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PAKISTAN
Country Snapshot

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ECONOMIC OVERVIEW

PAKISTAN	
	2014
Population, million	188.0
GDP, current US$ billion	243.6
GDP per capita, current US$	1296

Source: World Bank

A mild recovery is underway, macroeconomic stability has largely been restored and key external risks are lower. The record increase in remittances and stable agricultural performance continues to support a steady growth outlook. Prospects for continued growth appear reasonably bright, supported by strong fiscal consolidation and an improved external position. Downside risks, chiefly the China slowdown, may affect this outlook. For sustained and inclusive growth, Pakistan needs to successfully implement reforms in energy and taxation, and increase investment.

Recent Developments

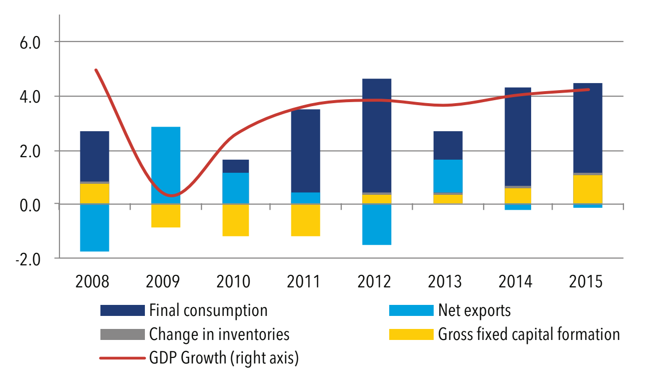
Economic conditions have improved over the past year. A strengthened external position, continued fiscal consolidation efforts, and progress in achieving structural reforms have led to Pakistan's outlook being raised to positive from stable by the main rating agencies.

External sector vulnerabilities have reduced. Record-high remittances offsetting a persistent trade deficit; subdued international oil prices curtailing the import bill; and improved inflows against Coalition Support Fund together contributed to a manageable current account deficit of 0.8 percent of gross domestic product (GDP) in FY2015. This, coupled with higher net inflows in capital and financial accounts, resulted in an overall external surplus for the second year in a row with a significant increase in international reserves, inducing stability in the foreign exchange market.

Despite weaker manufacturing performance, economic growth marginally picked-up in FY2015 to 4.2 percent, compared to 4.0 percent in FY2014, driven mainly by services and agriculture sectors. On the demand side, government consumption, growing at 16 percent, contributed 1.9 percent to overall growth. Private consumption also contributed to overall growth, although growing at a much smaller rate. Inflation continued its single-digit trend for the third year in a row and recorded an 11-year low of 4.5 percent.

Fiscal consolidation was on track due to healthy non-tax revenues and some rationalization in power subsidies, supported by decline in international oil prices. Nevertheless, Federal Board of Revenue (FBR) collection continues to fall short of targets. Total public debt is on a declining path, an outcome that coupled with improved import coverage has allowed Pakistan to qualify again for International Bank for Reconstruction and Development financing.

Contributions to GDP growth, in percent



Outlook

Macroeconomic outlook for the next two years projects steady growth recovery-cum-low inflation, supported by fiscal consolidation and an improving external position.

Pakistan's economic growth is projected to accelerate to 4.5 percent in FY2016 and then further to 4.8 percent in FY2017 supported by strong growth in industry and services. Investment is expected to increase to 15.4 percent of GDP by FY2017 on account of operationalization of China Pakistan Economic Corridor (CPEC)-related projects. Inflation is projected to stay low in view of low commodity prices, exchange rate stability and a prudent fiscal policy.

The current account deficit is projected to increase slightly to 1.0 percent of GDP by FY2017 but will remain manageable. So far, remittances originating from Gulf countries have not been affected by the decline in oil price and are expected to stay robust in the near term. Exports are projected to contract in the first year owing to tapered global demand and then grow marginally the following year. Imports, however, are projected to post moderate growth due to CPEC-related investments and higher domestic demand.

Fiscal consolidation is projected to continue over the medium term based on strong tax revenue efforts as well as gradual phasing-out of energy-related subsidies and of contingent liabilities on loss-making state-owned enterprises. Resultantly, the fiscal deficit is expected to decline to 3.5 percent of GDP by FY2017. The reduced need for deficit financing should facilitate provision of bank credit to the private sector, leading to increased economic activity.

Challenges

The slowdown in China, if protracted, could have adverse effects on investment and trade, and Pakistan may not have the ability to absorb external shocks in the absence of strong buffers. Furthermore, realization of tax revenue targets largely hinges on steady implementation of tax reform agenda. Fiscal consolidation may also be negatively affected by delayed implementation of the government's privatization agenda. Moreover, for the economy to accelerate in the long run, key growth constraints like electricity shortages, cumbersome business climate, complex trade regime, low access to finance and security situation need to be addressed.

	2012	2013	2014	2015 f	2016 f	2017 f
Real GDP growth, at constant market prices	3.5	4.4	4.7	5.5	5.5	5.4
Private Consumption	5.0	2.1	5.4	3.6	5.6	5.7
Government Consumption	7.3	10.1	1.5	16.0	3.1	3.1
Gross Fixed Capital Investment	2.4	2.6	4.2	8.2	7.0	7.0
Exports, Goods and Services	-15.0	13.6	-1.6	-2.7	-0.9	0.5
Imports, Goods and Services	-3.1	1.8	0.2	-1.2	0.8	2.5
Real GDP growth, at constant factor prices	3.8	3.7	4.0	4.2	4.5	4.8
Agriculture	3.6	2.7	2.7	2.9	2.9	3.0
Industry	2.5	0.6	4.5	3.6	4.4	4.8
Services	4.4	5.1	4.4	4.9	5.2	5.5
Prices						
Inflation (Consumer Price Index)	6.0	7.0	6.9	3.5	5.1	5.5
Inflation (Consumer Price Index)	11.0	7.4	8.6	4.5	5.0	6.0
Current Account Balance (% of GDP)	-2.1	-1.1	-1.3	-0.8	-0.8	-1.0
Fiscal Balance (% of GDP)	-8.8	-8.3	-4.7	-5.1	-4.0	-3.5

Source: World Bank.

RECENT SECTOR DEVELOPMENTS

Poverty Reduction

Pakistan has made impressive progress in reducing absolute poverty and improving shared prosperity. The percentage of the population below the national poverty rate has fallen from 34.7 percent in FY2002 to an estimated 12.4 percent in FY2011. The country has already achieved the first Millennium Development Goal (MDG) by more than halving between 1991 and 2011 the proportion of people whose income is less than $1.25 a day. Furthermore, growth in the real per capita consumption of the bottom 40 percent was a respectable 3 percent between 2006 and 2011. Poverty reduction has been strongest in the traditionally poorer provinces of Khyber Pakhtunkhwa (KP) and Sindh, where poverty rates are now indistinguishable from those in Punjab. Poverty remains much more prevalent in Balochistan, however, where a sizeable portion of residents are nomadic and live in remote and conflict-affected areas.

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

Poverty measurement remains controversial in Pakistan. An inordinate amount of energy and attention in the poverty debate has focused on the accuracy of a single number – the Poverty Head Count – instead of on the underlying factors driving poverty and the programs that might improve the welfare of the poor. The large decline in headcount poverty has been met with considerable public skepticism, and respected economists in Pakistan are producing estimates that are at odds with the official figures. The 2007/2008 poverty figures were never officially released, and estimates of the 2010/2011 poverty rate were only released in January 2014. While poverty estimates are affected by several methodological imperfections, these issues likely do not alter the conclusion that poverty has fallen substantially.

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

Devolution

Greater decision-making authority has been assigned to the provincial governments since 2011/2012. The 18th Constitutional Amendment has devolved a number of federal ministries/divisions and key functions to the provinces. In total, 17 divisions of the federal government were devolved, including agriculture, education, social welfare and special education, environment, and health. Other federal functions are being shared with provincial governments. In addition, a greater share of revenue (57.5 percent) was passed on to the provinces under the Seventh National Finance Commission (NFC) Award. Other challenges posed by decentralization include: (i) ensuring fiscal sustainability of responsibilities devolved to the provinces; (ii) effectiveness of the shift in development and service delivery focus toward the provinces; (iii) low capacity at the provincial level; and (iv) nascent level of provincial debt management practices in most provinces to deal with the recent National Economic Council (NEC) decision to allow provinces to borrow domestically.

Taxation authority in Pakistan is unevenly distributed between the national and provincial governments. Pakistan's fiscal challenges suggest that raising tax revenue be considered a joint responsibility of the federal and provincial governments. Currently, the provinces revenue generation has considerable room for growth. The sales tax on services has had comparatively better collection performance while the collection of taxes on agriculture income and property remains below par. Provinces also need to be incentivized to increase their own source revenues. This can be done by making the criteria of the "provincial fiscal effort" in the Finance Award more effective.

Provinces now have a greater ability to borrow, particularly after the recent decision by NEC effective July 1, 2015. Provincial governments have been allowed to borrow domestically. The provincial domestic borrowing limit in 2015/2016 for Punjab, Sindh, KPK and Balochistan has been set at Rs. 61.75 billion, Rs. 20.05 billion, Rs. 16.88 billion, and Rs. 13.91 billion, respectively. Most provinces stand ready to take advantage of this provision. This has highlighted the need to strengthen provincial debt management as a priority area.

Although the transitional process had been orderly, it is by no means complete. The devolution debate has been losing steam over time. It must be revived and urgently needs "champions" to drive the process at the federal and provincial levels. Insufficient coordination between the federal and provincial levels, and among the provincial governments, has been the main obstacle. Going forward, significant inter-governmental coordination will be required to make decentralization work. The Council of Common Interest (CCI) would appear to be a natural candidate to take the lead on this. The Constitution calls for a permanent secretariat of the Council, but the CCI continues to be supported by the Federal Ministry of Inter-Provincial Co-ordination. It is important to establish the CCI's independence and define its leadership role in not just resolving inter-governmental disputes arising from the devolution process but also shaping the decentralization roadmap. The federal government through institutions such as CCI or NEC needs to take a stronger and more proactive role in meeting some of the challenges posed by the devolution process. Development of a white paper through joint consensus, in a forum such as CCI – which outlines the basic framework and milestones for decentralization – is recommended.

Governance

Governance issues continue to hold back the country's efforts to accelerate economic growth, reduce poverty, and increase prosperity for all its citizens. Security continues to be the weakest area of governance in Pakistan. According to the World Bank's Worldwide Governance Indicators (2013), Pakistan ranks in the lowest quantile among 215 countries for the following indicators: political stability and absence of violence and terrorism; rule of law; control of corruption; and voice and accountability. It fares better in terms of government effectiveness, where it ranks in the middle quintile, and regulatory quality, where it ranks in the second-highest quantile.

Security risks related to extremism and sectarian tensions continue to have a negative impact on economic activity across the country. In addition to the cost in human lives, hostilities and acts of terrorism disrupt economic activity, cause damage to private property and public infrastructure, and deter investments. At the national level, World Bank estimates put the annual cost of the security situation at around 2 percent of GDP. The economic impact has been most acute in the poorer and most crisis-prone regions of the Federally Administered Tribal Areas (FATA), KP, and Balochistan, which are affected by the ongoing conflict in neighboring Afghanistan. In the past couple of years, militant activity has been reduced in some areas, but a return to normal economic activity will require sustained improvements in the security situation.

Widespread corruption and weak accountability have been long-standing problems, but there have been some improvements, especially in transparency and citizens' access to recourse for maladministration. Such improvements include the adoption of strong legislation on Right to Information in some provinces (KP and Punjab), the publication of increased budgetary information, and the growing role of ombudsman institutions – at both the federal and provincial levels – in resolving citizens' complaints of maladministration. In terms of outcomes, there are some signs that petty corruption might be declining. The most recent Global Barometer Survey by Transparency International (2013) reports that 34 percent of citizens had paid a bribe in the past year – compared to 49 percent in the 2011 survey. Most survey respondents in Pakistan identified the police and the public administration as the most corruption-affected institutions, followed by political parties. Perceptions of corruption in public services such as education, health care, and the judicial system were considerably lower.

Important reform efforts are underway to improve revenue mobilization, which remains a major challenge to government effectiveness. Thanks to a combination of policy reforms and improvements in revenue administration, the country's tax to GDP ratio has been growing – from 9.5 percent in 2010/2011 to 11.1 percent in 2014/2015. This level is still the lowest in South Asia and well below the average for middle-income countries, depriving the state of the necessary resources to invest in critical infrastructure and increase funding for basic public services. Looking ahead, the current three-year Medium-Term Expenditure Framework sets the target of increasing the tax to GDP ratio to 13 percent by the end of FY2017/2018. Going forward, recent legislation limiting the scope for tax exemptions has the potential to further increase tax revenues. Improved tax collection by the provinces will be particularly important to increasing fiscal space to fund public service provision.

Several provinces have also taken initiatives to improve service delivery in priority sectors through automation, regular monitoring of service-delivery facilities, and systematic collection of client feedback. These initiatives have started to show promising results, especially in terms of reducing staff absenteeism, improving availability of essential inputs such as medicines, and prompting timely maintenance of infrastructure. In the future, monitoring will need to expand to output and outcome indicators such as student attendance and learning outcomes. Digitization of databases and automation of business processes in services such as property registration is also helping improve accuracy and accelerate service delivery to citizens.

The governance of state-owned enterprises (SOEs) is also an important area of the ongoing governance reforms. The government is pursuing reforms – in cooperation with the IMF and the World Bank – aimed at strengthening the accountability of SOEs for their performance in both financial and service delivery terms. Relevant reform measures include the gradual reduction of subsidies and restructuring of loss-making enterprises, especially in the energy and aviation sectors, as well as improvements in corporate governance. In parallel, the reform agenda envisions the continued divestment of government stakes in enterprises active in commercial sectors such as banking, which would promote fairer competition in the domestic market.

Public Financial Management

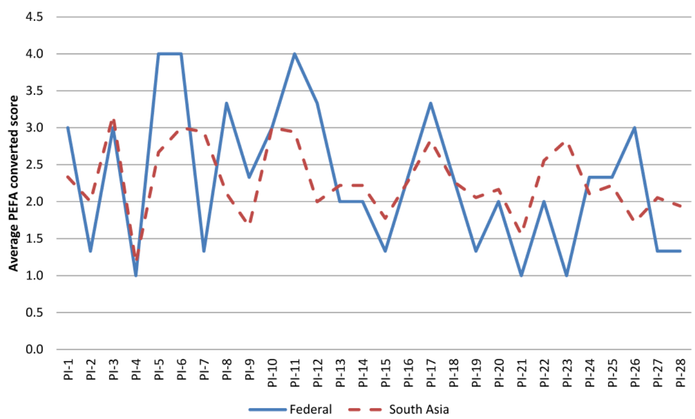
Pakistan has a fairly developed infrastructure for public financial management (PFM) though the country does not have a unified and over-arching PFM legislation. The Constitution provides broad legislative framework and is supported by extensive financial rules at the federal and provincial level. The annual budget appropriation law provides a legal basis for spending over a financial year. An annual finance act covers raising of public revenues in pursuance of annual budget. As regards public-sector audit, the promulgation of the Controller General of Accounts Ordinance and the Auditor General's Ordinance in 2001 separated accounting and auditing roles and responsibilities. The federal as well as the provincial governments through legislation have established procurement regulatory authorities that encompass all public procurement.

Pakistan's overall scores on Public Expenditure and Financial Accountability (PEFA) assessments are comparable with other South Asian countries. Notably, there has been substantial progress on budget classification, comprehensiveness of budget documentation, multi-year fiscal planning and public access to key fiscal information. 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)[1].

Budget credibility has incrementally improved as federal and provincial governments contin-

1 International Budget Partnership will launch the Open Budget Survey 2015 in September 2015.

Figure 1: 2012 PEFA assessment compared with South Asian countries



ue budgetary reforms. The main purpose of budgetary reforms is to transform the present input-driven annual budget cycle into an output-focused multi-year budgeting system, which better aligns budget resources with strategic priorities. However, there are significant in-year budget adjustments because actual revenue collections remains 5-10 percent lower than the budget estimates.

Budget execution remains weak due to limited financial management and procurement capacity of line ministries, excessive and dated internal controls, and the pattern of majority budget releases in the last quarter. There is a realization of capacity constraints but the PFM reforms have not been the priority of political governments to allow additional resources for their implementation. General commitment recording and reporting as a part of the Government Financial Management Information System is not fully functional. Extensively documented internal controls have been prescribed focusing on compliance and multiple approvals.

Pakistan now has a world-class financial information system that generates periodic financial reports. Quality of the in-year and year-end financial reports is gradually improving but, at present, the reports do not include complete information about assets, liabilities, and commitments.

The external audit is completed expeditiously but the same is not subject to timely legislative scrutiny. The auditor general, having the constitutional mandate, annually audits government entities using International Organization of Supreme Audit Institutions auditing standards and presents audit reports to the legislature within eight months of the close of the financial year. However, there is a significant delay in review of the external audit reports by the legislature and a backlog remains on compliance with instructions. The scope of the legislature's review of the annual budget is relatively strong but negated by time constraints to review the annual budget and the constitutional provision allowing extensive reallocations and expansion of expenditure by the executive, without a requirement for prior recourse to the legislature.

Financial Sector

The banking sector remains profitable, capital adequacy is above the minimum regulatory requirements, and there is sizeable growth in investments and advances. Both return on assets and return on equity remained at consistently high levels of 2.2 percent and 24.3 percent, respectively, during 2014. The sector's liquidity (liquid assets 64.5 percent of deposits) and capital adequacy position (CAR of 17.1 percent) continued to be strong as of December 2014. Assets, deposits, and loans have grown at 14.9 percent, 11.0 percent and 9.9 percent, respectively.

The banking sector remains cautious in terms of risk appetite for private sector credit, but there are signs of improving credit quality. Non-performing loans (NPLs) declined to 12.8 percent of the overall loan portfolio in March 2015. Given adequate provisioning, net NPLs ratio was at 2.8 percent in March 2015. NPLs in small and medium enterprises (SMEs) remain high, representing 32 percent of loans, followed by agriculture sector (14.1 percent) and corporate sector (13.7 percent). However, there has been a steady decrease in NPLs across corporate, SME, agriculture and consumer sectors since 2012, indicating improvements in credit quality.

Government borrowing from the banking sector has decreased, reducing the crowding out

effects on private-sector credit. While stocks of government securities have contributed to healthy profitability in the sector, there has been a decreased demand for bank financing from the government. The lower demand for credit by the government provided necessary space to the private sector to borrow from the banking system. Private-sector credit increased by about 11.4 percent during 2014, the highest level of growth in the past six years. Private-sector credit was also driven by limited improvement in power and gas availability, higher business and consumer confidence, and relatively low real cost of borrowing.

