtunkhwa 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. Given the deep crisis situation, exacerbated by the 2010 devastating floods, the main focus of the first set of priorities is restoring/improving pedestrian and vehicular access to some of the KP's poorest neighborhoods in the Swat Valley. The Project aims to rehabilitate damaged roads and bridges in the Swat District of KP to fully operational conditions that guarantee 24hours and 7 days access with a view to improving access and mobility. The Project will benefit about 300,000 persons. The expected outcome is improved traffic flow resulting in reduced vehicle operating costs and travel time for beneficiaries using the road.

Project Development Objective and brief component description:
The Project aims to enable the population along the Project corridor to benefit from improved access and mobility, year-round, by reconstructing priority damaged roads and bridges in the conflict-hit areas. The Project has two components:

1. **Infrastructure Rebuilding (US$6.417 million**): Consists of reconstructing and widening about 14.0 km of Provincial Highway (S-3B) between Chakdara and Madyan on the right bank of the River Swat, including related structures from Sharif Abad to Kanju; and associated relocation of utilities, land acquisition, and resettlement.

2. **Project Management (US$0.613 million):** Includes support for contract administration and construction supervision consultant services; environmental and social safeguards consultant services; and incremental operating costs.

Results:
The Project is under full implementation. This is the only project under the MDTF portfolio with a "Highly Satisfactory" implementation rating.

- The Project age is 19-months (59%), and physical progress to date is 98%, financial progress 90%.
- About 13.5 km (96% of the project length) is reconstructed and reopened to traffic.
- Of the 36 culverts, 33 (92%) have been completed.
- Gross work valued at Rs 593 million has been certified.

The Project is expected to be completed by September 2013, about 9 months ahead of planned completion date.

Key Partners: To date, eleven donors have contributed to the MTDF (Australia, Denmark, European Union, Finland, Germany, Italy, Netherlands, Sweden, Turkey, UK, and USA).

PAKISTAN: Project to Improve Financial Reporting and Auditing (PIFRA II) (P076872)

Key Dates:
Approved: Sept 06, 2005 (Orig. Project); Feb 10, 2011 (Addl. Financing)
Effective**:** Nov 08, 2005 (Orig. Project); June 27, 2011 (Addl. Financing)
Closing: December 31, 2014

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA (Original Project)	84.0	78.9	7.7
IDA (Addtl. Financing)	24.5	11.7	12.1
Govt. of Pakistan	15.2	15.0	0.2
Other	-	-	-
Total Project Cost	123.7	105.6	20.0

*As of June 30, 2013

Project Background: The development hypothesis underlying both PIFRA I (closed on May 31, 2005) and ongoing PIFRA II projects, 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, and increases the potential for economic growth and poverty reduction. In August 2010, the Government of Pakistan requested Additional Financing to scale up and extend PIFRA I.

Project Development Objective and brief component description: Project 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 process. 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.

1. **Financial Accounting and Budgeting Systems (FABS) ($82.5 million):** 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.
2. **Capacity Building and Upgrading of the Office of Auditor General ($22.5 million):** 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.
3. **Project Management ($3.5 million):** 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:

- Effective and transparent fiscal administration: Budget Execution Reports are made available within 10-15 days from month end. Interfaces/ functionality between FABS and SBP/NBP, EAD, CDNS, FBR are being put in place.
- Effective and transparent financial reporting, control, audit: Financial Statements for all governments mostly submitted by Aug 31. AGP-certified annual accounts submitted to President & Governors within 8 mos. of FY-end.
- 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.
- Initiation of critical activity of SAP upgrade and award of contract for Procurement of Audit Management Info System by mid-Sept 2013 will ensure achievement of target results and long term sustainability.
- Use of country systems for foreign aided-projects: Currently 10 Bank-funded projects are using on-line SAP system. Efforts are being made to replicate this achievement to other donor-funded projects.

Key Partners: Auditor General, M. of Finance (federal, provincial), Controller General, Provincial Account General.

