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Investing in rural people

## Islamic Republic of Pakistan

### Country strategic opportunities programme

#### Note to Executive Board representatives

Technical questions:

**Hubert Boirard**  
Country Programme Manager  
Asia and the Pacific Division  
Tel.: +39 06 5459 2298  
e-mail: h.boirard@ifad.org

Focal points:

Dispatch of documentation:

**William Skinner**  
Chief  
Governing Bodies Office  
Tel.: +39 06 5459 2974  
e-mail: gb\_office@ifad.org

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For: **Review**

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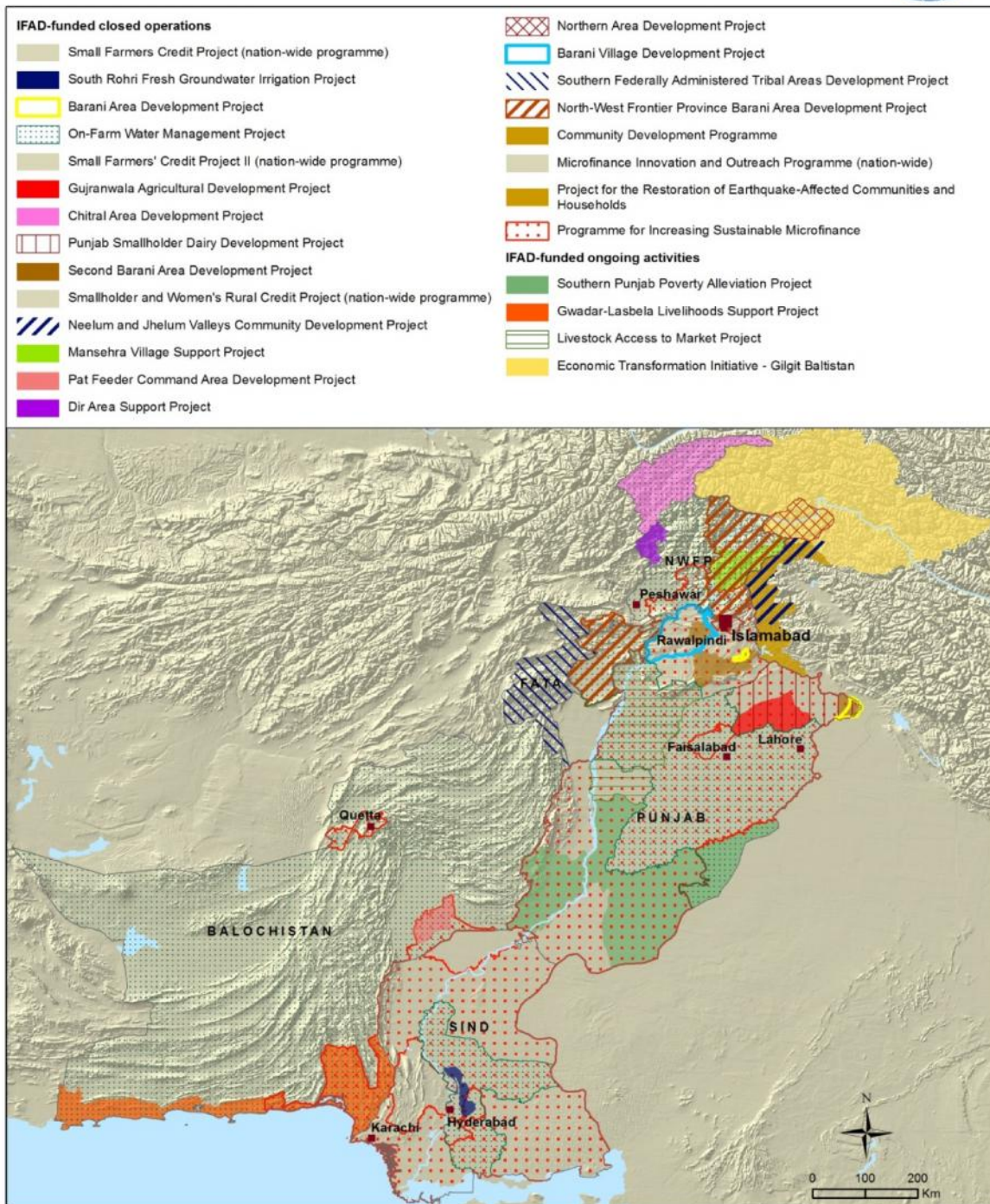
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## **Abbreviations and acronyms**

AJK	Azad Jammu and Kashmir
AJKCDP	Azad Jammu and Kashmir Community Development Programme
BISP	Benazir Income Support Programme
COSOP	country strategic opportunities programme
CPE	country programme evaluation
FAO	Food and Agriculture Organization of the United Nations
IOE	Independent Office of Evaluation of IFAD
M&E	monitoring and evaluation
PBAS	performance-based allocation system
PPAF	Pakistan Poverty Alleviation Fund
RSP	rural support programme
SDG	Sustainable Development Goal
SSN-TUP	PPAF's Social Safety Net – Targeting Ultra Poor Program
WFP	United Nations World Food Programme

# Map of IFAD-funded operations in the country

Islamic Republic of Pakistan  
IFAD-funded operations



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
Map compiled by IFAD | 06-06-2016

## Executive summary

1. The goal of this 2016-2021 country strategic opportunities programme (COSOP) is to contribute to sustainable rural poverty reduction, directly complementing the Government of Pakistan's Vision 2025, which aims to reduce poverty by half by that year.
2. The COSOP is fully aligned with government policies on agriculture and rural development, climate change adaptation and nutrition, and builds on lessons learned from IFAD-funded projects and the 2008 country programme evaluation, and on IFAD's Strategic Framework 2016-2025. The main focus is on consolidation and scaling up, with long-term commitment to the provinces with the highest incidence of rural poverty.
3. Key lessons learned from IFAD's operations in Pakistan include the following: (i) the Benazir Income Support Programme poverty scorecard allows effective targeting of the most vulnerable people; (ii) investments in agricultural development do not necessarily benefit very poor and landless people; (iii) poverty graduation models generate sustainable results; (iv) vocational and entrepreneurship training, combined with start-up capital activities, are key to skills enhancement and boosting youth self-employment; (v) investments in pro-poor rural infrastructure improve access to social and economic services; (vi) climate change has an increasing impact on agriculture and poor rural people; and (vii) the addressing of nutrition requires a mainstreamed approach.
4. The strategic approach is to: (i) focus on long-term support through province-/region-based programmes; (ii) scale up successful models of poverty reduction; (iii) concentrate efforts in the four priority provinces; (iv) consolidate existing institutional arrangements; (v) leverage provincial and federal cofinancing; (vi) strengthen collaboration with the World Food Programme and the Food and Agriculture Organization of the United Nations, particularly on nutrition and food security resilience; and (vii) mobilize capacity-building and technical assistance to ensure economic transformation and the sustainability of interventions.
5. **Strategic objectives:**
  - (a) **Strategic objective 1:** Promoting poor rural households' economic transformation by pursuing expansion and scaling up of successful poverty graduation approaches;
  - (b) **Strategic objective 2:** Policy and institutional strengthening for community-led development by supporting and consolidating strategic objective 1 at the provincial level; and
  - (c) **Strategic objective 3:** Building resilience for sustainable nutrition and food security through partnerships in support of the Government's National Zero Hunger Action Plan.
6. **Pipeline 2016-2021.** The first 2016-2018 performance-based allocation system allocation (about US\$90 million) will scale up the Azad Jammu and Kashmir Community Development Programme II and the National Poverty Graduation Programme. The pipeline for the 2019-2021 cycle will be developed during the COSOP's midterm review in 2018.
7. Policy engagement will be guided by the strategic objectives and the decentralized institutional context. Priority themes per province will be: in Azad Jammu and Kashmir, institutionalization of the community development approach; in Gilgit-Baltistan, development of a fair, enforceable land tenure system; and in the four provinces, translation of the National Climate Change Policy for adoption at the provincial level.

8. Climate change and nutrition will be addressed through strategic objective 3 by:
  - (i) mainstreaming climate resilience considerations in country programme activities; and
  - (ii) ensuring that poverty graduation investments are all nutrition-sensitive.

# Islamic Republic of Pakistan

## Country strategic opportunities programme

### I. Country diagnosis

#### A. Geographic, economic and demographic context

1. The Islamic Republic of Pakistan is the sixth most populous country in the world (with a population of 191 million), the twenty-sixth largest economy (with an estimated gross domestic product [GDP] of US\$929 billion)<sup>1</sup> and the thirty-sixth largest country in terms of area (881,913 km<sup>2</sup>). It is a federal parliamentary republic consisting of four provinces and four federally administered territories. Ranging from the coastal areas of the south to the glaciated mountains of the north, Pakistan's landscape varies from plains to deserts, forests, hills and plateaux. Each administrative entity is different in terms of geography, ethnic stock, climate, economy and language.
2. Pakistan is a lower middle-income country, with an average income per capita of US\$1,512.<sup>2</sup> The economy is based mainly on the service sector (59 per cent), followed by agriculture (21 per cent) and industry (20 per cent). The agriculture sector employs 44 per cent of the national workforce.
3. After persistent economic stagnation during the period 2008-2013, the economy has improved, with a 3.4 per cent GDP per capita growth in 2015. Despite this, it still faces significant challenges, compounded by public debt at 62 per cent of GDP and an inflation rate of 4.5 per cent in 2016. While significant investments have recently been made in major infrastructure, social sectors have not received the same attention. The security situation has improved considerably, but remains challenging.
4. Today, 61 per cent of the population of Pakistan (116 million people)<sup>3</sup> live in rural areas; 32 per cent of young people are illiterate and only 6 per cent have technical skills.<sup>4</sup> In 2050, the country's population is projected to reach 302 million (at 1.9 per cent annual growth).
5. Pakistan's rural labour force is expected to increase until 2030 (FAOSTAT),<sup>5</sup> indicating continuing pressure on the average size of farms. The stagnation of rural wages that has characterized the last decade<sup>6</sup> will persist, and rural outmigration will continue at an accelerated pace unless non-farm employment opportunities can be created for rural youth. Increasing labour productivity is key if Pakistan is to avoid transforming the current demographic dividend into a middle-income trap by the time the population ages.
6. Since 2008, decentralization at the provincial level has been fully effective. Major devolution of responsibilities (including fiscal), functions and services from the federal to the provincial level was enacted by the eighteenth amendment to the Constitution. All key sectors related to IFAD's mandate are now completely devolved to the provinces, along with the corresponding financial resources. Policy coherence and sector prioritization remain to be adjusted.

<sup>1</sup> World Bank, *Gross domestic product 2014, Public/Private Partnership* (Washington, D.C, 2 July 2015).

<sup>2</sup> Ministry of Finance, *Pakistan Economic Survey* (Karachi: Government of Pakistan, 2014/15).

<sup>3</sup> Ibid.

<sup>4</sup> UNDP, Pakistan, *Update on Security and Political Situation in Pakistan* (Karachi, February 2015).

<sup>5</sup> FAO's online database for food and agriculture statistics (<http://faostat.fao.org>).

<sup>6</sup> S. Wiggins and S. Keats, *Rural Wages in Asia* (London: Overseas Development Institute, 2014).

## B. Rural poverty context

7. In 2015, the Government redefined the cost of the calorie-based poverty line from 2,350 Pakistani rupees per adult per month to 3,030 Pakistani rupees (about US\$29) per adult per month.<sup>7</sup> Based on this new definition, 30 per cent (59 million) of the total population is defined as poor and an additional 20 million have been declared vulnerable. Up to now, the performance of Pakistan on most Millennium Development Goal targets – including education, gender, health, nutrition and infant mortality<sup>8</sup> – has been below expectations.
8. In 2008, the Government carried out a nationwide poverty survey for a national poverty scorecard, ranking households on a scale from 0 to 100. The corresponding IFAD target groups<sup>9</sup> are households with a score from 0 to 34 (approximately 97 million people). This includes extremely poor people (band 0-11: 3 million), chronically poor people (band 12-18: 19 million), transitorily poor people (band 19-23: 37 million) and transitorily vulnerable people (band 24-34: 38 million).
9. Women in rural Pakistan are particularly disadvantaged in terms of access to basic social services and livelihood opportunities. They traditionally handle heavy daily workloads and carry out a wide range of tasks in agriculture, livestock-raising and off-farm activities.

## C. Key issues for IFAD target groups

10. **Chronic poverty.** IFAD target groups include the landless, sharecroppers and smallholder tenants. Extremely and chronically very poor people suffer from intergenerational poverty, lack of land and assets, and no access to credit, extension services, markets, training and information. Experience has now demonstrated that the poorest people cannot escape poverty through one-off interventions or unconditional cash grants alone. A key challenge for Pakistan will be to reduce rural poverty in the face of limited access to land.
11. **Nutrition.** Nutrition and year-round access to adequate food are also major challenges for poor rural people. Pakistan ranks seventy-sixth out of 107 on the 2015 Global Food Security Index.<sup>10</sup> According to Pakistan Vision 2025, 60 per cent of the country's population is facing food insecurity, and nearly 50 per cent of women and of children under five years of age are malnourished.
12. **Infrastructure and services.** Transportation and market infrastructure, education, literacy, mechanization and other services remain limited, constraining effective value chain development.
13. **Climate change.** Pakistan is vulnerable to climate change, and has experienced major floods since 2010, prolonged droughts in the arid zones of the south and south-west and unpredictable irrigation supplies for its vast Indus-basin-dependent agriculture. Water security for both agriculture and domestic use is becoming critical, and climate resilience practices need to be transferred to poor rural people to reduce vulnerability.

## D. Government policies for rural poverty reduction

14. Pakistan's national poverty reduction strategy is based on Pakistan Vision 2025, which aims to reduce poverty by half by that year and lift Pakistan to upper middle-income status. The resulting policy agenda is focused on economic growth, a knowledge economy, social justice and protection and universal access to quality social services. Similarly, agriculture and rural non-farm sectors remain

<sup>7</sup> <http://tribune.com.pk/story/1080732/poverty-definition-revised-numbers-out-three-out-of-every-10-pakistanis-are-poor/>.

<sup>8</sup> Ministry of Planning, Development and Reform and UNDP Pakistan, *Pakistan Millennium Development Goals Report 2013* (Karachi: Government of Pakistan, 2014).

<sup>9</sup> Refer to key file 4 at the end of this document.

<sup>10</sup> World Food Programme, *Global Food Security Index* (Rome, 2015).



crucial to the country's overall poverty reduction strategy, recognizing that they represent valuable sources of employment. Correspondingly, key programmes being pursued include the following:

15. **Benazir Income Support Programme (BISP).** The BISP, initiated in 2008, is the largest social safety-net programme in Pakistan's history, providing cash transfers of some US\$18/month to eligible families (band 0-16) for a total budget of about US\$1 billion annually. However, BISP experience shows that cash transfers alone cannot eradicate poverty sustainably unless they are integrated into a more comprehensive poverty graduation approach.
16. **Social protection initiatives in Punjab and Khyber Pakhtunkhwa.** Some provinces have initiated their own social protection strategies and institutions. While Punjab has already established its social protection authority, Khyber Pakhtunkhwa is at an advanced stage in establishing one.
17. **Skills development and credit programmes.** Skills development and interest-free credit programmes focused on youth are designed to contribute to poverty reduction and job creation. The Prime Minister's Credit Programme for Employment Generation – implemented through the Pakistan Poverty Alleviation Fund (PPAF) and 24 microfinance institutions – aims to reach one million clients in three years.

## **E. Country, sector and programme risks**

18. Key risks for more effective and responsive interventions in rural poverty reduction include or relate to the following issues:
  - (a) **Security.** Government efforts over the last three years against extremism and militancy have improved the security situation across the country. Nevertheless, while areas identified for IFAD investments under this COSOP are relatively stable, flexibility will be exercised;
  - (b) **Decentralization.** Since 2008, provinces are fully autonomous in matters of policy, development planning and funding allocation. Requests to IFAD are now initiated at the provincial level and validated at the federal level, requiring a deeper engagement by IFAD's programme at the provincial level;
  - (c) **Policy engagement.** Based on the 2014 results of the World Bank's Country Policy and Institutional Assessment, Pakistan was rated 2.5 (in a range of 1 to 6), with no major change since 2011. By promoting dialogue platforms at federal and provincial levels, and with the support of the agriculture donor group, IFAD will contribute to policy debate and advocacy in priority domains;
  - (d) **Good governance.** Transparency International's Corruption Perceptions Index 2015 ranked Pakistan 117<sup>th</sup> of 168 countries/territories. IFAD also classifies Pakistan as an inherently high risk country for financial management. Subsequently, mitigation measures were set up to enhance transparency and accountability, including more rigorous systems of internal control, use of accounting software, and internal and external audit; and
  - (e) **Project start-up and performance.** In the past, most projects suffered start-up delays due to weak capacity and procedural inadequacies. Based on a programmatic approach, future IFAD investments will scale up ongoing projects, proactively engage project management units (PMUs) in design and ensure bridging between provisions of financing. Non-performing projects will be partially or totally cancelled in accordance with ongoing practice.

## **II. Previous lessons and results**

### **IFAD portfolio in Pakistan**

19. Since 1978, IFAD has approved 27 projects for a total of US\$575 million (US\$2.2 billion including cofinancing); four projects are ongoing.

20. Today, the key lessons learned, which inform the new COSOP, derive primarily from the findings of the Pakistan country programme evaluation (CPE) and the AJKCDP completion evaluation, carried out by the Independent Office of Evaluation of IFAD (IOE), and the independent evaluation of PPAF's Social Safety Net – Targeting Ultra Poor Program (SSN-TUP). Other lessons stem from IFAD's portfolio experience in general.
21. IOE carried out the CPE in 2008, a post-project assessment of AJKCDP in 2015, and project completion validations of the Microfinance Innovation and Outreach Programme and the Programme for Increasing Sustainable Microfinance, implemented by the PPAF. IOE's findings recognized the performance and contribution of IFAD investments in human and social capital, food security, production and productivity, asset creation for poor people (in particular, the economic transitioning of ultra-poor people), and institutional strengthening, especially at the community level.
22. The 2008 CPE recommendations remain valid today and are taken fully into account as follows:
  - (a) Better balance between agricultural and non-farm investments. Ongoing and proposed new investments target non-farm households, promote off-farm rural financial products and provide non-farm vocational training;
  - (b) Capacity development support to decentralized entities. Through partners, IFAD will continue to finance local development to be implemented through the communities. Azad Jammu and Kashmir (AJK) is the first province willing to institutionalize this third level of decentralization and has requested IFAD support. If this model is successful, it may be scaled up in other provinces;
  - (c) Working in disadvantaged, remote and conflict-ridden areas. IFAD maintains presence in the poorest and most-difficult areas, such as south Punjab, south Balochistan and Gilgit-Baltistan. New investment will also be channelled to AJK, and IFAD will continue to concentrate on these four provinces; and
  - (d) Promote innovation.

Most activities proposed under this COSOP aim to scale up and integrate innovations promoted by IFAD, such as graduation of ultra-poor people, promotion of local development, youth off-farm or overseas employment, special credit products for fishers and farmers, and a food security safety net.

**Key results and scaling-up opportunities for rural poverty reduction**

23. IFAD and the PPAF successfully piloted the Bangladesh Rural Advancement Committee graduation model for 3,000 households under the SSN-TUP in 2007. Targeted households were provided with productive assets, skills enhancement, a subsistence allowance, access to health services and opportunities to build up savings. An evaluation demonstrated that income increased by 178 per cent and assets by 198 per cent over the period 2008-2012, compared with 41 per cent and 90 per cent for a control group (non-beneficiaries). The ongoing Southern Punjab Poverty Alleviation Project and Gwadar-Lasbela Livelihoods Support Project also demonstrate tangible and sustainable results in upgrading extremely, chronically and transitorily poor people in band 0-23.
24. The IFAD-financed AJKCDP, which closed in 2013, has been internalized and institutionalized by the Government of AJK, particularly the model of strengthening the role and capabilities of community organizations as part of an effective and sustainable decentralized approach to local development. More than 60 per cent of the community organizations established or supported were able to achieve a level of maturity likely to guarantee their sustainability over the long term and serve as key entry points in community development planning and implementation.

25. On the basis of the above, it is confirmed that the graduation model for ultra-poor people and the community development approach are powerful tools in sustainably eradicating extreme poverty and should be scaled up.

**Key lessons learned in rural poverty reduction**

26. Overall, key lessons learned from past and ongoing IFAD-financed interventions are the basis for informing the orientation and strategic approach of the new COSOP. These lessons comprise the following:
- (i) The BISP poverty scorecard, which is currently being updated, allows effective targeting of the most vulnerable people;
  - (ii) Investments in agricultural development do not necessarily benefit very poor and landless people. Mixed and customized interventions are needed, especially with the huge diversity observed in Pakistan;
  - (iii) Vocational and entrepreneurship training, combined with start-up capital support activities, are key to boosting self-employment;
  - (iv) Evidence shows that investments in pro-poor rural infrastructure have improved access to social and economic services and support value chain development;
  - (v) Capacity-building of community organizations must be institutionalized as part of the third-tier decentralization process, with formal linkages to government budget systems to ensure the relevance and sustainability of investments;
  - (vi) Strengthening the resilience of poor rural people to climate change has to be systematically integrated, in collaboration with development partners, to minimize investment risk at the household level;
  - (vii) Nutrition is a complex issue and requires a mainstreamed approach, undertaken in partnership with specialized institutions (such as the Food and Agriculture Organization of the United Nations [FAO] and World Food Programme [WFP]); and
  - (viii) Institutional arrangements should be simplified for efficiency. This favours establishing direct implementation arrangements with experienced national non-governmental institutions such as the PPAF or the National Rural Support Programme (NRSP).

### **III. Strategic objectives**

27. The goal of IFAD-supported ongoing and new programmes in the next six years is to reduce rural poverty sustainably and to directly contribute to Pakistan Vision 2025.
28. The strategic approach will:
- (i) Focus on long-term support through provincial/regional-based programmes and will scale up successful models of poverty reduction demonstrated by IFAD-funded projects (the graduation model and community development). The BISP scorecard will be used to pre-identify the poorest households;
  - (ii) Concentrate on the four priority provinces (AJK, Balochistan, Gilgit-Baltistan and Punjab);
  - (iii) Be implemented under existing institutional arrangements (i.e. no new PMU) and partners (the NRSP and PPAF);
  - (iv) Leverage significant cofinancing by provincial and federal governments;

- (v) Strengthen more systematic collaboration with WFP and FAO on key challenges to be mainstreamed, such as climate change, water security and nutrition; and
  - (vi) Provide capacity-building and technical assistance to community organizations and public institutions to enable them to ensure sustainability of the interventions.
29. **Strategic objectives.** To achieve the goal, the IFAD-supported programme will focus on pursuing three strategic objectives, which have been chosen on the basis of IFAD's strategic vision and comparative advantage.

**Strategic objective 1: Promoting the economic transformation of poor rural households.** The COSOP will pursue an approach of expansion and scaling up of successful poverty graduation approaches through synergies with current social assistance programmes such as BISP. Indicative interventions would include economic transitioning of extremely, chronically and transitorily poor people (band 0-23) through asset building, vocational training, access to microfinance, technical assistance and institutional capacity-building. Women and youth will be priority target groups across the range of interventions.

**Strategic objective 2: Policy and institutional strengthening for community-led development.** Strategic objective 2 will support and consolidate strategic objective 1 at the provincial level by institutionalizing poverty graduation and community-driven development approaches.

**Strategic objective 3: Building resilience for sustainable nutrition and food security.** This objective will be achieved through government, WFP and FAO support of the Government's National Zero Hunger Action Plan. Key interventions will include: women's management of community food banks linked to provincial disaster management agencies (1,500 poor/vulnerable communities); promotion of climate-smart agriculture and production systems (with FAO and the Consultative Group on International Agricultural Research [CGIAR]); and investments in and promotion of innovative irrigation and water-harvesting systems in collaboration with other donors, research institutes and universities.

30. **Alignment with national priorities.** The strategic objectives and thematic areas are aligned with key government priorities and strategies, and particularly Pakistan Vision 2025, the Medium-Term Development Framework 2011-2015 and the second Poverty Reduction Strategy Paper.<sup>11</sup>
31. **Alignment with IFAD's Strategic Framework 2016-2025.** COSOP strategic objectives and thematic areas of focus are in line with IFAD's Strategic Framework goal and, specifically, with strategic objectives 1, 2 and 3 ("increase poor rural people's productive capacities", "increase poor rural people's benefits from market participation" and "strengthen the environmental sustainability and climate resilience of poor rural people's economic activities").
32. **Alignment with and contribution to the Sustainable Development Goals (SDGs).** The strategic objectives also derive their rationale from SDG 1 ("end poverty in all its forms everywhere") and SDG 2 ("end hunger, achieve food security and improved nutrition and promote sustainable agriculture"), and will also contribute to SDG 5 - "achieve gender equality and empower all women and girls", SDG 6 - "ensure availability and sustainable management of water and sanitation for all" and SDG 13 - "take urgent action to combat climate change and its impacts".

<sup>11</sup> The Government has issued an abridged version of PRSP-II. The process of finalizing the full plan is at an advanced stage and has focused on areas such as education, health, water and sanitation, employment generation, and globalization and its impact on Pakistan's economy.