The non-bank financial sector is largely underdeveloped, but microfinance is growing. The non-bank financial sector is characterized by state dominance in the insurance sector, under-developed debt and commodities markets, and weak independence, governance, and regulatory capacity of the Securities and Exchange Commission of Pakistan. In 2014, the microfinance sector registered an increase in active borrowers from 2.4 million to 2.8 million, 31 percent growth in gross loan portfolios, an increase in savers from 2.2 million to 5.7 million, and a 30 percent increase in the value of savings.

The equity market remains volatile but continues to sustain its growth momentum on the back of strong macroeconomic fundamentals and general investor confidence. The KSE-100 Index registered a growth of 11.8 percent during January-August 2015, following a 25.7 percent increase during 2014. The KSE-100 Index crossed the 35,000 level in July 2015 and reached a market capitalization of $70 billion in August 2015. The upward trend in turnover volumes and the KSE-100 Index has primarily been driven by foreign portfolio investment, resilient corporate profitability, record foreign exchange reserve levels, increased confidence shown by international agencies, and the government's energy-sector-related initiatives.

Business Environment

SOEs are a sizeable part of Pakistan's economic landscape, as the country has more than 150 SOEs, operating in a wide range of economic sectors, and representing about a third of stock market capitalization. SOEs contribute around 10 percent to country's GDP. Many of them have weak management and corporate governance issues, with accumulated losses amounting to an estimated $4-5 billion a year[2], without counting the estimated $6 billion circular debt of the power sector[3]. These substantial losses in turn have a major negative fiscal impact on public finances. The fiscal burden of SOEs in FY 2015 was Rs. 243 billion (FY 2014: Rs. 323 billion) in direct subsidies, while guarantees outstanding to SOEs as of end-March 2015 were another Rs. 600 billion[4]. These enterprises also constrain private-sector growth because of poor service provision while they crowd out private investment in product and factor markets.

Meanwhile, despite its tremendous potential to spur economic growth and create jobs, the private sector in Pakistan continues to face a tough investment climate as reflected by consistent deterioration in the country's Doing Business (DB) rankings. Pakistan ranks 128 out of 189 economies on the 2015 DB rankings, down from 127th out of 189 in DB 2014[5]. It performs well on certain indicators (trading across borders, protecting minority investors)[6], but lags other South Asian countries considerably in areas such as getting electricity connections, paying taxes, and enforcing contracts.

The challenging business environment is particularly impeding SME start-ups, operations and exit. SMEs account for 90 percent of business establishments in Pakistan[7], contributing an

2 Ashraf, Muhammad (2014). 'Privatisation — an economic compulsion'. Pakistn Today (November 7, 2014). Accessed at http://www.pakistantoday.com.pk/2014/11/07/comment/privatisation-an-economic-compulsion/

3 PEW (2015). Circular debt crosses Rs600bn due to officials lethargy: PEW. Pakistan Economy Watch. January 17, 2015. Accessed at http://pakistaneconomywatch.com/News/2015/01/17/circular-debt-crosses-rs600bn-due-to-officials-lethargy-pew/

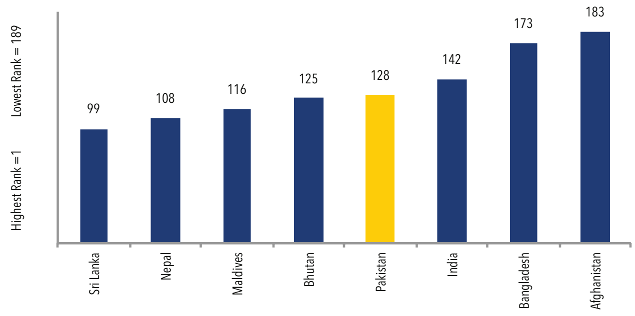
4 Ministry of Finance website: www.finance.gov.pk

5 The Doing Business report has introduced changes in its methodology in DB 2015 across 3 areas: revision of the calculation of the ease of doing business ranking, expansion of the sample of cities covered in large economies and a broadening of the scope of indicator sets for (i) Getting credit, (ii) Protecting minority investors, and (iii) Resolving insolvency.

6 WBG (2015). Doing Business 2015 – Going beyond efficiency. Country Tables. World Bank Group. www.doingbusiness.org

7 Various publications by the Small and Medium Enterprise Development Authority (SMEDA).

Figure 2: South Asia DB Rankings 2015



Source: World Bank 2015

estimated 30 percent of GDP and employing 78 percent of the non-agricultural labor force[8]. Given the critical role of SMEs in job creation, it is important to ease business regulations and procedures across a wide range of areas. While improvements are needed at the federal 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. Therefore, the government facilitated the launch of a Virtual One-Stop Shop for the registration of Limited Liability Companies in March 2015. Additionally, the federal Board of Investment has been tasked to mobilize relevant federal and provincial authorities for developing a shared reform action plan and its successful implementation.

The efforts needed to improve the quality of the business environment will have to be institutionalized across three critical dimensions: (i) the respective roles of federal versus provincial authorities; (ii) the importance of a suitable and structured public-private dialogue for understanding the significance of the reforms; and (iii) the mechanism for monitoring and evaluating indicator-based targeted reform actions. Ultimately, high quality conditions for doing business depend on the role of government not just as an effective "regulator" but also as a "facilitator" of the private sector.

8 Nazish Afrab, Turab Hussain – Barriers to growth of small firms in Pakistan / SBP second quarterly report FY10

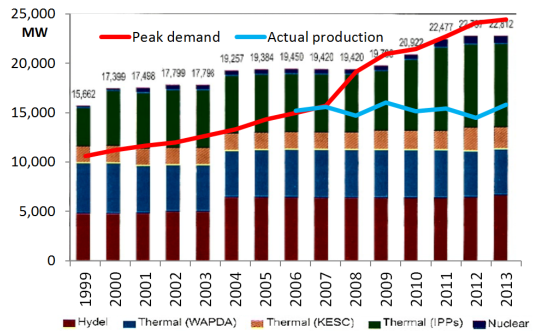
Energy

Pakistan's energy sector is in serious crisis, with constraints in supplies of gas and electricity. Energy shortages undercut economic growth and exacerbate poverty while heavy government subsidies have a high fiscal cost. The policy, legislative and institutional reforms necessary to address these challenges are inseparably linked across the gas and power sectors, whereas administration in Pakistan is institutionally partitioned principally between the Ministry of Petroleum and Natural Resources and the Ministry of Water and Power. Key challenges include large and growing energy shortages, high energy costs and inefficiencies arising from losses, and theft and inability to collect bills that prevent the sector from financing all its costs. The sector relies heavily on government support through subsidies and public funding for most of its investment program.

There is a mismatch between production and demand resulting in load shedding – cutting off the electric current on lines when the demand becomes greater than the supply (Figure 1). Power generation has stagnated at about 94-98 terrawatt hours since 2006. The sector has been able to increase capacity but it has been partially offset by poor maintenance and demand has increased, with the result that the level of shortages have remained constant in recent years, at about 20-25 percent of demand. Load shedding hurts industrial, commercial, and human needs and thus has a direct impact on economic growth; preliminary estimates suggest GDP growth has been reduced by 2 percent a year for the past several years.

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. Recent declines in world oil prices, leaving them at about 40 percent of their peak in 2014, have reduced costs which have been passed through to consumers in the end-user tariffs. The government has recently heightened its emphasis on developing hydropower in Pakistan and the cost of genera-

Figure 3: Demand has risen faster than capacity



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

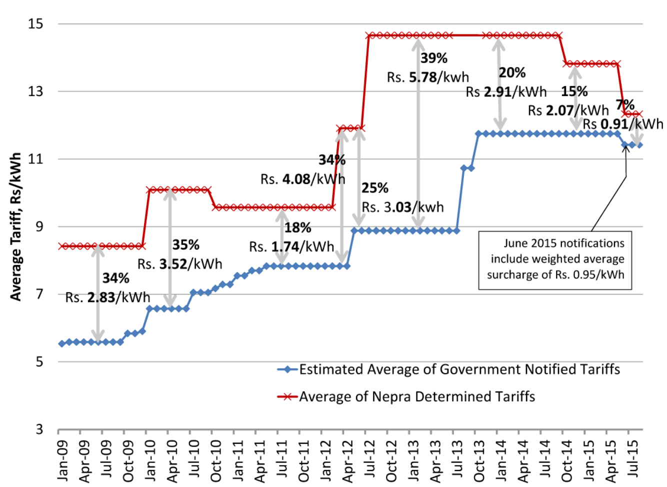
tion is expected to fall further.

High losses and low collection rates. Transmission and distribution losses were 25 percent in 1996, 24 percent in 2006 and have barely declined since. The distribution companies (DISCOs) show a wide variation in losses. In FY2015, Islamabad Electric Supply Company had losses of 9.4 percent, which puts it near the top among distribution companies across Asia. On the other hand Sukkur Electric Power Company (SEPCO) experienced losses of over 38 percent, putting it near the bottom in Asia. In addition, DISCOs do not collect all the revenues billed: on average just under 11 percent of billings, or about $1 billion, went uncollected in FY2015.

Tariffs do not cover the cost of supply. The difference between the average of National Electric Power Authority (NEPRA)-determined tariffs and average notified tariffs paid by consumers is shown in Figure 4. Since 2008, tariffs have increased 175 percent in nominal terms, and about 20 percent in real terms. Nevertheless, the tariffs determined by NEPRA do not include all costs. Some of these costs should not be included in tariffs – for example, excessive levels of theft and unpaid bills beyond what a prudently managed distribution company might incur. Other costs, however, should be included and are not, including some provision for doubtful debts. Costs not recovered from the consumer are either provided to the distribution companies as government subsidies or appear as the circular debt (explained below).

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

Figure 4: Progressive tariff adjustments



Source: World Bank staff estimates.

The government is committed to subsidizing smaller consumers, paying the difference through energy subsidies. In recent tariff rounds, the government has sharply reduced the subsidies it pays, partly through the introduction of surcharges. The subsidies for FY2014 fell from an expected 1.8 percent of GDP to 1.1 percent (roughly equivalent to $1.8 billion) after the tariff increases in August and October 2013, and to 0.8 percent of GDP in FY2015. Nevertheless, the subsidy bill is expected to remain at about $1.25 billion, or 0.4 percent of GDP in FY2016.

It is not surprising that in the absence of market forces, the operational and technical performance of energy SOEs is poor. About half the distributors in the power sector have achieved operational and technical performance standards that compare favorably with utilities elsewhere in the region, while the other half fall far short. Responsibility and accountability of boards of directors and management is weak and prone to political interference. In 2009/2010, the government signed performance contracts with all the DISCOs, but the contracts were not extended to subsequent years, and an important opportunity for strengthening governance was missed. The government has recently restarted performance contracting with DISCOs.

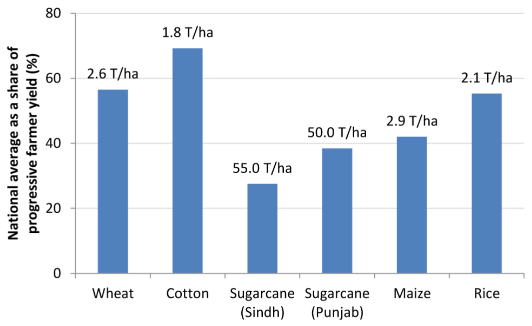
"Circular debt." With revenue and resource shortfalls, the DISCOs build up arrears in payments on average by about $10 million per day. This, in turn, delays payments to power producers, which then build up arrears to their fuel suppliers, refineries, and so on. In June/July 2013, the government cleared the entire stock of circular debt of roughly $4.8 billion, but it has re-emerged because the underlying issues were not addressed; power sector payables to generators and fuel suppliers as of June 2015 were about $3 billion. This both reduces incentives for investment and creates shortages due to periodic liquidity issues. The government is now making significant efforts to address the underlying causes and aims to maintain a cap on it and reduce it to about $2.1 billion by FY2018.

While having significant gas endowment, production is constrained through administered pricing and allocation of gas to sectors. The Ministry of Petroleum and Natural Resources seeks to accelerate exploration and production of new gas resources through its 2012 Petroleum Policy. It has also started to import liquefied natural gas after several false starts. In addition, it is seeking to import pipeline gas from either Iran or Central Asia, or both. In principle this will ensure reliable and secured gas supplies but will take considerable further development. Downstream gas transmission and distribution is also in need of reform to reduce losses and improve efficiency.

Agriculture

Agriculture plays a critical role in Pakistan's economy. As with most developing countries, the agricultural share of GDP has declined, from 46 percent in 1960 to 26 percent in 2000, and was 21 percent in 2010. Agriculture directly accounts for more than 40 percent of employment, but the sector's contribution to overall employment is likely much higher, considering 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.

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



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.

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. 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 1990/1991, for example, there were virtually no exports in dairy, eggs, and meat. Just over a decade later, in 2011/2012, dairy and egg exports were valued at $30.1 million, while meat and livestock exports were valued at $106 million.

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

Inefficient water use is a critical issue. Water, as a resource, is instrumental in the performance of key economic sectors, particularly agriculture that accounts for 93 percent of the water used. Water use efficiency in the sector is low with high potential for savings – even 1 percent increase in irrigation efficiency can conserve enough water to meet the needs of other sectors. 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 first. Finally, there is lack of clarity, resources, and capacity for local farmer organizations to play a strong role.

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

Despite the water sector's crucial importance for the country's economy and the potential impacts of climate change on water resources, Pakistan does not have a national water policy. Inter-provincial tensions hold back infrastructure developments to meet energy security and cause difficulties in agricultural water apportionment. Federal planning and management for long-term water security and transparent allocation systems should be priorities for long-term water security. Additional impacts of climate change on Pakistan's water resources include, but are not limited to: (i) increased variability of monsoons; (ii) increased risks of floods and droughts along with severe water-stressed conditions in arid and semi-arid regions leading to food insecurity due to reduced agriculture productivity; (iii) upstream intrusion of saline water in the Indus delta; and (iv) deterioration of ecosystems, including mangroves, coral reefs and fish breeding grounds, leading to a loss of biodiversity. Climate changes impact on water and sanitation includes resource constraints, poorly situated infrastructure, and significantly higher construction and operating costs.

Water and Sanitation

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

In terms of water availability, the country is also at risk. Over the last six decades, the amount of per capita water resources has decreased from 5,300 cubic meters to 1000m3, the international defini-

Figure 6: Per capita water (m3) availability in Pakistan dropping

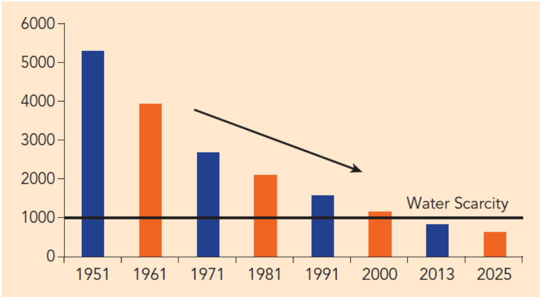
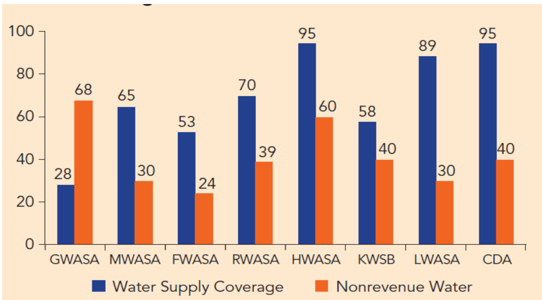


Figure 7: Non-revenue water remains a source of inefficiency in utilities servicing large cities



tion of water stress. This combined with the fact that groundwater extraction is largely unregulated, that water provided by the utilities is un-metered and that much water is wasted before reaching customers creates an imminent threat to a resource that is essential for livability and productivity.

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

Lack of cost recovery undermines sustainability and governance. The financial working ratios for WASAs range from 1.13 to 2.8, whereas as a healthy ratio is 1 or less. This implies that no WASA currently collects sufficient operating revenue to pay for its cash operating costs. Addressing this issue is critical for the sector as it will reduce dependence on unpredictable subsidies from government, increase the focus of service providers on customers, and address the downward spiral of performance that results from inadequate financing of operations and maintenance. Improving working ratios means paying attention to leakage, to energy efficiency and to commercial practice (which are more under the control of managers) as much as it does to tariffs (which are a more politically sensitive issue).

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

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

Though nearly 90 percent of the rural population has access to improved water sources, less than 25 percent of that population has piped water on their premises. Pakistan's rural water supply services in 2010 were on par with India, Nepal, and Sri Lanka at 89 percent (against a 2015 target of 91 percent) and were higher than Bangladesh at 80 percent. However, rural areas only receive water for a couple of hours each day and provide around 45 liters per capita per day. One-half of all rural water supply schemes are inoperative for a variety of reasons such as mechanical breakdowns, insufficiency of water source, financial difficulties due to consumers' failure to pay user charges (collection ranges from 10-40 percent), lack of operations and maintenance capacity, and community conflict. Weak sector governance gives too much attention to asset creation and insufficient attention to asset maintenance and delivery of service to customers. The experience has been more successful in areas where community-based organizations are involved – schemes are maintained and collection efficiency ranges from 70 percent to 100 percent and, in many cases, revenues from user fees are greater than their operating costs.

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

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

Transportation

Transport is Pakistan's fourth-largest sector, contributing 12 percent to GDP. It accounts for more than 21 percent of gross fixed capital formation. The sector constitutes 15 to 20 percent of the annual federal Public Sector Development Program, and provides about 2.3 million jobs (6 percent of the employed labor force). It imposes huge demands on Pakistan's total energy supply, consuming about 35 percent of total energy annually.

The backbone of Pakistan's transport sector is the road system, which carries over 90 percent of both passenger and freight traffic. The main highway arteries, which carry 75 to 80 percent of the traffic, are managed by the National Highway Authority, with smaller roads managed by provincial and district departments. The total road network is about 261,000 km, of which about 60 percent is paved, and primarily comprises single and two-lane roads.

Accessibility provided by the road network is limited. Road density[9] is low (0.32 kilometers/square km) and Pakistan does not compare favorably with other countries in the region (Bangladesh-1.7 km/square km, Sri Lanka-1.5 km/square km, and India-1.0 km/square km). Pakistan has about 8.8 million vehicles on the road. The number of vehicles is growing at about 10 percent annually and is projected to increase to over 70 million by 2030. The road transport industry is deregulated and predominantly in the private sector.

Pakistan also has extensive port, rail and airport infrastructure. There are two major sea ports – Karachi Port Trust and Port Qasim Authority – that handle more than 64 million tons of cargo. A third port at Gwadar became operational in 2008. The total traffic growth at ports has been negligible in the past five years. Containers grew by 4 percent, while bulk decreased by 10 percent. There are 14 dry ports catering to high-value external trade. There are 44 airports, including eight international airports; about 15 million air passengers arrive and depart through these airports annually, mostly by one major public sector airline and a few pri-

9 Density ranges from 0.15 in Balochistan to 0.57 in Sindh province.

vate airlines. Pakistan Railways, administered by the Ministry of Railways, operates an extensive but dysfunctional railway system. PR carries 65 million passengers annually and daily operates 228 mail, express, and passenger trains.