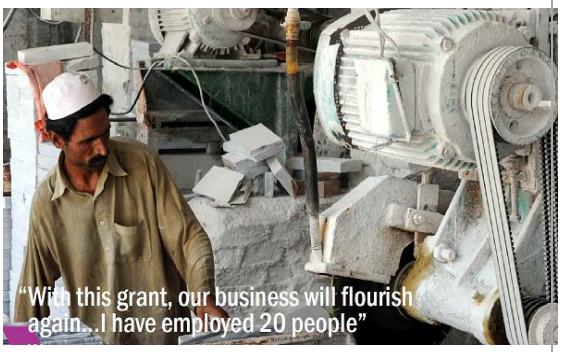
Pakistan: Economic Revitalization of Khyber Pakhtunkhwa and FATA Project (ERKF)

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

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
KP/FATA/Balochistan Multi Donor Trust Fund (MDTF)	20.00	5.12	14.88
Total Project Cost	20.00		

*As of June 30, 2013



Project Background: This Project was prepared as an emergency response under OP/BP8.0 to support the creation of employment opportunities and sustainable jobs in the conflict-affected Khyber Pakhtunkhwa (KP) 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 participation the 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 economic empowerment of women by assigning priority to eligible enterprises owned and managed by women.

Project Development Objective and brief component description: The Project aims to support the Government of Pakistan in the economic recovery and revitalization of the crisis-affected areas of KP and FATA, by creating sustainable employment opportunities through rehabilitation of SMEs, investment mobilization, and institutional capacity building. The project has three broad components:

1. **SME Development (US$14 million):** Includes a matching grants program with technical assistance (TA) to support SMEs that have been adversely affected by the ongoing crisis, to enhance their productive capacity, and restore lost employment. Three types of support are being provided to SMEs through the matching grants: (i) Rehabilitation; (ii) Up-gradation; and (iii) Business Development Services, which leverage IFC's Business Edge Program.
2. **Attracting Investments from the Diaspora (US$2 million):** The main objective is to mobilize private investment to jumpstart the rehabilitation of businesses and reconstruction of infrastructure, creating jobs. The two main activities are; (i) Pre-Feasibility Study for a Private/Public Sector Diaspora Bond for SMEs; and (ii) Outreach Program for Mobilizing Diaspora Investment.
3. **Institution Building to Foster Investment and Implement Regulatory Reforms (US$4 million):** Will support capacity building of both KP and FATA governments to improve the business climate and attract investment to the region.

Results:

- 1,710 jobs restored/created so far in KP-FATA region
- Rehabilitation and up-gradation matching grants provided to 342 SMEs (262 in KP and 80 in FATA). Beneficiaries are concentrated in marble mining and processing, textile weaving, furniture manufacturing, horticulture, and retail.
- 3 project management units fully staffed and functional. Capacity building and training of staff in the areas of financial management, procurement, and social and environment safeguards ongoing on periodic basis.
- Strong monitoring and grievance redress systems in place, including; (i) a Management Information System to assist the project units; (ii) two project steering committees to oversee progress, and (iii) a third party monitor to conduct beneficiaries surveys, even in security-challenged areas.

Key Partners:

1. Department of Industries and Technical Education, Government of Khyber Pakhtunkhwa.
2. FATA Investment Facilitation Authority (FIFA).
3. Small and Medium Enterprise Development Authority (SMEDA) – KP Office.

Pakistan: Competitive Industries Project for Khyber Pakhtunkwa (CIPK)

Key Dates:
Approval: August 5, 2013 (Expected)
Effectiveness: August 21, 2013 (Expected)
Closing: June 30, 2015

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
KP/FATA/Balochistan Multi Donor Trust Fund (MDTF)	9.00		9.00
Total Project Cost	9.00		

*As of June 30, 2013

Project Background: Following the successful launch of, the initial set of results achieved by, the Economic Revitalization of Khyber Pakhtunkhwa and FATA Project (ERKF), the Government of Khyber Pakhtunkhwa (GoKP) asked the Multi Donor Trust Fund for focused support to strengthen the province's critical value chains in two economic sectors: marble and horticulture (food processing). The marble and food processing value chains were prioritized based on an extensive review of the available analytical work and stakeholder consultation that highlighted these sectors' potential for growth, job creation, and contributing to the provincial economy (given KP's natural endowments and climatic disposition). Despite their potential, the two sectors are operating at a basic level, and use primitive technology that leads to high percentages of waste in natural endowments and produce (80% in marble and 40% in horticulture).