33. **Pipeline 2016-2021.** In line with the above diagnostics, lessons learned and exchange with provincial and federal governments, the indicative 2016-2018 performance-based allocation system (PBAS) allocation of US\$90 million will focus on the following programmes:
- (i) The Azad Jammu and Kashmir Community Development Programme II (AJKCDP II) will scale up and institutionalize the successful community development approach initiated through IFAD Loan 625-PK, implemented from 2004 to 2012. The Government of AJK has internalized this approach through its own resources in the interim and has requested IFAD to provide technical and financial support to complete this third level of decentralization. The AJKCDP II will be a six-year programme with an estimated cost of US\$60 million, including a US\$45 million loan from IFAD, with the balance contributed by the Government of AJK and beneficiaries; and
  - (ii) The National Poverty Graduation Programme (NPGP) will build on the PPAF's successful and continuous poverty graduation work in Pakistan, focusing on some five million poor and vulnerable people in the most deprived areas of the country, with the objective of fostering graduation of 1 million people out of poverty (160,000 households). Initial financing will be about US\$100 million, with US\$50 million from IFAD, US\$25 million from the Government and US\$25 million from the PPAF.
34. The pipeline for the 2019-2021 cycle will be developed during the COSOP midterm review in 2018.

## IV. Sustainable results

### A. Targeting and gender

35. **Targeting strategy 2016-2021.** In line with Reaching the Rural Poor: IFAD Policy on Targeting, exchanges with provincial and federal governments and IOE recommendations, the targeting strategy of the IFAD-supported programme for the period 2016-2021 will focus on:
- (a) The four priority provinces identified (AJK, Balochistan, Gilgit-Baltistan and Punjab);
  - (b) The poorest villages in these provinces, under a clustered approach favouring efficiency gains; and
  - (c) The poorest households, pre-identified through the BISP and validated by communities and social mobilization partners. People in band 0-34 will remain the IFAD target group,<sup>712</sup> with a particular focus on extremely poor (band 0-11), chronically poor (band 12-18) and transitorily poor people (band 19-23).
36. **Gender and youth strategy.** With the aim of strengthening women's economic status and decision-making capacity, interventions will directly support:
- (i) improved access and control over assets; and (ii) increased voice and decision-making within the household, community and relevant organizations. The COSOP will build on previous successful practices and lessons learned from IFAD operations in Pakistan, such as the development of gender-sensitive financial services, support to the recognition of women's roles in agriculture and the importance of interventions exclusively targeting women. The combined support of women's economic empowerment and improved voice and decision-making will result in: (i) women's enhanced capacity to address their needs within their communities and in development plans; (ii) women's strengthened asset base;

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<sup>12</sup> Refer to key file 4 at the end of this document.

- (iii) improved control over income generated by economic activities; and
- (iv) improved household nutrition status.

37. Population demographics also indicate attention to the youth agenda: a comprehensive package of support to build vocational and entrepreneurial skills, complemented by access to finance, will also be pursued.

## **B. Scaling up**

38. The 2016-2021 strategy seeks to promote systematic scaling up of innovations as a main priority of the IFAD/Pakistan partnership.

**At the project level:** (i) scaling up will be systematically included in underlying principles and expected results in each new project, and a clear scaling-up strategy/mechanism will be defined during design; (ii) progress towards scaling up will be adequately monitored and reported during implementation; and (iii) resources will be allocated to facilitate scaling up.

**At the portfolio level:** a programmatic approach will be adopted, i.e. an institutional mechanism/process that facilitates identification, documentation, assessment and dissemination/replication of scalable innovations generated by activities on the ground. Responsibility will be assigned to the IFAD Country Office (ICO).

**At the international level:** mechanisms will be employed to share best practices and scalable innovations between Pakistan and other countries through South-South cooperation as one possible outlet for scaled up good practices.

## **C. Policy engagement**

39. Policy engagement will be guided by the strategic objectives and revised institutional mandates in agriculture, rural development and poverty reduction, in accordance with the eighteenth amendment. Priority policy themes by province are:
- (a) AJK: institutionalization of the community development approach through support to the development of required legislation and regulations;
  - (b) Gilgit-Baltistan: development of a fair and enforceable land tenure system, demonstrating its relevance to the transformation of smallholder agriculture in selected provinces; and
  - (c) The four provinces: translation of the National Climate Change Policy for adoption at the provincial level; advocacy and support for the establishment of responsible institutional bodies.
40. Partnerships will be actively sought with lead research institutions, donors and other partners with international expertise. Analysis/capitalization on relevant themes/experiences will be jointly and systematically carried out and exchanges with policymakers will occur through adapted platforms. To develop new and innovative climate adaptation strategies under strategic objective 3, IFAD will partner with Leadership for Environment And Development Pakistan and with the Agricultural Universities of Peshawar and Faisalabad. The ICO will be reinforced to lead these activities.
41. **Knowledge management.** The establishment of knowledge-sharing platforms, greater alignment between poverty reduction and social protection programmes, and synergy with key development finance institutions and rural support programme (RSP) interventions are foreseen for supportive policy formulation, backed by grant or project support.

## **D. Natural resources and climate change**

42. **Natural resources and climate change strategy 2016-2021.** Strategic objective 3 will address the priorities of promoting environmental sustainability and

sustainable use of natural resources and improving smallholders' resilience to climate change. This will be achieved by: (i) mainstreaming environmental and climate resilience considerations in country programme activities; (ii) promoting sustainable agricultural practices; and (iii) introducing mechanisms to enhance the resilience of smallholders to the effects of climate change.

## **E. Nutrition-sensitive agriculture and rural development**

43. **Mainstreaming the nutrition strategy 2016-2020.** Nutrition considerations will be systematically integrated/mainstreamed in the design of IFAD-supported investments, aligned with the Government's National Zero Hunger Action Plan. To build resilience for sustainable nutrition and food security, efforts will ensure, in particular, that all supported community development and poverty graduation investments are nutrition-sensitive. This will be achieved through interventions such as: including strong nutrition education in all projects (to raise awareness of nutrition-related problems and how to overcome these challenges); improving the quality of processing, storage and preservation of food; expanding markets for nutrient-rich products and market access for vulnerable groups; and maintaining or improving the agricultural natural resource base.

## **V. Successful delivery**

### **A. Financing framework**

44. Sources of funding and co-funding of the COSOP will include:
- (a) **IFAD loan financing** from the IFAD PBAS allocation and possibly from sovereign-guaranteed sources;
  - (b) **Non-lending instruments.** This could include the Adaptation for Smallholder Agriculture Programme, the Global Environment Facility, global/ regional/ country grants and alternative innovative instruments (e.g. fee-based advisory services, etc.);<sup>13</sup>
  - (c) **Government cofinancing.** At least an equal or greater amount of government resources will be mobilized to match or exceed the IFAD loan in new projects. This would be conducive to maximizing project results, ensuring ownership and alignment with government efforts, and will pave the way to sustainability and scaling up of project principles and best practices; and
  - (d) **Additional sources of cofinancing.** With demonstrated feasibility of economic activities, it is expected that cofinancing can be mobilized from the private sector (e.g. agribusiness companies), commercial banks (and other financial institutions), cooperatives and beneficiaries.

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<sup>13</sup> Alternative innovative instruments: IFAD recognizes that, in middle-income countries, new financial sources, products and instruments must be explored and offered. In other countries, implementation of alternative instruments such as fee-based advisory services, remittances, etc. is being piloted.

Table 1  
PBAS calculation for COSOP year 1

<i>Indicators</i>	<i>COSOP year 1</i>
<b>Rural sector scores</b>	
<b>A. Strengthening the capacity of poor rural people and their organizations</b>	
(i) Policy and legal framework for rural organizations	4.25
(ii) Dialogue between government and rural organizations	4.00
<b>B. Improving equitable access to productive natural resources and technology</b>	
(i) Access to land	3.50
(ii) Access to water for agriculture	4.00
(iii) Access to agricultural research and extension services	4.00
<b>C. Increasing access to financial services and markets</b>	
(i) Enabling conditions for rural financial services development	4.75
(ii) Investment climate for rural businesses	4.33
(iii) Access to agricultural input and produce markets	4.00
<b>D. Gender issues</b>	
(i) Access to education in rural areas	4.00
(ii) Women's representation	4.33
<b>E. Public resource management and accountability</b>	
(i) Allocation and management of public resources for rural development	4.50
(ii) Accountability, transparency and corruption in rural areas	3.50
Sum of combined scores of rural sector performance assessments	49.16
<b>Average of rural sector performance</b>	<b>4.10</b>
PAR ratings (2015)	4.50
IRAI ratings (2014)	3.18
Country score (2015)	4.05
<b>Annual country allocation (2016)</b>	<b>US\$31 750 572</b>

Table 2  
Relationship between performance indicators and country score

<i>Financing scenario</i>	<i>PAR rating (+/- 1)</i>	<i>Rural sector performance score (+/- 0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Hypothetical low case	4	3.8	-22%
Base case	5	4.1	0%
Hypothetical high case	6	4.4	25%

## B. Monitoring and evaluation (M&E)

45. **COSOP results framework.** Progress towards the COSOP strategic objectives will be tracked using the COSOP results framework. Programme indicators will be aligned, to the maximum extent possible, with COSOP indicators for consistency.
46. **Monitoring of progress.** A COSOP midterm review will be undertaken in 2018 to confirm the continued relevance and validity of strategic objectives, assess progress against expected outcomes, identify lessons and make recommendations to improve performance and as a basis for policy dialogue.
47. **Inclusion in national M&E systems.** At the programme level, IFAD will support RSPs and PPAF capacity in terms of M&E and will adhere as far as possible to



provincial/national M&E systems. M&E systems will report on both lending and non-lending activities such as policy dialogue and knowledge management. Support is also envisaged to build M&E capacity at the sectoral level to ensure the pursuit and institutionalization of interventions demonstrating strong poverty alleviation results.

### **C. Knowledge management**

48. **Knowledge management plan (2016-2021).** Periodic analysis will be undertaken of the data and information collected via project M&E systems – to be aligned with country programme performance indicators. These "separate" project M&E systems will include documentation of lessons learned and best practices, as well as capturing recurring challenges/constraints, in order to provide a more comprehensive and qualitative analysis of information to feed into exchange and dialogue at provincial and federal levels, and that will shape the policy environment. Specifically, at the portfolio level, the following will be pursued: (i) establish and/or systematize horizontal knowledge-sharing mechanisms; (ii) strengthen vertical knowledge management mechanisms; and (iii) foster partnerships with strategic partners and institutions (e.g. universities/research institutes, and provincial and federal ministries, etc.).

### **D. Partnerships**

49. Strategic partnerships will be built or consolidated at provincial, federal and/or international levels based on the comparative advantage of each institution, with the aim of obtaining greater financial leverage through cofinancing at the project level (horizontal scaling up) and support during implementation (private sector, civil society), and of increasing influence on federal or provincial policy issues.
50. These partnerships will be developed mainly with: (a) line ministries and provincial governments on results management, knowledge management and policy dialogue; (b) the BISP, PPAF and RSPs on the SSN-TUP, social protection, the poverty registry and pro-poor policies and investment; (c) the World Bank and Asian Development Bank on poverty reduction, water security, policy dialogue and investments; and (d) FAO, WFP, the International Centre for Integrated Mountain Development, the National Agricultural Research System and CGIAR on nutrition, agriculture and climate-resilience capacity development.

### **E. Innovations**

51. Key innovative elements introduced at the country programme level include: (i) Targeting Ultra Poor (TUP); (ii) RSP engagement for social mobilization; (iii) microfinance for the poorest people; and (iv) low-cost housing schemes are innovations that have been internalized and scaled up by the Government and partners. The identified strategic objectives will continue to create opportunities for innovation and replication of successful models, especially in: (i) water harvesting and conservation; (ii) climate change-resilient agriculture and rural infrastructure; (iii) woman-controlled food banks and nutrition for poor people; and (iv) remittance investments in rural development.

### **F. South-South and Triangular Cooperation**

52. Thanks to its network, IFAD has already brokered exchanges – recently between Sri Lanka, Pakistan and Afghanistan – on public/private/producer partnership experiences. It is well positioned to further deepen its approach to South-South and Triangular Cooperation. The main focus will be within the South Asian Association for Regional Cooperation region, but also with the Africa and Latin America regions, in the areas of value chain development (China, Nicaragua), cash transfer and poverty graduation (Brazil, Mexico), climate change resilience (Ecuador), or women-and youth-centred rural development and income generation (Cambodia, Peru).

## COSOP Results Framework (2016-2021)

Country strategy alignment	COSOP Strategic Objectives	COSOP Outcome Indicators	COSOP Milestone Indicator	COSOP Institutional/Policy Objectives (in partnership mode)
SDGs 2030 Vision 2025 PRSP-II	<b>COSOP Goal:</b> <i>Reduce rural poverty in a sustainable manner</i>	<i>Chronic rural poverty in participating communities in IFAD project is 20% less than the national average</i>	<i>One million poor and smallholder farming households assisted in improving incomes and reducing poverty sustainably</i>  Less than 20% of the children (under 5) and women are underweight/stunted in the 500,000 participating households in IFAD supported projects	
<u>Vision 2025</u> 'People-centric and aimed at reducing poverty through expansion of income support programmes, employment creation and economic empowerment' <sup>8</sup>  <u>PRSP-II</u> Pillar III. Protection of poor and vulnerable through employment generation and social protection programmes  <u>Baseline</u> 40% of rural population is poor. Ultra-poor lack productive assets. Smallholder production is scattered and lacks market linkages. Rural youth lack productive skills. Women are disadvantaged	<b>Strategic Objective 1 (SO1): Promoting rural poor households economic transformation:</b>	20% of the beneficiary households are bankable  25% ultra-poor beneficiaries have own secure housing  Half million youth and women have remunerative on/off farm activities  Half million rural poor have benefitted from at least one credit product  Smallholders increase their income from the commercialization of their production.	Suitable poverty graduation models successfully deployed in all projects  5000 households with 0-11 poverty scorecard and without house are provided a house of their own with title in women's name  Vocational and enterprise development programmes launched for rural youth and women  Micro-finance programmes developed and launched in all beneficiary communities and beneficiaries assisted to avail the loans productively  Contractual (formal or informal, needs to be discussed) arrangements developed with private buyers/processors/wholesalers in five strategic value chains	Coordination with other donor and government funded skills development and interest free credit programmes for synergies and better use of resources  Private sector engagement in small holder agriculture and marketing

<sup>8</sup> Government of Pakistan, *Vision 2025 (P50)* (Karachi, 2014, www.pc.gov.pk).



## **Agreement at completion point of the last country programme evaluation**

### **Islamic Republic of Pakistan**

### **Country Programme Evaluation**

### **Agreement at Completion Point**

#### **A. Background**

1. In 2007/2008, IFAD's Office of Evaluation (OE) conducted a Country Programme Evaluation (CPE) in Pakistan. The main objectives of the CPE were to: (i) assess the performance and impact of IFAD's strategy and operations in Pakistan; and (ii) develop a series of findings and recommendations that would serve as building blocks for the preparation of the new IFAD results-based country strategy and opportunities programme (COSOP) for Pakistan. The COSOP would be formulated by the Asia and Pacific Division (APR) of IFAD in close collaboration with the Government of Pakistan.

2. This Agreement at Completion Point (ACP) includes the key findings and recommendations contained in the CPE. It also benefits from the main discussion points that emerged at the CPE national roundtable workshop, organized in Islamabad on 17-18 July 2008. This ACP captures the understanding between the IFAD management (represented by the Programme Management Department) and the Government of Pakistan (represented by the Ministry of Economic Affairs and Statistics) on the core CPE findings, and their commitment to adopt and implement the evaluation recommendations contained in this document within specified timeframes.

#### **B. The Main CPE Findings**

3. The Fund has made an important contribution to agriculture and rural development in Pakistan, the significance of which is highlighted given the current food crisis. This has been achieved despite IFAD's relatively small level of total investments in Pakistan, and in spite of the lack of a permanent country presence until recently. IFAD's results are particularly noteworthy as several of its operations have covered the most-remote and marginal areas of the country which manifest amongst the lowest social indicators in the country, and where infrastructure and services are limited, access to input supply and markets is uncertain and institutional capabilities are often inadequate.

4. A number of achievements support the aforementioned overarching conclusion of the CPE, for example, the Fund's instrumental role in scaling up the successful Aga Khan Rural Support Programme (AKRSP) model to grassroots development and adapting it to a government implementation model. IFAD has also contributed to strengthening community-based organizations (CBOs), to women's empowerment and to improving agricultural productivity of small farmers. These achievements are the result of IFAD's focus on agricultural-based interventions including the strengthening of research and extension capabilities, promoting pro-poor agriculture technology, and building community infrastructure. However, insufficient consideration has been given to areas such as the environment, market linkages, livestock development and the promotion of high value crops – which offer crucial opportunities for landless and small farmers.

5. Notwithstanding the above, the CPE concludes that IFAD could have achieved greater results through a wider consideration of and investments in non-farm activities and employment, including attention to the development of rural microenterprises with adequate linkages to financial services. Enhanced attention in project design to the consequences of migration would have been useful. This is particularly relevant in light of Pakistan's categorization as a transforming country with a modest 40 percent contribution of agriculture to rural incomes.

6. Good results are to be found in social mobilisation and in building CBOs, both of which are fundamental for promoting country ownership and sustainability of benefits. However, the CPE concludes that the Fund could have taken a more broad-based approach to support decentralization and Pakistan's devolution plan of 2000, particularly the strengthening of local governments. A more proactive approach to seek partnerships with the private sector could have been beneficial in ensuring growth in the agriculture and rural development sector.

7. IFAD has worked in various remote, disadvantaged and conflict-affected areas including the Federally Administered Tribal Areas (FATAs), parts of the North West-Frontier Province (NWFP) and Azad Jammu and Kashmir (AJK). Despite the difficulties, the performance of IFAD-funded activities in these areas has been moderately satisfactory, and future IFAD assistance deserves serious consideration. While the CPE noted the strong desire of the Government to ensure the Fund's continued engagement in such areas, the Fund cannot continue working in these areas without a differentiated approach.

8. Two overarching factors require special attention by the Fund. First, sustainability – an institution-wide issue for IFAD – is of concern also in the Pakistan portfolio. Second, despite various examples of innovations in the portfolio, such as the introduction of new agricultural products (horticulture and fruits), innovation has not been conspicuous in Pakistan. Moreover, evidence of replication and upscaling of innovations remains weak. The latter can be partly attributed to the inadequate attention to non-lending activities, namely IFAD's engagement in policy dialogue, partnership building and knowledge management, as well as the poor links between grants and loans.

9. Until 2008, none of IFAD's operations in Pakistan were under direct supervision. Supervision and implementation support by cooperating institutions focused on fiduciary aspects, to the detriment of project implementation. Furthermore monitoring and evaluation systems were weak. The establishment of a country presence in 2005 has contributed to a better positioning of IFAD in Pakistan.

### C. Recommendations

#### ***Recommendation 1: Better Balance Between Agricultural and Non-farm Investments***

10. The need to develop a better balance between agricultural and non-farm investments in the rural sector in Pakistan. This is important, as most (57 per cent) of the rural poor are from non-farm households (that derive their income from activities other than crop and livestock production) and more off-farm opportunities are now being offered by the country's growing business environment. The CPE recommends that more resources be devoted to non-farm opportunities, including small agribusinesses and family-based rural microenterprises. It also stresses the importance of promoting wider market linkages for both agricultural and non-farm outputs. In addition, further developing rural financial services and products for agriculture and non-agricultural activities is central to ensuring that the poor have access to financing for rural poverty alleviation initiatives. In terms of agricultural activities, greater attention should be paid to livestock development and high-value crops such as fruit, vegetables and flowers that provide higher returns on investments. Agricultural land investments should be accompanied by measures aimed at improving environmental and natural resource management, such as integrated catchment management and increasing the efficiency of water use under rain-fed conditions, and to instituting environmental assessments for infrastructure constructed by projects.

#### ***Recommendation 2: Capacity Development Support to Decentralized Entities***

11. Provide capacity development support to decentralized entities and other bodies working at the local level to complement the work of other larger development partners. This requires that continued attention be given to social mobilization and the strengthening of CBOs, local NGOs and rural civil society in general. At the same time, the Fund should take a more inclusive approach to supporting decentralization by establishing the building blocks for a more service orientated relationship between governments and local organizations. This entails building up the capacity both of local governments (at the district, tehsil and union levels) and of representatives of elected bodies (e.g. village councils, local legislative assemblies, etc.) that play an important role in planning and resource allocation for rural poverty alleviations at the

grass-roots level and in promoting accountability and transparency of local administrations involved in IFAD-supported projects. Greater participation by private-sector groups of farmers and enterprises is also warranted to ensure better results.

***Recommendation 3: Working in Disadvantaged, Remote and Conflict-ridden Areas***

12. The CPE recommends that the Fund continue to support the Government in its engagement in disadvantaged, remote and conflict-ridden areas such as the NWFP, AJK and the FATAs. However, this requires a much more differentiated approach which is flexible and adapted to such challenging areas, paying careful attention to the specific social context, culture and priorities of the rural people living there. The importance of ensuring the commitment and ownership of provincial and federal governments to IFAD's efforts in these areas cannot be overemphasized. In addition, it will be also essential to mobilize specific expertise for project design, implementation and supervision. In fact, IFAD could play a complementary developmental role – in support of the rural poor – to the Government's own initiatives and those of other donors working in such environments. The interventions should be given more time in project execution, without having negative impact on country PBAS score

***Recommendation 4: Promote Innovations***

13. The strengthening of IFAD's capacity to promote innovations that can be scaled up and replicated by the Government, donor organizations and the private sector, merits increased attention and resources in Pakistan. This will include a more systematic approach to identifying and piloting innovative approaches to agriculture and rural development; better documentation; the sharing of successfully tested innovations; greater resources and capacity to engage in policy dialogue (e.g. on local governance issues, rural finance outreach, pro-poor agricultural policies); and carefully selecting partner institutions with a good track record both in introducing and nurturing innovations and in working with the rural poor in similar IFAD priority areas. This will also call for greater synergies between, and the wider use of, the mix of instruments (loans, grants, policy dialogue, etc.) available to the Fund as well as enhanced country involvement in and ownership of grants. Innovative approaches are needed in a number of areas such as remittances (savings accounts, investment opportunities); migration (improving the value of landless people on the employment market through vocational training and helping them find employment in small towns, urban centres and overseas); promotion of local governance; and the use of grants (as opposed to loans) to support efforts by larger development actors in conflict areas such as FATAs.

***Proposed Timeframe to Implement the Recommendations 1-4***

The recommendations will be taken into account in formulating the new results-based COSOP and new operations in Pakistan.

***Key Partners to Be Involved***

Government of Pakistan (especially the Economic Affairs Division), IFAD, and the concerned technical and financial partners at both the federal and local levels.

***Recommendation 5: Adjust IFAD's operating model***

14. The Fund's overall development effectiveness would be further enhanced by adjustments to its operating model that take account of the size and specificities of its programme in Pakistan. This includes establishing a more consolidated and permanent country presence in line with Executive Board approved policies and budget allocation (one option to strengthen country presence in Pakistan is to outpost the Country Programme Manager from Rome); undertaking direct supervision and implementation of IFAD-funded projects and programmes which, in fact, IFAD has already started since the beginning of 2008; and making efforts to improve both knowledge management and project and country-level monitoring and evaluation systems.

***Proposed Timeframe to Implement the Recommendations 5***

2009 onward

***Key Partners to Be Involved***

Government of Pakistan and IFAD

## **COSOP preparation process including preparatory studies, stakeholder consultation and events**

### **May 2015 – Initiation of the COSOP Formulation Process, establishment of CPMT at HQ**

The process started with IFAD's confirmation to the Government of Pakistan that a new RB-COSOP would be formulated covering IFAD 10 and IFAD 11, i.e. the years 2016 - 2021.

Then, the lead consultant was identified, the detailed TORs and a detailed mission work plan were put in place. COSOP Guidelines, IFAD Strategic Framework and back-ground documents were shared with the lead consultant for desk-review and preparation. The consultant also carried out a desk review of relevant government policies and strategies including PRSP, Vision 2025, Social Protection Programmes, Public Sector Development Programme etc.

An in-house CPMT in IFAD HQ was also constituted with members from other departments and peer CPMs coordinated by the CPM for Pakistan. The in-house CPMT had a detailed session with the lead consultant and the IFAD Country Programme Officer during the initial phase of the mission to discuss the modalities and critical aspects the mission needed to address.

### **June-July 2015 – Islamabad – In-Country CPMT, HQ CPMT and First round of meetings**

A CPMT for Pakistan was notified in June 2015 which included key stakeholders for IFAD in Pakistan to provide guidance and feedback during the entire cycle of COSOP design and implementation. Letters were sent to all in-country members of the CPMT and provincial governments by EAD informing them about the COSOP purpose and process and schedule and requesting their participation. These letters were followed up by individual meetings with each member of the CPMT.

The in-country component of the CPMT consists of representatives from:

- GOP – key officials and focal points from Economic Affairs Division (GOP's focal point ministry for IFAD), Ministry of Finance, Ministry of Food Security and Agriculture, Project Directors of all ongoing IFAD supported projects and provincial P&D Departments
- IFI and UN system – the World Bank, AsDP, UNDP, FAO, WFP
- Other partners – National Rural Support Programme (NRSP), Nestle Pakistan, Pakistan Poverty Alleviation Fund

Preliminary meetings were held with Ministry of Finance and Economic Affairs Division to discuss current government priorities and funding for pro-poor programmes and poverty reduction and with Ministry of Food Security on government strategies for agriculture development and food security. Another meeting was held with the Social Protection Unit of the Planning Commission to ascertain development allocations and spending on pro-poor programmes and overall government strategy and priorities.