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

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

Urban Development

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

The spatial transformation associated with Pakistan's urban growth limits the potential of cities. Urbanization has spilled over into peri-urban areas surrounding existing cities, and the largest cities are experiencing rapid urban sprawl. Cities are growing outward beyond administrative boundaries, creating serious challenges for planning, transportation, and public services provision. Patterns of industrial relocation also show that industries are moving to the peripheries of the city due to high land prices within cities and the proximity of the periphery locations to major highways. For example, 25 percent of employment in high-tech jobs is located in non-urban areas in Punjab. Most of Pakistan's urban areas are poorly planned, ineffectively managed, and not well connected. This is due to a number of factors including overly restrictive urban planning and land supply constraints, inefficient connectivity, inadequate and unpredictable service delivery, inadequate institutional coordination, and weak governance. Connectivity between cities and their surrounding areas is under-developed, thereby impeding access to markets. Karachi, the country's major city, is ranked among the world's 10 least livable cities according to the Economist Intelligence Unit 2012 Livability Survey.

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

Rural Development

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

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

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

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

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

Livelihoods in disaster-prone areas are especially vulnerable and communities need to

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

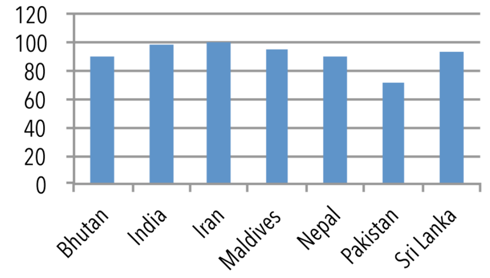
Education

Although Pakistan has made progress in education, it still faces major challenges in school participation, completion and student achievement. Pakistan made progress in expanding enrollment, however access to education remains low and completion rate for primary education is among the lowest in the world. Pakistan has a very high out-of-school population of seven million, two-thirds of them girls, although enrollment rates vary appreciably between and within provinces. Some provinces (Punjab) have made headway in reducing the gender gap, but the 61 percent participation rates for girls at the primary level lags 10 percentage points behind the rate for boys. Standardized tests suggest that student achievement is very low. A sizable share of school leavers does not achieve even minimum mastery of mathematics, reading or language, as defined by the government. In 2013, public spending on education was 2.1 percent of GDP, which reflects the low quality of education, poor teaching and learning outcomes, and inadequate infrastructure.

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

Both access and quality of education are also an issue at the post-secondary level. Employers

Figure 8: Primary Education Adjusted NER - 2011



Source: UNESCO Institute for Statistics 2013/14

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 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).

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 stewardship role, coordinating and facilitating the provision of "education for all."

Education participation is inequitable, even at the primary level. Girls as well as children from poor families, rural areas, and 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 to 10 belonging to the poorest wealth quintiles are enrolled in school. In Punjab, female participation is 61 percent at the primary level, 10 percentage points lower than male participation, driven by gender differences in rural areas and among poor households.

Pakistan's private sector has emerged as an important alternative to government schools,

TABLE 1: HEALTH OUTCOMES IN SOUTH ASIA

	Infant mortality rate (per 1,000 live births)	Malnutrition prevalence, (% of children under age 5)	Maternal mortality ratio (per 100,000 live births)
Country/Year	2013	2004–11	2013
Afghanistan	70	--	400
Bangladesh	33	42	170
India	41	48	190
Nepal	32	41	190
Pakistan	**69**	**43**	**170**
Sri Lanka	8	19	29

Source: World Development Indicators.

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 to 10. Evidence also confirms that private programs are increasingly reaching low-income and rural households, and that they are far more cost effective in providing education than government schools.

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

Health

Pakistan's health and nutrition outcomes continue to improve but lag behind those in other South Asian countries. While the infant mortality and under-5 mortality rates have fallen, the decline is far slower than in other South Asian countries. High fertility puts an enormous burden on women's health, as reflected in the high maternal mortality ratio (170 deaths per 100,000 births). The prevalence of nutritional stunting among children under 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 $39 per person was spent on health in 2012, compared to an average of $55 in Southeast Asian countries. About 70 percent of this comes from private sources, mainly out of pocket by households at the point of care. Few households have protection against health-related losses, either financial or losses in income. Public funding on health was just 1 percent of GDP in 2012, compared to at least 3 to 4 percent in other lower middle-income countries.

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

Health Services Regulations and Coordination is still evolving in terms of its structure and roles and responsibilities.

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

Demographic challenge and a significant unmet need for family planning. Pakistan's population is estimated to reach 350 million by 2050. Pakistan was one of the first countries to establish a family planning program in 1965. However, huge fertility differentials persist, with those in rural areas having higher fertility and the uneducated having twice the number of children. Access to family planning is very limited for the poor. The results from the 2012-13 Pakistan Demographic and Health Survey indicate that Pakistan's fertility has declined over time and fell from 5.4 births per woman in 1986-91 to 3.8 births in the period 2010-12. Slow reduction of fertility stems from a low contraceptive prevalence rate in the country; 35 percent of married women are using some method of contraception, with 26 percent using modern methods and 9 percent traditional methods. Considering that the unmet need for family planning among reproductive age women is above 20 percent, and that Pakistani women have 0.9 children more than their desired number of 2.9, it is critical to enhance access and utilization of family planning services.

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

Use of private and nongovernmental services has increased. The public sector remains the main source of preventive services, particularly in rural areas, and accounts for 90 percent of immunization coverage. However, the private sector is the main source of outpatient consultations and institutional deliveries. A significant number of districts have contracted out health services management under the People's Primary Health Initiative. 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. At least two provinces have launched health insurance schemes aimed at protecting poor households from the costs of catastrophic illness. Coverage is limited to the targeted beneficiaries of the Benazir Income Support Programme (BISP), identified through a poverty score card. At the provincial level, the government of KP, with KfW support, has approved a program for implementation in three districts. The Government of Punjab's plan is to implement through a new setup of a recently established Social Protection Authority.

Social Protection

A large proportion of the Pakistani population lives below the poverty line (though estimates vary as poverty statistics have not been released for five years). Since 2008, Pakistan has made significant strides in developing social safety net systems under the institutional framework of BISP. This period has also seen a significant increase in spending on social assistance, which enabled the government to increase the coverage of the poor with basic safety net cash transfers. Through BISP, the government provides 1,500 rupees (about $15) per month per family to the poor, identified through an objective targeting system. In the last three years of the current government the benefit amount of basic monthly cash transfer has been enhanced targeting 5.5 million families (covering approximately 21 percent of the poorest population)

To break the cycle of intergenerational poverty, BISP has also introduced a conditional cash transfer linked to the primary education of children. The conditional cash transfer (CCT) program for primary education of the beneficiary families' children is currently rolled out to 32 districts and is projected to reach 60 districts in FY 2015/2016 in collaboration with the provinces. This is particularly important given that in Pakistan more than 70 percent of the poorest children do not attend primary school. The government is also contemplating update of the National Soci-Economic Registry, which is currently being used by national and subnational poverty targeted programs for beneficiary identification.

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

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

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

Disaster Prevention

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

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

Conflict-Affected Areas

Tackling the underlying causes of conflict will require a broad effort to restore public trust and enhance the legitimacy of the state. The World Bank Group has engaged for several years with the provincial governments of KP, Balochistan, and the FATA Secretariat, dealing with the crises-affected provinces and regions under a separate pillar of its country partnership strategy (CPS) with Pakistan. The new CPS FY2015-2019 focuses on the special needs of the groups and regions at risk. At the government's request, we would combine Bank and International Finance Corporation (IFC) expertise and deploy a range of instruments to support post-crisis recovery and reconstruction and restore state-citizen trust in the conflict-affected regions of Pakistan.

The Multi Donor Trust Fund (MDTF) was established in 2010 as a mechanism to support the provincial governments and the FATA Secretariat in implementing their post-crises development priorities. The fund is supported by 11 development partners[10]. Currently, the total funds allocated to the MDTF stand at $183.2 million, committed to 11 projects.

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

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

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

THE WORLD BANK PROGRAM IN PAKISTAN

The World Bank's program in Pakistan is governed by its CPS for FY2015-2019. Pakistan is an International Development Association (IDA)/International Bank for Reconstruction and Development (IBRD) blend country. IDA allocation is about $1 billion per year. In light of the improving macroeconomic situation, Pakistan has recently become eligible to access IBRD financing, which will add another $500 million per year to the available envelope. The Bank administers a $160 million MDTF providing grant support to the provinces bordering Afghanistan affected by conflict. The Pakistan Portfolio (IDA, IBRD and MDTF) as of June 30, 2015, has 38 active projects with a total commitment of $5.18 billion. Disbursement in FY2015 was $710 million. In addition, $500 million was disbursed under the Growth DPC, bringing the total disbursement to $1.2 billion. There are eight projects at risk and total commitments at risk are $767 million.

Provincial Breakdown of IDA, IBRD and MDTF: The 38 active projects are distributed across the five provinces. Balochistan and KP/FATA benefit primarily from the MDTF, and the remaining three provinces from IDA/IBRD. In addition to the MDTF, KP/FATA and Balochistan are also benefitting from national level programs such as BISP and the Global Partnership for Education Trust Fund for Balochistan and Sindh.

Lending Portfolio: The Pakistan Lending Portfolio has 38 projects with $5.18 billion in commitment and a total undisbursed balance of $2.77 billion. Of this, the IDA/IBRD portfolio has 25 projects with $4.95 billion in commitment and total undisbursed balance of $2.66 billion. The breakdown of the Pakistan portfolio is as follows:

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

TABLE 2: BREAKUP OF THE PAKISTAN LENDING PORTFOLIO (DATA AS OF JUNE 30, 2015)

	No. Of Projects	Commitment Amount	Total Un-disbursed	FY15 Disbursement
IDA	21	3,746	1,858	577
IBRD	3	362	156	36
Blend	1	840	648	48
MDTF	11	147	30	44.3
GPE TF	2	78	78	0
Total (IDA/IBRD)	**25**	**4,948**	**2,662**	**662**
Total(IDA/IBRD/MDTF/TF)	**38**	**5,175**	**2,770**	**710**

The FY2015 disbursement performance was good with $710 million disbursed under the lending portfolio, and a disbursement ratio of 27 percent exceeding the memorandum of understanding (MoU) target. There are eight projects at risk under the lending portfolio (five actual problem projects and three potential problem projects). The actual problem projects include: Natural Gas Efficiency, Sindh Agricultural Growth, Enhanced Nutrition, Punjab Health Sector Reform, and Competitive Industries Project for KP. The potential problem projects include: Tertiary Education, Social Safety Net, and Revitalizing Health Services in KP.

The MDTF is gearing up for a second round after a successful completion of round one in FY2015. The MDTF is for KP, FATA and Balochistan, and currently has 11 active projects. Established in August 2010 by pooled funding of $160 million from 11 donors as one of the financing mechanisms to address the recommendations of the PCNA, the MDTF focuses on three areas: (i) improving local services and community support; (ii) growth and job creation; and (iii) policy reforms and governance support. The Oxford Policy Management is the third-party monitoring agent for five projects.

Analytical and advisory works portfolio: Twenty-two analytical and advisory pieces are in the pipeline for FY2016. These include critical pieces on fiscal federalism, nutrition, strategy to scale up renewable energy, water and sanitation, and youth empowerment. In FY2015, 15 analytical and advisory pieces were delivered (exceeding the MoU target of 10), which included key work on SOE reform, financial inclusion, and competitiveness.

INTERNATIONAL FINANCE CORPORATION (IFC)

Pakistan represents IFC's largest country exposures in the Middle East and Northern Africa region. To date, IFC has committed over $5.6 billion of cumulative investments in the country (including about $611 million in mobilization).

IFC's current committed investment exposure in Pakistan amounts to $1.2 billion in 47 companies. Exposure in the infrastructure cluster represents about 52 percent of the committed balance, financial markets represent 34 percent, and the remaining balance of 14 percent is in general manufacturing and services.

In FY2015, IFC committed new investments of over $1.2 billion (including mobilization of $298 million). This includes $782 million in long-term investments and over $430 million in short-term trade finance. The largest commitments – about $475 million – were made in the power sector. That includes the landmark investment in the platform company China Three Gorges South Asia Limited (CSAIL), which is expected to develop over 3,000 megawatts (MWs) of low-cost large to mid-sized renewable power projects (mostly hydro). IFC also made commitments to two wind power projects (50 MW each-Gul Ahmed and Dawood TGL) and one run of the river hydro project (100 MW Gulpur). In the financial sector, IFC supported the divestment of government shares in the largest bank, HBL, through an equity investment of $75 million, as well as commitment of $150 million debt. IFC also committed $67 million equity investment in Bank Alfalah to support the bank's growth and expansion of credit to the SME sectors.

IFC is also looking to actively support the government's privatization program through public private partnerships (PPP) advisory. IFC has recently signed a mandate with the Civil Aviation Authority for the landside operations and maintenance of Allama Iqbal International Airport in Lahore through private-sector participation, and is in the process of finalizing two agreements with the Privatization Commission on privatization of one distribution company (Gujranwala) and one generation (Jamshoro) company.

The Advisory Services portfolio is also among the largest in the region with 10 active mandates supporting the following key areas: (i) access to finance for micro small and medium enterprises (MSMEs) through financial institutions; (ii) capacity building of small businesses through the Business Edge; (iii) improving the investment climate by doing business reforms (jointly with the World Bank); (iv) improving corporate governance; (v) promoting clean energy through lighting Pakistan and resource efficiency initiatives; and (vi) supporting the agri-supply chain through farmer capacity building. In addition, IFC's PPP Advisory has recently signed a framework agreement with the government to provide PPP/Privatization technical advisory services to the various SOEs.

IFC, the World Bank Group (WBG) and the Multilateral Investment Guarantee Agency (MIGA) are collaborating strongly, especially in the energy sector, under the joint CPS FY2015-2019. In response to the country's large energy needs and the new government's reform agenda, the WBG teams are now working on a Pakistan Energy Initiative, a "transformational program" to support Pakistan's energy sector over the next five years. The program will support over $10 billion of large private- and public-sector investments in new generation, transmission and distribution, and policy reforms, including privatization, of the distribution sector.

The World Bank and IFC are also working together to improve the investment climate, increase financial inclusion, especially for MSMEs, and expand regional trade. Joint programs are being implemented under the two global practices: Trade and Competitiveness, and Finance and Markets.

IFC is one of the largest investors in Pakistan's power sector. Since 1994, IFC has committed investments of around $800 million across 15 projects to support incremental generation capacity of over 4,500 MW. In recent years, recognizing the energy crisis facing the country, IFC has ramped up its investments in this sector, especially in renewable and low-cost power. In response to the country's large energy needs and the government's reform agenda, the World Bank and IFC teams are working on a large program to support Pakistan's power sector over the next five years. This includes: large private- and public-sector investments in generation, and policy reforms, including privatization, of the distribution sector. IFC is working with Chinese and Korean companies to bring large investments in the power sector.

IFC's current portfolio in the power sector amounts to some $500 million in 12 projects and includes: three hydro projects (Laraib, Star Hydro and Gulpur), co-financed with MIGA; two thermal projects on indigenous gas (Engro and UCH II); four wind projects (Zorlu, Metro, Gul Ahmed Wind and Dawood TGL); a waste-to-energy project (KOEL); and the recent investment in CSAIL, for a total investment of $7 billion.

In the financial sector, IFC's focus is to support small businesses through trade finance facilities with local banks, and invest in high-impact projects, including banks with focus on MSMEs. In FY2015, IFC committed $227 million in two large private sector banks (Bank Alfalah and HBL). In addition, IFC committed over $400 million in trade finance with 12 local banks.

In the manufacturing, agribusiness and services sectors, IFC is focusing on various sub-sectors (agri, construction, etc.). In FY2015, IFC committed $15 million to an international cement business (Numba Yaakiba) and $18.6 million to supplier finance for Levis International.

MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

Pakistan is a focus country for MIGA. Pakistan has been a member of MIGA since 1988 and currently represents MIGA's 11th largest country exposure (in gross guarantee terms). MIGA's gross outstanding portfolio as of June 30, 2015, was $398 million. Existing projects include: (i) Gulpur Hydropower Project: $85 million guarantee to Korea South-East Power Co. Ltd., DAELIM Industrial Co. Ltd., and Lotte Engineering and Construction Co. Ltd. of Korea. Joint with IFC-MIGA; (ii) Star Hydro Power Project: $149 million guarantee to Korea Water Company for this hydropower project. Joint with IFC; (iii) Stora Enso Packaging Project: $72 million guarantee to Buleh Shah Company in Sweden for this paper and packaging company. Joint with IFC; and (iv) Habib Metropolitan Bank Project: $85 million to Habib Metropolitan's parent in Switzerland for this commercial bank network.

MIGA's strategy in Pakistan. MIGA's global priorities for FY2015-2017 are supporting FDI with high developmental impact into: (i) IDA countries; (ii) conflict-affected and fragile states; (iii) high-impact projects in middle-income countries; (iv) transformational projects; and (v) climate-change efforts. Pakistan is a key country for MIGA in terms of delivering on this strategy.

PAKISTAN: SECOND FISCALLY SUSTAINABLE AND INCLUSIVE GROWTH DEVELOPMENT POLICY CREDIT

KEY DATES:

Approved: June 18, 2015
Effective: June 19, 2015
Closing: June 30, 2016

FINANCING

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	500.0	500.0	0
Government of Pakistan			
Other			
Total Project Cost	500.0	500.0	

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

By mid-2013, Pakistan faced a serious economic situation. Unprecedented floods in 2010 and 2011, coupled with continuing security issues, stalling economic reform, falling investment and external financial inflows, increased devolution of responsibilities to the provinces, and fiscal disarray preceding elections in May 2013 posed critical challenges that have severely affected two major macroeconomic imbalances: by the end of the 2012/2013 international reserves were below 1.5 months of imports, and the fiscal deficit (excluding grants) reached 8 percent of GDP, a very high level for the third year in row. As a result of weak fundamentals, the economy also featured borderline stagflation: modest growth coupled with, until recently, double-digit inflation. As soon as it took office in mid-June 2013, the new government had to articulate an ambitious emergency response so as to prevent a balance-of-payments crisis, correct fiscal imbalances and put the economy on the road to stabilization and rapid recovery. This is the second in a proposed series of two development policy credits to Pakistan supporting Pakistan's fiscally sustainable and inclusive growth enhancing reforms. The programmatic Development Policy Credit (DPC) is structured around two development objectives: (i) increased private- and financial-sector development; and (ii) expanded social protection and revenue mobilization. The program development objective is also supported by a parallel DPC in the power sector. The project has two components:

- Component 1 addresses these policy actions: (i) reforming SOEs with private-sector participation; and (ii) promoting access to finance and business registration.
- Component 2 addresses these additional policy actions: (iii) expanding social protection; and (iv) mobilizing revenue.