Project Development Objective and brief component description: The Project aims to improve the competitiveness of the marble and food processing sectors in Khyber Pakhtunkhwa (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.

The project has three components:

1. **Increasing Productivity and Employment in the Marble Sector (US$7.4 million):** To increase the economic value added of the marble sector by improving the extraction and processing stages within the value chain.
2. **Supporting the Development, and Enhancing the Impact, of Food Processing Cluster (US$1 million):** To assess the constraints and opportunities in KP's food processing sector, by undertaking: (i) value chain analysis and prioritization for KP's horticulture sector; (ii) feasibility studies on selected projects along the food processing value chain; and (iii) a Cluster Development Program to improve coordination among the stakeholders in the food processing industry.
3. **Institutional Capacity Building (US$0.6 million):** Entails strengthening the institutional capacity of KP's project management unit at the Industries Department, Directorate General of Mines and Minerals (GoKP), the Pakistan Stone Development Company (PASDEC), and mines associations in KP, including a review of KP's mining rules and regulations.

Expected Results:

- 25 marble mines will enhance production by 40% through the use of new technologies (in mining, specialized machinery). 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 2 priority public sector-shared infrastructure interventions for KP's food processing sector.

Key Partners: Department of Industries and Technical Education, GoKP; Pakistan Stone Development Company (PASDEC); and Department of Mines and Minerals, GoKP.

PAKISTAN: FATA Rural Livelihoods and Community Infrastructure Project (P126833)

Key Dates:
Approved: April 6, 2012
Effective: April 12, 2012
Closing: June 30, 2015
Financing in million US Dollars*: US$12.0

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA			
Govt. of FATA			
Other (MDTF)	$12.0	$1.5	$10.5
Total Project Cost	$12.0		
*As of June 30, 2013			

Project Background: The Project aims to improve the well-being of unserved and underserved low income communities, starting with two agencies (Mohmand and Bajaur), and possibly a cluster of villages in the South Waziristan Agency that are becoming accessible after military operations and where families are being helped by the Government to return and reestablish their livelihoods.

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:

1. **Community Development and Social Capital Building:** Includes social mobilization of local communities through locally-based indigenous organizations.
2. **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.
3. **Livelihoods Support:** Includes sub-projects for generating livelihoods opportunities within the agriculture and livestock sectors.
4. **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: Implementation progress remains marginal due to several factors, including a delay in opening the Designated Account and completing staff appointments in Project Management Units and Agency Implementation Units. Staff retention was problematic, due to the low salary package and high security environment. The FATA Secretariat revised the PC1 in November 2012, to enhance project staffing based on market scales and attract and retain qualified staff for project implementation. The new Project Director has joined in January 2013, and key staff, including a Finance Specialist, Procurement, M&E, and technical specialists, are now in place. A formal project launching ceremony was held on February 14, 2013, at Peshawar, chaired by the Governor of Khyber Pakhtunkhwa.
Project implementation progress to date:

- Three model villages, one in each Agency, have been identified and will form the focus of interventions.
- Social mobilization partners were recruited, but did not succeed in obtaining No Objection Certificates from the relevant military authorities for working in FATA. As an interim measure, the Project has requested SRSP (Technical Support entity) to undertake social mobilization with 45 Community/Village Organizations.
- Baseline survey for community development completed.
- 600 households in Bajaur, South Waziristan, and Mohmand Agencies were provided with solar lamps in off-grid villages.
- 255 farmers have received wheat seed in 3 Agencies in FATA.
- Training for 60 lead trainers; each will train 10 other trainees on how to operate and repair.

Key Partners: Government of FATA, Directorate of Projects.

Pakistan: Khyber Pakhtunkhwa Southern Area Development Project (P130835)

Key Dates:
Approved: December 3, 2012
Effective: February 6, 2013
Closing: June 30, 2015
Financing in million US Dollars*: US$ 18.0

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA			
Govt. of FATA			
Other (MDTF)	$18.0	$0.9	$17.1
Total Project Cost	$12.0		

*As of June 30, 2013

Project Background: This project aims to reach the unserved and underserved low-income communities in Southern KP. Implementation will happen in three districts of DIK, Tank, and Lakki Marwat in order to concentrate project coverage, effectively monitor processes and impacts, 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:

1. **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 knowledge program.
2. **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.
3. **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:
Before the start of project implementation (prior to effectiveness), the KP Government was provided with Technical Assistance to prepare the detailed operations manual, and to hire and train staff. This Technical Support ensured that no time is lost in the implementation period once the grant is signed. As a result, all project teams, including the provincial Project Management Unit (PMU) and District Implementation Units (DIUs) staff, have been recruited and have fully joined the project. The formal project launch is planned for the end of September by the Government of KP.