Individual meetings were held with BISP, NRSP, PPAF, Asian Development Bank, World Bank, JICA, DFID, USAID, FAO, WFP, UNDP and EU Commission.

**26 June 2015 - in-country CPMT Workshop, Islamabad:** The start-up workshop with the in-country CPMT members was held on 26 June 2015 at the end of meetings at Federal level and after conclusion of meetings with key bilateral, multilateral and UN agencies. Initial impressions and ideas on poverty, agriculture and rural development, as gathered in consequence of meetings with CPMT members, were shared by the team and key questions for future direction raised and debated. Suggestions and ideas were

generated during the workshop for further deliberations in provinces and in meetings with other stakeholders.

**July-August 2015 - Meetings At Provincial Level:** The mission visited all provincial headquarters and held detailed meetings with Planning & Development Departments, Agriculture Departments, Livestock Departments, Rural Development Departments, private sector entities engaged in agriculture and rural development, NGOs and farmer organizations. The process was started in Punjab and concluded in Balochistan. In Punjab detailed meetings were held with the Skills Development Programmes for the poor, DFID representatives, farmers organizations and private sector entities engaged in procurement and processing of agri-products. Meetings were also held with the management of ongoing IFAD supported projects (SPPAP and LAMP). In Sindh, apart from meetings with key agriculture related government agencies and P&D, meetings were also held with NGOs engaged in development and poverty reduction in arid and desert zones of the province. This included a visit to Hyderabad to see some of the NGO work on the ground and to meet the beneficiaries. The visit to Balochistan involved meetings with P&D, Fisheries, Agriculture, Livestock, and Irrigation Department. Meetings were also held with WB Team engaged in design of a water sector project with potential for IFAD co-financing. A separate meeting was held with the FAO field team in Quetta to discuss agriculture sector issues in general and challenges faced by farmers and fishermen in terms of marketing and productivity. In KP Province, meetings were held with P&D and all government agencies related to agriculture and rural development. A detailed discussion was held with Sarhad Rural Support Programme to discuss their past experience of working with IFAD supported projects, current challenges and opportunities for pro-poor development in the province. A meeting was also held with ACS, FATA to discuss challenges and opportunities for development in Tribal Areas. Meetings with GB and AJK representatives were held in Islamabad.

**August 2015 - SECAP Study:** In view of emergence of climate change and its implications for small holder farmers and the poor, a SECAP study was decided to be commissioned through a two-member team in August 2015 to contribute to the RB-COSOP strategy. The report was completed in October 2015 and discussed/reviewed in IFAD. The key findings and recommendations of the Study have been incorporated in the COSOP logframe.

**15 September 2015 - First draft:** First Draft of the RB-COSOP was provided to the CPM on 15 Sep 2015 which was then circulated to the CPMT members in IFAD. SECAP report at this stage was not part of the draft as it was still under formulation.

**21 September 2015 - IFAD CPMT Meeting:** A meeting of the CPMT was convened on 21 September in IFAD and was joined by Lead Consultant and IFAD CPO via Skype. The meeting found the first draft well written, coherent and strategic and made number of recommendations for further improvement of the COSOP. Main recommendations included: further detail the main reasons for poverty and how proposed SOs will address them; improve description of current IFAD portfolio and its lessons; further describe SOs alignment with GOP policies; further describe different types of target groups for each SO; describe how policy dialogue will be organized at provincial and federal levels; include an assessment of key implementing institutions; further describe the programmatic approach proposed, and; integrate SECAP study recommendations;

**21 December 2015 - Revised draft of RB-COSOP:** Based on the CPMT recommendations, further analysis and follow up discussions were carried out and a revised Draft of RB-COSOP was prepared. However, this draft was put on hold in view of on-going revision in IFAD COSOP guidelines. A new set of guidelines and report template was issued on 08 December 2015. A revised draft was accordingly prepared and submitted to the CPM on 21 Dec 2015. According to the new guidelines, a consultant was hired in March 2016 to prepare the COSOP Completion Report.



**18 April 2016 - Discussion of new draft:** The new draft, which also benefitted from the findings and recommendations of the CCR was discussed at the 3rd CPMT meeting held on 18 April 2016. The recommendations received were welcomed to be incorporated into the document.

**16 May 2016 - Wrap-up workshop of in-country CPMT, Islamabad:** The draft COSOP Report was shared with EAD on 16 April 2016 and EAD onward circulated the draft to provincial governments and members of the in-country CPMT for comments/feedback. A pre-wrap-up briefing was held with the Additional Secretary EAD, attended by the CPM and CPO. EAD endorsed the overall thrust and strategic objectives and suggested that some room may be kept for inclusion of post conflict tribal areas in the portfolio. Some of the feedback was received prior to the wrap-up workshop while others contributed their comments and ideas during the workshop. The GOP/IFAD COSOP wrap-up workshop was held on 16 May 2016. The meeting was chaired by EAD, GOP, and was participated by the concerned ministries and agencies of the federal government, the provincial authorities, IFAD ongoing projects, and civil society organizations. EAD and meeting participants endorsed the proposed COSOP strategic objectives and strategy and there was a broad consensus on proposed pipeline and activities.

**25 May 2016 - 4th CPMT meeting:** A last draft of the document, containing feedback from the in-country workshop and the recommendations of the previous CPMT meeting, was circulated for discussion. The meeting which was held on the 25 May was very fruitful, confirmed the overall quality of the paper, and provided some last-minute guidance for the final version of the RB-COSOP.

## Natural resources management and climate change adaptation: Background, national policies and IFAD intervention strategies

### Background:

As part of the RB-COSOP formulation process in Pakistan, in 2015-2016 IFAD prepared an Environmental and Climate Change Assessment (ECCA). It served as the SECAP COSOP Preparatory Study in order to provide a strong analytical underpinning to ensure environmental and social sustainability in IFAD's country programme. The results of the ECCA, as summarized here, provide a framework and vital inputs into the development and decision-making for the new RB-COSOP for Pakistan (2016-2021).

The ECCA is based on (a) review of relevant government policies, plans and strategies addressing environment, natural resources management and climate change; (b) meetings with key stakeholders in GOP ministries, international institutions and non-governmental organizations active in the field; (c) field visits (Lahore) to observe environmental conditions and hold meetings with local community stakeholders; and (d) a stakeholder consultation held in August 2015 to present preliminary findings and recommendations and receive comments and feedback.

Based on the above activities, the ECCA identified the following principal environmental and climate change issues/priorities to be mainstreamed into the new COSOP:

- **Heavy rains, river flooding and flash floods:** During the monsoon season increased precipitation and strong weather currents move from the Bay of Bengal and the Arabian Sea towards the North into catchment areas where it causes extremely heavy rainfall. HKH snow and glacier melting during summer also adds to the flow in Pakistan's rivers leading to tributaries over-flow. Floods particularly hit the provinces of Punjab and Sindh while hill torrents tend to affect the hilly areas of Khyber Pukhtunkhwa, Balochistan and the Gilgit-Baltistan region. Floods of the last five years have affected over 38 million people in Pakistan and caused direct economic losses of over US\$ 18.87 billion.

- **Tropical Cyclones:** During the last 12 years, three tropical cyclones (2-A 1999, Yemyin 2007, Phet 2010) with landfalls along the coastal areas, made the coastal belt of Pakistan, especially of Sindh, highly vulnerable to associated storm surges. The changing climate is resulting in increased frequency, intensity and changes in the tracks of storms. The cyclones are now causing considerable damage to lives, property and infrastructures with adverse impacts on the environment and on the socio-economic development of the region

- **Drought:** Drought has become an intermittent phenomenon in the country. In recent years, drought has brought extensive damage to Balochistan, Sindh and Southern Punjab where average annual rainfall is as low as 200-250 mm. The most severe and extended drought in Pakistan's history started in November 1999 and continued until early 2003. It affected livelihoods and made tens of thousands of people to migrate and killed a large number of cattle. This drought led to 143 deaths, affected 2,200,000 people and killed over a million animals in the main arid rangelands of Thar, Cholistan, Dera Ghazi Khan, Tharparkar, Kohistan, and western Balochistan.

The following table puts into perspective, the actual as well as the anticipated environmental and social impacts of climate change on the major climate sensitive sectors in Pakistan.

S#	Sector	Impact
1	Water	<p>Increased water demand due to frequent heat waves</p> <p>Widespread stress on water availability during drought</p> <p>Higher temperature may adversely affect HKH glaciers reserves, which are the main source of water supply in Indus River System (IRS)</p> <p>Glacial Lake Outburst Floods (GLOF) in northern Pakistan</p> <p>Increased salt water intrusion in Indus delta</p>
2	Agriculture	<p>Warmer temperatures in some areas may result in higher yields, but higher evapo-transpiration and water deficit may affect crop yield in other areas: South Punjab, Parts of Sindh</p> <p>Warmer environment would increase the incidence of pest and disease</p> <p>Increased extreme weather events would cause crop losses, land erosion in floods and reduced crop yields in droughts</p> <p>Land degradations</p>
3	Energy	<p>Increased energy demand because of higher temperatures (e.g. water shortages in Balochistan)</p> <p>Decreased hydropower potential due to reduced water availability in long term</p>
4	Health	<p>Increased risk of vector-borne disease (e.g. malaria, dengue - Punjab Province (Lahore, Rawalpindi and some other areas and parts of Karachi and Haiderabad in Sindh Province)</p> <p>Heat related mortality (heat strokes) due to warmer temperatures (recent heat wave deaths caused by Climate Change in July 2015 reaching a figure of 700 plus)</p> <p>Increased risk of deaths and injuries from extreme weather events and resultant second deaths due to diarrheal out break for shortage of clean drinking water (e.g floods 2010 and subsequent floods in Pakistan posed a serious threat)</p>
5	Ecosystem and biodiversity Ecosystems	<p>Increased risk of extinction of many species due to the synergistic effects of climate change and habitat fragmentation also because of deforestation (In Indus Delta)</p> <p>Increased threat to the stability of wetlands, mangroves and coral reefs</p> <p>Coastal inundations in coastal areas; saline intrusion in coastal regions</p>

### National policies:

The GOP has developed and implemented various policies and strategies to enhance the capacities of the country's rural communities to adapt to economic shocks and environmental/climate change threats, as well as promote sound environmental protection and ensure sustainable land/natural resources management.

These national policies and strategies include the following:

- a) **2002: Global Change Impact Studies Centre (GCISC)** established as a dedicated Centre for CC research and providing assistance to national planners & policy makers for strategic planning in the wake of Climate Change.
- b) **2005: Prime Minister's Committee on Climate Change** established as an overarching body for guidance on Climate Change issues;
- c) **October 2008: Task Force on Climate Change (TFCC)** established by Planning Commission to formulate National CC Strategy; its final report published in Feb. 2010;

- d) **September 2010:** Work initiated on formulation of a National Climate Change Policy and National Plan of Action in the light of the TFCC recommendations.
- e) **September 2012:** Climate Change Policy approved.
- f) **Framework for Implementation of Climate Change Policy (2014-2030):** giving schedule of four time frames of immediate, short, medium and long term plan of action devised.
- g) **Effective participation in various international climate change related forums** i.e. negotiations under United Nation Framework Convention on Climate Change (UNFCCC); Intergovernmental Panel on Climate Change (IPCC), etc.
- h) **Advisory Group on Climate Change and Sustainable Development** is providing policy and strategic advice on various climate change related initiatives in Pakistan.

In addition to the national policies described above, the GOP established the **Ministry of Climate Change (MoCC)** in 2011. Being a successor of the Ministry of Environment (MoE), this ministry is the first-ever with Climate Change nomenclature in the world. This ministry is mandated to formulate national policy, plans, strategies and programmes with regards to disaster management including environmental protection, preservation, pollution, ecology, forestry, wildlife, biodiversity, combat climate change and desertification.

Although the Ministry of Climate Change is the 'nodal point' in Pakistan to steer the nation towards adapting and mitigation measures to deal with impact of climate change, yet there is a list of ministries, directorates, departments and organizations, at federal level as well as at provincial level, to strategize the response for climate change and disaster risk reduction through making of policies, action plans, sectoral programmes and implementation conduits. It is important to note that many institutions are working for the single cause - adapt and mitigate against climate change - with a lack of coordination and synergy of efforts.

#### **Policy/ Action Plans in Application:**

- **National Climate Change Policy (NCCP):** The National Climate Change Policy provides a framework for addressing the issues that Pakistan faces or will face in future due to the changing climate. In view of the country's high vulnerability to the adverse impacts of climate change, this policy addresses issues in various sectors such as water, agriculture, forestry, coastal areas, biodiversity and other vulnerable ecosystems. The policy thus provides a comprehensive framework for the development of Action Plans for national efforts on adaptation and mitigation. This policy document is a 'living' document and will be reviewed and updated regularly to address emerging concepts and issues in the ever-evolving science of climate change.
- **Framework for Implementation on National Climate Change Policy (2014-2030):** The framework provides information on how to adapt to the changing impact of climate and how to play a role in its mitigation. It address issues in various sectors such as water, agriculture, forestry, coastal areas, biodiversity, health and other vulnerable ecosystems. Furthermore, appropriate actions relating to disaster preparedness, capacity building, institutional strengthening; and awareness raising in relevant sectors have also been part of this document.
- **Pakistan Environmental Protection Law (PEPA) 1997:** The basic piece of legislation in Pakistan that provides for the protection, conservation, rehabilitation and improvement of the environment, for the prevention and control of pollution, and promotion of sustainable development. To effectuate all its legislative stipulations, it works through Environmental Protection Agency.
- **National Disaster Risk Reduction (DRR) Policy:** The National DRR Policy provides an overall guiding framework for addressing the high levels of disaster risks

permeating the Pakistani society. The policy seeks to promote priority measures to ameliorate already existing vulnerability to natural and man-made hazards, and equally important measures to ensure future development processes and programs and strengthen resilience. The building blocks of the current DRR policy reflect the priority actions of the UN Hyogo Framework for Action (HFA) and are within the NDM Act 2010.

- **National Disaster Management Plan:** Under the National DRR policy parameters, NDMA also formulated a prospective ten years’ National Disaster Management Plan (NDMP) for the country. The Plan comprised four different components including National Multi-Hazard Early Warning Plan. The total estimated investment cost of the plan is US\$ 1041 million spread over a period of ten years (2013-2022). The plan has been rolled out for implementation of short, medium and long term priority action programmes.
- **National Forest Policy (2010):** This policy acknowledges the multiple functions of Pakistan’s forests, such as carbon storage for climate change mitigation. However, there is a particularly strong focus on forests’ role in mountains where they provide protection of soil from erosion and reduction of downstream siltation; and crucially, watershed protection. It also notes the potential of forests to support local livelihoods in terms of provision of non timber forest products (mushrooms, medicinal plants etc).
- **Vision 2030 (Planning Commission of Pakistan):** The main focus of the Vision 2030 document is adaptation, in view of Pakistan’s high vulnerability to the impacts of climate change including, inter alia, degraded ecosystems and high levels of rural poverty, illiteracy and marginalization of women. Nonetheless, mitigation measures for the sectors of energy efficiency and conservation, transport, forestry, industry, agriculture, livestock and town planning are also part of the Policy.
- **National Agriculture and Food Security Policy (Draft):** It broadly aims to flexibly adapt to climate change and be resilient enough to quickly recover from shocks and emergencies, in addition, to create a modern, efficient and diversified agricultural sector that can ensure a stable and adequate supply of basic food supplies for the country’s population, provision of high quality products to its industries with surplus stock to export, ensuring attractive incomes and decent employment for rural populace and using the resource base in an efficient and sustainable manner.

The table below shows how different stakeholders (ministries, departments and institutions) responsible for CC policy (adaptation and mitigation), action plans and their implementation work independently from each other, and the lack synergy of efforts and approach in CC and DRR:

Federal Level				Provincial Level				
1. M o C C ⇕	2. M N F S R ⇕	3. C a b i n e t D i v i s i o n (A	4. M i n i s t r y o f W P ⇕	Irrigation Departments	6. Plann g & Develo pment Depart ments	7. Enviro nment Depart ment ⇕	8. Agricul ture Depart ment	9. P D M A ⇕

		W <sup>9)</sup>													
10. 11.	N D M A	12. 13.	P A R C	14. 15.	P M D	16. 17.	W A P D A	18.	Environ ment and Agricul ture Section	19.	EPA	20.	Agricul ture (Exten sion and Agricul ture Resea rch)	21.	D D M A
22.	G C I S C			23.	N A M C	24.	F F C								
25.	E P A					26.	IR S A								

### **Institutional analysis:**

For the purpose of better understanding of working institutions responsible for climate change in Pakistan, a SWOT analysis was conducted after a literature review and meetings with stakeholders. This analysis tries to explore opportunities for IFAD to find a niche and comparative advantage for working with other development partners and different tiers of government. It will also help to pin priorities in RB-COSOP from the SECAP perspective in IFAD's next five years activities.

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<sup>9</sup> Aviation Wing.

<b>Ministry/ Institution</b>	<b>Strengths</b>	<b>Weakness</b>	<b>Opportunities</b>	<b>Threats</b>
<b>Ministry of Climate Change (MoCC)</b>	Federal ministry responsible for policy-making on climate change and its implementation framework. Having international interface, a leading institution for international negotiations on climate change and tapping funds/ resources for development to cope with climate change.	Capacity issues and financial constraints. Weak linkages with other stakeholders; especially with the provincial governments.	Can play a lead role to tap the opportunities and potential in climate change by setting policy directions and hand-holding the process in compliance with international conventions.	Stand-alone approach.
<b>Pakistan Environmental Protection Agency (Pak-EPA)</b>	Responsible for conduct, monitoring and approval of IEE and EIA in ICT (Islamabad Capital Territory) only. Also responsible for making policies for environmental protection at the national level.	Lacks capacity, financial resources and direction.	Can lead, as a regulator, an ardent regime of environmental monitoring and protection.	Weak linkages with provincial governments.
<b>National Disaster Management Authority (NDMA)</b>	Responsible for making policies, at national level, for disaster relief, recovery and rehabilitation. Also provides technical support and guidelines to PDMA and DDMA regarding implementation of DRR Policy and NDMP (including CBDRM).	Capacity issues and financial constraints. No administrative control over PDMA. Despite being a federal/ policy making institution, actually comes into play for managing disasters.	Can be a leader in disaster risk reduction by implementing DRR Policy and NDMP and building resilient nation.	Overlapping of activities with other federal institutions.
<b>Global Change Impact Study Center (GCISC)</b>	Research arm of MoCC.	Lacks capacity and financial resources.	Can be a leader of research on Climate Change and generate analysis for adapting strategies in vulnerable sectors.	Weak linkages with markets, stakeholders (other research institutions and universities) and farmer's communities. Stuck up to confines in classical research.
<b>Ministry of Food Security and Research</b>	Federal body responsible for food security and research for introducing smart technologies for enhanced and secure food production.	Capacity issues and weak linkages with the counterparts in provinces. Not focused on challenges posed by CC regarding access to food issues and nutritional aspects.	Can play a proactive role in improving upon food security; especially access to food for everyone. Given geographical malnutrition issues, it can introduce and innovate with GMOs for cost effective food in a equitable manner.	Less cognizant of the challenges posed by CC impacts and weak linkages with markets and provincial governments.

<b>Pakistan Metrological Department (PMD)</b>	National entity responsible for acquisition, analysis and dissemination of data (early warning systems) regarding climate change. Also provide climate modeling and future projections.	Capacity issues and financial constraints for providing EWS for vulnerable sectors in provision of sectoral data for climate change.	Can play a lead role by efficiently collecting and timely dissemination of sector-specific data.	Use of old technology and weak linkages with other stakeholders.
<b>National Agromet Center (NAMC)</b>	Under PMD, this Center is responsible for generation and dissemination of agromet data.	Capacity constraints and financial issues. Weak linkages with provincial agriculture department and farmer's groups.	Through provision of timely and accurate agromet data can save economic losses to agricultural products and contribute towards security of livelihood and food.	Limited capacity with only 05 (five) agromet regional center all over the country and lack of focus of installing small scale agromet center at the local levels.
<b>Pakistan Agriculture &amp; Research Council (PARC)</b>	Research arm of MNFSR for setting direction for food security and production.	Capacity and financial constraints. Weak linkages with markets, provincial governments, CC related institutions and farmer's communities.	By producing top-notch research in agriculture sector; especially CC resistant crops/ seeds, CC based cropping patterns and innovative water conservation technology can become a leader in building resilient agriculture sector.	More focus on classical subjects instead of taking a lead in researching and exploiting CC challenges and opportunities in agriculture and on-farm irrigation.
<b>Ministry of Water &amp; Power (MoWP)</b>	Federal body responsible for large projects in water and energy sector.	Capacity constraints. Financial issues in financing large scale water reservoirs. Weak linkages with the provincial governments and other stakeholders responsible for planning to adapt and mitigate climate change.	Can lead in construction of large scale water reservoirs and turn can make Pakistan water-efficient country.	Political economy of water sector and uncertain funding (national + international) lines.
<b>Federal Flood Commission (FFC)</b>	Federal body and technical arm of MoWP for flood protection projects and dams safety control.	Capacity and finance/ fund problems. Weaker linkages with stakeholders i.e. MoCC, NDMA, PDMA and provincial irrigation departments.	Can play a lead role in flood protection by making workable Flood Management Plans and help to adapt and mitigate negative impacts of climate change.	Weak capacity and technical capability. Political economy of water sector.
<b>Water &amp; Power Development Authority (WAPDA)</b>	Responsible for construction of large scale water reservoirs/ dams for agriculture sector. Also responsible for adaptation through Resettlement Action Plans (RAPs)	Capacity constraints and financial resources. Weak linkages with the provincial governments for settling issues related with construction of new reservoirs.	Can be a leader of building resilience in water and agriculture sector from CC.	Weak working relationship with the provincial irrigation departments. Working in isolation. Political economy of water sector. Technologically backward.



<b>Indus River System authority (IRSA)</b>	Federal body responsible for distribution of river water through an agreed 'Water Apportionment Award - 1991' amongst the federating units.	Capacity and financial issues coupled with technological constraints.	Can become leader as 'regulator' to distribute waters in perspective of CC challenges and need rather than political considerations.	Weak and technological capacity. Political economy of water sector.
<b>Ministry of Planning and Reforms (old Planning Commission of Pakistan)</b>	Responsible for planning and project approvals in all key sectors. Key body for mainstreaming CC and DRR in all facets of development.	Capacity issues and weak linkages with all sectors (MoCC, NDMA, MoWP and Provincial Departments).	Can be lead agency to serve as 'monitor' for ensuring compliance with safeguards in projects with the purpose to mainstream CC and DRR.	Standalone approach and a set of expediciencies while approving developmental schemes.
<b>Ministry of Law, Justice &amp; Human Rights</b>	Responsible for legislation on all subjects including CC and DRM and human rights issues.	Capacity issues and less knowledge base in science of climate change.	Potential for mainstreaming CC and DRR through legislation. Another area can be its human rights concerns against impacts of climate change.	Less cognizant of climate change concerns.
<b>Provincial Irrigation Departments</b>	Responsible for management of ground and surface water in the province.	Capacity issues and financial constraints for taking programmes/ projects for CC adapt and mitigation.	Tremendous potential for adapting against CC and building resilience in the water sector (through flood management/ protection plans, water conservation, and recharging of water tables through artificial, technological and innovative techniques).	Slow speed <i>viz</i> frequency of CC disasters.
<b>Provincial Agriculture Departments</b>	Responsible for agriculture production, research and its marketing strategies in a province. Also mandated to introduce adaptive strategies in smart agriculture and on-farm water management practices.	Capacity issues and financial constraints. Weak linkages with research organizations and insufficient information dissemination capacities.	Can lead towards food sufficiency and optimal accessibility to vulnerable communities by introducing CC smart agriculture and irrigation. GMO can be a 'game changer' if adapted in a tested, systematic and scientific way.	Classical approaches for increasing food production coupled with weak working conduits with markets and poor farmer's communities.
<b>Provincial Environmental Protection Agency (EPA)</b>	Provincial body for conduct, monitoring and approval of IEE and EIA in province.	Capacity and financial issues. Lack of direction. Less informed about the socio-climate challenges in CC scenarios.	Can be a good monitor of environment to save it from environmental degradation and impacts of CC.	Weak institutional strength, lack of commitment and political ownership.
<b>Provincial Disaster Management Authority</b>	Provincial body responsible for relief, recovery and rehabilitation of flood affected areas. Prepares Provincial Disaster/ Flood Contingency Plans	Weak capacity. Financial constraints. Weak linkages with NDMA and provincial Irrigation and Agriculture Departments.	Can lead a process of building resilient poor/ vulnerable communities by raising CC and disaster awareness, imparting	Standalone approach and overlapping of functions at the provincial levels.