KEY ACHIEVEMENTS:

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

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

KEY DEVELOPMENT PARTNERS:

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

PAKISTAN: PUNJAB PUBLIC MANAGEMENT REFORM PROGRAM

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	50	20.8	29.2
Government of Pakistan	20.22		
Other			
Total Project Cost	70.22		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Salient among the critical constraints to improving service delivery in Punjab is the weak performance management of departments responsible for providing public services. Without good administrative data, it is difficult to assess whether government programs are achieving their goals, learning lessons and holding government agencies to account. Citizens also face significant challenges to access government services due to the strongly entrenched position of field officials and other structural handicaps, such as distance, language, cultural practices, and a lack of information about services. The instrument used for this operation is a Program for Results credit, which by design provides financial and non-financial incentives to deliver envisaged results, and supports counterparts along the reform process through the agreed results targets linked to disbursements. The program development objective is to improve transparency and resource management of targeted departments of the province of Punjab. The project has the following three result areas:

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

KEY ACHIEVEMENTS:

- Targeted government websites have been updated successfully to make more information available to citizens. The target of 25 websites for the first year was successfully achieved by June 30, 2014, whereas the target of 50 websites for the second year has also been overachieved. The 56 live websites for the second year include 25 websites of the first year, which have been duly updated over the last six months to fulfill the stipulated compliance criteria, as affirmed by third-party validation.
- For facilitation of citizens, call center services have been hired to provide information on accessing different services. Respective targets for first and second year have been achieved.
- Use of smart-phones for collection of data in the field has been expanded to more services. The target for the second year has been achieved through an expansion of the new technology in the livestock department and the addition of monitoring officers of education (i.e. the regular monitoring and data collection of administrative data of teachers' and students' attendance in schools, across all 36 districts of the province). All vaccinators are using smart phones to report their field activities.
- A functioning Punjab Procurement Regulatory Management Information System has been deployed in the field to support targeted departments in tracking their procurement activities. To date, 46 organizations have been trained by the Public Procurement Regulatory Agency (PPRA), whereas 30 of these organizations have commenced the use of PPRA MIS for targeted contracts.
- Work on digitization of property records for better tracking and management of Urban Immovable Property Tax has been completed in five large districts and is aimed to be expanded in remaining districts.

IMPLEMENTING AGENCIES:

Punjab Information and Technology Board, Punjab Resource Management Program, Excise and Taxation Department, PPRA.

KEY PARTNERS:

UK's Department of International Development (DFID).Key Partner: UK's Department for International Development (DFID).

PAKISTAN: SINDH PUBLIC MANAGEMENT REFORM PROGRAM

KEY DATES:

Approved: January 28, 2015
Effective: April 28, 2015
Closing: August 31, 2020

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	50	12	38
Government of Pakistan	220		
EU Grant	12		
Total Project Cost	282		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Sindh, the most industrialized and second largest province with an estimated population of 42 million, is facing important development challenges and has yet to realize its full potential. Improving revenue mobilization and expenditure management performance is necessary to shift upwards the provincial curve of economic and social growth. While federal transfers, which constitute 70 percent of the revenues of the province, provide a significant base for provincial expenditure, the total quantum of federal transfer revenues is not adequate to finance the existing infrastructure and social development needs. The development objective of the project is to strengthen public-sector performance in the province of Sindh through improved revenue generation and expenditure management. The success of the project is to be measured by the following outcome indicators: improved collection of sales tax on services; improved credibility of budget execution; and increased timeliness of contract execution. The project consists of two complementary components:

- Component 1: Results-based financing to provide an incentive for achieving selected public sector management (PSM) reforms ($40 million). The results-based component includes the following four focus areas: increasing tax revenue mobilization; enhancing performance of PFM systems; strengthening of public procurement performance; and improving management of the development portfolio.
- Component 2: Technical assistance (TA) to support capacity building and institutional strengthening associated with achievement of eligible PSM reforms ($10 million). This will be used to support achievement of results in all the above eligible PSM reform areas. The TA component supports capacity building and institutional strengthening activities related to improvement of tax collection, PFM, and procurement.

KEY ACHIEVEMENTS:

- The project became effective in April 2015.
- Sindh Tax Reform Strategy and Public Financial Management Strategies have been approved.
- The Sindh Sales Tax to Services target for 2013-2014, PKR 39 billion, was achieved. The target for 2014-2015 has also been achieved.
- Internal Audit Charter has been approved.
- Quarterly budget execution reports have been prepared and submitted to the provincial assembly.
- The government has developed a prototype dashboard for monitoring of development schemes that can serve as a strategic tool for improved monitoring of the development portfolio. The process of hiring a technical firm that can put this idea to practice is underway. A pilot to collect geo-tagged information on monitoring of around 100-200 development schemes is underway. The government has developed an experimental design to test and implement a novel information and communications technology-based photo monitoring system to improve construction quality of development schemes. The government is in process of finalizing the design and hiring a technical consultant to fine-tune and implement the aforementioned monitoring system.
- The government is hiring a call center to initiate a citizen feedback engagement process in multiple departments. The model has already been piloted in the Treasury Department within the Finance Department but will be scaled to other departments following hiring of the call center.

IMPLEMENTING AGENCY:

Sindh Finance Department.

KEY PARTNERS:

Sindh Public Procurement Regulatory Authority, Sindh Revenue Board, Sindh Board of Revenue, European Union

PAKISTAN: GOVERNANCE SUPPORT PROJECT FOR KHYBER PAKHTUNKHWA FATA AND BALOCHISTAN

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA			
Government of Pakistan	0		
Trust Fund (MDTF)	12.75	10.99	1.75
Total Project Cost	12.75	10.99	1.75

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

This project is designed to support the recovery and rehabilitation needs identified by the government's PCNA in KP, FATA and the Balochistan Development Needs Assessment with a strategic focus on peace building. The project development objective is to strengthen the capacity of government departments in KP, FATA and Balochistan to help support efficient delivery of the PCNA program in KP and FATA and related development programs in Balochistan.

- Component 1: Strengthening of the PCNA Implementation Support Units (ISUs), provision of technical assistance, and institutional building of government departments: The KP and FATA ISUs effective engagement with the line departments, development partners and civil society exhibit enhanced capacity in targeted development sectors responding to the PCNA and related development programs in Baclohistan.
- Component 2: Rapid Response Facility: Increase in the disposal of grievances and complaint resolution by specific departments in KP, Balochistan, and FATA.

KEY ACHIEVEMENTS:

- Transparency: The KP Right to Information (RTI) Commission has commenced service delivery, addressing 1,193 of 1,252 information requests from citizens in 13 of 25 districts.
- Accountability: In Balochistan, on the supply side, seven Citizen Facilitation Desks have been set up, one each at the Balochistan Ombudsman's Divisional Offices, to make it easier for citizens to register complaints/grievances in the context of high illiteracy and low access. On the demand side, an increase in the proportion of funds directed to priority sectors in response to citizen opinion by 1.73 percent (Rs. 880 million or $8.7 million) shows the impact of the citizen pre-budget consultation on the Government of Balochistan's budget policy FY 2014-2015. More importantly, the Government of Balochistan has made special efforts to increase womens' participation in consultations on the FY 2015-2016 budget.
- Citizen Engagement: The KP Ehtesab Commission (new anti-corruption entity) was operationalized (September 2014) by the Search and Scrutiny Committee fully comprised of citizens. Furthermore, the KP Right to Public Service Commission, in collaboration with the KP RTI Commission, has inaugurated the KP Citizens Public Services Forum – the first in Pakistan – to deliberate on how civil society organizations can play an intermediation role Similarly, FATA and Balochistan have successfully piloted monitoring by citizens (mostly youth-university students).
- Service delivery and citizen satisfaction: KP Judicial Academy contributed to quality judgments, demonstrated by increased satisfaction – 88 percent of beneficiaries responded with a 4 rating on the sale of 1 to with 5, with 5 being maximum satisfaction. Moreover, the KP RTPS has set standards for 19 public services, and there are early signs of improved responsiveness in 19 pilot districts (out of 25). Similarly, the FATA Secretariat has initiated service delivery e-monitoring starting with delivery of domicile service as a pilot throughout FATA. Balochistan service delivery e-monitoring identified seven schools "closed," and provided the information to the relevant authorities for follow up. The information is proactively disclosed (www.gsp-pmc.org.pk) by the Balochistan Monitoring & Evaluation (M&E) Directorate in collaboration with BUITEMS (a local academia).

IMPLEMENTING AGENCY:

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

PAKISTAN: PUNJAB CITIES GOVERNANCE IMPROVEMENT PROJECT

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	150.0	94.6	55.4
Government of Pakistan	4.0		
Other			
Total Project Cost	154.0		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

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

KEY ACHIEVEMENTS:

- Resource Planning: Annual Development Plans are being consolidated each year across CDGs and entities. The mechanism for integrated development and asset management planning has been developed by CDGs and their entities, and approved by concerned provincial departments. It is now being operationalized. Geographic Information Systems (GIS)-based asset inventories have also been completed.
- Procurement: Standard operating procedures for procurement and contract management to standardize these processes across the cities and their entities have been approved and operationalized.
- Intergovernmental Finance System: All transfer of funds from provincial government to city entities are being reported to CDGs, and are being updated on CDGs' and Water and Sanitation Agencies' (WASAs) websites.
- Revenue Enhancement: Action plans for enhancing self-collected own-source revenues of CDGs and WASAs have been operationalized. Automation of Urban Immovable Property Tax including digitization of property ownership records and field validation has been completed for the five project cities and Sialkot (pilot city).
- Boundary Alignment: Action plans for the phased alignment of service delivery area up to updated city boundaries have been developed by city entities and approved by provincial departments.
- Public Disclosure and Access to Information: Improved mechanisms for public disclosure and access to information have been developed, adopted, and operationalized by CDGs and WASAs.
- Accountability: Improved electronic mechanisms for telephone and web-based registration and resolution of complaints and grievances have been developed and operationalized at CDGs and WASAs.

IMPLEMENTING AGENCY:

Planning and Development Department, Government of Punjab

PAKISTAN: COMPETITIVE INDUSTRIES PROJECT FOR KHYBER PAKHTUNKHWA

KEY DATES:

Approved: August 8, 2013
Effective: September 13, 2013
Closing: October 31, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan			
Trust Fund (MDTF)	9.0	5.03	3.97
Total Project Cost	9.0		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

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

- Component 1: Increasing productivity and employment in the marble sector. The objective of this component is to increase the economic value added of the marble sector by improving the extraction and processing stages within the value chain. The subcomponents below will take place at a common location which is Marble City in Risalpur, KP.

  Subcomponent 1.1: Establishing a machinery pool.

  Subcomponent 1.2: Strengthening the Common Facility and Training Center.

  Subcomponent 1.3: Providing access to markets.

- Component 2: Supporting the development and enhancing the impact of food processing cluster.
- Component 3: Institutional capacity building. This will entail strengthening institutional capacity of the KP Department of Mines and Minerals, Pakistan Stone Development Company and mines associations in KP to ensure effective implementation of the project, including supporting a review of KP's mining rules and regulations.

KEY ACHIEVEMENTS:

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

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

IMPLEMENTING AGENCY:

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

PAKISTAN: ECONOMIC REVITALIZATION OF KHYBER PAKHTUNKHWA AND FATA PROJECT

KEY DATES:

Approved: August 22, 2011
Effective: October 11, 2011
Closing: October 31, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan			
Trust Fund (MDTF)	20.0	16.3	3.7
Total Project Cost	20.0		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

This project was prepared to support the creation of employment opportunities and sustainable jobs in the conflict-affected KP and FATA region. The region ranks considerably lower in socio-economic indicators than most parts of the country. Rates for both literacy and the participation of women in the labor force are low. Economic activity in the region is mostly dominated by 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 PCNA done jointly by the Bank and development partners. It also promotes the economic empowerment of women by assigning priority to eligible enterprises owned and managed by women.

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

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

KEY ACHIEVEMENTS:

- $8.1 million disbursed in matching grants to 1,078 SMEs across the project area, including 24 women entrepreneurs.
- Around 3,234 direct and 19,800 indirect jobs created through the rehabilitation and upgrading of SMEs.
- Four investment road shows and conferences in Karachi, Islamabad, and Dubai to showcase investment opportunities for the private sector in KP and FATA. The KP government succeeded in signing letters of intent worth $1.2 billion for investment in KP while in Dubai.

IMPLEMENTING AGENCIES:

Department of Industries, Government of Khyber Pakhtunkhwa, FATA Investment Facilitation Authority, Provincial Office of SMEDA, Peshawar.

KEY PARTNERS:

Habib Bank Limited, KPK Chambers of Commerce and Industry, FATA Chambers of Commerce and Industry, University of Peshawar, Business Edge training providers – Certified by IFC.

PAKISTAN: DASU HYDROPOWER STAGE 1 PROJECT (DHP-1)

KEY DATES:

Approved: June 10, 2014
Effective: November 20, 2014
Closing: June 30, 2022

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	680	88.1	591.9
Government of Pakistan	533.3		
IDA Guarantee	460.0		
Total Project Cost	4247.7	88,1	4159.6

**$ millions; as of June 30, 2015; revised amount after partial cancellation; Financing for the project will be undertaken to match the project implementation schedule prioritizing commercial financing supported by 2 or 3 IDA Partial Credit Guarantees of $460 million each. The first credit of XDR 379.7 million is primarily being used for preparatory works. For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Dasu Hydropower Project (DHP) is part of the Indus Cascade and is also a part of least-cost solution to mitigate power shortfall and reduce cost of generation in the country. It is a run-of-river greenfield project about 240 km upstream from Tarbela Dam. The total size of the project is 4,320 MW. However, it is optimal to develop the project in two stages – each stage further divided into two phases of 1,080 MW each. DHP Stage 1, including six generating units of 370 MW each and 350-km, high-voltage transmission line from Dasu to Islamabad, would cost $4.24 billion and its expected rate of return is 25 percent. It will reduce average generation cost and the shortfall in electricity supply. Estimated cost of generation from Stage 1 is less than 3 cents/kWh compared to current average cost of 11 cents/kWh. At present, about one-third of the demand is not being met, which is thought to have reduced GDP growth by 2 percent per annum for the past several years.

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

EXPECTED RESULTS:

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

IMPLEMENTING AGENCY:

WAPDA

KEY PARTNER:

National Transmission and Despatch Company Limited (NTDC)

PAKISTAN: TARBELA FOURTH EXTENSION HYDROPOWER PROJECT (T4HP)

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD	400	43.3	356.7
IDA	440	118.8	321.2
Government of Pakistan	125	31.4	93.6
Other	460.0		
Total Project Cost	965	193.5	771.5

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Pakistan's electricity sector faces a large gap between supply and demand. Widespread load shedding – disconnecting the electric current when demand is greater than supply – is prevalent, affecting economic growth. A shift over the past decade towards expensive fuel oil has also increased the cost of electricity generation. Expanding hydropower generation is therefore fundamental to address Pakistan's long-term energy issues. The project is an important element of the Bank's energy sector strategy of supporting strategic investment projects in generation and transmission infrastructure that contribute to the structural shift to a low-cost, low-carbon fuel mix. The project involves constructing a power house, modifying a tunnel, and installing three 470 MW power units (1,410 MW) on an existing dam located 60 km north-west of Islamabad on the River Indus. It will add 3,840 GWh of low-cost renewable energy by June 2017 during peak summer months when shortages are at their worst.

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

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

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

IMPLEMENTING AGENCY:

WAPDA

PAKISTAN: NATURAL GAS EFFICIENCY PROJECT

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD	40.0	0.25	39.75
IDA	0		
Government of Pakistan	72.0		
Other			
Total Project Cost	112.0	0.25	111.75

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Natural gas is a vital source of energy in Pakistan, representing 49 percent of the country's total primary energy supply. Natural gas is transmitted and distributed by two companies, Sui Southern Gas Company Ltd. (SSGC) and Sui Northern Gas Pipelines Ltd. (SNGPL), in the southern and northern parts of the country. Pakistan has high levels of unaccounted for gas (UFG – the difference between metered gas received by a gas utility and volume of gas delivered to its consumers). UFG is a major contributor to the gas supply crisis. It is typically 1-2 percent in OECD countries, compared to around 11 percent in Pakistan. UFG is mainly a result of the dilapidated gas distribution network, inaccurate metering, and theft. Most recent FY2014 data records the UFG number at about 127 billion cubic feet in volumetric terms, or about 11.7 percent, for both the northern (SNGPL) and southern (SSGC) networks combined For the SSGC system, the UFG for FY2014 was at 11.47 percent. The value of country-wide UFG at the current gas prices is about $212 million. The value of LNG imports that could be avoided if all UFG was available for power generation in FY2014 is about $ 414 billion. Additionally, the UFG problem is becoming increasingly intolerable in view of the growing gas and power shortages.

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

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

EXPECTED RESULTS:

The projects has been restructured twice – in June 2014 when all of $100 million of IDA funding was cancelled and in June 2015 when $60 million of IBRD funding was cancelled. Both cancellations occurred because of lack of progress by SSGC. However, now SSGC has started responding. By July 2015, SSGC had gone through its first set of procurement activity - the Bank gave No Objection Letters for $2.25 million and the first few contracts have been awarded. This is a positive sign and it is hoped that the project will finally make some headway towards achieving its development objective.

IMPLEMENTING AGENCY:

SSGC

PAKISTAN: FATA RURAL LIVELIHOODS AND COMMUNITY INFRASTRUCTURE PROJECT

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan			
Trust Fund (MDTF)	12.0	12.0	0
Total Project Cost	12.0	12.0	0

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

The project aims to improve the well being of unserved and underserved low-income communities. Starting with two agencies (Mohmand and Bajaur), it is now operational in South Waziristan Agency as well, following military operations to reestablish access, and as the government helps displaced families to return. The selection of these agencies in FATA was based on: (i) lack of visible progress and the perceived lack of interest from the authorities to redressing disparities, which undermined public trust in the ability of government institutions to meet the needs of the population; (ii) the fact that the region lags other provinces in social and economic indicators; (iii) the fact that the region is the most underdeveloped in Pakistan with over 60 percent of its population living below national poverty line; (iv) high unemployment due to militancy crises in 2009-2010; (v) the fact that military operations in 2009 did significant damage to physical infrastructure and services, while displacing three million people; and (vi) the additional fact that the ongoing military operation against the militants in North Waziristan Agency has once again pushed the region in deeper crises leading to economic, social and infrastructure destruction. The project objective is to improve livelihoods and access to basic service infrastructure in selected Agencies in FATA. The project components include:

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

KEY ACHIEVEMENTS:

Project implementation progress to date:

- 282 community/farmers groups established/and or revitalized.
- 282 community/farmers groups using participatory planning and implementation for site and beneficiary selection.
- 209 infrastructure schemes completed and O&M transferred to local communities.
- Households benefitting from poultry packages (2,500) and sewing machines (710).
- 177 youth received skills development training.
- Strengthening of 39 existing small honey bee farmers and producers in Bajaur, Mohmand and South Waziristan
- Agencies through formation of an economic interest group.
- Vaccination/deworming 3,435 (poultry birds and 2,035 animals).
- 1,235 acres of land provided wheat seed/fertilizers.
- 208 acres land provided fruit orchids/nurseries.