Key Partners: Government of Khyber Pakhtunkhwa, Department of Local Government and Rural Development.

PAKISTAN: Punjab Land Records Management and Information Systems (P090501)

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

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IDA original	45.7	37.17	9.78
IDA AF	70.0		70.00
Govt. of Pakistan	11.2		
Other			
Total Project Cost	126.9		

*As of June 30, 2013

Project Background: The Government of Punjab views the Project as its flagship effort to improve the quality of its services. The traditional land records system has changed little over the last few hundred years. Under that system, land records are kept in sacks by the *patwari* (village accountant), with little to no transparency or quality control, and moved from place to place as the *patwari* carries out his functions. The result has been long delays for land owners or holders to obtain copies of land records, and months of time to carry out land transactions. The traditional land records system has also been identified as a major source of bribes and corruption, and is rated very low by customer satisfaction surveys. The system's weaknesses are increasingly having an impact on the development of modern markets for land and real estate.
The original Project focused on developing and testing land records software, introducing legal and regulatory reforms, and implementing the new system over roughly half the province of Punjab. There were significant delays in software development but, once overcome, the roll-out of the new system began in 2011. On the basis of the proven success of the new system design, the Government requested additional financing to extend the system to the entire province. This became effective February 22, 2013, but political imperatives from the highest levels of the Provincial Government imposed a closing date of June 30, 2014 for this funding. It is now clear that more time is needed to complete the system roll-out. A mid-term review of the overall program will be held in September 2013 to review the implementation schedule.

Project Development Objective and brief component description: Project objectives are to improve land records service delivery for the Province of Punjab, contributing to long-lasting tenure security and more efficient operation of land markets. The Project is upgrading the land records management system for Punjab Province by revising current business processes and associated legislation and regulations, establishing Service Centers for maintaining land records and making them available to the public in digital form, and establishing linkages between the systems for records system and registering deeds.
The Project has four components:

1. **Business Process Improvement and Capacity Enhancement (US$1.9M)**;
2. **Development and Deployment of the New Land Records** MIS (US$92M): focusing on developing, testing, and implementing the land records software, data entry and verifying existing paper-based land records, and constructing and equipping new Land Records Service Centers (LRSCs);
3. **Service Delivery and Information Campaigns (US$27.6M):** focusing on operating the new LRSCs and stakeholder outreach; and
4. **Project Management (US$5.4M).**

Results:

- Automated land records system developed, tested, and proven in practice. 39 Service Centers (out of eventually 135 province-wide) are now operational. Feedback confirms a high level of customer satisfaction with the new system, exceeding the 95% target established at appraisal.
- Records of rights (*fards*) are being provided to customers in less than the 30 minute target. The process for altering land rights has also been greatly simplified and can now be completed generally within one week or less. Early feedback shows a greater sense of tenure security from use of the new automated system.
- Data entry completed for 17.5 million properties – more than half the total number in the country. Data verification is processing more slowly, with 3.7 million records verified. The quality control process is a major source of added value, and will contribute significantly to reducing future problems with the land records system and enhancing tenure security.
- All business process reforms anticipated at appraisal have been introduced. Further work underway on strengthening linkages with the deeds registration system into a one-stop process, and piloting the inclusion of digitized spatial data.