<b>(PDMA)</b>	and also grants approvals to DDMA Disaster Plans. Responsible for implementation of DRR and NDMP (including CBDRM) in a province with active support of provincial government and NDMA.	'Responsive' approach.	trainings through CBDRM (Community Based Disaster Risk Management), by provision of timely EWS information to the target population.	
<b>District Disaster Management Authorities (DDMAs)</b>	A front-line tier for relief, recovery and rehabilitation of flood affected areas in a district. Prepares District Disaster/ Flood Contingency Plans and gets approvals from respective PDMA. Also responsible for implementation of DRR and NDMP (including CBDRM) at a district with active support of provincial governments and PDMA.	Not operational as per the spirit of National Disaster Management Act, 2010. Adhoc approach. Serious capacity issues and financial constraints.	Can lead awareness raising and resilience building of vulnerable/poor/ marginalized segment of society. It can prove a pivot for implementation of CBDRM with the communities.	Only responsive approach.
<b>LEAD Pakistan</b>	LEAD is an NGO and lead partner for conduct of research and structure response over CC change in Pakistan - be it CC negotiations or adaptation and mitigation measures. It is an important ally of MoCC to steer CC strategies and dovetailed them with proposed SGDs. Impart of trainings on CC (resilience and adaptations) there is no other claimant to be the best in the country.	Being an NGO, it has limited outreach and intervention in the federal/ provincial departments.	Strong and proven track record of research in climate change. CDKN model can be replicated as it unmatched repository of CC adaptation and mitigation knowledge.	Limited capacity.
<b>Rural Support Programmes (RSPs)</b>	RSPs mandate is to alleviate poverty by harnessing people's potential by undertaking development activities and working through community participation, mobilization and provision of microfinance.	Financial constraints. Capacity constraints in terms of CC knowledge base and adaptive strategies.	Can prove a lead agency to promote resilience and awareness by CBDRM and CC adaptive challenges to the poor/marginalized groups and smallholders.	Stuck in social causes of poverty and less cognizant of CC induced disasters to increase incidence of poverty.

## Challenges and issues in Pakistan

A number of issues constitute real challenges in the implementation of investment in Pakistan, these are:

- **the 18th Amendment:**

After the amendment in 2010, the Ministry of Environment (MoE) was abolished and the Federal Government created the Ministry of Climate Change (MoCC) in 2012. Being relatively a new entity, the MoCC have issues such as capacity, lack of technical human resource and less cognizant of contemporary policies being prepared at other ministries, international development partners, IFIs and provincial governments for adaptation and mitigation for climate change. A greater level of confusion persists at the federal as well as the provincial level as to the responsibilities regarding the climate change. Synergy of efforts is lacking in responding to the climate change but at all tiers the will to adapt and mitigate against the climate change impacts is quite satisfactory.

- **18th Amendment – legislative implications**

With the 18<sup>th</sup> Amendment, the subject of environmental protection has been devolved to the provinces and they are now more flexible to legislate on the subjects related to environment. An issue is the interaction of such laws with federal legislation. Prior to this amendment, any inconsistency between PEPA 1997 provisions and those of other laws was invalidated by the fact that PEPA 1997 had an overriding effect. This is no longer the case as far as provincial government's laws are concerned. In fact, once the provinces enact their legislation laws, this issue will arise of federal laws in other overlapping sectors, which will have overriding effect merely by the fact that they have been enacted by the National Assembly. This almost applies to all the provinces of Pakistan.

At the provincial level the issue is not so much one of inconsistency as it is of duplication. Presumably environmental law in its provincial incarnation will override other provincial laws. When this will do is merely to render null and void any provision in other provincial laws that contradict. The issue will be possibly to amend those laws, or leave them unaltered but with substantive sections inoperative. There are however, some cases where overlaps or duplications may occur including local government laws, development authorities' laws, and industry and processes laws<sup>10</sup>.

- **Laws for environmental protection but not specific to CC & DRR**

There are certain laws available for establishing institutions for controlling environmental degradation but there is no further activity to legislate on sector-based adaptation and mitigation measures. Many of the measures require legislation at multiple tiers; federal and provincial. It is all the more necessary to take a lead from the Framework for Implementation on National Climate Change Policy (2014-2030) and effectuate its adaptation and mitigation strategies against climate change by introducing laws.

- **Climate change adaptations and DRR not in priority list**

Other priorities like terrorism, energy crisis, economic situation, law and order problems, etc consume much of Government's time, resources and effort. The challenges posed by the CC induced disasters for rural development and pro-poor development are such enormous that now the federal as well as provincial governments are taking it serious. Although all the visions and policies enunciate an inclusive approach for CC adaptation and mitigation measures from an environmentally and socially resilient vulnerable communities but presently it has been noticed that

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<sup>10</sup> Firuza Pastakia, *Environmental Protection and 18<sup>th</sup> Amendment – Impacts of Constitutional amendments on environmental legislation, analysis of laws in force, and assessment of implantation issues* (Karachi: National Impact Assessment Programme, 2012).

stakeholders at the federal/ provincial levels are working in isolation. The federal interface with the provincial governments is weak and stolid.

- **Standalone approach of CC and DRR towards Climate Change and Disasters**

Despite cross-cutting nature, CC & DRR are taken as standalone and dedicated responsibility of a particular ministry/ department instead of ownership of all the line ministries and departments. This is important to emphasize that at this juncture when the CC has already inflicted very fabric of vulnerable communities so, without fail, work of strategizing the framework for actions be immediately started.

- **Lack of awareness, understanding and response knowledge of CC in rural Pakistan**

There is a general lack of awareness/ sensitization on part of community, civil society including media. Although much has been done at the policy levels, but its effects yet not had been trickled down to lower tiers which are actually the implementation level for any adaptation and mitigation measures. From the perspectives of rural communities, they witness and talk about some abnormal happening in the weather patterns, but to they do not know exactly what the climate change is and how to cope with it. Similarly there is no system to communicate with the rural/ vulnerable communities, in plain and simple jargons, about climate change set-of-information and its adaptive strategies.

- **Weak early warning dissemination system**

As one of the major components of early warning system Pakistan has seven radars installed in different locations for weather forecasts. Of these, however, only two are working efficiently because this radar technology is 15 years old and needs to be replaced with the latest one at the earliest if the country is to effectively deal with CC induced disasters. Pakistan needs at least 13 weather radars to be installed across the country. Due to these limitations, the meteorological predictions were being generated only 3-5 days in advance. Specialized medium as well as long range weather forecasting tools and systems can only help the country to more effectively deal with floods. However, after the devastation of 2010 floods, PMD has begun to improve its weather forecasting systems that have now reached from previous capability of 3-5 days to 7-10 days with sufficient lead time to the disaster managers and community to get ready and react before the occurrence of rainfall. Japan has recently agreed to give Pakistan the much required advanced and specialized medium range weather forecasting and early warning technology, which will further improve PMD's ability to issue timely weather forecasts and country's coping capacity to deal with the impact of climate change.

- **Absence of climate risk/ hazard assessment/ mapping/ micro-zonation/ atlases/ vulnerability data**

Efforts, though in bits and pieces, have been done after 2005 earthquake and 2010 floods for hazard assessment, mapping and micro-zonation in different parts of Pakistan yet a concerted effort is required to come up with detailed data set. Project area - wise climate risk and hazard mapping is not available data that results into poor and inefficient land management; land degradation, soil destabilization and land rights issues.

Although many organization are working on data from a social perspective like poverty score cards and vulnerability surveys but no accurate and reliable data regarding climate risks or environmental vulnerability is not available. Climate Risk/ Vulnerability data (flood/ rain losses, diseases, heat waves episodes etc.) is key for IFAD to improve targeting of climate change adaptation and mitigation programmes related to smallholding agriculture, water management and conservation of ecosystems in putting the most vulnerable rural farmers in the center of these interventions.

### Priority strategic climate change actions for the new RB-COSOP

IFAD's last COSOP for 2010-2014, developed seven years ago, several contexts have been changed. This COSOP recognizes the needs to continue to build the resilience of the irrigation and agriculture sectors from the adverse impacts of the climate change - accompanied by greater variability in weather with more frequent extreme events such as flood and drought - with much of brunt of these changes on the agriculture sector warranting pressing need for mechanisms to cope and adapt. Although the proposed policy gives a blue-print of challenges and strategies of resilient agriculture and food security yet the it leaves a missing link of collaboration with key ministries and departments (Ministry of Climate Change, National Disaster Management Authority, Global Climate Change Impact Study Center, Pakistan Meteorological Department and lead NGOs/CSOs in Pakistan) responsible/ working for hand-holding of mitigation and adaptations measures.

**IFAD priority strategic climate change adaptation actions** are identified in accordance with the COSOP strategic objectives as in the table below:

<b>COSOP Strategic Objective</b>	<b>IFAD Priority CC Adaptation Actions</b>
SO1: Promoting rural poor households economic transformation	Information awareness of climate change in rural Pakistan will be trickled down to lower tiers - which are actually the implementation level for any adaptation and mitigation measures. <b>Community development Plan (CDP)</b> will be a strategic tool in engaging rural/ vulnerable communities and integrating CC adaptation and mitigation activities.
SO2: Policy and institutional strengthening for community led development	IFAD will have an important role in <b>the transition of the climate change strategy and adoption of climate change resilience policies from Federal level to Provincial level</b> and ensure further locally contextualized to four provinces of IFAD operations.
SO3: Building resilience for sustainable nutrition and food security	The objective will be achieved in collaboration with government, WFP and FAO. <b>The partnership of Rome-based agencies</b> will gain synergy from FAO's technical expertise in climate smart agriculture technology and investments in irrigation and water harvesting systems for disaster prevention and WFP's specialization in Community Food Banks and post crisis recovery.

In addition, the SECAP study has developed **a comprehensive set of recommendations** in perspective IFAD's ENRM policy and CC Strategy - building resilience and capacity, adapting and mitigating, informing the poor/ vulnerable communities and collaborative grids for working with other stakeholders.

<b>1. Institutional Level</b>	
<p>For a pro-poor development, it is important to note that there is an enhanced sensitization and understanding in Pakistan that climate change is bringing havoc on the agriculture and irrigation sectors and poor/ vulnerable segments of society. Almost all the institutions feel a need that in the CC induced disasters scenarios, it has become imperative to invest more on poverty eradication, introducing cost-effective adaptation measures in agriculture sector and enhancing awareness and building capacities of the target groups. Reaching out to civil society/ corporate sector because the government alone cannot take on the big challenge of climate change and resultant extreme weather events causing huge losses to the economy. In the country RB-COSOP, it is of importance that IFAD enters and pioneer in the pro-poor/ agriculture sector/ water sector adaptations in Pakistan through constructive and result-oriented dialogue with cross section of stakeholders i.e. institutions, IFIs, NGOs, project communities and explore the possibilities of working in collaboration by using ASAP and GEF funding windows. Many initiatives are there to be started or sponsored and IFAD can choose what suits better its mission statement in Pakistan yet.</p>	
<b>1.1 Federal Level</b>	<ol style="list-style-type: none"> <li>1) Participate in the creation of effective network &amp; inter-ministerial / inter-provincial coordination mechanisms to develop integrated action plans, programs and projects.</li> <li>2) Participate in the creation of a concerted effort is required to come up National Climate Change Fund &amp; broadening the scope of existing Disaster Management Fund which is currently being used for response only.</li> <li>3) Contribute in Improvement of national Early Warning (generation / dissemination) capacity by Pakistan Meteorology Department.</li> <li>4) Installation of more QPM radars and agri - met stations to expand outreach in the project areas.</li> <li>5) Establishment of dense network of rain gauges at the upper catchments of all rivers.</li> <li>6) For dissemination, PMD radio network be expanded to the whole country in the regional language. Cell broadcast to be introduced by which EW messages are broadcasted to cellphones of millions of people in a matter of seconds.</li> <li>7) Introducing Disaster Risk Insurance schemes to provide the government with detailed data set. Project area - wise climate risk and hazard mapping is not available data that results into poor and inefficient land management; land degradation, soil destabilization and land rights issues. It will help to create fiscal space and the community speedy compensation, recovery and rehabilitation.</li> <li>8) Absence of climate risk/ vulnerability data. Although many organization are working about the data from a social perspective like technical assistance in strengthening flood protection infrastructures under the National Flood Protection Plan, yet IFAD has an advantage to link this data with the increase in incidence of poverty and using it for pro-poor/ CC resilient agriculture development.</li> <li>9) Help in the promulgation of rivers act to avert encroachments in the flood plains.</li> </ol>
<b>1.2 Provincial Level</b>	<ol style="list-style-type: none"> <li>1) <b>Strengthening local levels:</b> In line with the IFAD's objectives to eradicate poverty score cards and vulnerability surveys but no accurate and reliable data regarding climate risks or environmental vulnerability is not available. Climate Risk/ Vulnerability data (flood/ rain losses, diseases, heat waves episodes etc.) is key to target any social and environmental policy intervention for the uplift of vulnerable communities in the CC prone disaster areas. This activity should be steered by the provincial and district levels for which it is required to develop their capacities.</li> <li>2) <b>Calls for building dams</b> (all types) to contain flood hazards are making it a priority for every investment. Floods are not always a hazard. They may also sustain aquatic life and riverine biodiversity,</li> </ol>

	<p>recharge aquifers, enrich soils and in some of the world's poorest areas they are the main source of irrigation. SPATE IRRIGATION NETWORK IN PAKISTAN has issued this figure on the Water harvesting systems in Pakistan and how to harvest water in Pakistan in an efficient manner.</p>
<p><b>2. Operational Level</b></p>	
<p>The environment, the agriculture and irrigation sectors are the most vulnerable segments that require attention. Interventions at the operational level are all the more necessary to help project's communities to cope with the challenges of climate change.</p>	<p><b>2.1 Linkages with Pakistan Met Department and insertion of agri-met services:</b> As the agricultural sector is worst affected by climate change - it hits the livelihood of the poor - on-going and new livelihood programmes may include an assessment of CC induced vulnerabilities. Link of the IFAD's project area office with the regional Agri-met centers for collection of agromet data, its synthesis and finally its prompt dissemination to the target groups through SMS, radio or other media should be made an essential activity. This may serve as a tool to mitigate the slow and discreet rise in incidences of poverty caused by CC in rural areas of Pakistan. During all phases of a project, a complete strategy for data collection, intervention-based analysis, conduits for its dissemination to the end users are to be made an integral part of the project - data collection.</p> <p><b>2.2 Climate Risk/ Vulnerability Assessment Survey:</b> Further to poverty score cards - as a tool for targeting most poor/ vulnerable segment in any project area for IFAD project - it would be better to conduct a climate risk/ vulnerability assessment survey; containing information like history of exposure to any CC induced disaster, damages sustained in the past, their own response, help from external agency, present susceptibility to the disasters, idea of contingencies planning and its link with the regional Disaster Management Plan (i.e. flood or drought management) of that particular area. The parameters of this survey include social, environmental and climate change profiling but may vary from project-to-project and region-to-region. The climate/ vulnerability survey should be made mandatory pre-requisite for IFAD supported projects.</p> <p><b>2.3 Involve communities for identification of risks:</b> In the conduct of such surveys, it is important to consider that this should not done in isolation. SECAP tools to get free, prior and informed consent (FPIC) and active involvement of communities for identification of their risks to CC be used.</p> <p><b>2.4 Project/ area/ community/ hazard specific plans</b> - entailing scenario based strategies: As the ENRM portfolio of different areas vary for diverse ecosystems and behave differently to CC impacts so by avoiding one-size-fit all approach, focus may be given to prepare project/ area/ community/ hazard specific plans for IFAD project areas.</p> <p><b>2.5 Collaboration with BISP:</b> With a view to preparing climate risk and vulnerability surveys for the project beneficiaries, the collaboration with the Benazir Income Support Programme (BISP) for targeting the most poor, vulnerable communities and marginalized segments (especially women) will be cost saving for IFAD supported projects. Moreover, it has a set track record of working with BISP poverty score cards information.</p> <p><b>2.6 Collaboration with LEAD:</b> It has been observed after consultations with the stakeholders that LEAD has a conspicuous force in conducting risk/ vulnerability surveys. IFAD's collaboration with LEAD Pakistan may prove a valuable venture for directing its investments / interventions in CC hit Pakistan. Local Adaptation Plan of Action (LAPA) exercise can be a best starter point for IFAD-LEAD collaboration.</p> <p><b>2.7 Based on disaster/ climate hazard vulnerability &amp; risk mapping &amp; exposure assessment</b> both at macro and micro level for informed and risk sensitive development planning, prepare flood and contingency planning. These will help identify in advance the underlying causes of vulnerabilities and the geographical distribution of risks. The project design team may elect to collaborate with, and align with flood/</p>

	<p>contingency plans of the concerned authorities at provincial/ district levels. Not only making plans is enough, the RB-COSOP may enunciate strategies for getting it vetted, practiced it through simulations and involving community capacity building/ involvement by adopting Community - Based Disaster Risk Management (CBDRM) guidelines by NDMA.</p> <p><b>2.8 Risk insurance of project's target group/ beneficiaries against CC related disasters:</b> IFAD at the project design stage should explore the possibility of getting insured all the project beneficiaries against the possible dangers of climate change and disasters. As the National DRR Policy as well as Climate Change Policy encourage programmes for farmers, herders and agriculture financing institutions (microfinance institutions and rural banks) to increase their financial resilience. IFAD can come up with innovative insurance products with/ or without the collaboration of regional microfinance institutions. A more feasible approach in this regard is to create a mandatory type of 'endowment fund' for bearing the cost of CC impacts in the project area. Additionally a caveat to link availability of interventions (funds/ support) to the vulnerable group may be made conditional with contributions (though meager) to localized Risk Financing and Insurance instruments in IFAD projects. If the poor farming community's marginal economic condition is compromised in a CC induced disasters, this insurance will be there to support them, especially in the agriculture and livestock sectors, by provision of timely and efficient compensation, recovery and rehabilitation.</p> <p><b>2.9 Flexible Project Designs:</b> As climate change patterns are becoming more unpredictable, it is becoming more difficult to extrapolate any climate projection through classical-empirical techniques. For synergy purposes, it is necessary to keep flexibility. Given the last six years profile of CC - induced disasters in Pakistan, it is required to conduct periodical assessment of damages and needs through and incorporates much desired tactical changes, if any, in the project.</p> <p><b>2.10 Periodical assessments (damages and needs) in project areas and having flexible project designs:</b> As the predictability of climate change (patterns) is becoming more unpredictable, it is becoming more difficult to extrapolate any climate projection through classical-empirical techniques or historical data. In IFAD projects, it is necessary to keep some flexibility clause 'open' for changes. Given the last six - year profile of CC - induced disasters in Pakistan, it is required to conduct periodical assessment of damages and needs and incorporate much desired tactical changes, if any, in the project.</p>
<b>3. Compensation and capacity building are essential in all projects</b>	
	<p><b>3.1 Well-defined Resettlement Action Plans (RAPs):</b> requirements that all IFAD projects may have well-defined and practical resettlement action plans/ frameworks (RAP/RAF) noting that displacement and resettlement may be caused by CC and not by the project itself.</p> <p><b>3.2 Pakistan's Citizen Damage Compensation Programme</b> is probably the only type of risk transfer instrument in existence in Pakistan: it does contribute to cope with the negative impacts of CC. LEAD has prepared a publication on Risk Transfer Instruments as part of its Series on Vulnerability and Resilience.</p> <p><b>3.3 Measures to build adaptation and resilience capacity:</b> adaptation is probably the best stratagem to cope with climate change. Objectives of rural development, alleviating of poverty and building resilient communities, IFAD projects must work at conception and early stages, to inculcate best region-based and tested adaptation measures in the design.</p> <p><b>3.4 Awareness and Communication Strategies:</b> Without designing proper awareness and communication strategies for target groups' awareness of the impacts of impacts of climate change, efforts towards safe communities and structuring their responses towards disaster management and building resilience cannot be achieved. RB-COSOP</p>



	<p>may include a consensus - based awareness and communication strategy for how - to - adapt to climate change by taking into consideration sectoral threats and options for adapting.</p> <p><b>3.5 Building and institutionalizing resilience:</b> There are different ways to build and institutionalize resilience in the project communities that may include among others:</p> <ul style="list-style-type: none"> <li>- IFAD Projects to promote Smart Agriculture and Water Efficient Irrigation techniques</li> <li>- Involve communities for managing risk identification</li> <li>- Instituting CBDRM in project/design cycles</li> </ul>
<b>4. Institutional strengthening</b>	
<p>The projects may include an option to build the capacity of local institutions - operating in project area - for managing disasters. DDMA's and human resource working with local levels, agencies responsible for disaster management and climate change adaptation are key target concerns for this exercise.</p>	<p><b>4.1 Use of GIS technique to map disaster areas:</b> Technological interventions; especially use of GIS techniques are required to be taken care of in all IFAD's projects because without accurate and reliable data dividends of the projects may be wasted beyond proportions.</p> <p><b>4.2 Situation Analysis Units in projects:</b> It may include an option to build the capacity of the project staff as well as DDMA's to understand and use EWS. This unit will serve as a nexus between the project beneficiaries and local institutions responsible for disaster management and adaptation.</p> <p><b>4.3 Capacity Building of local partners:</b> RB-COSOP will work with local partners for community mobilization and building their capacities for achieving the desired results. IFAD has a sufficiently good working experience and trust level with Rural Support Programmes (especially NRSP) in Pakistan. RB-COSOP may integrate building capacities of community mobilization partners in programmes/ project designs.</p> <p><b>4.4 Using LEAD and AUPs research/ for adaptation:</b> Developing new and innovative adaptive strategies (like farm production practices, including new crop varieties and irrigation techniques) should be a priority area for IFAD projects. In this regard, LEAD Pakistan and Agricultural Universities (Peshawar and Faisalabad) are quite advanced in identifying adaptive strategies for vulnerable sectors. RB-COSOP may articulate working parameters with LEAD (agriculture and water sector) and AUs (agriculture) for transferring their adaptive knowledge-base to the vulnerable rural communities.</p>
<b>5. Opportunities for IFAD</b>	
<p>Channeling through ASAP climate finance to smallholder farmers aims to scale up and integrate climate change adaptation in IFAD's regular smallholder development programs. It is a clear response to the call of smallholder family farmer groups to help us upscale and mainstream sustainable, agro-ecological family farming systems. It is a clear recognition that sustainable, agro-ecological organic approaches by smallholders/family farmers are the imperatives to address the interrelated issues of poverty, hunger and climate change. It also a clear recognition of women's significant role in sustainable farming.</p> <p>Therefore it has been recommended to include in ASAP outcomes indicators related to access and control of productive resources (land, water, forests, seeds) by poor smallholders. Even before talking of increased land management, or sustainable agriculture, security of tenure is a top indicator. Clear indicators for significant increase of women having rights to farmlands are also critical.</p> <p>Other "environmental" indicators related to increase in biodiversity: increase in the number of family farmers practicing integrated, diversified, agro-ecological approaches; increase by which smallholders are able to diversify their crops and the seeds they use. A wider genetic base in agriculture - trees, fruits, grains, vegetables, animals --- for nutrition, pest control and resilience to climate change are innovative indicators.</p> <p>Other "social" indicators on forming or strengthening community groups showing that these</p>	

groups are able to interact, share lessons with one another, craft advocacy and extension strategies together and engage their governments. These community groups should be able to have increased participation in the implementation, monitoring and evaluation of climate adaptation projects, not only of IFAD, but also of national and local governments.

### **Conclusion**

Given the above, three priority climate change adaptation actions are identified: i) decentralization of climate change knowledge through the community development plan; ii) transition of the climate change strategy and adoption of climate change resilience policies from Federal level to Provincial level; and iii) collaboration among the UN Rome-Based Agencies. IFAD has been financing climate change adaptation activities as well as climate proofed hardware and software in the water resources sector and agricultural value chain through partnering with social mobilization service providers and communities. IFAD's extensive network and outreach in Pakistan may also be used to monitor indicators and deliver capacity-building to communities on climate change and adaptation. The negative impacts from climate change on the socio-economic fabrics of Pakistan are omnipresent. RB-COSOP aims to build capacities of community mobilization partners in country programmes. Solutions lie in the application of SECAP's procedures as early as possible in the project cycle and for every new and existing project design. In the RB-COSOP, contours of such programmes and exploring financing windows regarding IFAD's niche and comparative advantage may be defined with clear options to tap funds from ASAP, GEF and other sources in collaboration with other development partners.