IMPLEMENTING AGENCY:

FATA Secretariat

PAKISTAN: KHYBER PAKHTUNKHWA SOUTHERN AREA DEVELOPMENT PROJECT

KEY DATES:

Approved: December 3, 2012
Effective: February 6, 2013
Closing: October 31, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan			
Trust Fund (MDTF)	18.0	6.4	11.6
Total Project Cost	18.0	6.4	11.6

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

This project aims to reach unserved and underserved low-income communities in Southern KP. Implementation will be focused on three districts (D I Khan, Tank and Lakki Marwat) in order to concentrate project coverage, effectively monitor the process and its impact, and demonstrate the potential of the approach. The selection of these districts is based on several factors, including: (i) prevailing low human development indices, even before the onset of the militancy crisis (all three districts are among 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. The ongoing military operation has resulted in influx of more than one million IDPs to Districts D.I Khan (64,966 individuals), Tank (779 individuals), Lakki Marwat (24,919 individuals) and Bannu (857,776 individuals). District Bannu remains host to the largest influx of these IDPs, resulting in enormous pressure on the already fragile and weak economy as well as the infrastructure. Restructuring of the project is near completion. It will open up the livelihood menu, leading to context-based interventions, adding District Bannu to its area of operations.

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 KP province.

The project components include:

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

KEY ACHIEVEMENTS:

- 8.441 community-based organizations formed (339 male, 102 female) with total membership of 14,396 (male 11,172, female 3,226).
- 310 EIGs formed (male 175, female 135) with total EIG membership of 3,099 (male 1,883, female 1,216).
- 1 (male) Clustered Economic Interest Group formed, with a total membership of 12.
- 274 Community Action Plans (male 199, female 75) formed.
- 225 infrastructure schemes completed.
- 370 ultra poor provided goat/bucks.

IMPLEMENTING AGENCY:

Department of Local Government and Rural Development, Government of KP

PAKISTAN: THIRD PAKISTAN POVERTY ALLEVIATION FUND PROJECT

KEY DATES:

Approved: July 9, 2009
Closing: January 31. 2015
Closing Date: September 30, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	250	250.57	0
Government of Pakistan			
Other			
Total Project Cost	250	250.57	0

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

The Third Pakistan Poverty Alleviation Fund Project (PPAF III) is a continuation of the World Bank's 13 years of engagement with the Pakistan Poverty Alleviation Fund that was formed by the government in 1999 with Bank funding and support. PPAF has worked through the creation of strong outreach mechanisms, and is currently present in 121 districts out of a total of 135 in Pakistan, spanning all provinces. While the focus was on outreach under PPAF I and II, PPAF III brought recognition of the need for integration, saturation, and consolidation within the poorest districts and Union Councils of Pakistan. The project design of PPAF III adopted a holistic approach to local development with a strong focus on strenthening the livelihoods of the most vulnerable and poorest households, especially women. PPAF has built partnerships with 126 organizations that in turn have organized 475,000 community organizations. They serve as a platform for the rural poor to access markets, the private sector, financial services, skills, infrastructure, health, and education, and to participate in the development of their own communities and interacte with the government. Project Objective: Targeted poor are empowered with increased incomes, improved productive capacity and access to services to achieve sustainable livelihoods. This included:

- Social Mobilization and Institution Building: To target and empower the poor by supporting the formation of community organizations and their development into broader institutions at the village and Union Council level.
- Livelihood Enhancement and Protection: To develop the capacity, opportunities, assets and productivity of community members to reduce their vulnerability to shocks, improve their livelihoods initiatives and strengthen their business operations.
- Micro-credit Access: To improve access of the poor to micro-finance to enhance their capacities, productivity and returns from livelihood initiatives.
- Basic Services & Infrastructure: To establish and upgrade basic services and infrastructure to serve the poor, including basic infrastructure, integrated community infrastructure projects, and improved health and education facilities.

KEY ACHIEVEMENTS:

- Approximately 10 million vulnerable and marginalized people, over half of them women, have benefitted from the program interventions.
- 548,871 micro-loans with a 97 percent return on investment have been given to the poor.
- 125,000 children (45 percent girls) were enrolled in 896 PPAF-supported schools and 6.5 million patients (55 percent women) were treated under various ailments in 482 PPAF-supported health facilities.
- A total of 407,700 individuals, of which 61 percent are women, were trained in different employable skills.
- Productive assets have been transferred to 67,823 ultra and vulnerable poor (50 percent women).
- More than 4,600 community infrastructure sub-projects have been initiated in program areas, benefiting approximately 2 million people.
- More than 372,800 people have access to improved sanitation facilities and 1,099,284 water users, including 551,533 women, have new/improved irrigation and drainage services.

IMPLEMENTING AGENCY:

PPAF

KEY PARTNERS:

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

PAKISTAN: SINDH AGRICULTURAL GROWTH PROJECT

KEY DATES:

Approved: July 7, 2014
Effective: October 30, 2014
Closing: June 30, 2019

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	76.4	6.0	70.4
Government of Pakistan			
Other: Farmer's Contribution	12,3		
Total Project Cost	88.7	6.0	82.7

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

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

- Capacity Building and Institutional Development. The project will finance capacity building of producers through technology development, technology dissemination, training, and exposure. The project would also provide institutional development for the implementing agencies and support strategic planning for Sindh's agricultural sector.
- Investment for Agricultural Growth. This component finances specific investments in the horticulture and dairy value chains and a targeted investment to reduce post-harvest loss among small-holder rice growers. The component would also finance a demand driven innovation fund to support farmers and producers with technology innovations in the selected value chains.

KEY ACHIEVEMENTS:

- The project was declared effective in October 2014. The initial startup activities took longer than expected, including hiring staff in both Agriculture and Livestock departments and recruitment of project implementation consultants. Following are the highlights of activities to date:
- Project implementation consultants have been hired by the Department of Agriculture and are fully mobilized. The selection of project implementation consultants by Department of Livestock is at an advanced stage and it is expected that the contract may be awarded by late summer.
- Value chain focal groups have been notified by Government of Sindh for rice, onions, dates, and chili crops. Preliminary identification of Milk Producers Groups in three districts was completed by Department of Livestock.
- Implementation of competitive research component was initiated and the Research Technical Committee was notified by the Government of Sindh.
- Hiring of monitoring and evaluation consultants was initiated by project coordination unit and hiring of design and supervision consultants for civil works was initiated by the Department of Livestock.
- Social assessment is underway and the consultants have submitted inception report for government and Bank review.

IMPLEMENTING AGENCY:

The Department of Agriculture, Government of Sindh,

KEY PARTNERS:

Key Partners: Department of Livestock and Fisheries, Government of Sindh.

PAKISTAN: PUNJAB BARRAGES IMPROVEMENT PROJECT PHASE II

KEY DATES:

Approved: July 1, 2010
Effective: January 21, 2011
Closing: June 30, 2016

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	145.6	113.15	132.4
Government of Pakistan	9.5		
Other			
Total Project Cost	155		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

The project is designed to support the rehabilitation and modernization of the Jinnah Barrage on the Indus River system, while reinforcing ongoing reform to the water, irrigation, and drainage sector through support and the monitoring of progress. Jinnah Barrage is one of the most important structures in Pakistan's irrigation system, handling all the Indus River's water. It provides water to the Thal Canal, which covers an area of 2.1 million acres in a zone of arid desert, where crop production is only feasible with irrigation. About five million people in five districts live in the area and their livelihoods, directly or indirectly, depend on irrigation from canal. Underground water is saline in some places, and the local population depends exclusively on the canal for drinking water. The overarching project objectives are to assist the borrower in: (i) rehabilitating and modernizing Jinnah Barrage and carrying out affiliated works to enable reliable and uninterrupted supply of water for over 2.1 million acres of farmland, benefitting about 600,000 farm families for irrigation and domestic water users; and (ii) building capacity to improve water resources and irrigation system management.

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

KEY ACHIEVEMENTS:

The project implementation progress is on track and the project has completed some targets ahead of schedule. The Barrage civil works have been completed and the main contract for Barrage rehabilitation is substantially completed. Following are the key highlights of the implementation progress:

- All civil works on the Barrage have substantially been completed. Almost all gates have been installed. The physical progress of works under this component is over 85 percent complete.
- Under the Social Development Action Plan (SDAP), all water supply schemes have been completed in saline zones of Mohajir Branch Canal Command being carried out by the Public Health Engineering Department, and handed over to the users. Rehabilitation of old Kalabagh railway bridge has been completed seed distribution was done in the Thal Canal Command area.
- Twenty engineers from Punjab Irrigation Department have started a master's degree program at the Asian Institute of Technology, Thailand. A second batch of 20 students should be sent in the September semester for the master's degree program.
- The GoPunjab has allocated adequate budget for the project and the counterpart funds, and an amount of Rs. 215 million has been released out of total budgeted Rs. 425 million.

IMPLEMENTING AGENCY:

Department of Irrigation, Government of Punjab.

PAKISTAN: WATER SECTOR CAPACITY BUILDING AND ADVISORY SERVICES PROJECT

KEY DATES:

Approved: June 26, 2008
Effective: September 22, 2008
Closing: October 30, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	38	36.6	1.6
Government of Pakistan			
Other			
Total Project Cost	38		1.6

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Pakistan is one of the world's most arid countries, with an extensive system of canals and hydraulic structures that 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: (i) low water productivity in the agricultural sector; (ii) low water storage capability; (iii) acute power shortage requiring further development of hydropower resources; and (iv) increased vulnerability to drought and floods, the economic, social, and ecological impacts of which are expected to be amplified by climate change; and (v) water pollution. The project aims to improve the management and investment planning of water resources in the Indus River Basin. This includes:

Capacity Building of, and Support to, Federal Institutions in Water Resources Planning and Management: Supports capacity building for federal institutions involved in water resources planning, management, and development.

Improvement in Water Resources Management and Development: Supports WAPDA to undertake the following activities: upgrading existing tools, databases, models, and water resources management systems; undertaking sediment management studies for the Indus River system; and preparing a power investment plan for the upper Indus.

KEY ACHIEVEMENTS:

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

- Installation and operationalization of a dam safety system at Tarbela dam.
- Design of the Tarbela 4th Extension Hydel Power Project (1,410 MW).
- Design of Dasu, run-of-the-river Hydel power project (4,200 MW).
- Indus Basin Model Revised.
- 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 Cell at the Infrastructure Project Development Facility (IPDF) of the Ministry of Finance.
- Borrower has submitted and the Bank is actively considering a request for additional financing (AF) of about $35 million and extension of the project until 2019. The AF will support scaling up and additional activities.

IMPLEMENTING AGENCY:

Ministry of Water & Power (MoWP).

KEY PARTNERS:

WAPDA, IRSA, the Planning Commission , and IPDF.

PAKISTAN: SINDH WATER SECTOR IMPROVEMENT PROJECT PHASE I

KEY DATES:

Approved: September 18, 2007
Effective: December 26, 2007
Closing: December 31, 2018

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	270	138.1	131.9
Government of Pakistan	24.8		
Other			
Total Project Cost	294.8		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

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

- Installation of High Efficiency Irrigation Systems.
- Improvement of Community Irrigation Systems.
- Improved Agriculture Technology/Practices and Monitoring and Evaluation.

KEY ACHIEVEMENTS:

- As a result of improved availability, reliability and equity of irrigation water deliveries, agricultural productivity has increased on a total of 1.17 million hectares, benefiting over 380,000 farm-families.
- The investment improved the reliability and timely availability of irrigation water at farm level, which also made the farmers confident to shift to higher-value crops such as orchard and vegetables. The crop yields increase is about 3 percent.
- Works on the two large International Competitive Bidding civil works contract are completed. All major hydraulic structures have been commissioned. The overall quality of structures and mechanical works seen during the recent supervision mission are commendable, the earthworks on embankments are satisfactory, and the quality of construction is high.
- Farmer organization training in operational areas.
- Many farmer organizations have held elections and exposure visits, and participated in farmer festivals.
- Women's participation in farmer organizations enhanced.
- Additional financing approved by the Board in December 2014; Credit signed in March 2015 and effective since May 2015.
- Prequalification of three ICB contracts for Ghotki, Left Bank and Nara canal completed.
- Bid opening for the Ghotki and Left Bank main canals was planned for August 2015.

IMPLEMENTING AGENCY:

Sindh Irrigation and Drainage Authority (SIDA), Government of Sindh.

PAKISTAN: PUNJAB IRRIGATED-AGRICULTURE PRODUCTIVITY IMPROVEMENT PROJECT

KEY DATES:

Approved: March 20, 2012
Effective: April 26, 2012
Closing: December 31, 2018

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	250	124	126
Government of Pakistan			
Other: Farmer's Contribution	173.5		
Total Project Cost	423.5		

*****$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

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

- Installation of High Efficiency Irrigation Systems.
- Improvement of Community Irrigation Systems.
- Improved Agriculture Technology/Practices and Monitoring and Evaluation.

KEY ACHIEVEMENTS:

Since effectiveness, the project has been off to a very good start due to implementation readiness and preparation by the government. Following are the highlights of implementation progress to date:

- HEIS have been installed over 14,805 acres.
- About 2,801 laser land leveling units have been provided to the beneficiaries.
- Improvement of community watercourses is progressing well and over 53 percent physical progress is achieved. About 4,791 watercourse schemes have been improved, and works are at various stages on another 2,693 watercourses schemes.
- M&E consultants have started working and preparing the baseline report.
- Pilots for field irrigation system using gated pipes and provision of equipment for improving irrigation scheduling are starting soon.

IMPLEMENTING AGENCY:

Department of Agriculture, Government of Punjab.

PAKISTAN: SINDH BARRAGES IMPROVEMENT PROJECT

KEY DATES:

Approved: June 19, 2015
Effective: Pending
Closing: December 22, 2020

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	188	0	188
Government of Pakistan	20		
Other			
Total Project Cost	208		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Barrages are strategic assets of Sindh and millions of people depend on the water that is controlled, diverted, and managed by them. Their continued operation and management require specific expertise, experience, decision making, and continuity. Three large barrages were built between 1932 and 1962 on the Indus River in Sindh Province. The northern one, Guddu Barrage, has developed major safety issues. This project will finance rehabilitation of the Guddu Barrage. The Guddu Barrage constitutes the most strategic component of the large Indus Basin Irrigation System. The effective operations and structural stability are important for agricultural production and for averting potential disaster during floods. Climate variability will further add risks by changing the frequency and intensity of extreme events such as floods and droughts. There are serious operational difficulties and safety issues. The most severe problems include: (i) up to 60 percent of the steel used for the 65 gates on the main barrage are badly rusted; and (ii) the lifting mechanisms are badly corroded, with a strong possibility of failure. Since the rate of corrosion cannot be slowed, it is considered likely that the gates will fail during normal operation. There is already a risk now that the gates may fail during a flood event that necessitates opening and closing. Such a failure will progressively affect water supplies to all the irrigated areas supplied by the barrage. Structural and operational interventions are therefore required to manage flows to the off-taking canals.

The project objective are to improve the reliability and safety of the Guddu Barrage and strengthen the Sindh Irrigation Department's capacity to operate and manage the barrage. The primary beneficiaries include: (i) over 2.6 million people, across 1.2 million ha who will receive reliable supply of water; and (ii) local communities in flood-vulnerable areas that will benefit from improvement in flood management and reduction in risks of embankment breaches since the capacity of the barrage to pass flood waters will be improved.

EXPECTED RESULTS:

- 244,480 farmers' households provided with reliable irrigation water.
- 1 million ha provided with reliable irrigation water.
- Improved operation and maintenance.
- 65 barrage gates and mechanical lifting equipment replaced.
- 25 main canal head regulator gates replaced.
- 40 km of embankments rehabilitated.
- Barrage management organization established within Irrigation and Power Department.

IMPLEMENTING AGENCY:

Sindh Irrigation Department.

PAKISTAN: SINDH AGRICULTURAL GROWTH PROJECT

KEY DATES:

Approved: July 16, 2011
Effective: October 17, 2011
Closing: October 31, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan			
Trust Fund (MDTF)	26.1	26.1	26.1
Total Project Cost	26.1		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

The original project (a grant of $8 million to finance widening and reconstruction of 10.5 km of Provincial Highway S-3B) was approved by the Bank's regional vice president for the South Asia region on July 16, 2011. Due to highly satisfactory implementation performance, the MDTF Steering Committee agreed to provide additional financing to the project. The Bank approved the first additional financing in an amount of $9.1 million on December 13, 2013, to finance widening and reconstruction of 14.7 km of S-3B. Finally, the Bank approved the second additional financing in an amount of $9 million on April 19, 2014, to finance costs associated with widening and reconstruction of additional 10.7 km of S-3B. Legal agreements were signed on May 30, 2014. The second batch of additional financing has also been fully disbursed.

KEY ACHIEVEMENTS:

- The original target of 40.8 km of the provincial highway S-3B has been reconstructed. An additional 9.3 km is under construction from project savings.
- Due to the reconstruction of the road, several social and commercial activities have been established, including: three schools; three medical and health care centers; eight grocery stores; two auto workshops; one restaurant; and three farms.
- Improved traffic flow resulting in reduced vehicle operating costs and travel time for road users.

IMPLEMENTING AGENCY:

Pakhtunkhwa Highways Authority

PAKISTAN: FEDERALLY ADMINISTERED TRIBAL AREAS EMERGENCY RURAL ROADS PROJECT

KEY DATES:

Approved: August 26, 2012
Effective: December 10, 2012
Closing: October 31, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan			
Trust Fund (MDTF)	16.0	16.0	0
Total Project Cost	16.0	16.0	0

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

FATA is the most underdeveloped region in Pakistan with over 60 percent of its population living below national poverty line. Most people depend on subsistence agriculture and livestock, and the visible lack of progress means that even small shocks translate into large increases in destitution that deepen poverty. Transport in the crisis area of FATA depends solely on roads. The total network is about 6,578 km, of which about 66 percent is paved and primarily comprises single lane roads. Accessibility provided by the network is limited – road density is low (0.24 km/square km) and FATA does not compare favorably with rest of Pakistan (0.32 km/square km). The project aims to improve connectivity in the Bajaur and Orakzai Agencies of FATA by building all weather-paved rural roads on existing non-motor accessible earthen tracks.