Pakistan: Third Pakistan Poverty Alleviation Fund Project (P105075)

Key Dates:
Approved: June 4, 2009
Effective: July 9, 2009
Closing: January 31, 2015

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD			
IDA	250.0	187.83	63.14
Govt. of Pakistan	0.0		
Total Project Cost	250.0	187.83	63.14

*As of June 30, 2013

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: (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 objective is to ensure that targeted poor are empowered through increased incomes, improved productive capacity, and access to services to achieve sustainable livelihoods.
There are five components to the project:

1. **Social Mobilization and Institution Building:** to target and empower the poor by supporting COs and participation by the poor at higher levels of institutions at both the village and union council levels.
2. **Livelihood Enhancement and Protection:** to develop the capacity, opportunities, assets, and productivity of community members so as to reduce their vulnerability to shocks, improve their livelihoods, and strengthen their business operations.
3. **Micro-credit Access:** to enhance the poor's capacities, productivity, and returns from livelihood initiatives.
4. **Basic Services and Infrastructure:** to establish and upgrade basic services and infrastructure to serve the poor, including integrated community infrastructure projects and improved health and education facilities.

Results:

- **Social Mobilization and Institution Building:** Efforts are being made to phase out non-priority UCs. The PPAF and POs are in the process of developing integrated plans with each PO to strengthen the focus on livelihoods by linking financing agreements with revised plans. 45,935 new COs (82% of total) have been formed. 44% of the COs have been clustered into Village Organizations/LSOs. CO membership is 66% female (652,208) and 34% male (333,954 males).
- **Livelihood Enhancement and Protection:** As a follow-up to Mid-term Review recommendations, the overall focus is on Livelihood, Enterprise, and Employment Development (LEED), and a revised strategy is near completion. The Disability component is now mapped to LEED. 4,109 CIGs have been formed with greater efforts to link them with the private sector, government departments, and other development partners. 1,228 CIGs formed linkages with market and line departments. 144,533 household livelihood plans were developed, of which 36,730 households received productive assets, 46% of women were trained in enterprise skills, and 65% of grant-recipients (assets transfers) were women.
- **Micro-credit Access:** In the targeted districts, the micro-finance penetration rate increased to 7.7%. During the first half of PPAF III, there were 176,398 clients, 53% (120,731) new borrowers. 76% of all loans were served to women.
- **Basic Services and Infrastructure:** Overall, 3,355 (13%) community groups are benefiting from improved infrastructure, and over 21.6% of groups now have access to other sources of funding for infrastructure/local services. 872 schools are benefiting 117,494 children; 402 health centers are benefiting 3,874,620 people. 195km of rural roads have been constructed, meeting 12% of an end target of 1580km.

Key Partners: N/A.

PAKISTAN: Karachi Electric Supply Company Ltd.

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

IFC Financing in million US Dollars*:

Product	Committed	Outstanding
Loan	125.0	71.8
Equity	-	**39.1

*As of June 30, 2013
**IFC converted US$25 million loan into equity 12/2012

Background:
Karachi Electric Supply Company (KESC) is the only private integrated power utility in Pakistan that is the exclusive supplier of electricity to the city of Karachi. KESC is large (11,000+ employees, 2.3 million customers, and US$2.8 billion in assets), and operationally complex (vertically integrated with an extensive transmission and distribution network), with a c. 2,000 MW generation capacity, and operates in a charged and challenging political environment. KESC was privatized in 2005, when a 71.5% stake was acquired by Al-Jomaih and National Industries Group (the Original Sponsors). To co-finance KESC's US$937 million investment plan, which included developing new 800MW gas-fired power generation plants and rehabilitating existing facilities, IFC committed a US$125 million 10 year A Loan, with a the right to convert US$25 million into equity. The Asian Development Bank also participated with a US$150 million parallel loan. IFC's investment supported one of the largest and pioneering 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, along with 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% equity stake. Since IFC's investment, Abraaj's management has successfully implemented the turnaround plan and made significant operational and financial improvements, despite challenging circumstances. IFC supported KESC by providing swift and targeted support to often groundbreaking initiatives, as well as maintaining close coordination with key stakeholders to help them understand and address key challenges faced by KESC. To further augment IFC's support, advisory and investment teams are currently working together to develop KESC's renewable energy initiatives.

Project Development Objectives: Include --
1. Eliminating load shed and meeting incremental demand for electricity in the Karachi area;
2. Enabling new residential and business customers to be connected to the grid, thus reducing their cost of obtaining power;
3. Significant reduction and technical and commercial losses of electricity;
4. Improved quality of service to consumers;
5. Reducing carbon emissions through development of more efficient and cleaner gas-fired generation; and
6. Demonstrating the benefits of privatization in the country and region.