## Country at a glance

	Value	Estimate Year	Source
<b>Land area (km<sup>2</sup> thousand)</b>	796	2015	World Bank
<b>Total population (million)</b>	191	2015	Pakistan Economic Survey 2014-15
<b>Population density (people per km<sup>2</sup>)</b>	245.1	2015	World Bank
<b>Local currency – Pak Rupees</b>	1US\$=102.5	2015	
<b>Social Indicators</b>			
HDI ranking	147	2014	UNDP
Population growth (annual %)	2.1%	2015	World Bank
Crude birth rate (per thousand people)	29.2	2014	World Bank
Crude death rate (per thousand people)	7.4	2014	World Bank
Infant mortality rate (per thousand live births)	65.8	2015	World Bank
Life expectancy at birth (years)	66.2	2014	World Bank
Rural Population (%)	61.2	2015	World Bank
Number of rural poor (million) (approximate)	18	2015	PIDE
Poor as % of total rural population	15.4	2014	Pakistan Economic Survey 2013-14
Total labour force (million)	65.4	2014	World Bank
Unemployment, total (% of total labor force) (national estimate)	5.6	2014	World Bank
<b>Education</b>			
Total net enrolment ratio in primary education (% net)	79.3%	2014	UNESCO
Adult illiteracy rate (% age 15 and above)	53	2014	Pakistan Economic Survey 2014-15
<b>Nutrition</b>			
kilocalories per person per day	171	2015	World Bank
Malnutrition prevalence, weight for age (% of children under 5)	31%	2012	World Bank
<b>Health</b>			
Health expenditure, total (as % of GDP)	2.6	2014	World Bank
Physicians (per thousand people)	0.93	2014-15	Economic Survey 2014-15
Population using improved water sources (%)	91	2015	World Bank
Population using adequate sanitation facilities (%)	64	2015	World Bank
<b>Agriculture and Food</b>			
Food production index	93.8	2013	World Bank
Cereal yield (kg per ha)	2,747.4	2014	World Bank
Labour force in agriculture (% of total labour force)	36.6	2015	FAOSTAT
Females [% of labour force in agriculture]	32.4	2015	FAOSTAT
<b>Land Use</b>			
<b>Total agriculture land (sq. km)</b>			
Agriculture land as % of land area	47.1	2013	World Bank
Agricultural irrigated land (% of total agricultural land)	70.2	2011	World Bank
Irrigated land as % of cropland	84.42	2013-14	Million Hectare (Agriculture Department)
Total Area	79.61	2013-14	Million Hectare (Agriculture Department)
Reported Area	57.91	2013-14	Million Hectare (Agriculture Department)
Arable Area	30.68	2013-14	Million Hectare (Agriculture Department)
Forest Area	4.55	2013-14	Million Hectare (Agriculture Department)
Cropped Area	22.73	2013-14	Million Hectare (Agriculture Department)
<b>GNI per capita, Atlas method (current US\$)</b>			
	1 440	2015	TheWorld Bank Group
<b>GDP per capita growth (annual %)</b>			
	3.8	2015	The World Bank Group
<b>Inflation, consumer prices (annual %)</b>			
	2.5	2015	The World Bank Group
<b>Exchange rate: USD 1 = average</b>			
	101.79	2014-2015	<a href="http://www.oanda.com">www.oanda.com</a>
<b>Economic Indicators</b>			
GDP (USD billion)	269.9	2015	World Bank
GDP growth (annual %)	5.5	2015	World Bank
<b>Sectoral distribution of GDP</b>			
% agriculture	25.5	2015	World Bank
% industry	19.0	2015	World Bank
% manufacturing	12.3	2015	World Bank
% services	55.5	2015	World Bank
<b>Consumption</b>			
General government final consumption expenditure (as % of GDP)	11.84	2015	World Bank
Household final consumption expenditure, etc. (as % of GDP)	79.20	2015	World Bank

Gross domestic savings (as % of GDP)	9.0	2015 World Bank
<b>Balance of Payments (USD million)</b>		
Merchandise exports (current US\$)	22 188	2015 World Bank
Merchandise imports (current US\$)	44 219	2015 World Bank
Balance of merchandise trade	-16701	2013-14 SBP Annual Report (2014-15)
Current account balance (BoP, current US\$)	-1 602.8	2015 World Bank
Foreign direct investment, net (USD million)	2057.3	2014-15 Economic Survey (2014-15)
<b>Government Finance</b>		
Cash surplus/deficit (as % of GDP)	-5.2	2013 The World Bank Group
Total expenditure (% of GDP)	19.7	2015 The World Bank Group
External debt stocks, total (DOD, current US\$)	62.2	2014 The World Bank Group
External Debt % of GDP	20.3	2014 Economic Survey (2014-15)
Present value of debt (as % of GNI)	15.3	2014 The World Bank Group
Total debt service (% of exports of goods, services and primary income)	19.1%	2014 The World Bank Group
Public debt (as % of GDP)	63.8	2014 Economic Survey (2014-15)
Investment (as % of GDP)	14.98	2013-14 Economic Survey (2014-15)
Savings (as % of GDP)	13.7	2013-14 Economic Survey (2014-15)

## **Poverty Graduation model – External assessment**





## Assessment Survey of the PPAF's Social Safety Net –Targeting Ultra Poor Program 2011

## Executive Summary

**Introduction** – The PPAF over the period September 2007 to May 2010 implemented a Social Safety Net – Targeting Ultra Poor (SSN-TUP) Program. Under the program, five partner organizations were requested to identify ultra-poor households in selected communities. Out of the total number of households identified as ultra-poor in these selected Sindh Coastal Areas, half were targeted under the program. This allowed the other half to serve as a ready control group. Targeted households were provided productive assets, the skills to utilize these, a subsistence allowance, access to health services, and opportunities to save. The program operated under the BRAC “Graduation” Model that hypothesized that these interventions would enable ultra-poor households to “graduate” out of poverty.

The assessment of the SSN-TUP program, that is the subject of this report, was initiated in January of 2012, i.e. 1.5 to 2 years after the close of the program. The methodology involves comparing a data from sample of beneficiaries to a sample of non-beneficiaries collected through a specially designed survey.

**Assets Provided** – Livestock was the most common type of asset provided with 62% of households provided goats, chickens, and (less frequently) heifers. Other types of assets provided include “skill-based enterprises” i.e. tools or raw materials for activities such as carpentry, basket-making, broom-making, tailoring etc. Shops and vendor set-ups were also provided to a number of households.

These asset transfers were supplemented with a subsistence allowance worth Rs.1000 per month for 10 to 12 months, trainings for skill-development, and access to health services.

**Impacts** – Beneficiaries of the SSN-TUP program on average earn more, spend more, and are wealthier in terms of the assets they own than non-beneficiaries:

**Incomes** – Beneficiaries earn Rs. 34,122 more in a year than non-beneficiaries. Furthermore, beneficiaries saw their incomes increase 178% over the period 2008 – 2012. Non-beneficiaries saw their incomes rise by only 41% over the same period.

**Sources of Income** – Beneficiary households draw income from a wider range of income sources. While most non-beneficiary households relied predominantly on labour income, a significant portion of beneficiaries drew income from business. Incidence of begging and transfers as an income source is lower among beneficiaries.

**Expenditure** – Beneficiaries spend Rs. 1,682 more on frequent expenditures such as food, fuel, transport, communication, school fees, utilities etc. than non-beneficiaries. Beneficiaries also spend more on non-frequent expenditures such as weddings, funerals, health, cultural and religious activities.

**Assets** – An average beneficiary owned Rs. 66,374 more in assets than a non-beneficiary at the time of the survey. Beneficiaries also saw their assets grow 189% (from before the program up to the time of the survey). Non-beneficiaries in comparison reported a 90% increase in the worth of their assets over the same period.

**Housing Conditions** – While generally the living conditions of beneficiaries remain similar to

Assessment Survey of the PPAF's Social Safety Net –Targeting Ultra Poor Program 2011

non-beneficiaries due to the relatively small amount of time since the close of the program, some indicators do show signs of improvements. Beneficiaries have better roofing on their houses, the incidence on no lighting, no toilet and no drain is reduced, and mosquito net usage is higher.

**Home Produce** – Beneficiaries as a whole considerably increased the household production and consumption of milk, milk products, eggs and meat. The control group in comparison only saw minor increases in the household production of milk and rice.

**Savings** – Beneficiaries saved an average of Rs. 711 in the year before the program started. In the last year, these same households were able to save an average of Rs. 9,676 (2011 prices), which suggests an increase of 8,966 Pakistani rupees per household. The non-beneficiaries were only able to save 1,422 Pakistani rupees which is 85.3% less than what the beneficiaries had saved.

**Loans** – Beneficiaries were able to acquire more loans: a higher percentage of beneficiaries reported taking loans than non-beneficiaries. Furthermore, among those who did take loans, beneficiaries had a higher incidence of taking multiple loans in the relevant period.

**Perception of Social Status** – Beneficiaries ranking of their own present social status was overall much higher than that of non-beneficiaries. Beneficiaries' assessment of the social status they thought they could achieve in 10 years was also significantly higher than non-beneficiaries.

**Variation in Impacts** – Beneficiaries that received livestock (the most common type of asset transfer) saw their incomes rise 150%. While other asset transfers such as grocery shops and other shops had a larger impact on incomes (raising them between 200 and 600%), livestock has the largest impact in terms of increasing assets worth overtime.

However, grocery shops and “skill-based enterprises” are also effective assets, raising both incomes and worth of assets owned.

**Table 1 Impact of Asset Transfers on Income and Value of Assets**

Type of Asset/Enterprise	Percentage Change in Incomes of Beneficiaries	Percentage Change in Value of Assets of Beneficiaries
Donkey Cart/Troller	140%	302%
Grocery/General Store	216%	291%
Food Vendor	163%	139%
Other Shop/Vendor	569%	0%
Livestock	150%	451%
Skill Based Enterprise	193%	331%
Other	211%	145%
<b>Overall</b>	<b>173%</b>	<b>209%</b>

**Note**

- Grocery/General Store includes Grocery Store, General Item Store, Kiryana, Mobile General Store and “G.Items”.
- Other Shop/Vending includes fruit or vegetable seller, milk seller, thela, wood seller, clothes, shoes etc.



- Skill-Based Enterprises includes transfers of tools or raw materials for broom making, basket making, tailoring, embroidery, hair-cutting, mat making etc.
- Food Vendors includes hotels, restaurants, bakeries, confectionary, or shops for biryani, burger, paan, sweets, tea, cold drinks, tobacco etc.
- Other includes cabin, boats, cycles, fishing nets, diesel machines, fridge/freezer/icebox, water tanks.
- **Graduation Rates-** The Partner Organisations reported a graduation rate of 84%, whereas the results of this survey indicate a graduation rate of 44%. The lower graduation rate found by IDS is due largely to the lower school enrolments reported by the households which was one of the three criteria defined by the program to determine graduation.



## Concept note 1

### AJK Community Development Programme 2

#### **ISLAMIC REPUBLIC OF PAKISTAN CONCEPT NOTE FOR THE PROPOSED AJK COMMUNITY DEVELOPMENT PROGRAMME 2 (AJK CDP II)**

#### **A. Background and strategic context and rationale for IFAD involvement, commitment and partnership**

Azad State of Jammu & Kashmir lies in the foothills of the Himalayas in the north-east of Pakistan. It covers an area of 13,297 square kilometers (5,134 sq mi) and has an estimated population of about four million. AJK has a special status within Pakistan and has its own constitution, legislature, a president, a prime minister and cabinet. However, for both its development and non-development budget, AJK is almost entirely dependent on the Government of Pakistan and receives its annual allocations through the Ministry of Gilgit-Baltistan and Kashmir Affairs.

The area is largely mountainous and consists of two distinct regions: high mountains, narrow valleys and more forest cover in the north, and the southern part consisting of mountains interspersed with flat and undulating plains used for crop cultivation. IFAD has previously financed two projects in the region: a) the Neelum-Jhelum Community Development Project (IFAD Loan No. 288-PK, 1992-1999), implemented as a pilot in the two valleys of Neelum and Jhelum rivers, focused on development of community based organizations of men and women, savings and credit programmes and natural resource management and development; and b) the AJK Community Development Project (IFAD Loan No. 625-PK) (AJKCDP), implemented from 2004 to 2012 on a much larger scale to cover about 33% of the rural population. AJKCDP strengthened around 2,300 existing Community Organizations (COs) and established around 900 new COs, through participatory village planning and implementation. These COs have been subsequently formally linked to government development and service delivery departments and supported a range of pro-poor interventions including rural infrastructure, savings & credit, and natural resource management. The positive outcomes and impact of AJKCDP have led the AJK Government to establish: (i) a permanent Community Based Development Cell in the Planning and Development (P&D) Department; and (ii) the AJK Rural Support Programme (AJKRSP), as part of the exit strategy. Furthermore, using own resources, the AJK Government (GoAJK) is currently implementing a follow-up project as an interim measure, whilst preparing the ground to implement on a larger-scale, an IFAD-supported second phase project which would internalize and consolidate the institutional structures and activities initiated under AJKCDP.

AJKRSP, the implementing body, is now working with around 3,000 community organizations, supporting them to identify their annual development needs in terms of infrastructure and services, linking them with concerned government departments and sources of funding, and assisting them in income generation and poverty reduction activities. Today, AJKRSP's coverage extends to 1006 villages, with a remaining 700 villages still to be reached.

**Main qualitative and quantitative Results of AJKCDP from 2004 - 2012:** The PCR and IOE's Post Completion Assessment reported a number of positive results for AJKCDP and identified interventions that have the potential to be scaled up in the rest of the AJK region (i.e. the remaining 67 per cent of the area); these key results are the following: the organization of 73,000 poor and smallholder households into 2,960 COs and

establishment of 7 Local Support Organizations (with 49 percent female members) which are still functional; the empowerment of smallholders and the rural poor, particularly through the development of regular and mutually accountable linkages between COs and government service delivery and extension services; the establishment of a formal system for annual CO/ Village development needs assessment and its articulation in district development planning; the establishment of the permanent AJKRSP as the implementing arm and promoter of social mobilization approaches and interface between COs and government. **In terms of poverty reduction and income generation, the project achieved very positive results including: 40 per cent of hhs with increased incomes; 58 per cent of CO members reporting 144 per cent increase in incomes; 30 per cent increase in cattle ownership; and 40 per cent of NRM-trained beneficiaries reporting improved production and incomes.**

Despite these achievements and results, the full scope of objectives in CO formation, LSO development, and the formal institutionalisation of community-driven rural development with a supporting legal framework, were not fully realised. Based on the PCR and IOE assessments, this was due to some implementation delays caused by initial management issues which were later resolved, and notably the external shock of the highly destructive 2005 earthquake (with a 7500 death toll). Subsequently, and also based on limited geographical outreach of AJKCDP (including 700 villages without an established and representative CO and access to related resources), the IOE assessment very strongly recommended that further investments and efforts should be channeled towards region-wide institutionalization of the community-driven development approach, as part and parcel of the regular government's development system.

Consequently, the GoAJK intends to expand the scope of the approach to all 10 districts and the remaining villages. It also aims to further strengthen and institutionalize the linkages between COs and the local government system (including government development resources) by establishing the related and appropriate legal framework, and which would enable the COs to serve as a vehicle for rural poverty reduction and rural economic transformation. Government's commitment is evidenced by its financing of the AJKRSP and the continuation of the PMU in a post-AJKCDP period for support and coordination of the Government-financed interim (follow-up) project. On the strength of the sustained achievements, GoAJK has made a formal request, duly endorsed by the Economic Affairs Division of the Ministry of Economic Affairs and Statistics, for inclusion of an expanded follow-up/ Phase II project concept note (CDP-II) in the new COSOP, and has indicated the intention to invest a much larger government counterpart contribution for scaling up the successful interventions of AJKCDP.

## **B. Possible Geographic Area of interventions and target groups**

**Geographic Area:** The programme will be implemented in the poorest Union Councils of all the ten districts of the State of Azad Jammu and Kashmir. Approximately 200,000 poor households with a poverty score of 0 to 25 (of which 102,000 BISP beneficiaries, and half of which will be in poverty band of 1-12) will be targeted. The programme will build on and expand the earlier successful IFAD interventions under NJVCDP (1993-2000) and AJKCDP (2004-2012). In addition to strengthening the COs established/supported through AJKCDP, the programme will support establishment of Community Organizations in around 700 remaining villages in 10 districts.

While existing Union Councils (UCs) and COs will get automatic coverage under AJKCDP-II, the new target Union Councils and villages will be selected on the basis of their relative poverty based on BISP and MICS survey and these numbers will be equitably distributed among districts on the basis of population and any other criteria identified during design to ensure equity among districts. Existing UC's will primarily benefit from institutional strengthening, extension and value chain support, government development linkages, poverty graduation and micro-finance as per their assessed needs and annual plans. The new COs will benefit from entire spectrum of institutional development and all other interventions under Components 1 and 2.

**Target Groups:** The programme will use the BISP Poverty Scorecard as the main targeting tool. The target groups for the programme interventions will be smallholder farmers (less than five acres), small livestock holders (less than five head of cattle), the landless and homeless, and rural male and female youth. Homeless and landless rural poor will be particularly targeted for replication and scaling up of an integrated poverty graduation approach which includes asset transfer, vocational training and micro-finance, successfully piloted in IFAD-funded MIOP and SPPAP. There will also be a particular focus on women, in view of the large incidence of women-headed households due to out-migration of men for employment, and their role in livestock rearing, water collection and involvement in off-farm income generation activities through traditional crafts. Male and female youth will be another important target group, providing them with the means and opportunities to become productive and earning members of their communities.

### **C. Justification and Rationale**

This programme draws its justification and rationale from: (i) the evidence of the relevance, results and impact of previous interventions that are now primed for scaling-up, and as also identified by the IOE; (ii) the demonstrated commitment, leadership and ownership of the GoAJK to institutionalise community-driven development, including with increased counterpart financing; (iii) the alignment and complementarity of the programme principles and interventions with the two COSOP strategic objectives; (iv) the poverty level and concentration of poor smallholders in the AJK region; (v) the credible opportunities for replication and scaling up of the successful models and approaches tested under previous investments in the Pakistan portfolio; and (vi) the opportunity to innovate with concrete solutions/ mechanisms for 3<sup>rd</sup>-level/tier decentralization (local government).

The active presence and engagement of the AJKRSP and the ongoing PMU, are further indicative that there is a solid institutional foundation and implementation arrangement to firstly design a scaled up programme, and implement it.

**Scaling up:** The programme offers significant opportunities for scaling-up previously tested pilots and models/ approaches; specifically, these are in the domain of the following: graduation of the ultra-poor through an integrated package of assistance; and institutionalization of community organizations in local government and development systems. The related interventions can be validated for up-scaling in the AJK region, with additional potential to be replicated/adopted in the rest of the country.

#### **Lessons learned from IFAD's experience in Pakistan**

- Approach: Participatory community-based development approaches work well but remain largely project specific and often end with the completion of a project in a given location. The surrounding local government system remains disconnected with community/village based participatory development organizations. Sufficient attention has not been paid to assist the government in internalizing this approach. For this to happen, there is need for a longer-term multiphase approach in a given region/province. Each incremental phase should be linked to a higher level of government counterpart funding to ensure ownership and scaling-up.
- Landless and ultra-poor: Traditional approaches to help smallholders increase production, productivity and incomes primarily help the people with land or livestock while the ultra-poor, invariably landless and often without a home of their own, are usually left out. It calls for specially tailored targeting tools and support interventions so as to enable such poor to get out of poverty sustainably.
- Better alignment with national and provincial programmes: There are a number of national programmes for social protection, youth skill development, interest free credit for youth and poor, and vocational training programmes. There is need to capture all such programmes during the design phase and create linkages and synergies and avoid duplications.

- Project start-up and implementation: Most projects in Pakistan have faced protracted delays from loan approval to actual implementation. There is need to find appropriate solutions, including the establishment of a skeletal PMU during the design phase, to ensure that projects start on time. In the case of CDP-II, the existing PMU financed by GoAJK is an appropriate measure.
- Monitoring and evaluation (M&E): There is need to streamline linkages between project-level and country-level monitoring and evaluation and reporting of outcomes and results. The national poverty score card is the first point of entry and basis for the M&E system.

#### **D. Key Programme Objectives**

The overarching objective will be poverty reduction in AJK through an institutionalized participatory rural development approach for delivery of needs-based and relevant development interventions. Specific objectives will include: (i) Poverty reduction and income enhancement in the programme area; (ii) Transitioning of women and youth from ultra-poor families through delivery of an integrated and flexible menu of interventions covering assets (housing, livestock, capital), skills and entrepreneurship; and (iii) Institutionalization of community-driven development within the government systems.

#### **E. Ownership, Harmonization and Alignment**

The programme is in line with both COSOP Strategic Objectives, and is also fully aligned with the GoAJK's policy and strategy for institutionalization of participatory rural development and the development of institutional capacities and regulatory frameworks. In particular, GoAJK's commitment is further evidenced by using own resources, to continue and further the efforts since AJKCDP completion, and as well, an indication of increased investment with larger counterpart funding (than has been the norm in previous programme). There is also a high potential for linking up with other national and provincial programmes aimed at rural poor women and youth, including the PM's programme for Interest Free Loans, the National Skills Development Programme for Youth, RSP and MFI microfinance programmes.

#### **F. Components and activities**

AJKCDP-II will consist of two components with a total cost of US\$ 60 million (IFAD US\$ 45 million; AJK Govt. US\$ 13 million and beneficiaries US\$ 2 million). The components are: (i) **Rural poor households' economic transformation;** and (ii) **Policy, institutional strengthening and Programme Management.** The BISP poverty score card will be the primary tool, further validated through peer and community review, for community, activity and household targeting.

##### **Component 1: Rural poor households' economic transformation (USD 50 million)**

*This subcomponent will be implemented by the Community organizations with the support of the AJKRSP, the implementing partner of the phase 1, that has already demonstrated its capacity to organize successfully the communities, to train and capacitate the communities in order for them to discuss and elaborate their own development plan, to implement it, to monitor and report their operations and financial results and outcomes. The major activities implemented under the leadership of the communities will be:*

**Asset Creation (USD 15 million).** *The Community Organisations will agree on recipient households among the 0-18 poverty bands (Poverty score card peer verification) and submit requests for grant packages aligned with priorities set in locally-generated development plans. The asset creation package will depend on the context and the demand (small ruminants, business or enterprises start up assets...). Based on the PPAF, GLLSP and SPPAP experience, the cost for assets creation per households will be between USD 200 to USD 500. A special low cost housing scheme programme will be also*

*developed for the homeless ultra-poor, and in priority for the women headed households, in the 0 – 11 band who have no shelters. Modality of arrangement and cost would be replicated based on the successful SPPAP model (1300 houses built). Monitoring and evaluation will be based on the criteria of the national poverty score card.*

**Vocational and Entrepreneurial Training (USD 7 million).** *With particular focus on women and rural youth, it will promote and develop off-farm and farm-centred vocational and enterprise development for enhanced incomes and value addition and marketing of farm output. This training will also include technical skills (based on the demand of the market), entrepreneurial coaching and establishment of functional and durable business associations.*

**Community Physical Infrastructure and community initiatives (USD 28 million).** *Based on the priority identified in the Community Development plan, investment will be in community infrastructure schemes, ranging from household energy, to sanitation, drinking water, irrigation and roads and culverts. Some of these schemes- particularly solar energy and biogas- will provide additional long-term and sustainable benefits to households. These schemes have been grouped under 'community initiatives' simply due to the provision of private benefits to several households at one time.*

**Component 2: Policy, institutional strengthening and Programme Management (USD 10 million)**

*This component will: (i) support the GoAJK to develop and implement a legislation recognising the community organizations (COs) as the first level of local development management and delivery, backed by a formal legal framework and integrated in the annual provincial budget; (ii) support the Planning and Development Department to develop and implement all operational policies and manuals enabling this community driven development to be effective; and (iii) provide the capacity to the community to manage and report on public funds.*

*programme-implicated institutional bodies, including COs and public institutions, will have an opportunity to source technical assistance towards building their capacity to deliver on their responsibilities and mandate related to participatory rural development, and with good governance arrangements. AKJRSP will provide and/ or support the mobilisation of technical assistance, towards building the capacity of communities and their COs. The PMU will hire the necessary expertise to support this component to deliver quality and on time documentation and training / coaching.*

*In particular, the component will assist in the establishment of COs in target Union Councils not covered thus far and help strengthen and consolidate existing COs established under NJVCDP and AJKCDP-I. It will also develop AJKRSP's capacities in terms of supervision and monitoring and institutional maturity assessment of COs and LSOs, help strengthen LSO network, and support the development of regulations, systems and processes for formal linkage of COs with the local government system, government sources of local government funding and mutually responsive linkage with government service delivery agencies (i.e. institutionalization). The programme will also support development of an effective M&E system within the local government structures for accurate feedback on progress of the process and activities, management decision-making and accountability.*

*The programme will support the establishment/continuation of a programme management unit, monitoring and evaluation and regional/district coordination systems.*

**G. Preliminary Environmental and Social category**

*CDP-II does not include any activity of a size or scale that will have significant environmental or social impact. A preliminary assessment of environmental and social risks suggests a rating of category B. Rural infrastructure will be built in mountainous areas prone to sliding. Measures to adopt adequate safeguards of such infrastructure to minimise impact on environment will be built in at design stage. CDP-II will have a*

positive impact on the management of natural resources and water security and food security.

## **H. Preliminary Climate Risk classification**

The frequency of extreme climate change-induced events is on the rise in Pakistan and AJK has had its share of floods and torrential rains. CDP-II will sensitize the COs and public services on climate change trends and resilience measures/ solutions for the management of surface water, improved natural resource management and adoption of production systems that can better cope with changing rainfall patterns. A preliminary moderate climate risk rating is therefore proposed at this stage.

## **I. Costs and financing**

The implementation period would be seven years (to be confirmed in the detailed design) with an estimated cost of US\$ 60 million. The IFAD share would be US\$ 45 million from PBAS cycles 2016-18. GoAJK will finance USD 13 million from 2017 to 2024. USD 2 million will be provided by the contribution, mainly in kind, of the beneficiaries. Lending terms will be as per the prevailing terms.

Partnership opportunities will also be explored during the detailed design phase, in particular with WFP and FAO who have a long history of working with the AJK Government. Food security and nutrition in particular will be areas of focus. Partnership opportunities with relevant government programmes focused on youth, women and poor will also be actively explored.