The project focuses on early recovery priorities agreed between the FATA authorities and the World Bank as the administrator of the MDTF. (The project supports Pillar1: Restoration of Damaged Infrastructure and Disrupted Services of the MDTF Financing Strategy). The project aims to improve connectivity through construction of about 50 km of all-weather paved rural roads. The expected outcome is an increase in both the share of population with all-season access and the number of motorized trips taken by beneficiaries living along the rural roads. The anticipated results will support governmental efforts to help maintain economic activity and improve social and political stability in FATA.

KEY ACHIEVEMENTS:

- The project is financing construction of seven rural roads (three in Bajaur and four in Orakzai Agency). The total length of these seven rural roads is about 50 km.
- Roughly 45 km of priority rural roads have been constructed in the area benefitting a total of 400,000 inhabitants of the area.

IMPLEMENTING AGENCY:

Works & Services Department, Government of FATA.

PAKISTAN: KARACHI PORT IMPROVEMENT PROJECT

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD	115.8		19.8
IDA			
Government of Pakistan			
Other			
Total Project Cost	115.8	96	19.8

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

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

- Component 1. Financing reconstruction of berths 15 to 17A on the East Wharf at Karachi Port.
- Component 2. Institutional strengthening, addressing three main area: (i) preparing a five-year business plan and vision document; (ii) strengthening port environmental management to eventually comply with International Organization for Standardization (ISO) international standards; and (iii) Improving financial management and planning to meet International Financing Reporting Standards (IFRS) accounting standards and effectively utilize port revenues.

KEY ACHIEVEMENTS:

- Reduction in the ship-waiting-to-service time ratio for the project berths. This will be measured after the project births become operational. The civil work for re-construction is progressing well, with the contractor achieving nearly 83 percent progress by the end of July 2015. Three berths (15 to 17) completed and handed over to operations division in December 2014.
- Improvement in occupancy and rate of cargo handling at the project berths. To be measured after they become operational.
- Increase in through-put of the project berths. This will be measured after they become operational.
- Consultant firm hired to prepare the Karachi Port Trust's (KPT) Strategic/Business Development Plan completed the diagnostic report. The strategic options report under preparation and was expected to be submitted to KPT by end August 2015.
- Development and implementation of an environmental management system. Consultant firm completed gap analysis, and documentation. Training and report generation underway. It is expected that ISO certification audit will be conducted by November 2015.
- KPT's financial audits fully compliant with IFRS. KPT has fulfilled the requirement to move towards IFRS-compliant accounts well before the target date. KPT's fiscal 2010 and fiscal 2011 financial statements were IFRS compliant. The subsequent statements are also being prepared to comply with IFRS.
- Three additional consultancies agreed, and procurement process initiated.

IMPLEMENTING AGENCY:

KPT

KEY PARTNERS:

Ministry of Ports and Shipping.

PAKISTAN: PUNJAB LAND RECORDS MANAGEMENT AND INFORMATION SYSTEMS PROJECT

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	104.4	81.8	22.6
Government of Pakistan			
Other	11.2		
Total Project Cost	115.6		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

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

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

KEY ACHIEVEMENTS:

- Records of rights (fards) provided to customers within a 30-minute target.
- Time required for land transactions reduced from two to three months to generally less than one week for cases other than inheritance or splitting of a land parcel.
- High level of customer satisfaction with the new system, in excess of the 95 percent target.
- A greater sense of tenure security coming from use of the new automated system.
- The automated land records system has been developed, tested, and proven in practice. As of July 31, 2015, data entry was completed in over 99 percent of all mauzas, data verification completed in 90 percent, and 83 percent of all mauzas were online in the new automated land records system. Government has requested a six-month extension of closing date to June 30, 2016, to allow for completion of the more challenging peri-urban mauzas and province-wide automated linkage with the deeds registration system, and for expanded roll out of the GIS program.

IMPLEMENTING AGENCY:

Board of Revenue, Government of Punjab

PAKISTAN: FATA URBAN CENTERS PROJECT

KEY DATES:

Approved: April 03, 2012
Effective: April 12, 2012
Closing: September 30, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan			
Trust Fund (MDTF)	8.0	7.49	0.51
Total Project Cost	8.0	7.49	0.51

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

FATA lags behind other regions of Pakistan across a wide range of social and economic indicators, and have the lowest level of urbanization. Moreover, post-9/11 events have severely impacted FATA and led to acute destabilization of the region. The project development objective is to improve urban services and management in Khar, Bajaur Agency, and develop a framework for urban management in FATA. The project is envisaged as an urban community-driven development operation, where investment needs are being identified and prioritized by the citizens of Khar town.

- Component 1. Priority Infrastructure Investment Projects: The component supports priority infrastructure investments in Khar town in Bajaur Agency, including rehabilitation, reconstruction, expansion, and upgrading of urban municipal infrastructure and services (water supply, streetlights, roads, streets, drains, rescue and firefighting, and solid waste collection for the existing population of the urban center).
- Component 2. Technical Assistance and Implementation Support: This component supports: (i) design and development of an overall urban management framework to be implemented under the TARUCCI program in all 14 towns in FATA; and (ii) detailing the implementation plan for the pilot center (Khar, Bajaur Agency). It also supports institutional strengthening of the implementing agencies and building essential urban management competencies at the local government level in Khar.

KEY ACHIEVEMENTS:

- Structure Plan developed for Khar, detailing: (i) priority service delivery needs based on feedback received from the local community through focus group discussions and a household survey; (ii) critical baseline information on service delivery coverage and quality; (iii) GIS maps with spatial representation of population distribution, growth trends, and existing services; (iv) urban structure plan and analysis of likely growth and development scenarios; and (v) scope and targets for service delivery improvements to be achieved through priority infrastructure investments.
- Four additional structure plans being finalized to facilitate ready scaling up of the government's Tribal Areas' Rural-to-Urban Centers Conversion Initiative program to four additional towns, based on evidence of existing service delivery gaps and priorities expressed by communities.
- Rehabilitation and improvement of 4.3 km of all-season roads, providing access within 500 meters of places of residence to an estimated 40,000 beneficiaries in Khar.
- 450 solar powered street lights installed in Khar, contributing to improved security and economic activity after dark; installation of an additional 72 streetlights underway.
- Infrastructure investments for providing/restoring 900 piped water supply connections nearing completion with conventional tube wells, augmented by solar powered systems in view of frequent power cuts and breakdowns in Khar.
- 3,500 square meters of streets paved with improved drains, providing full benefits to the population.
- Municipal Committee (MC-local government), Khar operationalized, including recruitment of essential staff and renovation and furnishing of office building.
- A grievance redress and complaint resolution mechanism established at MC, Khar using a telephone short code along with dedicated staff.
- Equipment for municipal services provided to MC Khar.

IMPLEMENTING AGENCY:

FATA Secretariat, Peshawar.

PAKISTAN: PROMOTING GIRLS EDUCATION IN BALOCHISTAN (PGEB)

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan	4.6		
Trust Fund (MDTF)	10.0	10.0	0
Total Project Cost	14.6		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Balochistan is geographically the largest province of Pakistan, comprising roughly 48 percent of its land but with the lowest share of population, at around 5 percent. The province has been severely affected for many years by security and political conflict, harming economic growth. The situation is exacerbated by poor communication and road infrastructure, as well as weak governance structures. Balochistan has always ranked the lowest in the country in education, with access to schools limited to only 60 percent of its settlements. Existing schools lack basic facilities and learning materials. Education indictors for girls are the lowest in the country, with girls' net enrollment rate (NER) only 40 percent, and in some parts of the province as low as 7 percent. In response to a request by the Government of Pakistan, a MDTF was established to finance critical investments in support of reconstruction and peace building in crisis-affected areas of Pakistan, which included Balochistan province. A Balochistan Development Needs Assessment was conducted by the Bank in 2012 and the government requested funds to support access to girls' education under the MDTF. The project development objective is to improve access to education and retention of children in schools, with a special emphasis on girls, in the province of Balochistan. The main components of the project are:

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

KEY ACHIEVEMENTS:

The project was able to achieve the target of retaining 85 percent of the enrolled children in target schools. Construction was completed on 125 shelter-less school sites, missing facilities (boundary wall, toilets, water facility) were provided in 225 schools and 143 new schools were established with community participation. The project exceeded the target of students benefitting from the improved facilities by 15,000 children, mainly due to the opening of new schools and active participation of communities in enrolling children into the schools. This was mainly achieved towards the end of the project period upon successful completion of construction, rehabilitation, and handover of school facilities to the district education authorities. A very good response in enrollments was observed in the communities that had no existing school facility.

IMPLEMENTING AGENCY:

Project Management Unit of PGEB, and the Secondary Education Department (SED), Government of Balochistan.

PAKISTAN: SECOND SINDH EDUCATION PROJECT

KEY DATES:

Approved: March 14, 2013
Effective: March 19, 2014
Closing: June 30, 2017

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	400	182.4	217.6
Government of Pakistan	2200		
Other			
Total Project Cost	2600		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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 MDGs of universal primary education by 2015. Sindh is one of the four provinces of Pakistan where the education indicators remain low. In 2010/11, NERs at the primary (ages 6–10, grades 1–5), middle (ages 11–13, grades 6–8), and high school (ages 14–15, grades 9–10) levels in the province were 62 percent, 36 percent, and 23 percent, respectively. Evidence suggests that children from poor households and girls in rural areas experience the largest participation shortfalls. There are also significant differences in school participation rates across the province's 23 districts.

In FY2007/2008, 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 FY2007/2008 and the Sindh Education Sector Project (SESP) between FY2008/2009–FY2011/2012.

SERP II is an evolutionary next step by the government, shaped by the lessons learned in the delivery of the previous programs. One of the key lessons was that to raise government school performance, additional and potentially more powerful actions to strengthen administration systems, governance and accountability, are required. Under SERP II, the government plans to maximize school reform efforts by simultaneously improving governance and management of service delivery. The project development objective is to raise school participation by improving sector governance and accountability, strengthening administrative systems and measuring student achievement. It is a results-based financing project with 10 DLIs priced equally. A specific investment credit supports SERP II over the four-year period FY2011/2012–FY2015/2016.

KEY ACHIEVEMENTS:

The Pakistan Social and Living Measurement Survey 2014 results indicate lagging trend in enrollment targets for girls and boys in the Sindh province. However, absolute figures in the census data for public sector schools show an increase in numbers from the previous year census. The assessment of program activities in May/June 2015 indicated that six out of the 10 DLIs have been fully met, three have been partially met, and one was unmet. The government is completing the activities in the lagging DLIs and is planning to submit evidence of completion for the activities by end September 2015.

IMPLEMENTING AGENCY:

Education and Literacy Department, Government of Sindh.

PAKISTAN: BALOCHISTAN GLOBAL PARTNERSHIP FOR EDUCATION (GPE)

KEY DATES:

Approved: March 18, 2015
Effective: March 18, 2015
Closing: December 30, 2018

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA			
Government of Pakistan			
Other: GPE	34.0	0	34.0
Total Project Cost	34.0	0	34.0

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

The Government of Pakistan joined the Global Partnership for Education in 2012 and an allocation of $100 million has been made available for Pakistan. The provinces of Sindh ($66 million) and Balochistan ($34 million) were shortlisted to receive the financial grant after detailed discussions between the development partners and the Government of Pakistan. The World Bank has agreed to be the supervising entity for the proposed grant; UNICEF is the coordinating agency for the grant.

The project will benefit four groups. First, children who will enroll in the newly established schools and those already enrolled in government schools (grades K through 10) will benefit from improved school environments and access to teaching learning materials. Second, girls who did not have the opportunity to enroll in higher grades will benefit from an opportunity through up gradation of girls schools. Third, teachers and education managers will benefit from professional development, provision of teaching learning material, and capacity-building programs. Finally, the communities who receive project interventions, especially the parents of the children enrolled in schools, are expected to benefit from access to better quality education.

The project development objective is to increase school enrollment and retention in project-supported schools, with a special focus on girls' participation, and to develop mechanisms for information collection and use for improved management of education.

KEY ACHIEVEMENTS:

The project was signed on March 25, 2015, and has made a good start. The project management unit has developed a detailed project implementation plan providing activity level details, opened the foreign currency assignment account with necessary government approvals, prepared staffing plans and terms of reference and is initiating the staff hiring process. The staff hiring is expected to be completed by August 2015 through transfer of staff from the Promoting Girls Education Project as well as fresh hiring. The project environment and social impact assessment has been prepared, adopted and disclosed on the website (www.pgeb.edu.pk). However, because of the lapsed loan issue in the Bank's Pakistan portfolio, the World Bank has not provided advance funds to the project, which may impact the progress of the project in the coming months.

IMPLEMENTING AGENCY:

SED, Government of Balochistan

PAKISTAN: SINDH GLOBAL PARTNERSHIP FOR EDUCATION (S-GPE)

KEY DATES:

Approved: March 25, 2015
Effective: March 25, 2015
Closing: September 29, 2017

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA			
Government of Pakistan			
Other: GPE	66.0	0	66.0
Total Project Cost	66.0	0	66.0

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

The proposed project (S-GPE) is additional to the Second Sindh Education Sector Project (SEP II). The state government reform program has received strong support from development partners, including the World Bank and the EU. The World Bank continues its support to the state's reform program through SEP II, a $400 million IDA Credit, which became effective in March 19, 2014. It aims to raise school participation by improving sector governance and accountability, and strengthening administrative systems, and to measure student achievement. The S-GPE and SEP II are complementary and mutually enforcing; in particular, S-GPE interventions are expected to enhance the impact of key reforms supported under SEP II as well as the SESP. S-GPE implementation will be consistent with SEP II in terms of using the results-based disbursement modality and sharing the same implementing entity.

The project supports the implementation of the SESP. The project development objective is to strengthen the institutional capacity to generate, disseminate, and use information to support the implementation of key reforms under SESP. Progress towards the achievement of the project development objective will be measured by the following indicators:

- Number of districts for which monitoring data of at least 70 percent of schools is collected by Director General Monitoring and Evaluation.
- Number of districts for which monitoring data is analyzed and disseminated to Education and Literacy Department (ELD) management and district administrators.
- Number of districts that submitted Human Resource and Management Information System (HRMIS) reports to ELD. The project supports the implementation of the SESP.

KEY ACHIEVEMENTS:

- The government has had a good start in initiating HRMIS and setting up of the Sindh School Monitoring System (SSMS). The SSMS activity has been initiated on a pilot basis in five districts across Sindh and a data dashboard for maintaining monthly visit report data has been created. However, the teams of both these units need to be fully staffed to ensure program activities can continue as planned.
- A communication team has been created in the Reform
- Support Unit and a draft communication strategy has been prepared and presented to ELD. Implementation on the strategy needs to be planned by the department both for internal and external communications. An advocacy and awareness raising campaign has been initiated for certain key reform areas.

IMPLEMENTING AGENCY:

ELD, Government of Sindh.

PAKISTAN: SINDH SKILLS DEVELOPMENT PROJECT

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	21.0	15.7	6.3
Government of Pakistan			
Other			
Total Project Cost	21.0	15.7	6.3

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

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

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

KEY ACHIEVEMENTS:

- Seventy training programs competitively selected. Institute Management Committees with private-sector representation have been established in each of the selected training institutes. One of the four DLIs has been achieved, and disbursements have been made accordingly.
- A technical assistance firm has supported STEVTA in the development of demand-responsive curricula and equipment lists for the training programs selected under component two of the project. The procurement for the equipment is underway and relevant schools are being refurbished, all to be completed by November 2015.
- Over 45,000 youth have received short-term training and an additional 22,000 are currently enrolled in training programs expected to be completed by September 2015.

IMPLEMENTING AGENCY:

STEVTA.

KEY PARTNERS:

Planning and Development Department, Government of Sindh, Benazir Bhutto Shaheed Youth Development Program.

PAKISTAN: PUNJAB SKILLS DEVELOPMENT PROJECT

KEY DATES:

Approved: April 30, 2015
Effective: July 3, 2015
Closing: June 30, 2020

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	50.0	0	50.0
Government of Pakistan	6.3		
Other			
Total Project Cost	56.3	0	56.3

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Slow progress on improvements in human development indicators undermines Pakistan's, and hence the Punjab's, competitiveness, economic growth, and efforts to alleviate poverty. While Punjab, Pakistan's most populous province, still provides the largest share in terms of GDP, it has experienced a sharp decline in economic growth since 2004/2005, remaining under 4 percent in each of the last four years. To address constraints to growth in the province, the Government of the Punjab has prepared an ambitious growth strategy (2015-18) that identifies skills development as one of the key pillars of growth. The main challenges in the skills development sector of Punjab include: a limited supply of skilled workers; a weak institutional framework; a lack of evidence-based policy making; low quality and relevance of training; market failures in industry-provision of training; and low access to skills training. The project aims to support the state government's reform agenda in the skills sector by improving training provision of existing public-training providers with a focus on employability, as well as encouraging private-sector provision of training.

The project development objective is to improve the quality and labor market relevance of skills training programs in priority sectors in the Punjab, as well as access to those programs.

- Component 1 on Improving and Expanding Market-Relevant Skills Training, uses results-based financing to support the achievement of the government's Growth Strategy and the Punjab's Skills Development Strategy and Vision 2018 objectives through five sub-components along three strategic lines: (i) strengthening the skills training system; (ii) improving the quality and relevance of skills training; and (iii) increasing access to market-relevant trades. For each sub-component, a DLI has been identified with time-bound targets.
- Component 2 provides technical assistance and capacity building required to enable the achievement of the DLIs, and to manage project implementation, using a traditional disbursement mode based on unaudited interim financial reports.

KEY ACHIEVEMENTS:

The project became effective on July 4, 2015, and work on the implementation of all Year 1 DLIs is underway. This includes:

- Roll out of the Competency Based Training Assessment plan by Punjab Technical Education and Vocational Training Authority (P-TEVTA).
- Functional reviews and preparatory work for the formulation of Punjab Skills Authority.
- Increased collaboration between training providers and employers to improve quality and relevance of training delivery. P-TEVTA's Board of Management has already approved a partnership framework and related implementation plan to engage with the industry; and at least one partnership agreement will be signed by October 2015.
- Training of 5,000 additional students in market-relevant trades.

IMPLEMENTING AGENCY:

Department of Industries, Commerce and Investment.

KEY PARTNERS:

P-TEVTA; Punjab Vocational Training Council, Trade Testing Board, Punjab Board of Technical Education, Punjab Skills Development Fund.