Results – Achieved:
- Significant reduction in electricity load shed to 4-5 hrs/day with uninterrupted supply to low loss and industrial customers, whereas blackouts of 12-18hrs/day continue in other parts of the country;
- Meeting incremental demand of electricity through an addition of c. 1,000 MW in generation fleet and increase in access to electricity for residential, commercial, and industrial customers;
- Steady reduction in electricity losses to c. 27.5% from 38% at the time of privatization;
- Improved quality and reliability of customer service with significant reduction in complaints and response time;
- Improved efficiencies by way of low-cost and efficient generation through new plants and reduction of losses;
- Reduction in carbon emissions through cleaner natural gas-fired generation; and
- Demonstrating the benefits of private sector investment in state owned utilities in the country and the region.

KESC's turnaround has facilitated economic growth through a sustainable and reliable supply of power to the largest city in Pakistan, which is also the industrial and financial hub.

Key Partners: Asian Development Bank.

PAKISTAN: Lariab Energy

Key Dates:

Approved: July 30, 2009
Signed: November 5, 2009
Invested: December 29, 2009

IFC financing (million US Dollars):

Financier	Committed	Outstanding
Loan	35	35
Equity	-	-
Guarantee	-	-

As of June 30, 2013

Background:

Laraib Energy Limited (LEL) is a special purpose company incorporated in Islamabad, under the laws of Pakistan, dedicated to developing, constructing, operating, and maintaining the 84 MW run-of-the-river New Bong Energy hydro power plant, in Azad Jammu & Kashmir, 120 km from Islamabad. LEL is Pakistan's first private hydro Independent Power Producer (IPP). It sells electricity to the National Transmission and Dispatch Company (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. 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% stake in the LEL. Hubco owns and operates a 1,292 MW thermal plant in southern Pakistan which was the first IPP in Pakistan. LEL entered into a turnkey Engineering, Procurement, and Construction (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 ("COD") was achieved on March 23, 2013. In November 2009, IFC committed a US$35 million A Loan, with a grace period of 4-years and final maturity in November 2024. The full amount has been disbursed and is earning an interest rate of 6-month Libor +4.75%.

The Project Development Objectives:

1. **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.
2. **Support economic growth:** Through lower cost of generation and meeting incremental demand for power.
3. **Contribute to energy security of supply:** by increasing the installed capacity using a domestic renewable resource.
4. **Lower the average economic cost of power generation in Pakistan**.
5. **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.
6. **Create jobs during the construction and operation phase**.
7. **Reduce reliance on imported fuel oil:** thereby improving the country's trade and current account deficits.

Key Results - Expected:

As the power plant only recently started commercial operations, most of the targets are expected to be achieved after one year of operations:

- Target Power Generation (p.a.): 470 GWh per annum
- Target Total Employment/ Temporary: 400 jobs in 2013 (Achieved 470 temporary jobs in 2011)
- Target Total Employment/Direct(#): 60 in 2013 (Achieved 34 in 2011).

Key Partners: Islamic Development Bank, Asia Development Bank, Proparco.

PAKISTAN: Star Hydro Power Ltd.

IFC Key Dates:

Approved: September 08, 2011

Signed: December 13, 2011

IFC Investment (million US Dollars):

	Amount	Fiscal Year
A- Loan	60	2011

MIGA Key Dates:

Approved: June 29, 2012

Signed: June 29, 2012.

MIGA Guarantee (million US Dollars):

	Amount	Fiscal Year
Equity	149	2012

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 IPP in Pakistan. It has an off-take agreement to sell electricity to the National Transmission and Dispatch Company, a state-owned transmission company, under a 30-year Power Purchase Agreement. SHPL is 80% owned by Korea Water Resources Corporation (K-Water) and 20% by Daewoo Engineering and Construction Company Limited (Daewoo). The total project cost is approximately US$409 million. 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 $148.5 million to cover an equity investment by K-water, acting on behalf of itself and Daewoo, in SHPL 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.