Finally, it is expected that the revolving fund established under the AJKCDP (USD 5 million), will be mobilised and transferred to the CDP-II, to be managed by AJKRSP, and which will enable the development and expansion of credit products in complement to Component 1.

## **J. Organization and management**

An AJK level Steering Committee, headed by ACS, will steer the programme planning and implementation. A dedicated PMU, headed by a Programme Coordinator reporting to the Steering Committee, will implement the programme in partnership with AJKRSP. The PMU will be located in Muzaffarabad and embedded either in P&D or Local Government Department (to be determined during detailed design in the light of Government Rules of Business and practical considerations) to facilitate internalization of systems developed for formalization of participatory rural development. District level coordination offices in District Local Government set-up will coordinate the programme planning and delivery as well as monitor the quality and progress.

IFAD will supervise the programme directly and the IFAD country office will provide continuous back support and guidance. A baseline study will be carried out by the ongoing PMU prior to programme start-up, informed and using as a basis, the National Poverty Scorecard (NPSC) which is being currently updated (i.e. 2016 baseline). Over the course of the implementation period and at completion, the baseline will serve to establish future monitoring and impact assessment benchmarks. A Mid-Term review will be carried out jointly with the government to evaluate programme progress, identify areas for further improvement and revise the programme approach, activities and budgets on the basis of mission findings.

## **K. Monitoring and Evaluation indicators, KM and Learning**

An appropriate M&E system will be developed during detailed design and operationalized. An indicative Log frame is attached to the Concept note including preliminary outcome and output indicators.

The level 3 indicators (impact), which are mandatory under the results management system (RIMS), will be measured in the baseline survey and household surveys to be conducted upon completion.

The proposed level 3 indicators (to be confirmed/ revised during detailed design) are as follows:

- Poverty in participating communities is 25% less than the national average;
- 40% participating households report 20% improvements in household assets and incomes.

The proposed level 2 indicators – also to be refined – are as follows:

- 200,000 households benefit from the programme actions, including 102,000 BISP beneficiary households of which a minimum of 30,000 households benefit from housing and other productive assets;
- 1700 villages will be reached, served by formally recognized COs and will receive local government resources against approved development plans.

A further advantage of the M&E system, will be its use as a management tool, to inform future interventions and investments. Notably, the M&E system will provide a means to monitor the efficiency and effectiveness of poverty graduation approaches, against BISP and other unconditional cash transfers (provided by the Government to household in the poverty band of 0-18), by measuring the number of households who graduate from the 0-18 poverty band at the end of the programme lifetime, as a result of the sustainable and more comprehensive interventions promoted by the programme (the 2016 NPSC will serve as the baseline).

## **L. Risks**

**Institutional risk.** The main risks relate to: (i) AJKRSP's capacity to undertake enhanced scale of activities under CDP-II; and; (ii) the public institutional capacity to develop and effectively articulate the enabling legal framework and legislation for institutionalizing participatory rural development. These risks will be addressed through: (i) Additional resources for AJKRSP to build its capacity and outreach; (ii) provision of technical assistance to public institutions (especially for legislation); (iii) IFAD participation, as an observer and facilitator, in capacity building of the PMU; (iv) technical training for the PMU and implementing partners at start-up; (v) close supervision and support through the IFAD country office; (vi) Time-bound action plan agreed with the government and covenanted with respect to institutionalization of COs in government systems; and (vi) direct, needs-based close supervision.

**Fiduciary risk.** IFAD has faced issues in proper financial management and traceability in past projects due to unavailability of proper accounting software and limited capacities of financial management staff. These shortcomings will be addressed by: (i) acquisition of accounting software prior to start-up, financed by GoAJK; (ii) testing of the current financial team with performance-based assessment (where required, staff will be replaced); and (iii) review and finalization of the programme financial and administrative manual, with the support of IFAD technical expertise.

**Climate risk.** AJK has faced increasing frequency of flash floods and land sliding due to torrential rains. It has also experienced shifting and unpredictable rain patterns over the recent past. Based on past experience, the climate risk will be mitigated with: (i) the provision of resources for development of climate resilient designs for rural infrastructure and awareness and capacity development of government agencies and communities (ii) budgeting of resources for qualified works quality supervision and oversight.

## **M. Timing/Schedule**

Detailed design mission:	October 2016
First quality review (QE):	November 2016

Final formulation mission:	January 2017
Second quality review (QA):	February 2017
Negotiations:	March 2017
Executive Board:	April 2017



## N. Logical Framework

Results Hierarchy	Indicators					Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline	YR1	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Goal:</b> Reduction in rural poverty in AJK through adoption and scaling up of proven approaches	Poverty in participating communities is 50% less than national average	29 %		20%	14%	Project surveys	annual	PMU	
<b>Development Objective:</b> Poverty reduction and incomes enhancement in the programme area through a participatory and responsive approach;  (ii) Asset Building and transitioning of women and youth from ultra-poor families through delivery of a flexible menu of interventions covering assets (housing, livestock, capital), skills and entrepreneurship.  (iii) Institutionalization of community based development in government systems	<ul style="list-style-type: none"> <li>70% of participating hhs report improved assets and incomes</li> </ul>			30%	70%				
	<ul style="list-style-type: none"> <li>30,000 poor and ultra-poor hhs pulled out of poverty sustainably</li> </ul>			12000	30000				
	<ul style="list-style-type: none"> <li>Government promulgates regulations and processes for institutionalization of COs</li> </ul>	nil	System adopted		System operational				
<b>Outcomes/ Components:</b> <b>Outcome 1:</b> Improved incomes for beneficiary households	<ul style="list-style-type: none"> <li>70% hhs report increase in incomes and assets</li> </ul>								
<b>Outputs:</b> 1.1 Improved production and productivity	<ul style="list-style-type: none"> <li>Production and productivity is increased by 30%</li> </ul>								
1.2 Use of improved breeds, seeds and management	<ul style="list-style-type: none"> <li>60% beneficiaries using improved breeds and seeds and management practices</li> </ul>								
<b>Outcome 2:</b> Improved community access to inputs, knowledge, markets, services and ultra poor escape poverty through access to productive assets	<ul style="list-style-type: none"> <li>Reduction in number of poor and ultra poor in beneficiary communities</li> </ul>			20%	50%				

Results Hierarchy	Indicators					Means of Verification			Assumptions (A) / Risks (R)
	Name	Baseline	YR1	Mid-Term	End Target	Source	Frequency	Responsibility	
<b>Outputs:</b> 2.1 beneficiary communities have adequate infrastructure for market access, water, health and education	<ul style="list-style-type: none"> <li>No of infrastructure facilities built as beneficiary community priorities and operational</li> </ul>								
2.2 Target ultra-poor get assets that enhance their community standing and help them escape poverty	<ul style="list-style-type: none"> <li>Number of housing, livestock and other assets provided</li> </ul>								
	<ul style="list-style-type: none"> <li>Number of persons provided income generation skills and enterprise support</li> </ul>								
<b>Outcome 3:</b> Community Organizations are formally recognized as a grassroots tier of local government system for the purpose of rural development and service delivery	<ul style="list-style-type: none"> <li>2,000 community organizations are formally linked to local government development system and resources</li> </ul>								
	<ul style="list-style-type: none"> <li>Community development plans are prepared and resources allocated annually by local government department</li> </ul>								
<b>Outputs:</b> 3.1 At least 2,000 fully functional and representative COs of men and women duly recognized by local government department	<ul style="list-style-type: none"> <li>Functional and representative COs with at least 50% representation of women and all poor households</li> </ul>								
3.2 All COs prepare annual development plans as per notified schedule and submit to Local Govt for approval and provision of resources	<ul style="list-style-type: none"> <li>At least 2000 CO plans prepared and resources allocated and utilized</li> </ul>								

*\*Up to 15 indicators including a few optional RIMS indicators. In addition to these, RIMS mandatory indicators must be added. \*\*The distribution of indicators is illustrative*

*\*\*\*Intermediate targets for the Goal and Outputs are optional*

## Concept note 2

### National Poverty Graduation Programme

#### ISLAMIC REPUBLIC OF PAKISTAN CONCEPT NOTE FOR THE PROPOSED NATIONAL POVERTY GRADUATION PROGRAMME (NPGP)

##### Background

Economic growth is essential to poverty reduction but macro-economic growth alone is not sufficient a condition to eradicate extreme pockets of poverty.

Poverty is a complex, multi-dimensional phenomenon particularly extreme poverty which is entrenched across multiple generations, affecting entire communities. Extremely poor people are often left out of the reach of the value chain and market access for poor paradigm that many donors and governments have adopted. People in extreme poverty are also often geographically and socially isolated because of the complex, multi-dimensional nature of severe poverty.

Lessons learnt from various poverty reduction programmes have revealed that stand alone poverty reduction interventions of social protection, asset transfer, livelihood development etc. alone do not provide a holistic solution to the complex nature of extreme poverty. Social protection programmes at their own are an inadequate instrument for building sustainable livelihoods and resilience against fluctuations and shocks. Social protection can be effective in smoothing consumption and protecting existing assets, but complementary interventions are needed to increase incomes and assets to the point where participants are ready to graduate from the programme. Delivering both 'livelihood protection' and 'livelihood promotion' requires a 'package' approach, including both support to household consumption and support to livelihoods. On the other hand stand-alone livelihood interventions do not provide the consumption support without which people make suboptimal economic decisions due to stress and crises management to make ends meet.

One of the most successful approaches, in reaching the extremely poor has been the graduation approach called Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor programme, pioneered by BRAC in Bangladesh. The programme has been extensively studied particularly by CGAP. One of the key conclusions of the graduation programmes across the globe is that with the right mix of interventions, offered in the right sequence, the extreme poor could "graduate" from extreme poverty into a sustainable livelihood within a defined time period.

**What is Poverty Graduation?** The graduation approach combines elements of three distinct approaches - **social protection, livelihoods development, and financial inclusion**—and draws on the most relevant aspects of these to deliver results by combining support for immediate needs with longer-term human capital and asset investments to move households out of extreme poverty and into sustainable livelihoods. In combination, these interventions have a dynamic and beneficial interplay such that the whole is greater than the mere sum of the standalone measures. The graduation model is structured around the sequencing of the core building blocks of targeting, consumption support, skills enhancement, asset transfer, saving and and microfinance, with "graduation" out of extreme poverty and into sustainable livelihoods as the end goal.

## **Graduation Approach Experience in Pakistan.**

In 2009, with the aim to graduate destitute households to a level where they could access mainstream microfinance, PPAF in partnership with International Fund for Agricultural Development (IFAD) launched the Social Safety Net-Targeting Ultra Poor (SSN-TUP) programme. This model operated on the premise that the poorest households needed tailored support matched to their circumstances and capacities to help them graduate out of poverty. Depending on each household's situation, it could comprise of cash grants, food aid, subsidized employment, a productive asset or a combination of them to initially meet their basic survival needs to then build sustainable streams of income to ultimately graduate them out of poverty. This comprehensive approach to poverty eradication is relatively expensive, but the theory of change states that the combination of these activities is necessary and sufficient to obtain a persistent impact.

The SSN model was piloted in the Sindh Coastal Area Development (SCAD) areas of Badin, Thatta, West Karachi, and Lasbela, considered the most deprived in Pakistan. The programme targeted the poorest members in a village and provided a productive asset as one time grant, training and support, life skills coaching, temporary cash consumption support, and typically, access to savings accounts and health information or services. At the end of the intervention, statistically significant impact on all 10 key outcomes, ranging from food security, assets creation, women decision making, to consumption and mental health etc. has been observed. These outcomes were validated by the Randomized Control Trial-based research study conducted by economic experts Abhijit Banerjee, Esther Duflo, Nathanael Goldberg, Dean Karlan etc., published in the Science Magazine recently.

Poverty graduation, as understood and practiced in Pakistan by PPAF, means assisting an ultra or very poor household (as per BISP poverty score card) to get out of poverty (attain a score of 35 or above) on a sustainable basis (stay in non-poor condition for over three years). The approach involves building the skills and productive asset base of the beneficiary households through grant support, assisting in accessing secure employment or starting a micro-enterprise or getting engaged in a value chain and bringing the beneficiary to a level where s/he can access formal interest bearing sources of capital. A strong social mobilization and handholding approach at individual and community level underpins the whole concept. Communities with a large number of such households are targeted and also supported through such community infrastructure investments that directly and indirectly contribute to poverty graduation initiatives at household level.

### **Learning from the PPAF Pilot demonstrated that:**

- Social protection programmes such as the Government supported BISP provide basic level support to the vulnerable segments of the population but not the right combination of means to graduate poorest households out of poverty. This can be done only through a comprehensive livelihoods strategy and supportive framework.
- Isolated and non-integrated poverty reduction interventions, without proper appreciation of the conditions of the single household and its development potential, result in limited impact despite the investment of considerable resources.
- In the PPAF model, income, consumption and wealth of beneficiary households increased substantially; food security among children improved, reliance on informal debt decreased and local participation in development process increased; however, there was no significant impact on secondary outcomes such as adults' physical health or children's school attendance.
- Under PPAF III, asset transfers have been made to female and male members equally. It was evidenced that raising women's awareness regarding ownership rights and decision-making powers were key to creating a sense of empowerment (and resulted in improving women's roles within the household and community).

- For poverty graduation, asset transfers alone are not sufficient – what is required is building the enabling eco-system at the local level that supports creation of a variety of means for enhancing social and economic productivity. Social mobilization and the support of viable and sustainable community institutions play an important role in creation of this eco-system.
- Nutrition aspects do not get sufficient attention in the mainstream public health programmes. The community-driven health programmes also see nutrition as a subsector of health and hence its potential for poverty alleviation remains unaccounted for.

Based on these lessons, PPAF further refined its ultra-poor targeting and support framework that helps the ultra-poor graduate out of poverty and, at the same time, helps improve the surrounding livelihoods eco-system to make such graduation sustainable. Key improvements introduced included:

- The mobilization of the Institutions of the poor – ensuring that poverty alleviation is an essential part of their mandate and enabling them to monitor implementation of MDGs for their union council. PPAF now has a certified course for the capacity building of community institutions.
- The development of a Union Council Development Plan (UCDP), by the Union Council Based Community Institution or Local Support Organization (institution of the poor), so that they can track, monitor and adapt the UCDP each year according to evolving needs. Focus on nutrition as a sector with its potential to reduce food insecurity and its impact on poverty alleviation
- Redefining the role of Community Physical Infrastructure investments as development enablers by linking these investments with productive livelihood and enterprise development initiatives.
- Naukri-ya-Karobar (NyK) centers established at Union Council level to facilitate the youth of the area to either find jobs or set-up their own businesses as it has been identified that in most communities, the youth are not employed due to lack of information about job openings, skill demand in the market, product demand in the market, etc.. Moreover, these centers identify placement opportunities, vocational institutions, and register those who are underemployed or unemployed.
- Production Centers and Loan Centers have also been established where a revolving fund is placed at the community's disposal.
- Investments in conventional livelihood opportunities (demand driven)
  - Building capacities in technical and entrepreneurial skills
  - Introducing rural connectivity models
  - Building profitable and sustainable linkages with line agencies
  - Provision of flexible financial services
  - Inclusion, especially women, and both poor and non-poor
  - Exposure and knowledge management

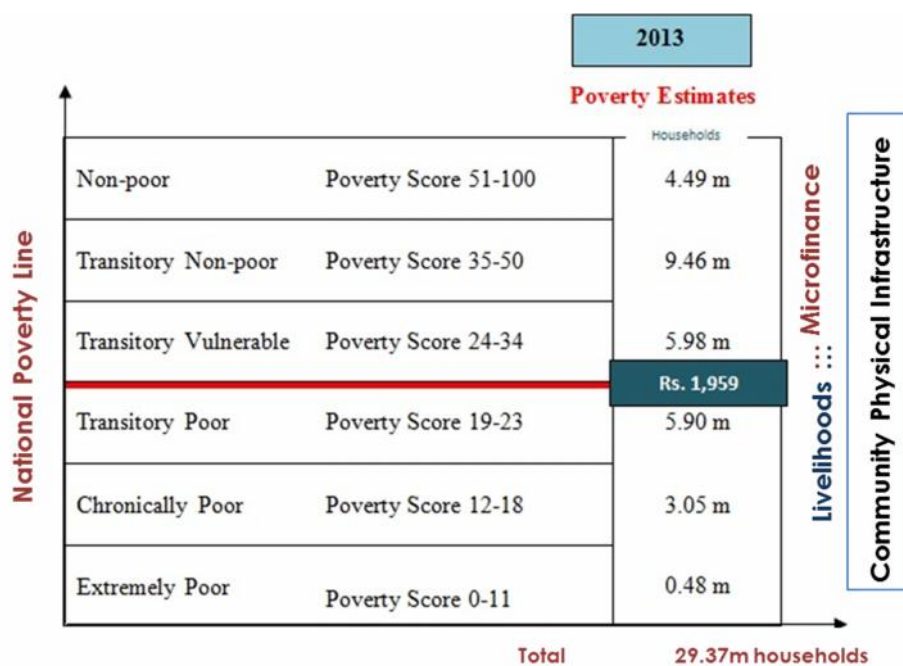
The success of TUP programme laid basis for the development of an expanded Livelihood Enhancement Programme with the support of World Bank and others. PPAF's Livelihood Enhancement Programme has achieved the following outputs during the last 3 years:

- Total asset transfers to ultra-poor and vulnerable Households (HHs) = 73,000
- Approximate value of assets per HH = Up to PKR 50,000
- Skill training provided along with transfers = 320,000 people trained
- 244 UCs, 44 districts covered across Pakistan

### **Targeting**

The biggest challenge of the graduation approach is knowing who the poor are, where they live, how they can be reached and what kind of interventions would enable them to escape poverty sustainably. The process of poverty mapping in Pakistan has greatly

evolved enabling household level and spatial mapping and creating an opportunity to target them effectively. This was as a consequence of the first ever nation-wide poverty scorecard-based targeting survey by Benazir Income Support Programme in October 2010, carried out by Government of Pakistan with technical and financial support of the World Bank. The survey covered all households (27.2 million) in all districts of the country with the help of independent surveyors consisting of RSPs, NGOs and consultancy firms, and backed by a robust monitoring and quality assurance system. The BISP survey categorized the population in six segments as reflected in the following table. The extremely poor fall in the band of 0-11, chronically poor 12-18 and transitory poor 19-23. Transitory vulnerable fall in the band of 24-34. The first three categories' main challenge is sustainable livelihoods. They often lack productive assets including own housing and are considered un-bankable by the rural microfinance institutions. The microfinance clientele starts from band 24-34. For the bottom three categories to benefit from microfinance, the challenge is to reach the score of 24 and above.



Note: Based on monetized consumption/caloric intake (Rs. Per capita, per month) and calculated by using an average of national household size of 6.3 (Source: CPLPM (Masim, QAU))

### Typology of Poverty Bands

**Extremely Poor (0-11 Score):** Large households with a large number of dependents; often women headed; illiteracy; without own house or living in a shanty or lean-to with no access to own water source, improved sanitation, health and education and sources of financing; lack productive assets, skills or enterprise knowledge; income derived from irregular/seasonal menial labour or working for food in well-off houses; often indebted. Need longer-term comprehensive assistance to get out of poverty trap.

**Chronically Poor (12-18 Score):** Large households with a large number of dependents; have own basic one room house and one odd head of livestock or other productive asset; largely illiterate and dependent on daily wage labour or other casual work for others. Seasonal indebtedness during periods of low employment or prior to wheat harvest times or due to illness of wage earner; lack of access to social services and sources of knowledge and capital. Have one or two able-bodied adults who can be equipped with skills and/or productive assets to generate a sustainable income stream and get out of poverty.

**Transitory Poor (19-23 Score):** Medium size household with more than one wage earner or petty entrepreneur; own house with more than one room with some basic sanitation and access to water and schooling; own some productive assets like 2-5 heads of cattle or goats and, in some cases, small piece of land and some means of transport. Vulnerable to seasonality and external shocks like floods, droughts, strikes, long illness of a wage earner which often pushes them into poverty and indebtedness. Have the most potential to get out of poverty quickly with right kind of support and guidance.

### **PPAF Role in Poverty Reduction in Pakistan**

The Pakistan Poverty Alleviation Fund (PPAF) was established in 1997 as a non-profit company, limited by guarantee (not having a share capital), under Section 42 of the Companies Ordinance 1984. Purpose of PPAF is "helping the poor, land-less and asset-less in order to enable them to gain access to resources for their productive self-employment, to encourage them to undertake activities of income generation and poverty alleviation and for enhancing their quality of life." Its Board of Directors consisting of both public and private sector representatives and a CEO from private sector. The Fund is financed through a government endowment and regular funding from both government and multilateral and bilateral sources of funding.

PPAF acts as an Apex Organization and programmes are carried out through partner organizations that are non-governmental in nature with an underlying focus on a community-led, demand-driven approach emphasizing on community ownership right from identification and preparation to implementation and finally management of these interventions in a sustained manner. The themes of social inclusion, gender, and environment are the common threads running through all projects and programmes and make up substantive components within all their work.

### **PPAF's role in the Microfinance Sector**

PPAF operates a large micro-finance operation through on-lending to partner organizations. It manages grant funding operations on behalf of many financiers including donors and government for typical community driven rural development and poverty reduction. Operations are backed up by a strong monitoring and oversight system and partner capacity building programmes. PPAF has identified six levels of priority districts for grant-funded and micro-finance interventions, based on certain classifications that include districts which are below/above the average Human Development Index (HDI) score for Punjab, extremely food insecure districts, districts where social mobilization has/has not already been undertaken by PPAF and/or partners, and districts where microfinance is feasible and appropriate.

Part of PPAF mandate was to bridge the considerable gap between demand and supply of financial and non-financial services for the poor as wholesaler of microfinance and support agency for institutional development. The microfinance sector was in a nascent state when PPAF entered the market in the year 2000. The market stood at 60,000 clients with a handful of MFPs. PPAF's entry at the early stages was geared towards sector development and attempting to develop institutions and communities that foster financial inclusion through the provision of credit. Hence the main focus was on the following 5 areas:

- Wholesale Funding
- Institutional Development
- Product Development
- Supervision and Monitoring
- Linkage of MFI and Capital Markets

Due to investments in the sector made by PPAF and SBP, the microfinance market now stands at 3.3 million loan clients, 10.2 million savers and 4.2 million<sup>11</sup> Insurance policy holders with a robust and dynamic institutional structure geared for sustainable growth.

### **Prime Minister's Interest Free Loan (PMIFL) Implemented by PPAF**

The Prime Minister's Interest Free Loan (PMIFL) Scheme was initiated and awarded by the Government of Pakistan to be implemented through the Pakistan Poverty Alleviation Fund (PPAF). The Government programme is targeted for individuals between 17 and 30 on the poverty scorecard as they may not be eligible for conventional market based microfinance. The programme focuses on areas where microfinance penetration is low and aims to foster graduation from Interest Free loans and Safety net programs towards interest bearing microfinance.

### **Methodology and Cost Estimates**

PPAF will primarily focus its activities on the poorest districts selected under IFAD portfolio plus any additional districts that qualify as the least developed and poorest districts. Within these districts, using BISP poverty data and Government Data on Deprivation Indicators, the poorest Union Councils will be selected for intervention. At the macro-level, the programme will be closely coordinated with national and provincial pro-poor programmes including BISP to bring to bear effective impact at household level through synergized efforts. BISP cash grant beneficiaries will be the primary focus plus other poor falling in 0-24 score-card. PPAF will engage suitable social mobilization partners in each area for the delivery of interventions following a participatory and community-based approach that would include community based development need assessment and planning and household-based profiling to identify qualified households for poverty graduation. BISP data would be used as baseline for identification of households backed by peer/community validation.

The package of interventions will consist of community-based interventions and household-based interventions; the first set of interventions (NRM, microfinance, value chains) aimed at improving the overall socio-economic situation of the target communities and second set of interventions (social protection payments, grants for asset building, technical and vocational training, enterprise development, interest free loans from government schemes) aimed at helping the poorest households to graduate out of poverty sustainably.

Tentative costs involved would consist of (to be firmed up during detailed design):

For poverty Graduation of a Household:

- |                                       |          |
|---------------------------------------|----------|
| a. One time grant for asset building: | US\$ 500 |
| b. Training/capacity Building:        | US\$ 200 |
| c. Operational Overheads              | US\$ 100 |
| d. BISP cash Assistance 36 months     | US\$ 200 |

Total per HH Cost: US\$ 1,000

US\$ 200 for BISP assistance is a notional cost as this is ongoing government assistance for poorest households. The remaining US\$ 800 will be direct project cost. With an average HH size of 7 among poorest HHs, per capita cost would be US\$ 112 per person graduating from poverty.

In addition, PPAF will leverage its microfinance funds to extend coverage to beneficiary households in the target Union Councils through partner organizations and Local Support Organization-based credit revolving funds. Further support will be provided in shape of other pro-poor interventions being implemented by PPAF and partner organizations e.g.

<sup>11</sup> Pakistan Microfinance Network, *MicroWatch* 35 (January-March 2015).



Prime Minister's Interest Free Loans for Youth and various other provincial pro-poor grant funded programmes. Linkages will be built with existing government social service and extension service providers for coverage under regular government services.