PAKISTAN: SECOND PUNJAB EDUCATION SECTOR PROJECT

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	350.0	304.3	45.7
Government of Pakistan	3837,0		
Other			
Total Project Cost	4287.7		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Pakistan's performance in education has generally been poor relative to other countries in South Asia, and relative to other developing countries at its level of per capita income. Shortfalls persist in school participation, attainment, and student achievement in Punjab province. In 2010/2011, NERs at the primary, middle, and high school levels were 70 percent, 37 percent, and 25 percent, respectively. The main concern is for children who never go to school: in 2010/2011, 27 percent of 6-10 year olds, and 19 percent of 11-15 year olds, had never been to school. The Punjab Education Sector Reform Program (PESRP) has been underway since 2003. Building on the institutional, administrative, and program foundations of PESRP, the provincial government developed its next medium-term reform program, the Second Punjab Education Sector Reform Program (PESRP II) to accelerate the pace of progress towards its education sector goals. The project development objective of PERSP II is to support the education sector reform program of the Government of Punjab to increase child school participation at multiple levels, as well as student achievement. The project includes:

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

KEY ACHIEVEMENTS:

- Regular funds are transferred to schools in 18 districts to meet non-salary related spending (e.g., teaching and learning materials and school maintenance) with autonomy over spending. School Councils revitalized with responsibility for management of non-salary budgets.
- Successful leveraging of the private sector through a restructured Punjab Education Foundation (PEF) with more than 1.6 million students enrolled in low-cost private schools supported by public financing. Strong accountability regime has been established for PPP through PEF. In addition, 293,000 tuition-replacement vouchers given to poor children in urban slum areas to access private schools.
- Establishment of independent monitoring system that collects monthly data on school performance indicators
- District and school performance report cards distributed to all schools in the province for better accountability.
- A test-based teacher recruitment system has been established. (More than 500,000 candidates have been tested to qualify for a teaching post in the province; more than 22,246 teachers have been recruited based on merit to date.). In addition, a teacher rationalization policy has been implemented by the Government of Punjab to ensure efficient utilization of resources.
- Helped to establish a student assessment system to test about five million students in grades 5 and 8 annually.
- More than 393,000 girls are receiving cash stipends for attending middle and high schools in the worst performing districts of the province.
- Teacher performance bonus program piloted and evaluated for impact on key outcomes.

IMPLEMENTING AGENCY:

School Education Department, Government of Punjab, Program Monitoring and Implementation Unit, PERSP.

KEY PARTNERS:

UK's DFID.

PAKISTAN: TERTIARY EDUCATION SUPPORT PROJECT (TESP)

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	224.3	183.45	40.85
Government of Pakistan	1715.0		
Other			
Total Project Cost	1939.35		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

The tertiary education sector in Pakistan has suffered from many years of neglect, resulting in poor performance and results compared to countries with similar development and income levels. This is one of the factors affecting Pakistan's competitiveness, economic growth, and poverty reduction objectives. To address challenges in higher education, the government has developed a higher education development program (outlined in the second Medium Term Development Framework for Higher Education for 2011-2015 (MDTF-HE II)). 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. It supports the implementation of the first phase of the government's higher education development program outlined in the MTDF-HE II and uses results-based financing. The project objective is to improve teaching, learning, and research conditions to enhance access to and the quality and relevance of tertiary education. It supports government reform in tertiary education under two components:

- Component 1 - Program Financing. This consists of four sub-components, aligned with the government's overall program: (i) improved fiscal sustainability and expenditure effectiveness; (ii) enhanced quality and relevance of teaching and research; (iii) improved equitable access; and (iv) strengthened governance and management.
- Component 2 - Capacity Building, Policy Design, and Monitoring and Evaluation

The project was restructured in January 2014. The objective of the restructuring was to improve implementation performance, which had suffered from the start of the project due to uncertainty regarding the proposed devolution of the Higher Education Commission (HEC) following the 18th Amendment and changes in the HEC senior management. The restructuring, which was successful in jump-starting project implementation, included the cancellation of $77.82 million and the revision of selected DLIs.

KEY ACHIEVEMENTS:

- 1,500 additional faculty members recruited on the Tenure Track System.
- Over 177,000 additional students in public and private Higher Education Institutions (HEIs).
- 54 Quality Enhancement Cells (QECs) performing satisfactorily in HEIs. QECs are a focal point to improve academic, teaching, and learning standards.
- 18 additional Offices of Research, Innovation, and Commercialization (ORICs) performing satisfactorily in HEIs. The main objective of the ORICs is to promote public-private partnerships in research, including commercializing the products of university research.
- Business plans prepared by 70 public universities to improve strategic management, planning, and accountability.
- The development of the next phase of higher education reform, the Medium Term Development Framework for Higher Education 2016-20 (MTDF HE-III), is underway, and incorporates lessons learned from implementation of MTDF-HE II and TESP in its framework. The MTDF-HE III demonstrates the HEC's concern to move up the development ladder of the higher education sector, and to add quality, relevance, and governance factors to the access issue faced by the sector.

IMPLEMENTING AGENCY:

HEC.

PAKISTAN: PUNJAB HEALTH SECTOR REFORM PROJECT

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	100.0	23.07	76.93
Government of Pakistan	830.0		
Other: DFID	165.0	25.0	140.0
Other: HRTIF	10.0	0	20.0
Total Project Cost	1115.0		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Punjab, with 60 percent of the total population, 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. The Government of Punjab has prepared the Punjab Health Sector Strategy (HSS) 2012-2020, based on the health system framework, outlining a clear strategic direction focused on results. The project envisages supporting implementation of the reforms and strengthening the health system to undertake stewardship functions devolved under the 18th Amendment to the Constitution.

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

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

EXPECTED RESULTS:

The success of the project in meeting its objectives are measured by the following indicators: (i) fully immunized children 12-23 months of age; (ii) births attended by skilled health personnel; (iii) modern contraceptive prevalence rate; (iv) children 0-24 months of age receiving basic package of nutrition services; (v) issuance of a certificate of registration for public and private health facilities; and (vi) community satisfaction. Based on available data, the progress on all project development objective indicators is either fully meeting or exceeding the second year provincial level targets. Progress by district will be analyzed when the latest Multiple Indicator Cluster Survey becomes available.

IMPLEMENTING AGENCY:

DoH, Government of Pakistan.

KEY PARTNERS:

UK DFID.

PAKISTAN: REVITALIZING HEALTH SERVICES IN KHYBER PAKHTUNKHWA PROJECT

KEY DATES:

Approved: April 12, 2012
Effective: April 12, 2012
Closing: October 31, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan	45.0		
Trust Fund (MDTF)	10.2	4.66	5.54
Total Project Cost	61.0		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

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

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

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

KEY ACHIEVEMENTS:

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

IMPLEMENTING AGENCY:

Department of Health, Government of KP.

PAKISTAN: ENHANCED NUTRITION FOR MOTHERS AND CHILDREN PROJECT

KEY DATES:

Approved: August 29, 2014
Effective: January 15,2015
Closing: December 31, 2018

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	36.24	7.4	28.84
Government of Pakistan	7.06	0.5	6.56
Other: PPIN TF	11.7		11.7
Total Project Cost	55.01	7.9	47.2

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Pakistan's maternal and child health indicators have improved, but significant challenges remain. It has made minimal progress in improving nutritional outcomes of children and mothers over the last four decades and has high rates of child malnutrition, with 44 percent of children being stunted and 22 percent severely stunted. One in five children is born with low birth weight (less than 2.5 kilograms, kg). In addition, micronutrient deficiencies are widespread – with high rates of iron-deficiency anemia, zinc, iodine folic acid and vitamin A deficiencies having a particularly damaging impact on the survival, growth, development, and productivity of pre-school children and pregnant women. The project development objective is to increase the coverage of interventions that are known to improve the nutritional status of children under 2, and of pregnant and lactating women. IDA credit of $36.24 million will finance Sindh, co-financed by a grant provided through the programmatic trust fund for the Pakistan Partnership for Improved Nutrition (PPIN), administered by the Bank, for Balochistan in an amount of $11.71 million. PPIN also has a commitment of 39 million Australian dollars from the Department of Foreign Affairs and Trade (DFAT) of the Australian Government. The PPIN Trust Fund also will finance nutrition interventions in the province of KP. The project has four components:

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

KEY ACHIEVEMENTS:

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

IMPLEMENTING AGENCY:

DoH, Government of Balochistan, DoH, Government of Sindh.

KEY PARTNERS:

Peoples' Primary Health Initiative, DFAT.

PAKISTAN: SOCIAL SAFETY NET PROJECT

KEY DATES:

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

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	210	131	79
Government of Pakistan			
Other:			
Total Project Cost	4570		

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

The government of Pakistan established BISP in 2008 to help the poor cope with income shocks by providing them with monthly cash transfers and other complementary programs to enhance human development and income-generating opportunities. BISP was set up as an autonomous institution, unanimously approved by parliament in August 2012. Over the last six years, the program has evolved into a modern social safety net system. In 2009, capitalizing on analytical and operational work in the country, the Bank supported strengthening BISP through a Social Protection Development Policy Credit ($150 million) together with a Social Safety Net Technical Assistance Project ($60 million). This support enabled the government to establish appropriate institutional, governance, and accountability arrangements for providing targeted safety nets to the poor. The TA project, among others, supported the national roll out of a targeting system using the Proxy Means Test-based Poverty Scorecard via a door-to-door census. The project also helped the government create a National Poverty Registry comprising information on more than 27 million households (approximately 167 million people) – identifying 7.2 million eligible families (bottom 25 percent of population), and providing payments to more than 4.9 million families, of which 94 percent receive payments through modern technology based mechanisms. To expand coverage of safety net cash transfers and support setting up conditional cash transfers linked to primary education, the project was restructured with additional financing ($150 million) in March 2012. The project aims to support expansion and strengthening of the country's safety net, with particular focus on the BISP. The project components are:

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

KEY ACHIEVEMENTS:

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

IMPLEMENTING AGENCY:

BISP, Government of Pakistan

KEY PARTNERS:

DFID, U.S. Agency of International Development, ADB.

PAKISTAN: DISASTER & CLIMATE RESILIENCE IMPROVEMENT PROJECT (DCRIP)

KEY DATES:

Approved: June 2, 2015
Effective: August 31, 2015 (tentative)
Closing: December 1, 2019

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	125	0	125
Government of Pakistan			
Other:			
Total Project Cost	125	0	125

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

Floods hit parts of Pakistan in early September 2014, including Punjab and the state having jurisdiction over the eight districts of Neelum, Hattian, Bagh, Poonch, Haveli, Kotli, Bhimber and Muzaffarabad (hereby referred to as the "State"). The disaster caused 367 deaths, mostly in Punjab province, in addition to damages to houses, agriculture, transport, irrigation and communications infrastructure. It is estimated by the NDMA that the floods affected over 2.5 million people in both rural and urban areas. The federal and provincial governments were proactive in relief operations in the immediate aftermath of the floods. Following the conclusion of the relief phase, the government moved towards medium- and longer-term planning for recovery, reconstruction, and increasing resilience. The Disaster and Climate Resilience Improvement Project was prepared in response to the government's request for assistance in responding to the floods of 2014.

The project development objective is to support restoration of flood protection infrastructure and strengthen government capacity to manage disasters and climate variability. The project comprises four components:

- Restoring Flood Protection Infrastructure and Upgrading Flood Management Systems ($100 million): This component aims to enhance physical resilience through the restoration, rehabilitation, and improvement of critical flood protection infrastructure.
- Managing Disasters and Climate Variability ($17 million): This component aims to strengthen the government's capacity to better manage disasters. It would finance risk identification, institutional strengthening for improved management of disasters and enhancing fiscal resilience.
- Project Management ($8 million): The component will be implemented through mandated government departments including Punjab Irrigation Department, Punjab Disaster Management Authority, and the State planning and development department. This component will support engagement of additional resources at project implementation units within these departments.
- Contingent Emergency Response Component: In the event of a natural disaster, critical emergency response and recovery costs in the province may be supported through this component upon activation.

KEY ACHIEVEMENTS:

- The project was signed on July 30, 2015.
- Project implementation units have been notified at the implementing agencies, while the procurement process for two consultancies has been initiated, based on preliminary procurement plans.
- The project operations manual is being developed.
- The development of annual work plans by the implementing agencies has been initiated.

IMPLEMENTING AGENCY:

Provincial Disaster Management Authority Punjab.

KEY PARTNERS:

Punjab Irrigation Department, State Planning and Development Department. Punjab Planning & Development Board, ADB.

PAKISTAN: BALOCHISTAN DISASTER MANAGEMENT PROJECT

KEY DATES:

Approved: June 27, 2012
Effective: July 19, 2012
Closing: October 31, 2015

FINANCING:

Financier	Financing*	Disbursed	Undisbursed
IBRD			
IDA	0		
Government of Pakistan			
Trust Fund (MDTF)	5	4.7	0.3
Total Project Cost	5	4.7	0.3

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

The province of Balochistan has experienced several significant natural disasters over the past 10 years. Annual recurring floods between 2010 and 2013, as well as earthquakes, have had a major impact with damages and losses exceeding $620 million, or 6 percent of provincial GDP. Following the enactment in April 2010 of the 18th Constitutional Amendment and the resulting devolution of a number of federal functions to the provincial governments, the provinces have been given disaster management responsibilities within the overall national framework. This translates into increased responsibility for Provincial Disaster Management Authority (PDMA) Balochistan to urgently address the various disaster risk management challenges in the disaster-prone province. Through the Balochistan Disaster Management Project (BDMP), the Bank is supporting the Government of Balochistan in addressing the various institutional and capacity issues at PDMA. The project development objective is to strengthen the capacity of PDMA Balochistan to prepare for and respond to natural disasters. The project comprises four components:

- Institutional Strengthening of PDMA Balochistan ($2.5 million).
- Hazard and Risk Assessment ($1 million).
- Development and Piloting of Community Based Disaster Risk Management (CBDRM) Program ($1.5 million).
- Contingent Emergency Response Component.

KEY ACHIEVEMENTS:

- A Disaster Management Information System has been established at PDMA Balochistan that is linked to the National Risk Information Platform. The risk information collated in the system would lead to informed planning and decision-making.
- An initial draft of the Quetta multi-hazard risk assessment report has been prepared and pending PDMA's approval.
- Almost 100 personnel of PDMA and other departments have been trained in the following subjects: Mainstreaming Disaster Risk Reduction into policy making; end-to-end early warning systems; emergency response; remote-sensing and GIS; logistics and warehouse management; office administration; project management; and computer skills.
- CBDRM: A cadre of 20 master trainers has been established and CBDRM trainings have been rolled out to communities in five Union Councils of Quetta District.
- Day-to-day PDMA functions have been automated through the establishment of an Office Management Information System established through the project.
- A solar power system has been installed at PDMA and is providing 90 percent of PDMA's power needs.
- PDMA has operationalized response standards operating procedures prepared through BDMP. An initial drill/simulation exercise was held by PDMA in coordination with provincial line departments in December 2014.
- Over 20,000 flood and earthquake awareness information packages have been disseminated to local communities and district governments with particular emphasis on reaching out to schools.
- The disaster risk management provincial plan has been prepared and awaiting approval from the Provincial Disaster Management Commission, headed by the chief minister.

IMPLEMENTING AGENCY:

PDMA Balochistan.

PAKISTAN: LARAIB ENERGY

KEY DATES:

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

IFC FINANCING:

	Committed*	Outstanding	Undisbursed
Loan	35.0	30.4	
Equity			
Guarantee			

***$ millions; as of June 30, 2015; revised amount after partial cancellation. For more information see the IFC Project Summary.*

BACKGROUND AND OBJECTIVES:

Laraib Energy Limited is a special purpose company dedicated to develop, construct, operate, and maintain the 84 MW run-of-the-river New Bong Energy hydro power plant in Azad Jammu and Kashmir state 120 kilometers from Islamabad. The project is Pakistan's first private hydro independent power producer (IPP). It sells electricity to the National Transmission and Despatch Company Limited (NTDC), Pakistan's state-owned transmission company, under a 25-year power purchase agreement. The total project cost was $233.6 million funded, with Hub Power Company Limited holding a 75.54 percent stake in it. The project started operating on March 23, 2013. In November 2009, IFC committed a $35 million loan that had a grace period of four years and final maturity in November 2024. The full commitment has been disbursed and is earning an interest rate of six-month Libor +4.75%. The project aims to:

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

KEY ACHIEVEMENTS:

- Creation of 470 temporary jobs in 2011 (target was 400).
- Creation of 38 direct jobs (target was 60).
- Target Power Generation: 470 GWh per annum.

IMPLEMENTING AGENCY:

Islamic Development Bank (IsDB), ADB, Proparco

PAKISTAN: STAR HYDRO POWER LTD

KEY DATES:

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

MIGA DATES:

Approved: June 29, 2012
Signed: June 29, 2012

IFC FINANCING:

	Committed*	Outstanding
Loan	60	0
Equity		
MIGA Guarantee	149	

**$ millions; as of June 30, 2015; revised amount after partial cancellation. For more information see the IFC Project Summary*

BACKGROUND AND OBJECTIVES:

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 state-owned NTDC under a 30-year power purchase agreement. SHPL is 80 percent owned by Korea Water Resources Corporation (K-Water) and 20 percent by Daewoo Engineering and Construction Company Limited. The total project cost is approximately $436 million, including contingencies. In December 2011, IFC committed a $60 million 'A' loan that has a grace period of up to 66 months and final maturity of up to 17 years. In 2012, MIGA issued a guarantee for $148.5 million to cover an equity investment in SHPL by K-water, acting on behalf of itself and Daewoo, incorporated in Pakistan through KDS Hydro Private Limited of Singapore.

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

EXPECTED RESULTS:

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

KEY PARTNERS:

Korea-Exim, ADB, and IsDB.

PAKISTAN: K-ELECTRIC

KEY DATES:

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

IFC FINANCING:

	Committed*	Outstanding
Loan	125	0
Equity**		12.5
Guarantee		

***$ millions; as of June 30, 2015; revised amount after partial cancellation. For more information see the IFC Project Summary.**

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

BACKGROUND AND OBJECTIVES:

K-Electric (KESC, formerly Karachi Electric Supply Company), which has more than 11,000 employees and 2.3 million customers with $2.8 billion in assets, was privatized in 2005 when Al-Jomaih and National Industries Group (the original sponsors) acquired a controlling stake. In order to co-finance a $937 million investment plan by KESC, which included development of new 800-MW gas-fired power-generation plants and the rehabilitation of existing facilities, IFC committed a $125 million 10-year loan with the right to convert $25 million into equity. The ADB also participated in the project with a parallel loan of $150 million. In September 2008, the original sponsors invited Abraaj Capital to partner through an equity investment of $361 million, taking management control of KESC. IFC and ADB facilitated the ownership transition and supported the Abraaj-led turnaround plan by re-profiling the existing loans. Subsequently, IFC also exercised its conversion right in December 2012 and subscribed to $25 million common shares of KESC for a 2.5 percent equity stake. Since IFC's investment, Abraaj-led management has successfully implemented the turnaround plan and achieved significant operational and financial improvements, despite challenging circumstances. In February 2015, IFC and ADB loans were prepaid by KESC by re-financing it through issuance of listed Sukuk bonds in the local market. The development objectives include: (i) eliminating load shedding and meeting incremental demand for electricity in and around Karachi, the nation's largest city; (ii) enabling new residential and business customers to be connected to the grid, thus reducing their cost of obtaining power; (iii) significantly reducing technical and commercial losses of electricity; (iv) improving quality of service to consumers; (v) reducing carbon emissions through development of more efficient and cleaner gas-fired generation; and (vi) demonstrating the benefits of privatization in the country and region.