The Project Development Objectives: The Project will:

1. Contribute to increasing much-needed generation capacity using a domestic renewable resource, thereby increasing the security of the energy supply;
2. Help alleviate the severe demand-supply deficit in the country, and mitigate the negative impact on economic growth due to shortage of power;
3. Help diversify the generation mix away from thermal power and contribute to lowering the average economic cost of power generation in Pakistan;
4. Provide significant climate change and environmental benefits compared to alternative thermal power options, in terms of displacing greenhouse gas emissions;
5. Create jobs during the Project construction and operating phase;
6. Reduce the 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.

Key Results - Expected:

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

- Clean power provided for 310,000 customers by 2017;
- 17% in ERR;
- 100 permanent jobs generated; and
- Greenhouse gas emissions (GHG) reduced by 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
Signed: March 25, 2009
Invested: July 14, 2009

IFC financing (million US Dollars):

Financier	Committed	Outstanding
Loan	-	-
Equity	44.1	44.1
Guarantee	-	-

As of June 30, 2013

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, a converting capacity of 158,069 tpa, and a plastics capacity of 20,000 tpa, as of December 2012. It is widely acknowledged as a leader in the local market and known for its sophisticated and high quality packaging. It 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 to help the client reduce reliance on imported waste paper. This advisory project was completed in FY13.

Project Development Objectives:
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 roll-over risk. IFC financing helped provide the necessary stability to endure the global financial crisis.

Key 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 wheat straw; save on the costs of shipping waste paper from other countries; and, eliminate approximately 450,000 cubic meters of landfills annually, thus avoiding typical hazards from landfilling such as contamination of ground waters, residual soil contamination after landfill close, and 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. Higher purchases of wheat straw have increased incomes for farmers, who used to burn wheat straw for disposal.
- *Stamp of Approval:* A key development, not anticipated at the time of IFC's investment, has been the creation of a joint venture in 2013 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.

Partners: N/A.

PAKISTAN: Habib Bank Limited

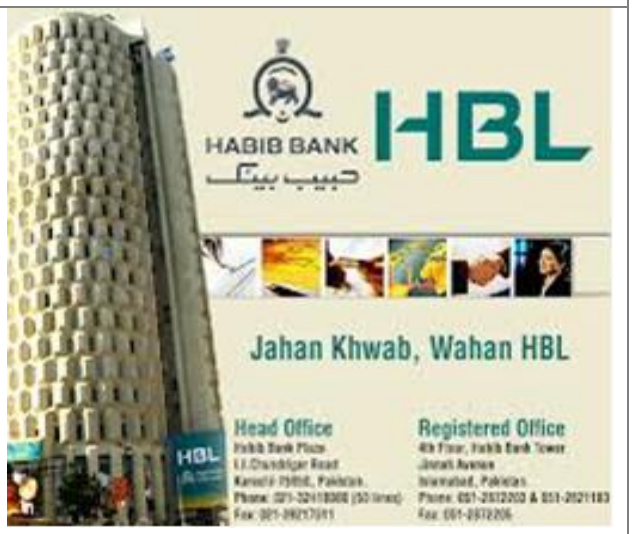
Key Dates:

Approved: April 27, 2006
Signed: June 26, 2006
Invested: October 24, 2007

IFC financing (million US Dollars) As of June 30, 2013:

Financier	Committed	Outstanding
*Loan	37.5	37.5
Equity	-	-
**Guarantee	15.3	15.3

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



Background:
Habib Bank Limited ("HBL or Bank) is the largest bank in Pakistan in terms of assets, with a market share of approximately 15% in terms of loans and deposits, with approximately US$16.5 billion in assets and US$1.3 billion in shareholder's equity, as of December 31, 2012.
IFC's relationship with HBL started in 2006 through a US$50 million 8-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 the Bank improve its training infrastructure and processes. A Trade Finance Facility (the GTFP) was initiated with HBL in 2007 with a US$20 million line which has been successively enhanced over time to US$100 million. IFC entered into the 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 assisted HBL to a) develop a value proposition for SMEs, b) reengineer its credit and risk process, c) strengthen staff skill levels and d) pilot the SME banking services. IFC has recently signed another Advisory agreement with HBL to help develop and test new Agri/rural products aimed at farmers, boosting agricultural productivity and spurring economic growth in the country. This will help increases access to finance in the rural finance market. This is IFC's first agri-finance project in MENA

The Project Development Objectives:
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, including: (i) overall financial condition of the Bank; and (ii) healthy loan portfolio growth.