The project will overall benefit 5 million people living in poorest Union councils of poorest districts in Pakistan. Out of these, the project will help 1 million poorest people (around 143,000 households) to graduate from extreme poverty on a sustainable basis.

#### **A. Possible geographic area of intervention and target groups**

**Geographic Area:** The programme will have a national focus with priority coverage of areas under IFAD on-going and future projects in the 4 Province and around 30 districts (Balochistan, Gilgit-Balistan, AJK and Punjab). Other areas in other provinces may be considered for coverage if right conditions exist including concerned provincial government interest. The Programme will build on the proven successful models of poverty reduction/graduation demonstrated by IFAD funded MIOP in partnership with PPAF and RSPs.

**Target Group:** The programme overall target group is the poor with poverty score of 0 to 24 (BISP Beneficiaries) who are currently considered un-bankable by the microfinance sector due to lack of assets and skills. Rural poor in the poverty score-card category 0-16 (the BISP Cash Grant beneficiaries) will be particularly targeted for graduation out of poverty through the tested TUP activities. Women will be a priority target group in view of the large incidence of women-headed households due to out-migration of men for employment, their role in livestock rearing and water collection and their involvement in off-farm income generation activities through traditional crafts. Male and female youth will be another important target group to make them productive and earning members of their communities.

Once these beneficiaries attain a score higher than 24 on the poverty scorecard, they will be linked to microfinance loans (funded by PPAF) which are relatively larger in size and will foster the ability of the beneficiaries to get engaged in value chain and enterprise activities.

#### **B. Justification and rationale:**

The Programme draws its justification and rationale from: (a) Despite allocation of large amount of funds under government's social protection and other programmes, there is little impact in terms of reduction in number of extremely poor households due to non-integrated nature of such interventions and it calls for a more household centred and integrated poverty graduation approach; (b) a relative high incidence of poverty and underdevelopment of selected districts in IFAD supported programmes with large concentration of smallholders and poor who need a more nuanced support than available in traditional rural and agriculture development projects; (c) Availability of successful graduation models and innovations developed under IFAD projects like Microfinance Innovation and Outreach Project (MIOP) (d) replicating and scaling-up a national approach to poverty reduction through blending the existing social protection and skill enhancement programmes of the federal and provincial government with a comprehensive livelihood solution.

The proposed project is in line with the strategic objectives of the COSOP 2016-21 and also responds to a strategic approach calling for higher than norm counterpart funding in scaling up phase and a region-wide approach.

A key lesson learnt from a pilot Social Safety Net-Targeting Ultra Poor (SSN-TUP) by PPAF under the IFAD financed MIOP and asset transfer initiatives of SPPAP has revealed that combining complementary approaches— consumption support through social protection, transfer of productive and social assets, agriculture and livestock productivity enhancement, skill and enterprise development and provision of financing— into one

comprehensive programme helps to spur a sustainable graduation out of poverty. NPGP will bring together various sources of government and non-government funding aimed at helping the very poor to graduate out of poverty and deploy them strategically in a community and household centred approach to enable the poorest households to escape poverty sustainably. It will bring together on-going BISP social protection cash grants, government's interest free employment generation funds, PPAF's grant and on-lending resources for micro-finance, RSPs and NGOs existing social capital and outreach in target areas and IFAD's additional financial resources and experience in rural poverty reduction.

### **C. Key Project Objectives**

The overall goal of the programme is to assist ultra poor and very poor in escaping poverty on sustainable basis while improving their overall food security, nutrition and climate change resilience.

During the next 6 years, PPAF will deliver a programme that focuses on five million of the poor and vulnerable individuals in the most deprived areas of the country (approximately 700 – 800 Union Councils) and foster graduation of at least 1 million people (143,000 households) out of poverty.

The aim of the programme is to provide the ultra-poor segment of the population (poverty scorecard of 0 to 16) with a combination of safety nets combined with livelihood interventions and training along with creation of Common Interest Groups (CIGs). The process would involve initial grant-based productive asset provision, skill development and enterprise development, subsequent linkage with government's interest free loan schemes and concessional loans (poverty scorecard of 17-24) and then graduation to formal sources of credit/capital to expand their businesses. Once these beneficiaries attain a score of greater than 24 on the poverty scorecard, they will be provided with microfinance loans which are relatively larger in size and will foster the ability of the beneficiaries to become full-fledged entrepreneurs.

Social mobilization and strong handholding support will be mainstreamed across all programme activities. Through this strong support, other concerns like gender, climate change resilience and nutrition will be embedded in all programme investment, capacity building, information and education activities.

### **D. Scaling Up**

Based on the successful model of SSN-TUP, asset creation initiatives of MIOP, SPPAP and lessons learnt from stand-alone social safety net programmes, the Programme will initially be implemented in selected districts of the country (priority to districts covered under other IFAD-funded current and future projects). In view of major donors interest and involvement in social safety net and skill development programmes, it is anticipated that partnerships can be developed both with the major donors, BISP, and the provincial social safety net and skill development programmes for scaling up the graduation approach and models to a nationwide initiative in the medium term.

### **E. Ownership, Harmonization and Alignment**

The programme is in line with the COSOP Strategic Objectives 1 and 3. The programme is also aligned to national poverty strategies like the Vision 2025, Medium Term Development Framework 2011-2015 and the PRSP-II.<sup>12</sup> Vision 2025 relies on economic growth, a knowledge economy, social justice and protection and universal access to quality social services as main instruments for poverty reduction. Additionally, the

<sup>12</sup> The Government of Pakistan has also issued a PRSP-II document that is an abridged version of the new PRSP. The process of finalizing the full PRSP-II is at an advanced stage and has focused on areas such as education, health, water and sanitation, employment generation, and globalization and its impact on Pakistan's economy.

programme would build on and integrate with national programmes for social protection, youth skill development, interest free credit for youth and poor, Zero Hunger Initiative, vocational training programme and microfinance programmes.

## **F. Components and activities**

The Programme will consist of three key components; (i) *Social Protection and Livelihoods development*, (ii) *Financial inclusion* (iii) *Institutional development /social mobilization/Programme Management*.

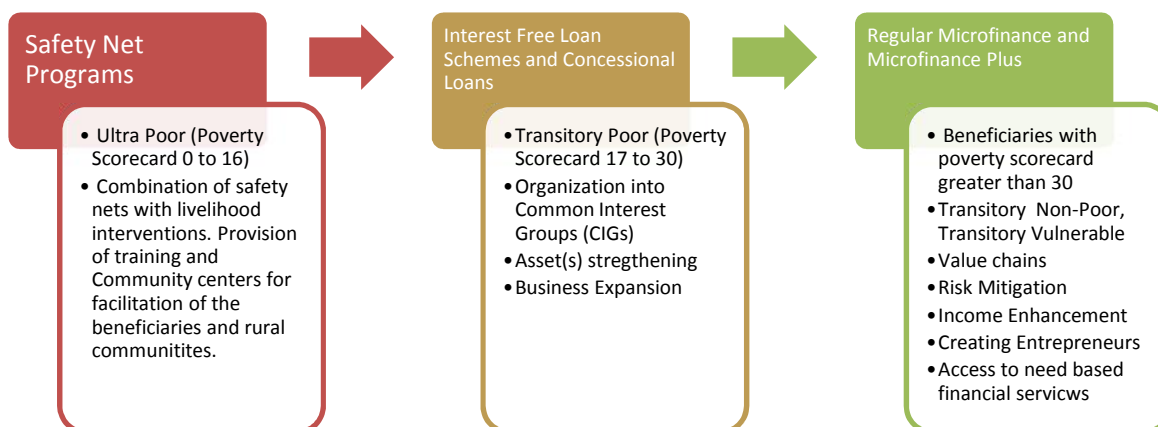
Key components of the programme include:

**Component 1: Social Protection and Livelihoods development (USD 75 million):** The component will cover community development and poverty graduation interventions. Community development interventions will be aimed at improving the broader livelihoods environment in the target communities including NRM, value chain development, enterprise development, infrastructure and access to social services (through government linkages) and private sector engagement. Poverty graduation interventions will be entirely focused on identified poorest BISP beneficiary households and will involve identification and household profiling, identification of suitable vocation and income generation activities including productive asset provision, linkage with other support mechanisms and longer term handholding and support. The component is also aimed at enhancing community members' capacity to integrate with value chains, developing business and social enterprises, and service providers to support economic activities and solve social issues, and link up with vocational and technical skills that lead to employment. A concerted effort will be made to create platforms to support and promote economic activities, and a special focus will be on women, youth, and persons with disabilities.

**Component 2: Financial inclusion (USD 25 million):** The component will be entirely funded through PPAF's own micro-finance funds and through the partner organizations engaged for the delivery of NPGP activities. The component will support both eligible non-poor and poor in the target communities and leverage both interest bearing and non-interest bearing products as per existing eligibility criteria for both. The poor who graduate to a higher poverty band, or out of poverty, the microfinance operations will provide them with further resources to up-scale business opportunities. Key areas of scale and innovation will be facilitation of rural & value chain finance, assistance to women and youth in establishing businesses/finding remunerative employment at home and abroad, creation of linkages with the private sector as well as the government, promoting entrepreneurial activities and capacity building.

**Component 3: Institutional development /social mobilization/Programme Management (USD 5 million):** The programme will follow a tested and proven social mobilization based approach to community targeting, organization and implementation in which PPAF will engage existing and new suitable partners in all target areas for the delivery of project interventions. These partners could be the existing partner RSPs and NGOs already engaged by PPAF for delivery of its micro-finance and other pro-poor interventions. PPAF will pay only the incremental costs involved in delivery of NPGP activities and there will be no costs in terms of new vehicles, offices or additional staff. Preference will be given to those RSPs and NGOs that already have operations and credible track record in given implementation area. An agreement between PPAF, relevant government entities (BISP/Provincial agency etc.) and partner organizations, covering targeting approach, intervention methodology, outputs and outcomes, monitoring and reporting responsibilities and level of effort committed will be the basis for institutional development partnerships. The approach will also emphasises working with the government in accessing basic services of education, health, nutrition and small infrastructure schemes that are critical in improving the social indicators and conditions

in the area. A typical PPAF assistance at a community level will consist of the following segments and evolution of assistance to various bands.



The key outcome indicators for the programme will be:

- consumption, health status, nutrition, education, food security, employment, financial inclusion, growth of micro and small enterprises; improvement in use of utilities and housing condition; improvement in social status (especially of women and youth); improvement in mobility of women; increased linkages with government and markets; enhanced income; risk reduction .

This programme presents a multi-dimensional solution for the population of the country at different poverty bands. The approach also offers a sustainable and long lasting solution towards graduation out of poverty. The design of the programme takes into consideration the needs of the respective population segment and focuses on provision of specialized demand based interventions. This presents a strong rationale for the Government and donor agencies to consider the investment opportunity that PPAF and its partners present for achieving the Sustainable Development Goals for the country as a whole while meeting the overarching objective of poverty alleviation across the country.

### **G. Preliminary Environmental and Social category**

The programme does not include any activity of a size or scale that will have significant environmental or social impact. A preliminary assessment of environmental and social risks suggests a rating of category B. The programme will have a positive impact on the food security particularly through improved awareness, education and incomes of the rural poor.

### **H. Preliminary Climate Risk classification**

Frequency of extreme climate change induced events is on the rise in Pakistan and the country is prone to frequent floods, unseasonal torrential rains and prolonged droughts in arid zones. Climate change resilience education, awareness and measure will be mainstreamed in the programme strategy to help government and communities to better adjust to climate change impact. A preliminary moderate climate risk rating is therefore proposed at this stage of design.

### **I. Costs and financing**

The total estimated cost will be around US\$ 105 million (IFAD: US\$ 50 million; government contributions through the on-going social safety net, interest free credit and skill enhancement programmes: US\$ 30 million and PPAF: US\$25 million for microfinance) with a duration of 6 years.

**Partnership.** Partnership opportunities will be explored for national level scaling up during the detailed design phase.

**Lending terms.** As per the prevailing terms.

## **J. Organization and management**

PPAF would be responsible for the programme and its implementation through a dedicated Management Unit. A National Steering Committee, with secretariat in PPAF, with representation from all key national and provincial cooperating programmes and provincial P&D Departments, partner RSPs will guide and steer the programme and ensure effective coordination.

## **K. Monitoring and Evaluation indicators, KM and Learning**

Rigorous monitoring and evaluation is a core function of PPAF and comes under the Compliance and Quality Assurance group. PPAF's Results Framework is linked to the SDGs and both output and outcome monitoring occur on a regular basis.

An appropriate M&E system will be developed and operationalized during the first six months of project implementation. The indicators and logical framework will be fully developed, on the basis of the programme activities and RB-COSOP log-frame during the detailed design. An indicative Log frame is attached with the Concept note including preliminary outcome and output indicators

## **L. Risks**

Pakistan is located in a politically unstable region resulting in frequent travel advisories and movement restriction, especially for foreign experts. The areas identified for IFAD investments are relatively stable and conducive for free movement. IFAD generally classifies Pakistan as inherently high risk for financial management<sup>13</sup>. However, in view of PPAF's robust and effective financial management system which has been embedded in the whole programme encompassing PPAF, its partner organizations and community institutions and IFAD's experience of past projects with PPAF, the risk will be minimal.

Most projects have suffered from design and implementation delays due to weak capacities and procedural inadequacies. Since the Programme Management will be placed within the existing management structure and procedures of PPAF and based on the efficient and timely implementation of IFAD financed MIOP, REACH and PRISM, no start delays are expected.

## **M. Timing/Schedule**

Concept note approval:	1 October 2016
Detailed Design Mission:	November / December 2016
First quality review (QE):	March 2016
Design Completion Mission:	April 2016
Second quality review (QA):	July 2017
Executive Board:	December 2017

<sup>13</sup> IFAD, *Guidance for FM risk assessment at design/supervision* (Rome, 2012).

## N. Logical Framework

Results Hierarchy	Means of Verification		Assumptions (A) / Risks (R)		
	Name	Source	Frequency	Responsibility	
<b>Goal:</b> Population poverty reduction through the creation of sustainable conditions of social and economic development, including income and production capacity increase	At least 60% of the targeted poor households including women headed household (WHH) in program area graduated out of poverty	Baseline and end line poverty score card (PSC) surveys Socio-economic surveys Impact assessments (third party) Monitoring by partner organizations and PPAF	<ul style="list-style-type: none"> <li>Baseline six months before Project starts and end line immediately after the project ends.</li> <li>As and when required</li> </ul>	PPAF & Third Party firms	<ul style="list-style-type: none"> <li>The security, policy and legal regime remains conducive to the program.</li> <li>Absence of serious environmental events (drought leading to food shortage, flooding), crop and livestock (pests and diseases) shocks in project areas.</li> </ul>
<b>Development Objective:</b> Establishment of a social and productive infrastructure system and the establishment of an effective and sustainable social safety net	At least 60% of the poor and 50% of the poorest households (0-16) move to a higher score on PSC (including WHHs)	PSC survey (baselines and end of project) and socio-economic surveys Monitoring by partner organizations and PPAF	<ul style="list-style-type: none"> <li>Baseline six months before Project starts and end line immediately after the project ends.</li> </ul>	PPAF & Third Party firms	<ul style="list-style-type: none"> <li>Key stakeholders are committed to collaborate with the program.</li> </ul>
	At least 40% of the target group have their income increased by 20% (including WHHs)	Impact evaluation surveys (third party) Monitoring by partner organizations and PPAF	<ul style="list-style-type: none"> <li>Six Months after the project ends</li> <li>As per monitoring plan</li> </ul>	PPAF & Third Party firms	<ul style="list-style-type: none"> <li>Program areas are not hit by a major natural disaster.</li> </ul>
<b>Outcomes/ Components:</b> <b>Outcome 1:</b> Provision of regular cash and/or food support, and development of suitable awareness and information activities for better nutrition for women and children in the project areas.	Average household food consumption score Average dietary diversity index score	Food Consumption score card survey Dietary diversity index survey	<ul style="list-style-type: none"> <li>Before and during Project</li> </ul>	PPAF & Third Party firms	<ul style="list-style-type: none"> <li>Program areas are not hit by a major natural disaster and food scarcity.</li> </ul>
<b>Outputs:</b> 1.1 At Least 50% of poorest (PSC 0-16) are provided with essential nutritional support through food/ cash transfers improve their livelihoods especially women and children.	Percentage of targeted households able to meet minimum food needs throughout the project period				<ul style="list-style-type: none"> <li>Program areas are not hit by a major natural disaster and food scarcity.</li> </ul>

Results Hierarchy	Means of Verification		Assumptions (A) / Risks (R)		
	Name	Source	Frequency	Responsibility	
1.2 At least 30% of the poorest (PSC 0-16) especially women headed households, are provided with productive assets including livestock, housing, and commercial enterprises.	# of poor households enrolled in cash / productive assets transfer programme				
1.3 50% of targeted men, women and youth are provided with vocational and entrepreneurship trainings in relevant trades for productive employment or business development.	At least 70% of those who have received skills training and/or assets are using them productively At least 50% of the youth involved/ benefitted through productive/technology platforms are reported to have increased awareness	Trainees database Post training monitoring visits	<ul style="list-style-type: none"> <li>•Quarterly</li> <li>•As per monitoring plan</li> </ul>		
<b>Outcome 2:</b> Effective social safety net established in favour of the populations' poorest groups, women, youth and smallholder farmers	At least 60% of poorest (0-16), in particular women (50% WHH), youth and smallholder famers (less than 5 acres of land) benefit from diversified income sources				
<b>Outputs:</b> 2.1 At least 50% of the new livelihood platforms formed have develop productive linkages with market, input/service provider, service/product buyer, or technology provider-measured in terms of at least one transaction/contract concluded	At least 60% of poorest (0-16), in particular women (50% WHH), elderly and poor within population), benefit from diversified income sources	Poverty Score Card database Outcome Monitoring Reports Sample surveys and assessments Impact evaluations	<ul style="list-style-type: none"> <li>•As per Monitoring Plan</li> <li>•During and after project</li> </ul>	PPAF, Partner organisations and third party firms	<ul style="list-style-type: none"> <li>• The inflation rate does not increase drastically.</li> </ul>
2.2 Local productive infrastructures (access roads and bridges , water supply schemes, sanitation, irrigation channels, renewable energy) built, used, operated and maintained by the communities	More than 80% of infrastructure sub-projects are used, operated and maintained by the inclusive targeted communities At least 30% of beneficiaries of infrastructure are women	Outcome Monitoring Reports Sample surveys and assessments Impact evaluations	<ul style="list-style-type: none"> <li>•As per Monitoring Plan</li> <li>•During and after project</li> </ul>	PPAF, Partner organisations and third party firms	<ul style="list-style-type: none"> <li>• Male members of the community encourage and facilitate women to actively participate in community organizations</li> <li>• Public space is not affected by conflict/ extremist elements</li> </ul>

Results Hierarchy	Means of Verification		Assumptions (A) / Risks (R)			
	Name	Source	Frequency	Responsibility		
	At least 30% of the communities are benefiting from improved infrastructure and rural access 30% improvement in communities' access to irrigation water due to the infrastructure built	Outcome Monitoring Reports Sample surveys and assessments Impact evaluations		• As per Monitoring Plan • During and after project	PPAF, Partner organisations and third party firms	
<b>Outcome 3:</b> Target Population have improved access to financial services and investment opportunities.	30% of target population has been registered with the project.	Periodic Progress Reports Poverty Scorecard database		• Quarterly	PPAF and Partner Organisations	
<b>Outputs:</b> 3.1 Microfinance beneficiaries are engaged in productive economic activities and positively contributing to the local economy	At least 60% of the beneficiaries (including 50% women) graduated to higher scores on the poverty scorecard	Periodic Progress Reports Poverty Scorecard database		• Quarterly	PPAF and Partner Organisations	• The inflation rate will not increase drastically and the economic situation remains similar to the present situation.
3.2 Target population report increase in their household incomes and/ or household assets.	At least 60% of the beneficiaries report a minimum of 25% increase in household incomes and/or assets	Outcome Monitoring Reports Sample surveys and assessments		• As per the monitoring plan • During and After the project	PPAF & Third Party firms	



## Key file 1: Rural poverty and agricultural/rural sector issues

Priority areas	Affected groups	Main issues	Actions needed
Transition ultra-poor to self-sustaining livelihoods in regions of largest poverty concentration.	Poorest rural men, women and unskilled youth, large women headed households, landless reliant on seasonal wage labour	Land is the main ingredient for income and social status in rural areas. Land ownership is very skewed in rural areas of Pakistan. Large majority of rural poor are landless and most often don't have a house of their own. They also lack other productive assets like livestock, employable skills, and access to capital/finance and entrepreneurship knowledge and opportunities. The traditional rural and agriculture development projects and social protection programmes do not meet the needs of these ultra-poor nor help them get out of poverty on sustainable basis. BISP monthly cash grants alone are also not enough to transition these families from poverty on a sustainable basis.	Responsive and flexible interventions with a 'whole-family' approach combining asset transfer, housing, skills development for women and family youth, access to capital, job placement and longer term handholding by qualified support organizations to enable the ultra-poor to develop sustainable livelihood activities enabling the ultra-poor families to get out of poverty on sustainable basis.
A value chain development approach to smallholder production systems enabling improved returns from agriculture and livestock activities	Smallholders with less than five acre holdings and less than five cattle and tenant farmers and rural unemployed youth	Market imperfections and lack of access to markets and information; lack of access to production, processing, value addition and aggregation and transport technologies; small and scattered production and lack of aggregation and marketing platforms; disconnects between producers, private sector service providers and public sector services	Provide physical linkages to markets – roads, rural markets. Develop the knowledge and skills of small producers including tenants. Ensure farmers have access to credit and other financial services. Build business relationships between producers and suppliers and buyers, as well as sustainable provision of support services.
Scaling up the successful and promising models of small holder development and extreme poverty eradication through larger co-financing commitment from government and other development partners	Smallholder farmers, landless poor, women headed poor households, rural unemployed youth	Despite demonstration of number of successful models for TUP, rural poverty reduction, smallholder income generation, value chain development, women and youth empowerment and enhanced nutrition etc., these models remain project specific and don't get scaled up or mainstreamed in government development priorities.	Scale up the coverage of successfully completed and on-going promising initiatives and models and align them closely with government poverty reduction and social protection programmes; solicit higher government counterpart funding for enhanced coverage, enhanced impact and national internalization of successful models

Increase resilience to climate change and improve secure access to drinking and irrigation supplies for rural small holders and poor	Smallholder farmers, livestock owners, tenants, landless men and women in water deficit arid zones, uplands and along flood plains	Climate change has on one hand increased the frequency of extreme weather patterns and floods and on the other hand greatly endangered water security for drinking and irrigation purposes in the rain-fed and arid zones and uplands. The poor and smallholders are most affected/vulnerable due to this	Climate-resilient infrastructure (concrete roads, village protection, protective embankments, drainage and water supply). Livelihood strategies and technologies that are adapted to climate change. This includes drought resistant crops, adapted agronomic practices and adoption of new cropping patterns, crops and livestock rearing practices. Employment and income generation for the poorest and reliable post-disaster coping mechanisms
Improved food security and nutrition for rural populace and reduce malnutrition especially for women and children	Very and poor men, women, youth and children	Despite reductions in poverty 50 per cent of rural children suffer from chronic malnutrition (Vision 2025). This is linked to lack of education of the mother, child feeding practices, and poor health and sanitation as well as an inadequate food intake. Even the families with sufficient food supplies are found to be suffering from different degrees of malnutrition and nutrient deficiencies	Reduce poverty and enable households to produce more nutritious food (eggs, milk, vegetables at homestead level). Disseminate information on children's food requirements along with better health and sanitation practices (latrines, deworming, and micro-nutrients). Comprehensive package of knowledge and education for target groups on growing nutritious foods, food preparation and intake, gender neutral access and availability and nutrition needs of different age groups and gender.
Women and youth empowerment	Women from poor households especially female headed households and unskilled youth from poor families	Only 6 per cent of rural youth have any employable skills. This combined with large incidence of illiteracy limits their options for any off-farm income generation or employment elsewhere.	Identification of such youth, assessment of their abilities to learn various trades and employable skills, assistance in learning such skills, job placement or enterprise development and handholding and support during the initial period through a strong social mobilization approach.
Create more rural employment for youth, women and poor	Youth, entrepreneurs and farmers	Small businesses need support to be able to expand to the point that they create wage employment. Commercialisation of agriculture will assist, but the rural non-farm sector has greater growth potential.	Access to markets and capital, new technologies for production, new agricultural and non-agricultural products to meet the needs of growing urban markets.