KEY ACHIEVEMENTS:

- KESC's turnaround has facilitated economic growth through sustainable and reliable supply of power to the largest city in Pakistan, which is also the nation's industrial and financial hub.
- Significant reduction in electricity load shedding to about five hours a day with uninterrupted supply to low-loss and industrial customers. Over 50 percent of the customers do not experience load shedding while blackouts of 8 to 12 hours a day continue in other parts of the country.
- Meeting incremental demand for electricity through an addition of around 1,000 MW in generation, increasing access to electricity for residential, commercial and industrial customers.
- Steady reduction in electricity losses to approximately 24 percent as of March 2015 from 38 percent at the time of IFC's investment.
- Improved quality and reliability of customer service with significant reduction in complaints and response time.
- Reduction in carbon emissions through incremental 1,000 MW of cleaner natural gas-fired generation.
- Demonstrating the benefits of private-sector investment in state-owned utilities in the country and region, a development that is expected to be replicated in the planned privatization of electricity distribution companies in Pakistan.

IMPLEMENTING AGENCY:

ADB.

PAKISTAN: CHINA THREE GORGES SOUTH ASIA INVESTMENT LIMITED (CSAIL)

KEY DATES:

Approved: May 01, 2014
Signed: November 22, 2014

IFC FINANCING:

	Committed*	Outstanding
Loan		
Equity	125	0
MIGA Guarantee		

**$ millions; as of June 30, 2015; revised amount after partial cancellation. For more information see the IFC Project Summary.*

BACKGROUND AND OBJECTIVES:

China Three Gorges Corporation ("CTGC") is one of the largest renewable power companies in the world and is emerging as the largest player in Pakistan's renewable energy sector and a key partner for IFC in Pakistan. CSAIL was established by CTGC through its international investment arm – China Three Gorges International Corporation (CTGI) to serve as a scalable investment platform to develop, own, and operate renewable power generation projects in Pakistan, primarily large run of river hydro projects. IFC has joined CTGI, as a founder shareholder, with 15 percent shareholding for $125 million in CSAIL.

CSAIL's current indicative project pipeline in Pakistan includes seven multi-stage renewable power projects with a cumulative capacity of 2,960 MW. These include an operational 50-MW wind plant, three wind and solar projects for a cumulative capacity of 500 MW, and 2,410 MW in three large hydropower projects, all at the development stage. The vision for CSAIL is to become the largest power producer in Pakistan with a target portfolio size of 10,000 MW by 2020. The project will: (i) help address the country's severe power shortage situation by development of an incremental generation capacity of 3,000 MW (half of the energy shortfall), which will provide access to electricity to almost 6 percent of the total population; (ii) utilize cost competitive, indigenous, renewable resource, which will contribute to significant reduction in the cost of generation and help mitigate Pakistan's reliance on imported thermal alternatives for power generation; (iii) promote private-sector participation in the renewable energy sector in Pakistan by targeting a portfolio of around 10,000 MW over time; and (iv) deliver significant climate change benefits in the form of utilization of indigenous clean energy resources for power generation.

EXPECTED RESULTS:

CSAIL projects, once developed, are expected to achieve the following results:

- Bridge half of the existing supply shortfall, estimated at around 6,000 MW.
- Increase the available generation capacity in Pakistan by 15 percent and renewable power generation by 34 percent.
- Significantly reduce the average cost of generation by substituting the expensive oil-fired generation with low-cost hydros.
- Substantial foreign exchange savings on account of the substitution of imported fuel oil, a critical benefit given Pakistan's balance of payments weaknesses.
- Increase private-sector share in overall generation by 18 percent.
- Provide access to electricity for 11.2 million individuals – 6 percent of the total population.

KEY PARTNERS:

CTGI, Silk Road Fund.

PAKISTAN: PAKISTAN WIND ENERGY PROJECTS

KEY DATES:

Zorlu Energy
Approved: May 20, 2011
Signed: September 22, 2011

Metro Power
Approved: December 17, 2013
Signed: April 14, 2014

Gul Ahmed Wind Power
Approved: January 16, 2015
Signed: January 19, 2015

Dawood TGL
Approved: January 29, 2015
Signed: March 07, 2015

IFC FINANCING:

	Committed*		Outstanding	
	Debt	Equity	Debt	Equity
Zorlu Energy	27.9	-	27.9	-
Metro Power	22.5	3.3	7.1	3.2
Gul Ahmed Wind Power	11.6	3.3	0.7	3.1
Dawood TGL	22.0	7.5	5.8	2.0
Total	84.0	14.0	41.6	8.3

**$ millions; as of June 30, 2015; revised amount after partial cancellation.*

BACKGROUND AND OBJECTIVES:

IFC has taken a lead role in supporting private wind energy projects in Pakistan by investing in four wind projects for a total of 206 MW: (i)56 MW Zorlu Energy; (ii)50 MW Metro Power; (iii) 50 MW Gul Ahmed Wind; and (iv) 50 MW Dawood TGL projects. These projects are being undertaken under the 2006 Policy for Development of Renewable Energy on a Build, Own and Operate basis. The power produced shall be purchased by National Transmission and Dispatch Company (NTDC) under a 20-year Energy Purchase Agreement and fed into the national grid. Government of Pakistan support in the form of a sovereign guarantee for performance and payment obligations of the NTDC are provided in the implementation agreement. Zorlu Energy has been operational since 2013, while the other three projects are under construction and expected to be commissioned by 2016. IFC played an important role in mobilizing a total of $103 million debt from international financial institutions for these four projects.

The four wind energy projects will: (i) help fill the significant power supply demand gap in Pakistan; (ii) promote the use of renewable energy sources and contribute to the diversification of the existing generation mix by reducing the use of expensive imported oil and shifting towards zero emission power; (iii)promote energy efficiency and decrease greenhouse gas emissions; (v) help mobilize funding by other foreign investors to broaden the funding sources for this project as well as future wind projects; and (iv) support local banks to provide sustainable long-term financing for the development of renewable energy projects in Pakistan.

KEY ACHIEVEMENTS:

The projects, once developed, are expected to achieve the following results:

- Generate a total of around 560 GWh of energy on an annual basis, thereby providing additional power supply and helping reduce the power deficit.
- Provide access to electricity for approximately 700,000 people.
- Reduce greenhouse gas emissions of around 300,000 tons of CO2 equivalent per annum.
- Create approximately 200 permanent jobs during operations

KEY PARTNERS:

FMO, Proparco, Overseas Private Investment Corporation, ADB, ETDB, local commercial banks.

PAKISTAN: PACKAGES

KEY DATES:

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

IFC FINANCING:

	Committed*	Outstanding
Loan		
Equity	44.1	44.1
Guarantee		

**$ millions; as of June 30, 2015; revised amount after partial cancellation. For more information see the IFC Project Summary.*

BACKGROUND AND OBJECTIVES:

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

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

KEY ACHIEVEMENTS:

- With IFC's support, Packages was able to undertake programs designed to have a positive impact on climate change (waste paper collection, closed loop system for water and waste heat recovery systems at the plants). It helped reduce carbon emissions from burning of wheat and eliminate approximately 450,000 cubic meters of landfill annually to avoid typical hazards such as contamination of groundwater, residual soil contamination after landfill close, inefficient use of land space and creation of methane, a potent greenhouse gas generated by decaying organic wastes.
- The relocation of the new mill has generated significant economic activity in what was previously an agrarian-based and under-developed part of the country. The increased procurement of wheat straw has positively impacted the incomes of farmers, who used to burn wheat straw for disposal.
- IFC provided advisory services to Packages to increase waste paper collection from the local market, helping the client reduce reliance on imported waste paper. This advisory project was successfully completed in FY2013.

IMPLEMENTING AGENCY:

Packages

PAKISTAN: LIGHTING PAKISTAN

KEY DATES:

Implementation: August 2014 – June 2018

IFC FINANCING:

Financier	Committed*	Outstanding
IFC Advisory Services: Lighting Global/MENA	N/A	N/A

**$ millions; as of June 30, 2015; revised amount after partial cancellation. For more information see the IFC Project Summary.*

BACKGROUND AND OBJECTIVES:

Pakistan is facing one of the most severe energy crisis in the world with 144 million people either off-grid or suffering on average over 12 hours load shedding a day. Annually these families spend $2.2 billion on battery-powered torches, candles and kerosene lanterns for lighting. This crisis impairs Pakistan's capacity for economic growth and leaves families reliant on an expensive mix of traditional lighting technologies that account for on average 13 percent of their household income. Over the last decade. IFC has developed Lighting Africa and Lighting Asia, a series of country-level programs to support the development of new lighting technologies such as quality verified solar lanterns and portable solar housing systems that provide families with clean, safe, and affordable lighting solutions. Lighting Pakistan is IFCs response to Pakistan growing energy crisis.

Lighting Pakistan works to promote the development of a sustainable, clean, and modern solar lighting market in Pakistan targeting households, businesses, and micro-enterprises that are underserved by the grid. The program aims to increase access to lighting and associated services for 1.5 million people through:

- Quality Verification: Working with manufacturers who meet the Lighting Global Minimum Quality Standards.
- Business Development: Providing B2B connections between manufacturers and distributors/financiers.
- Market Intelligence: In-depth research into the off-grid lighting market to support client investment decisions.
- Consumer Awareness: A two-year awareness campaign to help consumers differentiate between good quality and poor quality lighting products.

KEY ACHIEVEMENTS:

- Number of Lighting Global quality-certified products sold: 36, 555.
- Number of people with access to improved services: 182,775.
- Greenhouse gas emissions reduced: 3655.50 tons of CO2 equivalent per annum.

KEY PARTNERS:

Delight, Greenlight Planet, BRC, Sharif International, SRE Solutions, Niwa Energy Gen, First Microfinance Bank, Tameer Bank, Omni voltaic.

PAKISTAN: IMPROVING THE PERFORMANCE OF MSMES

KEY DATES:

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

IFC FINANCING:

	Committed*	Outstanding
IFC Advisory Service IFC Business Edge	N/A	N/A

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the latest Implementation Status and Results Report*

BACKGROUND AND OBJECTIVES:

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

The overall goal of the project is to enhance the business performance and increase the revenues of MSMEs by developing their managerial capacities using BE product and services.

KEY ACHIEVEMENTS:

- BE-accredited training providers have trained a total of 12,213 individuals, of whom 2,419 (20 percent) were women, from 2,545 MSMEs, government and development organizations.
- The project is working with 18 BE-accredited local training providers.
- The project has trained 359 trainers, including 101 women (28 percent) in Pakistan.
- The project has localized/translated 53 training manuals/workbooks into Urdu.

Impact Assessment:

An impact assessment of BE workshops in Pakistan was conducted in July 2014 to determine whether the training workshops had any impact on the performance of MSMEs, particularly with respect to key dimensions of the business such as revenue, productivity, cost, profitability, and staff turnover. The impact assessment shows that a large majority of owners/managers (94 percent) noted the impact of the trainings on their respective MSMEs to be positive. None of the respondents reported any negative impact. Respondents noted significant contribution of the training in improving their sales revenue (81 percent) and profitability (75 percent), decreasing costs (68 percent), and increasing customer satisfaction (66 percent). Only 14 percent of the respondents were able to access finance.

Results under MDTF (WB/IFC) project:

- Business Edge has trained 15 Pashto-speaking trainers to conduct training for the MSMEs.
- 23 training modules are available in Pashto.

KEY PARTNERS:

Training House Consulting, Empowerment Thru Creative Integration , Management Development Institute, Fulcrum, Aga Khan Rural Support Program, National Productivity Organization, Pakistan Institute of Management, New World Concepts, Institute of Business Administration Karachi, Agribusiness Support Fund Learning Minds Group, Kashf Foundation Lahore, Star Farms Limited, Advantedge and Partners Limited, Institute of Management Sciences Peshawar, Institute of Business Management Karachi, IECnet Peshawar, Total Quality Solution Lahore and Socio Economic Development Consortium.

PAKISTAN: BANK ALFALAH LIMITED

KEY DATES:

Approved: September 12, 2014 (Equity)
Signed: November 20, 2014
Invested: December 18, 2014 (Equity)

IFC FINANCING:

	Committed*	Outstanding
Loan		
Equity	66.7	66.7 (at cost)
Guarantee**	4.3	4.3

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the IFC Project Summary.*
*** Total GTFP facility approved amount is US$40 million.*

BACKGROUND AND OBJECTIVES:

Bank Alfalah Limited (BAFL) is the fifth largest private-sector bank in the country. It has 648 branches, including 157 Islamic Banking Branches. BAFL has an asset base of $7.7 billion, deposits of $5.9 billion, and an equity base of $471 million as of June 15 with a ~6% market share (based on total assets). It also has presence in Bangladesh, Afghanistan and UAE, and is listed on the Karachi, Islamabad and Lahore Stock Exchanges. BAFL has the fourth largest Islamic banking set up in the country in terms of branches that are spread across Pakistan. It is majority owned by the Abu Dhabi Group comprising members of the Al Nahyan family, one of the ruling families of the United Arab Emirates, and leading businessmen and associates based in UAE.

IFC's relationship with BAFL started in 2007 through the Global Trade Finance Program (GTFP) with an original limit of $20 million that was later enhanced to $40 million. On the Advisory Services (AS) side, IFC completed a SME advisory program with the BAFL related to capacity building of its SME banking operations in June 2014. This engagement paved the way for an equity opportunity in BAFL and IFC made an equity investment of $66.7 million for 15 percent stake in 2014. IFC is now engaged with BAFL on other AS discussions including agri financing and digital finance.

The equity investment provided critical capital support to BAFL. IFC's investment will support BAFL in growing its conventional and Islamic banking operations, increasing penetration into priority areas like SME banking and agri finance, and help improve access to finance.

KEY ACHIEVEMENTS:

While this is a relatively new investment and its results are yet to be seen. Some of the benefits of this investment and previous engagements are as follows:

- IFC's equity investment provided critical capital support enabling BAFL to continue with its growth trajectory.
- IFC has nominated Efstratios Georgios (Takis) Arapoglou to the Board of BAFL. He was elected on May 27, 2015. The nominee brings extensive global knowledge of the financial sector and will provide guidance to help NABL achieve its strategic growth objectives.
- The SME Advisory project ran from June 2012 to June 2014, when a new SME unit was set up. Credit processes were re-engineered to be more efficient and attuned to the smaller SMEs, and competitive differentiation was ensured through introducing non-financial advisory function. BAFL became the first bank in the country to host the IFC's SME toolkit, which offers a web-based platform for market outreach.
- The GTFP facility helped BAFL finance trade commitments of more than $365 million since inception, supporting trade of essential commodities such as oil and gas, agricultural products, chemicals, and others.
- BAFL has developed an environmental and social management system and has started implementing it across its portfolio. This is expected to have a demonstration effect and will help in making sustainable lending a sector-wide trend.

IMPLEMENTING AGENCY:

BAFL, Abu Dhabi Group.

PAKISTAN: HABIB BANK LIMITED (HBL)

KEY DATES:

Approved: April 08, 2015 (Senior Loan and Equity)
Signed: April 09, 2015
Invested: April 17, 2015 (Equity) and April 20, 2015 (Senior Loan)

IFC FINANCING:

	Committed*	Outstanding
Senior Loan**	150	150
Equity	75	75
Guarantee***	7	7

**$ millions; as of June 30, 2015; revised amount after partial cancellation; For more information see the IFC Project Summary.*
*** IFC Participation is with $86 million while $64 million was mobilized by IFC acting in its capacity as implementing entity for the Managed Co-Lending Portfolio Program.*
**** Total GTFP facility approved amount is $50 million.*

BACKGROUND AND OBJECTIVES:

The loan will support HBL's domestic and international growth, including financing the growth of SMEs, rural/agri-finance, sustainable energy finance (SEF) and women-owned businesses while the equity helped the Government of Pakistan successfully complete HBL's privatization.

In 2014, under the privatization program supported by the IMF, the government was looking to divest its shareholdings in the banking sector, including the balance 41.5 percent shares in HBL, valued at over $1 billion. This was considered to be the largest equity offering of a Pakistani corporate in the domestic and international capital markets. To facilitate the offering, the government sought IFC's support to catalyze international investor interest. IFC brought in CDC Group to invest $121 million and IFC's name helped attract other international investors like Lazard, Templeton and Fidelity, enabling the issue to be over-subscribed by 1.6 times with foreign investors participating with $750 million (75 percent of the offering). Thus, IFC supported the government in achieving critical targets and the development of Pakistan's capital markets.

Given HBL's reach of more than 1,600 branches, the investments in HBL are expected to have a transformational impact in an IDA country ranked fifth globally among financially excluded populations. It will help increase financial inclusion, SMEs and rural and agri finance, women-owned businesses and SEF. It will also support HBL's expansion in markets that are important for Pakistan for trade and remittances.

KEY ACHIEVEMENTS:

IFC's investment in HBL is the largest investment by IFC in Pakistan, including mobilization, and was processed in a record time of 36 days. By fast tracking the loan and equity and processing them simultaneously, IFC was able to respond to the needs of the government and HBL, and help the government meet critical targets under the IMF program.

- IFC's participation in the equity attracted significant investor interest and helped the largest equity offering by a Pakistani entity to be oversubscribed by 1.6 times. IFC's support was critical amid the security, political, and economic uncertainties in Pakistan.
- HBL has disbursed 75,373 new SME loans amounting to $3.3 billion and has opened 215,097 new SME deposit accounts since September 2011 with help from IFC SME AS that was completed in June 2013.
- IFC Agri AS is expected to complete by June 2016. It has helped HBL disburse 23,944 new agri loans amounting to $1.15 billion.
- IFC has recently completed women markets advisory project with HBL. HBL has already added 287,002 new deposit accounts for women and disbursed 5,066 consumer loans to female borrowers since October 2014.
- The GTFP facility helped HBL finance trade commitments of more than $530 million since inception, supporting trade of essential commodities such as oil and gas, agricultural products, chemicals and others.
- HBL has developed a comprehensive environmental and social management system and has started implementing it across its portfolio. Given that HBL is the largest bank in the country, this will have a demonstration effect and will help in making sustainable lending a sector-wide trend.

IMPLEMENTING AGENCY:

HBL

KEY PARTNER:

Aga Khan Fund for Economic Development

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