Key Results - Achieved:
IFC engagement with HBL has resulted in:

- Improved financial stability of a systemic bank providing stability to 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. The HBL loan portfolio grew at a compounded annual growth rate of 6.2%, and the bank generated an Economic Return on Equity of 29.4% in FY12 when the country was going through macroeconomic challenges.
- IFC SME Advisory Services helped HBL develop its SME business. As a result, HBL has disbursed 19,000 new SME loans amounting to US$772 million, and has opened 70,344 new SME deposit accounts since Sept-11. There has already been 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.
- The GTFP facility helped the Bank finance trade commitments of over US$493 million since inception, supporting trade of essential commodities such as oil and gas, agricultural products, and chemicals, among others.

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 to June 30, 2016

IFC Advisory Service ; IFC Business Edge

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 certification.
In order to increase the outreach of the Business Edge (BE) training products and services to more Pakistani MSMEs and aspiring entrepreneurs, in various provinces, IFC is planning to build the capacity of more training providers and trainers in Pakistan. IFC BE is also collaborating with the World Bank on Economic Revitalization of the Khyber Pakhtunkhwa and Federally Administered Tribal Areas (ERKF) through a grant from a Multi Donor Trust Fund (MDTF).

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. The Project comprises three components:

1. **SME development**;
2. **Investment mobilization**; and
3. **Capacity building** to Foster Investment and Reforms and project implementation support in KPK.

Key Results - Achieved:

- BE-accredited training providers have trained 6274 individuals, 1412 (22%) of which are women trained from 1640 MSMEs, government organizations, and development organizations.
- The project is working with 11 BE accredited local training providers.
- 219 trainers trained, including 55 women (25%) in Pakistan.
- 29 Trainer Manuals/Workbooks localized/translated into Urdu.

Key Results – Expected:

- BE accredited training providers are expected to train 6000 individuals, 1200 of which are women from 1600 MSMEs, government organizations, and development organizations.
- The project is expected to work with 12 BE accredited local training providers.
- The project will train 40 more trainers, including 8 women in Pakistan.
- The project will localize/translate 16 more Trainer Manuals/Workbooks into Urdu.

Key Results under the WB/IFC Project:

- Business Edge has trained 15 Pashto speaking trainers to conduct training for the SMEs.
- 11 training modules are available in Pashto.
- ERKF has recently contracted 3 BE accredited training providers to train SMEs in business skills.

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: Habib Metropolitan Bank

Key Dates:

Approved: June 22, 2012
Signed: June 25, 2012

MIGA Guarantee (million US Dollars):

Financier	Amount	Fiscal Year
Equity	95.1	2012

Background:
Habib Metropolitan Bank plays a major role in offering financial services to Pakistan's population. It operates more than 135 branches in 20 cities throughout the country, including four full-service Islamic banking branches. In 2011, MIGA issued a guarantee to Habib Bank AG Zurich (HBZ) of Switzerland covering its investment in its subsidiary, Habib Metropolitan Bank (HMB) in Pakistan. The coverage is for 80 million Swiss Francs (CHF) for a period of up to 20 years against the risks of transfer restriction and expropriation. This is a new guarantee, involving consolidation of existing coverage into one contract of guarantee, extended risk coverage, and an additional coverage of CHF 14.6 million.

The Project Development Objective:
This project involves the continued operation and expansion of HMB in Pakistan. MIGA's ongoing support is considered critical to this investor, and this project will contribute to strengthening Pakistan's banking sector, one of the government's top reform priorities. HMB's expansion and modernization continues to help strengthen the local banking sector by transferring know-how, expertise, and technology.
MIGA's support is aligned with the World Bank Group's strategy in Pakistan's financial sector, which aims at increasing competition and expanding access to financial services to different segments of the population. The sector still suffers from low banking penetration and limited access to finance, especially for banking services to underserved segments, including small and medium enterprises, consumer and housing finance, microfinance, and rural finance.

Key Results: With MIGA's support, HMB:

- Increased the number of branches from 163 in 2011, to 183 in 2012;
- Increased deposits by17% from 2011 to 2012; and
- Increased lending to SMEs in 2012 to Pk 302 million.

Key Partners: N/A.