<p>Improve the position of women</p>	<p>Women of all ages in lower income brackets</p>	<p>Number of female-headed households is increasing due to migration of men to cities for wage opportunities. Women have limited say in household decisions due to cultural norms and patriarchal controls. Women representation in decision-making bodies is lacking. Cultural norms constrain their mobility to seek income generation opportunities away from home. They are disadvantaged in terms of education and access to nutrition.</p>	<p>Income earning opportunities for women, both employment and self-employment. This can be supported by access to micro-finance and markets. To enable women to benefit from these opportunities, this needs to be linked with relevant skills development. This needs to be supplemented by engaging with men and household methodologies to create positive behavior at the household level for use of household resources and more equitable household workload balance. Participation in women specific and mixed COs at village level can give them voice in decisions affecting their well-being.</p>
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## Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats analysis)

Organisation	Strengths	Weaknesses	Opportunities	Threats
<b>Federal Level</b>				
Economic Affairs Division	<ul style="list-style-type: none"> <li>• Central clearing entity for all loan and grant funding</li> <li>• Institutional memory and capacity to interact with diverse range of foreign funding agencies</li> <li>• Articulator of government policy for foreign loan and grant funding and priority areas</li> <li>• Loan and grant funding progress reviewer and coordinator</li> </ul>	<ul style="list-style-type: none"> <li>• More pronounced provincial role after 18<sup>th</sup> amendment to constitution in loan and grant negotiations</li> <li>• Lack of role clarity post 18<sup>th</sup> amendment</li> </ul>	<ul style="list-style-type: none"> <li>• New terms of engagement can be articulated between provincial P&amp;Ds and EAD</li> <li>• Capacity builder of provincial P&amp;Ds for sourcing of foreign funding</li> </ul>	<ul style="list-style-type: none"> <li>• High staff turnover</li> <li>• Slow pace of re-defining post 18<sup>th</sup> amendment roles and mandates at federal and provincial levels</li> </ul>
Ministry of Finance	<ul style="list-style-type: none"> <li>• Policy articulator on federal and provincial revenue, taxation and foreign funding</li> <li>• Final arbitrator on all macro-economic policy and strategy aspects</li> <li>• Committed to enhanced funding for social protection initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Limited influence on provincial decisions on revenue generation and expenditures</li> </ul>	<ul style="list-style-type: none"> <li>• Defining new rules of game in terms of evidence based budgeting, tax to GDP ratio and formalising of economy</li> </ul>	<ul style="list-style-type: none"> <li>• Slow progress on improving Tax to GDP ratio limiting space for pro-poor investments</li> <li>•</li> </ul>
Ministry of Agriculture Research and Food Security	<ul style="list-style-type: none"> <li>• Control and management of national agriculture research system</li> <li>• Central policy level clearing house and government representative for international protocols and agreements related to crops, livestock, food and nutrition</li> </ul>	<ul style="list-style-type: none"> <li>• No outreach at provincial and field level</li> <li>• Reduced say and resources for agriculture and rural development after 18<sup>th</sup> amendment</li> <li>• Lacking capacity and resources to lead provinces in food security aspects</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional restructuring and redefining Ministry role and effectiveness in the wake of 18<sup>th</sup> amendment</li> <li>• Reconstitute national level policy and coordination forums to align federal and provincial roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Low priority to the sector in federal policy and resource allocation</li> </ul>

Ministry of Climate Change	<ul style="list-style-type: none"> <li>Federal level policy articulator on climate change and its mitigation</li> </ul>	<ul style="list-style-type: none"> <li>Serious capacity constraints and lack of resources</li> <li>Limited influence and say at provincial level who have the mandate for implementation and related financial resources</li> </ul>	<ul style="list-style-type: none"> <li>Building capacity and designing roles and responsibilities between Federal Ministry and provinces</li> </ul>	<ul style="list-style-type: none"> <li>Province's reluctance to cede any role to federal entities in sectors devolved to them</li> </ul>
Ministry of Water and Power	<ul style="list-style-type: none"> <li>Custodian of major water reservoirs and executor of major water sector projects</li> <li>Federal representative on trans-boundary water issues and international commitments</li> </ul>	<ul style="list-style-type: none"> <li>No role in water-management at provincial and field level</li> <li>More engaged in power/energy related issues than water sector issues</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of a National Water Commission for an integrated management of national water sources (Vision 2025)</li> </ul>	<ul style="list-style-type: none"> <li>sensitive topic between provinces and between federal and provincial levels on water distribution and usage</li> </ul>
Benazir Income Support Programme	<ul style="list-style-type: none"> <li>Largest and well-resourced social protection programme</li> <li>A credible database of beneficiaries selected through a scientific poverty scorecard based system</li> <li>Technology based cash transfers and monitoring systems</li> </ul>	<ul style="list-style-type: none"> <li>A static database that is now over five year old</li> <li>No field level support to maintain a dynamic database</li> <li>Technology based transfers onerous for rural poor illiterate beneficiaries</li> <li>No credible poverty graduation strategy</li> <li>Social protection is no longer a federal government mandate</li> </ul>	<ul style="list-style-type: none"> <li>Possibility of evolving a dynamic poverty data base through partnerships and collaboration</li> <li>Provinces establishing their own social protection authorities that would bring more resources for the poor</li> <li>Linking the poor to other programmes on skill development, interest free credit, asset transfer for graduation</li> </ul>	<ul style="list-style-type: none"> <li>Duplication between federal and provincial social protection programmes</li> <li>Sustainability in case federal revenue generation remains stagnant</li> </ul>
<b>Provincial Level</b>				
Planning & Development Departments	<ul style="list-style-type: none"> <li>Lead agency for all provincial level development planning and monitoring</li> <li>Coordinator and interface for all donor funded projects</li> <li>Secretariat of PDWP responsible for approval of all development schemes</li> </ul>	<ul style="list-style-type: none"> <li>Limited professional and operational independence on development prioritization and resource allocation</li> <li>Limited capacity for longer term strategic development planning</li> <li>Top-down decision making culture with limited attention to evidence based resource allocation</li> </ul>	<ul style="list-style-type: none"> <li>Increased resource availability under NFC awards and post 18<sup>th</sup> amendment devolution</li> <li>Capacity development for evidence based resource allocation and pro-poor strategies</li> </ul>	<ul style="list-style-type: none"> <li>This spread of resources</li> <li>Low priority to agriculture and rural development</li> </ul>

Punjab Livestock and Dairy Development Department	<ul style="list-style-type: none"> <li>• Extensive extension and research network</li> <li>• Considerable capable human resource at all levels</li> <li>• Policy, regulatory and implementation mandate</li> </ul>	<ul style="list-style-type: none"> <li>• free provision of extension services with uncertain resource availability</li> <li>• Constrained access of smallholders and poor to services</li> </ul>	<ul style="list-style-type: none"> <li>• Greater role to private sector in service provision with department looking after quality and regulatory aspects</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Low allocation of resources despite sectors importance</li> <li>•</li> </ul>
Balochistan Fisheries Department	<ul style="list-style-type: none"> <li>• Responsible for all policy and regulatory aspects of inland and coastal fisheries in the province</li> <li>• Field outreach and presence</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity limitations in particular for extension and marine fisheries monitoring</li> <li>• Lack of effective programmes for building capacity of small fishermen.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity development for extension support to fishermen and effective monitoring and regulation</li> </ul>	<ul style="list-style-type: none"> <li>• Low priority in provincial resource allocation</li> <li>• High staff turn over at provincial level</li> </ul>
Balochistan Agriculture Department	<ul style="list-style-type: none"> <li>• One of the largest extension service provider in agriculture sector</li> <li>• Extensive field level presence and extension and research mandate</li> </ul>	<ul style="list-style-type: none"> <li>• Financial resource constraints</li> <li>• Lack of motivation at field level and mobility constraints</li> <li>• Lack of strategic policy and plans</li> </ul>	<ul style="list-style-type: none"> <li>• Reorientation for value chain approach to local high value crops and fruit products</li> </ul>	<ul style="list-style-type: none"> <li>• Low priority to sector in provincial resource allocation</li> <li>• Politicised decision-making</li> </ul>
Gilgit-Baltistan Department of Agriculture and Research	<ul style="list-style-type: none"> <li>• One of the largest extension service provider in agriculture sector</li> <li>• Extensive field level presence and extension and research mandate</li> <li>• Well trained staff in participatory extension approaches</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of financial and mobility resources</li> <li>• Uncertain funding streams</li> <li>• Lack of value chain centered approach</li> </ul>	<ul style="list-style-type: none"> <li>• Region of high value horticulture and vegetable crops</li> <li>• Great potential for value chain development</li> <li>• Opportunities for private sector partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Climate change induced crop uncertainties</li> <li>• Low priority in provincial resource allocation</li> <li>• High staff attrition</li> </ul>
GB Directorate of Irrigation	<ul style="list-style-type: none"> <li>• Mandate for irrigation development</li> <li>• Considerable experience in development of irrigation structure in mountainous areas</li> <li>• Well established participatory irrigation development principles and practices</li> </ul>	<ul style="list-style-type: none"> <li>• Limited staff</li> <li>• Limited financial resource allocation</li> <li>• Mobility constraints</li> <li>• Low local contractor and design consultant capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Over 200,000 acres of land available for new irrigation</li> <li>• High returns on new irrigated land</li> <li>• Community willingness to participate</li> </ul>	<ul style="list-style-type: none"> <li>• Land ownership disputes</li> <li>• Multiple and conflicting land ownership practices</li> </ul>
GB Public Works Department	<ul style="list-style-type: none"> <li>• Mandate for execution of all large infrastructure in the</li> </ul>	<ul style="list-style-type: none"> <li>• Uncertain funding stream and thin spread of available</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity development for in house design and</li> </ul>	<ul style="list-style-type: none"> <li>•</li> <li>• Lack of maintenance</li> </ul>

	<p>province including roads, power, irrigation, public buildings</p> <ul style="list-style-type: none"> <li>• Largest and most well-resourced development department</li> <li>• Qualified staff</li> </ul>	<p>resources</p> <ul style="list-style-type: none"> <li>• Politically motivated transfers</li> <li>• Poor quality controls and lack of accountability</li> <li>• Poor contractor capacity</li> </ul>	<p>quality control regimes</p> <ul style="list-style-type: none"> <li>• Local design and construction capacity development of private sector</li> </ul>	<p>system</p>
<b>The Private Sector</b>				
The Private sector	<ul style="list-style-type: none"> <li>• Dynamic and growing rapidly for crops, livestock, fruit &amp; vegetables and fisheries sectors</li> <li>• Arrival of multi-national chains inducing quality controls and value chain improvements</li> <li>• Emergence of agriculture and livestock service providers</li> </ul>	<ul style="list-style-type: none"> <li>• Local agri-business enterprises, especially those investing in value addition through agro-processing, is a small and nascent activity and many businesses lack technical capacity and access to capital</li> <li>• Weak linkages between rural and urban markets</li> <li>• Mutual suspicion between public and private sector and lack of trust</li> </ul>	<ul style="list-style-type: none"> <li>• Support for the expansion of contract farming and strengthening of farmer's interest groups, including establishment of Producer Organizations, would empower farmers and provide help to small and marginal farmers to diversify production systems with assured access to new technologies, markets and credit</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of supportive policies (land use and land lease, agricultural trade, input pricing, finance) and business environment (weak regulatory regime and quality controls, especially for agricultural exports; rural infrastructure) could limit the private sector entry and growth in rural economy</li> </ul>
<b>PPAF, RSPs and NGOs</b>				
Pakistan Poverty Alleviation Fund	<ul style="list-style-type: none"> <li>• Have significant financial, human and physical resources and presence in rural areas (128,000 COs of which 48% are female)</li> <li>• Extensive network of partnerships with RSPs and NGOs capable of providing a range of services, including technical, credit, training, input supply and marketing support</li> <li>• Well established micro-finance programme network</li> <li>• Well established governance and pro-poor development</li> </ul>	<ul style="list-style-type: none"> <li>• Still strongly wedded to Government resources.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Outreach to large group of farmers and IFAD target group</li> <li>• Innovation and development of new pro-poor activities and services including TUP</li> <li>• Linking of micro-finance, skill development, social mobilization and asset building for sustainable escape from poverty</li> </ul>	<ul style="list-style-type: none"> <li>• Depend on favourable policy environment (for micro-credit) and flow of donor and government funds for activities.</li> </ul>

RSPs	<p><u>practices and principles</u></p> <ul style="list-style-type: none"> <li>• A network of 12 RSPs covering almost entire country</li> <li>• Over 135,000 community organization with around 6 million members</li> <li>• Close links with poor, as well as small and marginal farmers and knowledge of local circumstances.</li> <li>• Willingness to try out new and different innovation in terms of approaches and services.</li> <li>• Old trust based relationship with IFAD funded projects</li> </ul>	<ul style="list-style-type: none"> <li>• Varied capacities among different RSPs</li> <li>• Often lack of clarity between programmes funded from different sources in the same geographical area</li> </ul>	<ul style="list-style-type: none"> <li>• Can provide multiple pro-poor services under one umbrella including micro-finance, extension support, social mobilization, skill development</li> </ul>	<ul style="list-style-type: none"> <li>• Still largely dependent on government and donor funding for development activities</li> </ul>
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### Key file 3: Complementary donor initiatives/partnership potential

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
World Bank	<ul style="list-style-type: none"> <li>▪ Transforming the energy sector...support reforms and large investments in the power sector to reduce load shedding, expand low-cost generation supply, improve governance and cut losses... target subsidies on the poorest</li> <li>▪ Supporting private sector development... strengthening the business environment, including in the provinces, to improve competitiveness and expand investment, improve productivity of farms and businesses, and make cities more growth friendly to create productive and better jobs (especially for youth and women).</li> <li>▪ Reaching out to the underserved, neglected, and poor...focus on micro, small and medium enterprises (MSMEs), women and youth, fragile provinces/regions and poorer districts, social protection, and resilience and adaptation to the impact of climate change...expanding the coverage of the Benazir Income Support Program (BISP) by 20 percent with females as major beneficiaries;</li> <li>▪ Accelerating improvements in services...increasing revenues to fund services and setting more ambitious stretch targets (especially education and health). Key outcomes will be to increase tax revenue from 9.6 percent of GDP</li> </ul>	2015-19	<p>There are three areas in WB priority sectors where strong partnership and synergy potential exists both in terms of lending and non-lending activities:</p> <ol style="list-style-type: none"> <li>1. Balochistan Integrated Water Management and Development Programme (US\$200 million) covering the poorest, water scarce, climate change affected region where WB proposes to invest in large infrastructure in two river basins and IFAD can bring to bear its niche expertise in community based on-farm and off-farm development activities for small holders, women and youth.</li> <li>2. Reaching out to underserved and poorest including expansion of Benazir Income Support Programme. A partnership can be developed both with the WB and BISP for scaling up successful poverty graduation models from other IFAD funded projects in the country initially on a pilot basis in two/three districts with subsequent expansion in collaboration with other national and donor agencies through a trust fund mode.</li> <li>3. A partnership in non-lending activities including promotion of dialogue platforms focused on evidence based budgeting for agriculture and rural development sector, mainstreaming climate change and climate resilience in national development agenda and pro-poor service delivery</li> </ol>
Asian Development Bank	<ul style="list-style-type: none"> <li>▪ Infrastructure development: (i) a reliable and affordable energy system (ii) better domestic and regional connectivity to lower trade and transport costs; (iii) provincial roads and urban public transport systems to provide wider access to markets, jobs, and public services; (iv) stronger water resource management and irrigation to</li> </ul>	2015-19	<p>Two main areas of potential collaboration and co-financing are:</p> <ol style="list-style-type: none"> <li>1. Water resource management and irrigation within which ADB plans to finance Jalapur Canal Development Project including main canal and distribution and on-farm water management system. Project targets one of the poorest regions in Western Punjab. The project was earlier</li> </ol>

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
	<p>improve agricultural productivity, increase farm incomes, strengthen food security; and (v) better health and environment for urban residents</p> <ul style="list-style-type: none"> <li>▪ Institutional reforms (including policy, regulatory, and administrative systems as well as financial management) to help mobilize resources, facilitate effective private sector participation, and improve public service delivery</li> </ul>		<p>planned as a co-financed ADB-IFAD initiative but could not be started due to ADB's change of phasing. The project offers replication of earlier successful IFAD-ADB collaboration in Pat-Feeder Development Project.</p> <p>2. A non-lending/dialogue partnership in areas of social protection, climate change and climate resilience, and water security and conservation</p>
USAID (USA)	<p>USAID programs in Pakistan focus on five key areas: energy, economic growth, governance and stabilization, education, and health incorporate two crosscutting themes—good governance and gender equality. USAID proactively engages the private sector and Pakistani civil society in programme implementation.</p>	Rolling Plan	<p>Opportunity for collaboration exists in USAID funded Satpara Development Project in Gilgit Baltistan through IFAD-funded ETI project particularly in area of value chain development and rural infrastructure development. Other areas of possible collaboration include social protection and climate change.</p>
JICA (Japan)	<p>Social Sector: Education (including technical education), health, water supply &amp; sanitation, Infrastructure: Irrigation, transport and energy Environment and Disaster Risk Management</p>	New plan under formulation	<p>Areas of potential collaboration include value chain development pilot in GB and dialogue partnership on environment, climate resilience and disaster risk management.</p>
DFID (UK)	<ul style="list-style-type: none"> <li>▪ Building Peace and Stability</li> <li>▪ Making Democracy Work</li> <li>▪ Promoting Macroeconomic Stability, Growth and Jobs</li> <li>▪ Effective delivery of public services</li> </ul>	2011-15 <sup>14</sup>	<p>Collaboration and synergy can be developed with DFID funded Skills Development Programme in Punjab for the benefit of youth in IFAD funded areas.</p>
European Union	<p>Focal areas</p> <ul style="list-style-type: none"> <li>• Human and social development</li> <li>• Good governance and human rights</li> <li>• Economic and trade development</li> </ul> <p>Non-focal areas:</p> <ul style="list-style-type: none"> <li>• Environment and disaster management</li> <li>• Food security and nutrition</li> </ul>		<p>EU is most active in social sectors (health, education and nutrition) and rural infrastructure and opportunities can be identified for collaboration in these sectors in IFAD assisted regions.</p>
World Food	Food-based programmes for the extreme poor,	2007-10	Opportunities exist for collaboration in WFP's Food for Work

<sup>14</sup> The next DFID programme strategy will be finalized in 2016.

Agency	Priority sectors and areas of focus	Period of current country strategy	Complementarity/Synergy Potential
Programme	IDPs and flood disaster relief. CO-Chair with FAO for Food security, Nutrition and Zero Hunger Cluster Nutrition and vulnerability Mapping		programme in IFAD assisted area. Further collaboration in food security, Zero Hunger and nutrition also exist.
FAO	<ul style="list-style-type: none"> <li>▪ Support to Food Security Policy and National Zero Hunger Programme for Enhanced Food and Nutrition Security</li> <li>▪ Support to Pakistan New Growth Strategy through Sustainable Agricultural Economic Growth including support for provincial agricultural investment projects and programmes linking small farmers to markets; promoting productive and decent rural employment through value addition and market linkages;</li> <li>▪ Disaster Risk Reduction/Management and Emergency Response, including support to vulnerable rural population to adapt to fragile ecosystems, climate change, man-made and natural disasters;</li> <li>▪ Capacity Development for Agriculture Sector under Devolution including creation of a reliable data base and information systems for providing a solid basis for policy making on food security;</li> </ul>	2012-17	<p>IFAD and FAO have number of areas of common interest and their respective country strategies and operational framework converge on many key themes including food security and nutrition for the poor, value chain approach to agriculture development and market linkages, climate change and adaption and climate resilience. IFAD will seek, as in the past, FAO's active engagement in all future project designs to identify areas of FAO involvement, in particular areas where FAO has comparative advantage.</p> <p>IFAD projects and beneficiaries can benefit from FAO's ongoing work in area of climate change and disaster risk reduction and related activities under Strategic Objective 2.</p>

## Key file 4: Target group identification, priority issues and potential response

Typology	Poverty Level And Causes	Coping Actions	Priority Needs	Support from Other Initiatives	COSOP Response
Poorest of poor	<p><b>Poorest and chronic poor as per BISP Poverty Score card (score of zero to 11)*</b></p> <ul style="list-style-type: none"> <li>i. Lack own house shelter</li> <li>ii. Lack of productive assets and employable skills</li> <li>iii. Women headed large households with no permanent source of income</li> <li>iv. Lack of access to finance and formal support systems; youth with no employable skills</li> </ul> <p>* BISP currently provides cash support to people up to 16.8 score</p>	<ul style="list-style-type: none"> <li>• BISP financial support of Rs. 1,800/month (if registered)</li> <li>• Irregular daily wage labour of work as domestic help</li> <li>• Seasonal borrowings in cash and kind</li> <li>• Handouts</li> </ul>	<ul style="list-style-type: none"> <li>• Own shelter/house that would give freedom in economic choices</li> <li>• Vocational Skill development and financial support for youth in family for self employment or employment abroad</li> <li>• Longer term handholding and guidance through social mobilization</li> <li>• Access to water and social services</li> <li>• Nutrition support including awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Federal and provincial programmes for skill development and loans for enterprise development</li> <li>• USAID, DFID and other bilateral donor programmes</li> <li>• Various RSP and NGO support programmes</li> <li>• Zero Hunger Programme (WFP and FAO supported)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Scale-up</b> proven poverty graduation models involving asset creation, housing, skill development and access to finance once the poor become bankable</li> <li>• Build partnerships with social protection programs (BISP) and agencies with TUP expertise and coverage (PPAF)</li> </ul>
Chronically Poor - Landless and marginal farmers including tenants/sharecroppers in poorest upland, rain-fed and remote districts, coastal fishermen (25% of the rural households)	<p><b>Moderate poor/vulnerable (Poverty score card 12 to 18)</b></p> <ul style="list-style-type: none"> <li>• Limited productive assets and skills and widespread illiteracy</li> <li>• Own 1-4 cattle of poor breeds and productive capacity</li> <li>• Own 0.05 to 2 acres of land with poor production and productivity and lack of access to adequate extension support and inputs</li> <li>• Vulnerable to climate change induced events like floods/droughts</li> <li>• Lack of access to secure water supplies for farm, cattle and home consumption</li> <li>• Scattered production constraining access to markets and lack of</li> </ul>	<ul style="list-style-type: none"> <li>• Off-farm wage labour and additional leased land</li> <li>• Seasonal migration to urban areas for wage labour</li> <li>• Sale of cattle for emergencies</li> <li>• Forward sale of crop to middle-men on reduced rates</li> <li>• Seasonal borrowing from money lender and in kind for food</li> </ul>	<ul style="list-style-type: none"> <li>• Improved extension support for production and productivity enhancement</li> <li>• Switch to high value crops</li> <li>• Market linkages and collective marketing forums</li> <li>• Access to improved inputs and services</li> <li>• Access to non-farm opportunities and formal credit for enterprise and inputs</li> <li>• Climate resilient cropping systems</li> <li>• Water security for</li> </ul>	<ul style="list-style-type: none"> <li>• Agriculture loans from ZTBL and commercial banks but coverage and access constrained for landless and marginal farmers</li> <li>• Various government extension initiatives but prone to elite capture.</li> <li>• Nascent private sector linkages services and marketing but lack scale and reliability</li> <li>• Donor and government skills development programmes and interest free loans but</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen value chain based participative agriculture development approaches</li> <li>• Introduce high value crops and improved breeds</li> <li>• Improve orientation, capacity and quality of public and private sector extension services</li> <li>• Promote public-private-farmer partnerships</li> <li>• Promote community food-banks to address</li> </ul>

	aggregation and collective marketing platforms <ul style="list-style-type: none"> <li>• Lack of access to quality inputs, micro-finance and extension services</li> </ul>		irrigation and domestic use <ul style="list-style-type: none"> <li>• Nutrition support including awareness particularly for women and young</li> </ul>	inadequate handholding and social mobilization support <ul style="list-style-type: none"> <li>• Zero Hunger Programme</li> </ul>	seasonal food shortages and usurious borrowings <ul style="list-style-type: none"> <li>• Improve access to knowledge, markets, finance and collective forums</li> <li>• Mainstream climate resilience in terms of housing, cropping and water availability</li> </ul>
Small farmers and local entrepreneurs	<b>Transient Poor and Vulnerable (Poverty Score 19-34)</b> <ul style="list-style-type: none"> <li>• Small farmers having 2 to 5 acres of land and 2-6 cattle/small ruminants</li> <li>• Vulnerable to natural disasters, family calamities and unfavourable markets</li> <li>• Lack of access to production knowledge, markets, finance, information</li> <li>• Traditional practices in all cycles of pre and post production</li> <li>• Lack of local aggregation centres/markets</li> <li>• Lack of local value addition</li> <li>• Transport constraints</li> <li>• Inadequate irrigation and drinking water supplies for crop and farm expansion</li> <li>• Climate change impact on housing, production and water security</li> </ul>	<ul style="list-style-type: none"> <li>• Borrowing from middlemen for inputs and emergencies</li> <li>• Cattle rearing for additional income</li> <li>• Seasonal borrowing and petty trading</li> <li>• Seasonal migration to cities for wage opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Access to improved varieties and inputs and extension services</li> <li>• Transition to higher value crops in demand</li> <li>• Better and more secure access to markets through local aggregation platforms, information, local markets and road infrastructure</li> <li>• Access to technology and capital for local value addition</li> <li>• Nutrition support and awareness</li> <li>• Climate change resilience</li> </ul>	<ul style="list-style-type: none"> <li>• Smaller pilot programmes by government and donor agencies for value chain development</li> <li>• Private sector initiatives in dairy and fruits/vegetables for aggregation, quality and productivity</li> <li>• Zero Hunger Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Support commercial agriculture through holistic value chain development</li> <li>• Improve research and extension capacity for supporting high value production and marketing</li> <li>• Increase volume of trade for market traders through building market infrastructure</li> <li>• Improve farm to market access through investments in strategic links</li> <li>• Build win-win public-private-farmer partnerships</li> <li>• Mainstream climate resilience in all aspects of living and production systems</li> <li>• Invest in water security for agriculture and domestic use</li> </ul>